SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended SEPTEMBER 27, 1997 Commission File number 1-9273

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

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

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

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

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

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

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

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

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

The aggregate market value of the Registrant's Common Stock, $0.01 par value, held by non- affiliates of the Registrant as of December 12, 1997, was $155,424,806. For purposes of the foregoing calculation only, all directors, executive officers, and 5% beneficial owners have been deemed affiliates.

27,589,250 shares of the Registrant's common stock, $.01 par value, were outstanding as of December 12, 1997.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's proxy statement for the annual meeting of stockholders to be held February 4, 1998 are incorporated by reference into Part III.

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PART I

ITEM 1. BUSINESS

GENERAL

Pilgrim's Pride Corporation (the "Company"), which was incorporated in Texas in 1968 and reincorporated in Delaware in 1986, is the successor to a partnership founded in 1946 as a retail feed store. Over the years, the Company grew through both internal growth and various acquisitions of farming operations and chicken processors. In addition to domestic growth, the Company initially expanded into Mexico through the acquisition of several smaller chicken producers in 1988.

Pilgrim's Pride Corporation is one of the largest producers of prepared and fresh chicken products in North America and has one of the best known brand names in the chicken industry. The Company is the fourth largest producer of chicken in the United States and one of the two largest in Mexico. Through vertical integration, the Company controls the breeding, hatching and growing of chickens and the processing, preparation, packaging and sale of its product lines. In fiscal 1997, approximately 78% of the Company's net sales were from its U.S. operations, including U.S. produced chicken products sold for export to Canada, Eastern Europe, the Far East and other world markets, with the remaining approximately 22% arising from the Company's Mexico operations.

The Company's objectives are to increase sales, profit margins and earnings and outpace the growth of the chicken industry: (i) by focusing on growth in the prepared food products market, (ii) by focusing on growth in the Mexico market, and (iii) through greater utilization of the Company's existing assets. Key elements of the Company's strategy to achieve these objectives are to:

FOCUS U.S. GROWTH ON PREPARED FOODS. In recent years the Company has focused its sales of prepared foods to the foodservice market, particularly to chain restaurants and frozen entree producers. The market for prepared foods has experienced greater growth and higher margins than fresh chicken products, and the Company's sales of prepared foods products to the foodservice market have grown from $183.2 million in fiscal 1993 to $347.8 million in fiscal 1997, a compounded annual growth rate of 17.4%. Additionally, the production and sale of prepared foods reduces the impact of feed grain costs on the Company's profitability. As further processing is performed, feed grain costs become a decreasing percentage of a product's total production cost. The Company is now the largest supplier of chicken to Wendy's and Jack-in-the-Box chain restaurants and to Stouffer's frozen entree operation. Other major prepared foods customers include KFC and Taco Bell. Prepared foods constituted 45.4% of the Company's U.S. chicken sales in fiscal 1997.

FOCUS ON CUSTOMER DRIVEN RESEARCH AND TECHNOLOGY. Much of the Company's growth in prepared foods has been the result of customer-driven research & development focused on designing new products to meet customer's changing needs. The Company's research & development personnel often work directly with institutional customers in developing proprietary products. Approximately $118 million of the Company's sales to foodservice customers in fiscal 1997 consisted of new products, which were not sold by the Company in fiscal 1993. The Company is also a leader in utilizing advanced processing technology, which enables the Company to better meet its customers' needs for product innovation, consistent quality and cost efficiency.

ENHANCE THE U.S. FRESH CHICKEN PRODUCT MIX THROUGH VALUE-ADDED, BRANDED PRODUCTS. The Company's fresh chicken business is an important component of its sales and has grown from sales of $249.3 million in fiscal 1993 to $326.5 million in fiscal 1997. In addition to maintaining its sales of mature, traditional fresh chicken products, the Company's strategy is to shift the mix of its U.S. fresh chicken products by continuing to increase sales of higher margin, faster growing products, such as marinated chicken and chicken parts. As a result of this strategy, the Company's compounded annual growth rate of fresh chicken sales from fiscal 1993 to fiscal 1997 exceeded 6.9% while total U.S. industry sales of fresh chicken increased approximately 1%.

MAINTAIN OPERATING EFFICIENCIES AND INCREASE CAPACITY ON A COST-EFFECTIVE BASIS. As production and sales have grown, the Company has

maintained operating efficiencies by investing in state of-the-art technology, processes and training and by making cost-effective acquisitions both in the U.S. and Mexico. As a result, according to industry data, since 1993 the Company has consistently been one of the lowest cost producers of chicken. Continuing this strategy, the Company acquired additional chicken producing assets in the U.S. in April 1997, to replace chicken purchased from third parties, at a cost that management believes is significantly less than the cost required to construct a new chicken production complex with similar capacity.

CAPITALIZE ON INTERNATIONAL DEMAND FOR U.S. CHICKEN. Due to U.S. consumers' preference for chicken breast meat, the Company has targeted international markets to generate sales of leg quarters. The Company has also begun selling prepared food products for export, to the international divisions of its U.S. chain restaurant customers. As a result of these efforts, sales for these markets have grown from less than 1% of the Company's total U.S. chicken sales in fiscal 1993 to more than 5% in fiscal 1997. Management believes that: (i) U.S. chicken exports will continue to grow as worldwide demand for high grade, low costs protein sources increases, and (ii) worldwide demand for higher margin prepared food products will increase over the next five years; and accordingly, the Company is well positioned to capitalize on such growth.

CAPITALIZE ON INVESTMENTS AND EXPERTISE IN MEXICO. The Company's strategy in Mexico is focused on: (i) being one of the most cost-efficient producers and processors of chicken in Mexico by applying technology and expertise utilized in the U.S. and (ii) increasing distribution of its higher margin, value added products to national retail stores and restaurants. This strategy has resulted in the Company obtaining a market leadership position, with its estimated market share in Mexico increasing from 10.9% in 1993 to 17.7% in 1997.

The Company's chicken products consist primarily of: (i) prepared foods, which include portion-controlled breast fillets, tenderloins and strips, formed nuggets and patties and bone-in chicken parts, which are sold frozen and may be either fully cooked or raw, (ii) fresh chicken, which includes refrigerated (non-frozen), whole or cut-up chicken sold to the foodservice industry either pre-marinated or non-marinated and prepackaged chicken, which includes various combinations of freshly refrigerated, whole chickens and chicken parts in trays, bags or other consumer packs labeled and priced ready for the retail grocers' fresh meat counter, and (iii) export and other, which includes parts and whole chicken, either refrigerated or frozen for U.S. export or domestic use. The Company's Mexican products consist of live, uneviscerated and eviscerated chicken.

The following table sets forth, for the periods since fiscal 1993, net sales attributable to each of the Company's primary product lines and markets served with such products. The table is based on the Company's internal sales reports and its classification of product types and customers.

	FISCAL YEAR ENDED				
	Sept. 27, 1997 (52 Weeks)	Sept. 28, 1996 (52 Weeks)	Sept. 30, 1995 (52 Weeks)	Oct. 1, 1994 (52 Weeks)	Oct. 2, 1993 (53 Weeks)
	(In thousands)				
U.S. Chicken Sales:					
Prepared Foods					
Food Service	$347,831	$303,939	$240,456	$205,224	$183,165
Retail	41,804	42,946	38,683	61,068	89,822
Total Prepared Foods	389,635	346,885	279,139	266,292	272,987
Fresh Chicken:					
Food Service	173,743	145,052	140,201	155,294	149,197
Retail	152,738	141,135	138,368	125,133	100,063
Total Fresh Chicken	326,481	286,187	278,569	280,427	249,260
Export and Other	142,030	140,614	113,414	88,437	77,709
Total U.S. Chicken	858,146	773,686	671,122	635,156	599,956
Mexico	274,997	228,129	159,491	188,744	188,754
Total Chicken Sales	1,133,143	1,001,815	830,613	823,900	788,710
Sales of Other U.S. Products	144,506	137,495	101,193	98,709	99,133
Total Net Sales	$1,277,649	$1,139,310	$931,806	$922,609	$887,843

UNITED STATES

The following table sets forth, since fiscal 1993, the percentage of net U.S. chicken sales attributable to each of the Company's primary product lines and markets serviced with such products. The table and related discussion are based on the Company's internal sales reports and its classification of product types and customers.

	FISCAL YEAR ENDED				
	Sept.27, 1997 (52 Weeks)	Sept. 28, 1996 (52 Weeks)	Sept. 30, 1995 (52 Weeks)	Oct. 1, 1994 (52 Weeks)	Oct. 2, 1993 (53 Weeks)
U.S. Chicken Sales:					
Prepared Foods:					
Foodservice	40.5 %	39.3%	35.8%	32.3%	30.5%
Retail	4.9	5.6	5.8	9.6	15.0
Total Prepared Foods	45.4	44.9	41.6	41.9	45.5
Fresh Chicken:					
Foodservice	20.2	18.7	20.9	24.5	24.9
Retail	17.8	18.2	20.6	19.7	16.7
Total Fresh Chicken	38.0	36.9	41.5	44.2	41.6
Export and Other	16.6	18.2	16.9	13.9	12.9
TOTAL U.S. CHICKEN Sales Mix	100.0%	100.0%	100.0%	100.0%	100.0%

PRODUCT TYPES

U.S. PREPARED FOODS OVERVIEW. During fiscal 1997, $389.6 million of the Company's net U.S. chicken sales were in prepared foods products to foodservice and retail, as compared to $273.0 million in fiscal 1993, which reflects the strategic focus for growth of the Company. The market for prepared food products has experienced, and management believes that this market will continue to experience, greater growth and higher margins than fresh chicken products. Additionally, the production and sale of prepared foods reduces the impact of feed grain costs on the Company's profitability. As further processing is performed, feed grain costs becomes a decreasing percentage of a product's total production costs.

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

U.S. Fresh Chicken Overview. The Company's fresh chicken business is an important component of its sales and has grown from sales of $249.3 million in fiscal 1993 to $326.5 million in fiscal 1997. In addition to maintaining its sales of mature, traditional fresh chicken products, the Company's strategy is to shift the mix of its U.S. fresh chicken products by continuing to increase sales of higher margin, faster growing products, such as marinated chicken and chicken parts. As a result of this strategy, the Company's compounded annual growth rate of fresh chicken sales from fiscal 1993 to fiscal 1997 exceeded 6.9% while total U.S. industry sales of fresh chicken increased approximately 1%.

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

EXPORT AND OTHER OVERVIEW. The Company's export and other products consist of whole chickens and chicken parts sold primarily in bulk, non-branded form either refrigerated to distributors in the U.S. or frozen for distribution to export markets. Sales growth in the "Export and Other" category between fiscal 1993 and fiscal 1997 primarily reflects increased exports of chicken products. In fiscal 1997, approximately $44

million of the Company's sales were attributable to exports of U.S. chicken. These exports and other products have historically been characterized by lower prices and greater price volatility than the Company's more value-added product lines.

MARKETS

U.S. FOODSERVICE. The majority of the Company's U.S. chicken sales are derived from products sold to the foodservice market which principally consists of chain restaurants, frozen entree producers, institutions and distributors, located throughout the continental United States. The Company supplies chicken products ranging from portion-controlled refrigerated chicken parts to fully cooked and frozen, breaded or non-breaded chicken parts or formed products.

As the second largest full-line supplier of chicken to the foodservice market, the Company believes it is well-positioned to be the primary or secondary supplier to many national and international chain restaurants who require multiple suppliers of chicken products. Additionally, the Company is well suited to be the sole supplier for many regional chain restaurants that offer better margin opportunities and a growing base of business. Due to its comparatively large size in this market, management believes the Company has significant competitive advantages in terms of product capability, production capacity, research and development expertise, and distribution and marketing experience relative to smaller and to non-vertically integrated producers. As a result of these competitive advantages, the Company's sales to the foodservice market from fiscal 1993 through fiscal 1997 grew at a compound annual growth rate of approximately 11.9%. Based on industry data, the Company estimates that total industry dollar sales to the foodservice market during this same period grew at a compounded annual growth rate of approximately 7.9%. The Company markets both prepared food and fresh chicken products to the foodservice industry.

FOODSERVICE - PREPARED FOODS: The majority of the Company's sales to the foodservice market consists of prepared food products. Prepared food sales to the foodservice market were $347.8 million in fiscal 1997 compared to $183.2 million in fiscal 1993, a compounded growth rate of approximately 17.4%. The Company's prepared food products include portion-controlled breast fillets, tenderloins and strips, formed nuggets and patties and bone-in chicken parts, which are sold frozen and in various states of preparation, including blanched, battered, breaded and either partially or fully-cooked.
The Company attributes this growth in sales of prepared foods to the foodservice market to a number of factors:

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

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

THIRD, there is a strong need among larger foodservice companies for an alternative or additional supplier to the Company's principal competitor in the prepared foods market. A viable alternative supplier must be able to ensure supply, demonstrate innovation and new product development, and provide competitive pricing. The Company has been successful in its objective of becoming the alternative supplier of choice by being the primary or secondary prepared chicken supplier to many large foodservice companies because:(i) it is vertically integrated, giving the Company control over its supply of chicken and chicken parts, (ii) its further processing facilities are particularly well suited to the high volume production runs necessary to meet the capacity and quality requirements of the U.S. foodservice market, and (iii) it has established a reputation for dependable quality, highly responsive service and excellent technical support.

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

FIFTH, the Company's in-house product development group follows a customer-driven research & development focus designed to develop new products to meet customers' changing needs. The Company's research & development personnel often work directly with institutional customers in developing proprietary products. Approximately $118.4 million of the Company's sales to foodservice customers in fiscal 1997 consisted of new products, which were not sold by the Company in fiscal 1993.

SIXTH, the Company is a leader in utilizing advanced processing technology, which enables the Company to better meet its customers' needs

for product innovation, consistent quality and cost efficiency.

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

U.S. RETAIL. The U.S. retail market consists primarily of grocery store chains and retail distributors. The Company concentrates its efforts in this market on sales of branded, prepackaged cut-up and whole chicken to grocery chains and retail distributors in the mid-western, southwestern and western regions ofthe United States. This regional marketing focus enables the Company to develop consumer brand franchises and capitalize on proximity to the trade customer in terms of lower transportation costs; more timely, responsive service; and enhanced product freshness. For a number of years, the Company has invested in both trade and retail marketing designed to establish high levels of brand name awareness and consumer preferences within these markets.

The Company utilizes numerous marketing techniques, including advertising, to develop and strengthen trade and consumer awareness and increase brand loyalty for consumer products marketed under the "Pilgrim's Pride" brand. The Company's founder, Lonnie "Bo" Pilgrim, is the featured spokesman in the Company's television, radio and print advertising, and a trademark cameo of a person in a Pilgrim's hat serves as the logo on all of the Company's primary branded products. As a result of this marketing strategy, the Company has established a well-known brand name in certain southwestern markets, including the Dallas/Fort Worth area. Management believes its efforts to achieve and maintain brand awareness and loyalty help to provide more secure distribution for its products and generate greater price premiums that would otherwise be the case in certain southwestern markets. The Company also maintains an active program to identify consumer preferences primarily by testing new product ideas, packaging designs and methods through taste panels and focus groups located in key geographic markets.

RETAIL - PREPARED FOODS. The Company sells retail oriented prepared foods primarily to grocery store chains located in the mid-western, southwestern and western region of the U.S. where it also markets prepackaged fresh chicken. Being a major, national competitor in retail, branded frozen foods is not a part of the Company's current business strategy. The Company no longer serves the wholesale club industry, which is now dominated by two large national operators, and has redirected this prepared foods capacity to a more diversified customer base.

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

The Company concentrates its sales and marketing efforts for the above product types to grocery chains and retail distributors in the mid-western, southwestern and western regions of the United States. This regional marketing focus enables the Company to develop consumer brand franchises and capitalize on proximity to the trade customer, in terms of lower transportation costs; more timely, responsive service; and enhanced product freshness.

EXPORT AND OTHER CHICKEN. The Company's export and other products consist of whole chickens and chicken parts sold primarily in bulk, non-branded form either refrigerated to distributors in the U.S. or frozen for distribution to export markets. In recent years, the Company has de-emphasized its marketing of bulk-packaged chicken in the U.S. in favor of more value-added products and export opportunities. In the U.S., prices of these products are negotiated daily or weekly and are generally related to market prices quoted by the USDA or other public price reporting services. The Company also sells U.S. produced chicken products for export to Canada, Eastern Europe, the Far East and other world markets. Due to U.S. consumers' preference for chicken breast meat, the Company has targeted international markets to generate sales of leg quarters. The Company has also begun selling prepared food products for export to the international divisions of its U.S. chain restaurant customers. As a result of these efforts, the Company's sales for export have grown from less than 1% of its total U.S. chicken sales in fiscal 1993 to more than 5% in fiscal 1997. Management believes that: (i) U.S.

chicken exports will continue to grow as worldwide demand for high grade low cost protein sources increases, (ii) worldwide demand for higher margin prepared food products will increase over the next five years, and accordingly, (iii) the Company is well positioned to capitalize on such growth.

OTHER U.S. PRODUCTS. The Company markets fresh eggs under the Pilgrim's Pride brand name as well as private labels in various sizes of cartons and flats to U.S. retail grocery and institutional foodservice customers located primarily in Texas. The Company has a housing capacity for approximately 2.3 million commercial egg laying hens which can produce approximately 41 million dozen eggs annually. U.S. egg prices are determined weekly based upon reported market prices. The U.S. egg industry has been consolidating over the last few years with the 20 largest producers accounting for more than 68% of the total number of egg laying hens in service during 1997. The Company competes with other U.S. egg producers primarily on the basis of product quality, reliability, price and customer service. According to an industry publication, the Company is the twenty-fifth largest producer of eggs in the United States.

The Company also converts chicken by-products into protein products primarily for sale to manufacturers of pet foods. In addition, the Company produces and sells livestock feeds at its feed mills in Pittsburg and Mt. Pleasant, Texas and at its farm supply store in Pittsburg, Texas, to dairy farmers and livestock producers in northeastern Texas.

MEXICO

BACKGROUND. The Mexican market represented approximately 21.5% of the Company's net sales in fiscal 1997. The Company entered the Mexican market in 1979 when it began seasonally selling eggs to the Mexican government. Recognizing favorable long-term demographic trends and improving economic conditions in Mexico, the Company began exploring opportunities to produce and market chicken in Mexico. In fiscal 1988, the Company acquired four vertically integrated chicken production operations in Mexico for approximately $15.1 million. From fiscal 1988 through fiscal 1997, the Company made acquisitions and capital expenditures in Mexico totaling $158.9 million to expand and improve such operations, including a fiscal 1995 investment of $35.3 million for the acquisition of Union de Queretaro, et al, a group of five chicken companies located near Queretaro, Mexico. As a result of these expenditures, the Company has increased weekly production in its Mexico operations by over 350% since its original investment in fiscal 1988. The Company is now one of the two largest producers of chicken in Mexico. The Company believes its facilities are among the most technologically advanced in Mexico and that it is one of the lowest cost producers of chicken in Mexico.

PRODUCT TYPES. While the market for chicken products in Mexico is less developed than in the United States, with sales attributed to fewer, more basic products, the market for value added products is increasing. The Company's strategy is to lead this trend. The products currently sold by the Company in Mexico consist primarily of basic products such as New York dressed (whole chickens with only feathers and blood removed), live birds and value added products such as eviscerated chicken and chicken parts. The Company has increased its sales of value added products, particularly through national retail chains and restaurants, and plans to continue to do so. The Company remains opportunistic, however, utilizing its low cost production to enter markets where profitable opportunities exist. For example, the Company has significantly increased its sales of live birds since 1994 as many smaller producers exited this segment of the business as a result of the recession in Mexico.

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

COMPETITION

The chicken industry is highly competitive and certain of the Company's competitors have greater financial and marketing resources than the Company. In the United States and Mexico, the Company competes principally with other vertically integrated chicken companies.

In general, the competitive factors in the U.S. chicken industry include price, product quality, brand identification, breadth of product line and customer service. Competitive factors vary by major market. In the

foodservice market, competition is based on consistent quality, product development, service and price. In the U.S. retail market, management believes that product quality, brand awareness and customer service are the primary bases of competition. There is some competition with non-vertically integrated further processors in the U.S. prepared food business. The Company believes it has significant, long term cost and quality advantages over non-vertically integrated further processors.

In Mexico, where product differentiation is limited, product quality and price are the most critical competitive factors. NAFTA, which went into effect on January 1, 1994, requires annual reductions in tariffs for chicken and chicken products in order to eliminate such tariffs by January 1, 2003. As such tariffs are reduced, there can be no assurance that increased competition from chicken imported into Mexico from the U.S. will not have a material adverse effect on the Mexican chicken industry in general, or the Company's Mexican operations in particular.

OTHER ACTIVITIES

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

REGULATION

The chicken industry is subject to government regulation, particularly in the health and environmental areas. The Company's chicken processing facilities in the U.S. are subject to on-site examination, inspection and regulation by the USDA. The FDA inspects the production of the Company's feed mills in the U.S. The Company's Mexican food processing facilities and feed mills are subject to on-site examination, inspection and regulation by a Mexican governmental agency, which performs functions similar to those performed by the USDA and FDA. Since commencement of operations by the Company's predecessor in 1946, compliance with applicable regulations has not had a material adverse effect upon the Company's earnings or competitive position and such compliance is not anticipated to have a materially adverse effect in the future. Management believes that the Company is in substantial compliance with all applicable laws and regulations relating to the operations of its facilities.

The Company anticipates increased regulation by the USDA concerning food safety, by the FDA concerning the use of medications in feed and by the TNRCC, the ASVO and the EPA concerning the disposal of chicken by-products and wastewater discharges. Although the Company does not anticipate any such regulation having a material adverse effect upon the Company, no assurances can be given to that effect.

EMPLOYEES AND LABOR RELATIONS

As of Decmber 14, 1997 the Company employed approximately 9,700 persons in the U.S. and 3,300 persons in Mexico. Approximately 2,000 employees at the Company's Lufkin and Nacogdoches, Texas facility are members of collective bargaining units represented by the United Food and Commercial Workers Union (the "UFCW"). None of the Company's other U.S. employees have union representation. The Company's collective bargaining agreements with the UFCW expire on August 10, 1998 with respect to the Company's Lufkin employees and on October 5, 1998 with respect to the Company's Nacogdoches employees. The Company believes that the terms of each of these agreements are no more favorable than those provided to its non-union U.S. employees. In Mexico, most of the Company's hourly employees are covered by collective bargaining agreements as most employees are in Mexico. The Company has not experienced any work stoppage since a two day work stoppage at the Lufkin facility in May 1993, and management believes that relations with the Company's employees are satisfactory.

DIRECTORS AND EXECUTIVE OFFICERS

Set forth below is certain information relating to the Current directors and executive officers of the Company:

EXECUTIVE OFFICERS OF THE COMPANY	AGE	POSITIONS
Lonnie "Bo" Pilgrim (1)	69	Chairman of the Board and

		Chief Executive Officer
Clifford E. Butler	55	Vice Chairman of the Board and Executive President
Lindy M. "Buddy" Pilgrim	42	President and Chief Operating Officer and Director
David Van Hoose	55	President, Mexican Operations
Richard A. Cogdill	37	Executive Vice President, Chief Financial Officer, Secretary and Treasurer
Robert L. Hendrix	61	Executive Vice President Operations and Director
Terry Berkenbile	47	Senior Vice President Sales & Marketing, Retail and Fresh Products
Ray Gameson	48	Senior Vice President Human Resources
O.B. Goolsby, Jr.	50	Senior Vice President Prepared Foods Operations
Michael D. Martin	43	Senior Vice President DeQueen, Arkansas Complex
James J. Miner, Ph.D.	69	Senior Vice President Technical Services and Director
Michael J. Murray	39	Senior Vice President Sales & Marketing, Prepared Foods
Robert N. Palm	54	Senior Vice President, Lufkin, Texas Complex
Lonnie Ken Pilgrim (1)	39	Senior Vice President, Director of Transportation and Director
Charles L. Black (1)	67	Director
Robert E. Hilgenfeld (1) (2)	72	Director
Vance C. Miller, Sr. (1) (2)	63	Director
James G. Vetter, Jr. (1) (2)	63	Director
Donald L. Wass, Ph.D. (1)	65	Director

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(1) Member of the Compensation Committee
(2) Member of the Audit Committee

LONNIE "BO" PILGRIM has served as Chairman of the Board and Chief Executive Officer since the organization of the Company in 1968. Prior to the incorporation of the Company, Mr. Pilgrim was a partner in the Company's predecessor partnership business founded in 1946.

CLIFFORD E. BUTLER serves as Vice Chairman of the Board and Executive President. He joined the Company as Controller and Director in 1969, was named Senior Vice President of Finance in 1973, became Chief Financial Officer and Vice Chairman of the board in July 1983 and effective January 1, 1997 he became Executive President and continues to serve as Vice Chairman of the Board.

LINDY M. "BUDDY" PILGRIM serves as President and Chief Operating Officer of the Company. He was elected as Director in March 1993 and began employment in April 1993 under the title of President of U.S. Operations and Sales & Marketing. From April 1993 to March 1994, the President and Chief Operating Officer reported to him.After that time, the Chief Operating Officer title and responsibilities were incorporated into his own. Up to October 1990, Mr. Pilgrim was employed by the Company for 12 years in marketing and 9 years in operations. From October 1990 to April 1993, he was President of Integrity Management Services, Inc., a consulting firm to the food industry. He is a nephew of Lonnie "Bo" Pilgrim.

DAVID VAN HOOSE has been President of Mexican Operations since April 1993. He was previously Senior Vice President, Director General, Mexican Operations since August 1990 to April 1993. Mr. Van Hoose was employed by the Company in September 1988 as Senior Vice President, Texas Processing. Prior to that, Mr. Van Hoose was employed by Cargill, Inc., as General Manager of one of its chicken operations.

RICHARD A. COGDILL has served as Executive Vice President, Chief Financial Officer, Secretary and Treasurer since January 1, 1997. Previously he served as Senior Vice President, Corporate Controller, from August 1992 through December 1996 and as Vice President, Corporate Controller from October 1991 through August 1992. Prior to October 1991 he was a Senior Manager with Ernst & Young LLP. He is a Certified Public Accountant.

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

TERRY BERKENBILE was named Senior Vice President, Sales & Marketing, for Retail and Fresh Products in July 1994. Prior to that he was Vice President, Sales & Marketing, for Retail and Fresh Products since May 1993 to July 1994. From February 1991 to April 1993, Mr. Berkenbile was Director Retail Sales & Marketing at Hudson Foods. From February 1988 to February 1991, Mr. Berkenbile was Director Plant Sales at the Company; prior thereto, he worked in the processed red meat industry.

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

O.B. GOOLSBY, JR. has been Senior Vice President, Prepared Foods Operations since August 1992. He was previously Vice President, Prepared Foods Operations since April 1986 to August 1992 and was previously employed by the Company from November 1969 to January 1981.

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

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

MICHAEL J. MURRAY has been Senior Vice President, Sales & Marketing, for Prepared Foods since October 1994. He previously served as Vice President of Sales and Marketing, Food Service from August 1993 to October 1994. From 1990 to July 1993, he was employed by Cargill, Inc. Prior to that, from March 1987 to 1990 he was employed by the Company as a Vice President for sales and marketing and prior thereto, he was employed by Tyson Foods, Inc.

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

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

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

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

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

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

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

ITEM 2. PROPERTIES

PRODUCTION AND FACILITIES

BREEDING AND HATCHING

The Company supplies all of its chicks in the U.S. by producing its own hatching eggs from domestic breeder flocks in the U.S. owned by the Company, approximately 34% of which are maintained on 43 Company-operated breeder farms. In the U.S., the Company currently owns or contracts for approximately 8.4 million square feet of breeder housing on approximately 233 breeder farms. In Mexico, all of the Company's breeder flocks are maintained on Company-owned farms.

The Company owns seven hatcheries in the United States, located in Nacogdoches, Center and Pittsburg, Texas, and DeQueen and Nashville, Arkansas, where eggs are incubated and hatched in a process requiring 21 days. Once hatched, the day-old chicks are inspected and vaccinated against common poultry diseases and transported by Company vehicles to grow-out farms. The Company's seven hatcheries in the U.S. have an aggregate production capacity of approximately 8.2 million chicks per week. In Mexico, the Company owns seven hatcheries, which have an aggregate production capacity of approximately 3.3 million chicks per week.

GROW-OUT

The Company places its U.S. grown chicks on approximately 1,100 grow-out farms located in Texas and Arkansas. These farms provide the Company with approximately 54.9 million square feet of growing facilities. The Company operates 33 grow-out farms in the U.S. which account for approximately 8.1% of its total annual U.S. chicken capacity. The Company also places chicks with farms owned by affiliates of the Company under grow-out contracts. The remaining chicks are placed with independent farms under grow-out contracts. Under such grow-out contracts, the farmers provide the facilities, utilities and labor. The Company supplies the chicks, the feed and all veterinary and technical services. Contract grow-out farmers are paid based on live weight under an incentive arrangement. In Mexico, the Company owns approximately 38% of its grow-out farms and contracts with independent farmers for the balance of its production. Arrangements with independent farmers in Mexico are similar to the Company's arrangements with contractors in the United States.

FEED MILLS

An important factor in the production of chicken is the rate at which feed is converted into body weight.The Company purchases feed ingredients on the open market. The primary feed ingredients include corn, milo and soybean meal,

which historically have been the largest component of the Company's total production cost. The quality and composition of the feed is critical to the conversion rate, and accordingly, the Company formulates and produces its own feed. In the U.S., the Company operates seven feed mills located in Nacogdoches, Mt. Pleasant, Center and Pittsburg, Texas and Nashville and Hope, Arkansas. The Company currently has annual feed requirements of approximately 2.2 million tons and the capacity to produce approximately 2.6 million tons. The Company owns four feed mills in Mexico, which produce all of the requirements of its Mexican operations. Mexican annual feed requirements are approximately 0.7 million tons with a capacity to produce approximately 0.9 million tons. In fiscal 1997, approximately 14% of the grain used was imported from the United States. However, this percentage fluctuates based on the availability and cost of local grain supplies and in recent years has been as high as 55%.

Feed grains are commodities subject to volatile price changes caused by weather, size of harvest, transportation and storage costs and the agricultural policies of the United States and foreign governments. Although the Company can and sometimes does purchase grain in forward markets, it cannot eliminate the potential adverse effect of grain price changes.

PROCESSING

Once the chickens reach processing weight, they are transported in the Company's trucks to the Company's processing plants. These plants utilize modern, highly automated equipment to process and package the chickens. The Company periodically reviews possible application of new processing technologies in order to enhance productivity and reduce costs. The Company's six U.S. processing plants, two of which are located in Mt. Pleasant, Texas, and the remainder of which are located in Dallas, Nacogdoches and Lufkin, Texas, and DeQueen, Arkansas, have the capacity, under present U.S.D.A. inspection procedures, to produce approximately 1.3 billion pounds of dressed chicken annually. The Company's three processing plants located in Mexico, which perform fewer processing functions than the Company's U.S. facilities, have the capacity to process approximately 470 million pounds of dressed chicken annually.

PREPARED FOODS PLANT

The Company's prepared foods plant in Mt. Pleasant, Texas, was constructed in 1986 and has expanded significantly since that time. This facility has deboning lines, marination systems, batter/breading systems, fryers, ovens, both mechanical and cryogenic freezers, a variety of packaging systems and cold storage. This plant is currently operating at the equivalent of two shifts a day for six days a week. If necessary, the Company could add additional shifts during the seventh day of the week. The Company is currently completing construction of a new prepared foods facility at its Dallas, Texas location, which is scheduled to begin production late in fiscal first quarter 1998.

EGG PRODUCTION

The Company produces eggs at three farms near Pittsburg, Texas. One farm is owned by the Company, while two farms are operated under contract by an entity owned by a major stockholder of the Company. The eggs are cleaned, sized, graded and packaged for shipment at processing facilities located on the egg farms. The farms have a housing capacity for approximately 2.3 million producing hens and are currently housing approximately 2.0 million hens.

OTHER FACILITIES AND INFORMATION

The Company operates a rendering plant located in Mt. Pleasant, Texas, that currently processes by-products from approximately 8.2 million chickens weekly into protein products, which are used in the manufacture of chicken and livestock feed and pet foods. The Company operates a feed supply store in Pittsburg, Texas, from which it sells various bulk and sacked livestock feed products. The Company owns an office building in Pittsburg, Texas, which houses its executive offices, and an office building in Mexico City, which houses the Company's Mexican marketing offices. The Company also owns approximately 9,618 acres of farmland previously used in the Company's non-poultry farming operations. The Company is in the process of disposing of the farmland and currently has contracts of sale scheduled to close in early January, 1998 which will complete the disposal of such land and related assets.

Substantially all of the Company's U.S. property, plant and equipment is pledged as collateral on its secured debt.

ITEM 3. LEGAL PROCEEDINGS

From time to time the Company is named as a defendant or co-defendant in lawsuits arising in the course of its business. The Company does not believe that such pending lawsuits will have a material adverse impact on the Company.

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

NOT APPLICABLE

PART II

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

QUARTERLY STOCK PRICES AND DIVIDENDS
High and low sales prices and dividends were:

	Prices 1997		Prices 1996		Dividends	
QUARTER	HIGH	LOW	HIGH	LOW	1997	1996
First	$ 9	$7 3/4	$8 3/8	$6 5/8	$.015	$.015
Second	12 1/8	8 5/8	7 5/8	6 3/4	.015	.015
Third	12 3/4	9 1/2	9	6 3/4	.015	.015
Fourth	15 3/8	10 5/16	9	7 1/2	.015	.015

The Company's stock is traded on the New York Stock Exchange (ticker symbol "CHX"). The Company estimates there were approximately 13,700 holders (including individual participants in security position listings) of the Company's common stock as of December 19, 1997.

ITEM 6. SELECTED FINANCIAL DATA

S E L E C T E D F I N A N C I A L D A T A
PILGRIM'S PRIDE CORPORATION AND SUBSIDIARIES

	FISCAL YEARS ENDED				
	1997	1996	1995	1994	1993(A)
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
INCOME STATEMENT DATA:					
Net sales	$1,277,649	$1,139,310	$931,806	$922,609	$887,843
Gross margin	114,497	70,640	74,144	110,827	106,036
Operating income (loss)	63,894	21,504(b)	24,930(b)	59,698	56,345
Income (loss)before income taxes and extraordinary charge	43,824	47	2,091	42,448	32,838
Income tax expense (benefit) (c)	2,788	4,551	10,058	11,390	10,543
Income (loss) before extraordinary charge	41,036	(4,504)	(7,967)	31,058	22,295
Extraordinary charge early repayment of debt, net of tax	-	(2,780)	-	-	(1,286)
Net income (loss)	41,036	(7,284)	(7,967)	31,058	21,009
PER COMMOM SHARE DATA:					
Income (loss) before extraordinary charge	$1.49	$(0.16)	$(0.29)	$1.13	$.81
Extraordinary charge - early repayment of debt	-	(0.10)	-	-	(0.05)
Net income (loss)	1.49	(0.26)	(0.29)	1.13	(0.05)
Cash dividends	0.06	0.06	0.06	0.06	0.03
Book value (d)	6.62	5.19	5.51	5.86	4.80

BALANCE SHEET SUMMARY:					
Working capital	$133,542	$88,455	$88,395	$99,724	$72,688
Total assets	579,124	536,722	497,604	438,683	422,846
Notes payable and current maturities of long-term debt	11,596	35,850	18,187	4,493	25,643
Long-term debt, less current maturities	224,743	198,334	182,988	152,631	159,554
Total stockholders' equity	182,516	143,135	152,074	161,696	132,293
KEY INDICATORS (as a percentage ofsales):					
Gross margin	9.0%	6.2%	8.0%	2.0%	11.9%
Selling, general and administrative expenses	4.0%	4.3%	5.3%	5.5%	5.6%
Operating income (loss)	5.0%	1.9%	2.7%	6.5%	5.7%
Interest expense, net	1.7%	1.9%	1.9%	2.1%	2.9%
Net income (loss)	3.2%	(0.6)%	(0.9)%	3.4%	2.4%

Fiscal Years Ended

	1992	1991	1990	1989
INCOME STATEMENT DATA:				
Net Sales	$817,361	$786,651	$720,555	$661,077
Gross Margin	32,802	75,567	74,190	83,356
Operating income (loss)	(12,739)	31,039	33,379	47,014
Income (loss) before income taxes and extraordinary charge	(33,712)	12,235	20,463	31,027
Income tax expense (benefit) (c)	(4,048)	(59)	4,826	10,745
Income (loss) before extraordinary charge	(29,664)	12,294	15,637	20,282
Extraordinary charge - early repayment of debt, net of tax	-	-	-	-
Net income (loss)	(29,664)	12,294	15,637	20,282
PER COMMON SHARE DATA:				
Income (loss) before extraordinary charge	$(1.24)	$0.54	$0.69	$0.90
Extraordinary charge - early repayment of debt	-	-	-	-
Net income (loss)	(1.24)	0.54	0.69	0.90
Cash dividends	0.06	0.06	0.06	0.06
Book value (d)	4.06	4.97	4.49	3.86
BALANCE SHEET SUMMARY:				
Working Capital	$11,227	$44,882	$54,161	$60,313
Total assets	434,566	428,090	379,694	291,102
Notes payable and current maturities of long-term debt	86,424	44,756	30,351	9,528
Long-term debt, less current maturities	131,534	175,776	154,277	109,412
Total stockholders' equity	112,112	112,353	101,414	87,132
KEY INDICATORS (as a percentage of sales)				
Gross Margin	4.0%	9.6%	10.3%	12.6%
Selling, general and administrative expenses	5.7%	5.7%	5.7%	5.5%
Operating income (loss)	(1.6)%	3.9%	4.6%	7.1%

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

Mexico. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note D of the Consolidated Financial Statements of the Company.

(d) Amounts are based on end-of-period shares of common stock outstanding.

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

GENERAL

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

In December 1994, the Mexican government changed its policy of defending the peso against the U.S. dollar and allowed it to float freely on the currency markets. These events resulted in the Mexican peso exchange rate declining from 3.39 to 1 U.S. dollar at October 3, 1994 to a low of 8.50 to 1 U.S. dollar at October 28, 1997. The decline in the Mexican peso exchange rate affected the Company's operations directly and indirectly as a result of the related economic recession in Mexico in fiscal 1995. Similarly, the Company's results of operations were adversely affected by: (i) the continuation of the economic recession in Mexico in fiscal 1996, as well as, (ii) significantly higher feed grain costs in fiscal 1996 (which included record high corn prices).

In fiscal 1997, however, the Company benefited substantially from: (i) a rebounding economy in Mexico when compared to fiscal 1996 and 1995, and, (ii) the adjustment of supply of poultry products in Mexico to the levels of demand existing after the economic recession.

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

	Percentage of Net Sales YEARS ENDED		
	SEPTEMBER 27, 1997	SEPTEMBER 28, 1996	SEPTEMBER 30, 1995
Net sales	100.0%	100.0%	100.0%
Cost of sales	91.0	93.8	92.0
Gross profit	9.0	6.2	8.0
Selling, general and administrative expense	4.0	4.3	5.3
Operating income	5.0	1.9	2.7
Interest expense	1.7	1.9	1.9
Income before income taxes and extraordinary charge	3.4	0.0	0.2
Net income (loss)	3.2	(0.6)	(0.9)

RESULTS OF OPERATIONS

FISCAL 1997 COMPARED TO FISCAL 1996:

NET SALES. Consolidated net sales were $1.3 billion for fiscal 1997, an increase of $138.3 million, or 12.1%, over fiscal 1996. The increase in consolidated net sales resulted from an $84.5 million increase in U.S. chicken sales to $858.1 million, a $46.9 million increase in Mexican chicken sales to $275.0 million and from a $7.0 million increase of sales of other U.S. products to $144.5 million. The increase in U.S. chicken sales was primarily due to a 14.0% increase in dressed pounds produced primarily as a result of the Company's expansion of existing facilities and the purchase of poultry producing assets capable of producing 650,000 chickens per week from Green Acre Foods, Inc. on April 15, 1997, offset partially by a 2.7% decrease in total revenue per dressed pound produced. The increase in Mexican chicken sales was primarily due to a 25.5% increase in total revenue per dressed pound partially offset by a 3.9% decrease in dressed pounds produced resulting from management's decision in fiscal 1996 to reduce production due to the recession in Mexico. Increased revenue per dressed pound produced in Mexico was primarily the result of higher sales prices as well as generally improved economic conditions in Mexico compared to the prior year. The increase in sales of other domestic products was primarily the result of increased sales of the company's chicken by-products group.

COST OF SALES. Consolidated cost of sales was $1.2 billion in fiscal 1997, an increase of $94.5 million, or 8.8%, over fiscal 1996. The increase primarily resulted from a $91.7 million increase in cost of sales of U.S. operations, and a $2.8 million increase in the cost of sales in Mexican operations. The cost of sales increase in U.S. operations of $91.7 million was due to a 14.0% increase in dressed pounds produced and increased production of higher cost and margin products in prepared foods, partially offset by a decrease in feed ingredient cost when compared to fiscal 1996. The $2.8 million cost of sales increase in Mexican operations was primarily due to a 5.4% increase in average costs of sales per pound partially offset by a 3.9% decrease in dressed pounds produced. The increase in average costs of sales per pound was primarily the result of cost adjusting upward due to generally improved economic conditions in Mexico compared to the prior year offset partially by lower feed ingredient cost experienced in the period.

GROSS PROFIT. Gross profit as a percentage of sales increased to 9.0% in fiscal 1997 from 6.2% in fiscal 1996. The increased gross profit resulted mainly from significantly higher margins in Mexico.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Consolidated selling, general and administrative expenses were $50.6 million in fiscal 1997, and $49.1 million in fiscal 1996. Consolidated selling, general and administrative expenses as a percentage of sales decreased in fiscal 1997 to 4.0% compared to 4.3% in fiscal 1996. The decrease in selling, general and administrative expenses as a percent of sales was primarily due to increased sales, while selling, general and administrative expenses remained relatively constant.

OPERATING INCOME. Consolidated operating income was $63.9 million for fiscal 1997, an increase of $42.4 million, or 197.13% when compared to

fiscal 1996, resulting from higher margins experienced in the Mexican operations.

INTEREST EXPENSE. Consolidated net interest expense increased slightly to $22.1 million, or 2.5% in fiscal 1997, when compared to $21.5 million in fiscal 1996, due to slightly higher levels of outstanding indebtedness in 1997. As a percentage of sales, however, interest expense decreased to 1.7% in fiscal 1997 compared to 1.9% in fiscal 1996.

MISCELLANEOUS EXPENSE. Consolidated miscellaneous, net, a component of "Other Expense (Income)", was ($2.4) million in fiscal 1997 and includes a $2.2 million final settlement of claims resulting from the January 8, 1992 fire at the Company's prepared foods plant in Mt. Pleasant, Texas.

INCOME TAX EXPENSE. Consolidated income tax expense in fiscal 1997 decreased to $2.8 million compared to an expense of $4.6 million in fiscal 1996. The lower consolidated income tax expense in contrast to higher consolidated income resulted from increased Mexican earnings that are not currently subject to income taxes.

FISCAL 1996 COMPARED TO FISCAL 1995:

NET SALES. Consolidated net sales were $1.14 billion for fiscal 1996, an increase of $207.5 million, or 22.3%, over fiscal 1995. The increase in consolidated net sales resulted from a $102.6 million increase in U.S. chicken sales to $773.7 million, a $68.6 million increase in Mexican chicken sales to $228.1 million and a $36.3 million increase in sales of other domestic products to $137.5 million. The increase in U.S. chicken sales was primarily due to a 7.7% increase in total revenue per dressed pound produced and a 7.0% increase in dressed pounds produced. The increase in Mexican chicken sales was primarily due to a 35.6% increase in Mexican dressed pounds produced and a 5.5% increase in total revenue per dressed pound. The increase in Mexican dressed pounds produced resulted primarily from the July 5, 1995 acquisition of five chicken companies located near Queretaro, Mexico. The increase in sales of other domestic products was primarily the result of increased sales of the Company's chicken by-products group and higher sales prices for table eggs. Increased revenues per dressed pound produced both in the U.S. and in Mexico were primarily the result of higher sales prices caused by the chicken markets adjusting to higher feed ingredient cost.

COST OF SALES. Consolidated cost of sales was $1.07 billion in fiscal 1996, an increase of $211.0 million, or 24.6%, over fiscal 1995. The increase primarily resulted from a $150.8 million increase in cost of sales of U.S. operations, and a $60.2 million increase in the cost of sales in Mexican operations. The cost of sales increase in U.S. operations of $150.8 million was due to a 41.5% increase in feed ingredient costs, a 7.0% increase in dressed pounds produced and increased production of higher cost and margin products in prepared foods. Since the fiscal 1995 year end, feed ingredient costs increased substantially due to lower crop yields in the 1995 harvest season. Beginning in July 1996, feed ingredient prices declined significantly due to a favorable crop harvest. The $60.2 million cost of sales increase in Mexican operations was primarily due to a 35.6% increase in dressed pounds produced and a 7.0% increase in average costs of sales per pound. The increase in average costs of sales per pound was primarily the result of a 37.2% increase in feed ingredient costs resulting from the reasons discussed above.

GROSS PROFIT. Gross profit as a percentage of sales decreased to 6.2% in fiscal 1996 from 8.0% in fiscal 1995. The decreased gross profit as a percentage of sales resulted mainly from increased costs of sales due to higher feed ingredient prices experienced in fiscal 1996.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Consolidated selling, general and administrative expenses were $49.1 million in fiscal 1996 and $49.2 million in fiscal 1995. Consolidated selling, general and administrative expenses as a percentage of sales decreased in fiscal 1996 to 4.3% compared to 5.3% in fiscal 1995.

OPERATING INCOME. Consolidated operating income was $21.5 million for fiscal 1996, a decrease of $3.4 million, when compared to fiscal 1995, resulting primarily from higher feed ingredient cost.

INTEREST EXPENSE. Consolidated net interest expense was $21.5 million in fiscal 1996, an increase of $4.1 million, or 23.2%, when compared to fiscal 1995. This increase was due to higher outstanding debt levels resulting primarily from expansions in the U.S. and the prior year acquisitions in Mexico, offset slightly by lower interest rates when compared to fiscal 1995.

INCOME TAX EXPENSE. Consolidated income tax expense in fiscal 1996 was

$4.6 million compared to a consolidated income tax expense of $10.1 million in fiscal 1995. Consolidated income tax expense is significantly in excess of the amount computed at the statutory U.S. income tax rate due to the non-deductibility of Mexican losses in the U.S. in both fiscal 1996 and fiscal 1995. The decrease in consolidated income tax expense in fiscal 1996 compared to fiscal 1995 primarily resulted from the $13.6 million decrease in income before income taxes and extraordinary charges for domestic operations in fiscal 1996 compared to fiscal 1995.

EXTRAORDINARY CHARGE. 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 will result in long-term interest expense reductions.

LIQUIDITY AND CAPITAL RESOURCES:

At September 27, 1997, the Company's working capital was $133.5 million and a current ratio was 2.14 to 1 compared with working capital of $88.5 million and a current ratio of 1.63 to 1 at September 28, 1996. The increases in working capital and current ratio from September 28, 1996 to September 27, 1997 were due primarily to income from operations.

Trade accounts and other receivables were $78.0 million at September 27, 1997, a $12.1 million increase from September 28, 1996. The 18.3% increase was due primarily to increased sales volumes. Inventories were $146.2 million at September 27, 1997 compared to $136.9 million at September 28, 1996. The $9.3 million increase between September 28, 1996 to September 27, 1997 was due primarily to larger inventories from the inclusion of recently acquired production capabilities from Green Acre Foods, Inc., offset partially by the reduction of feed costs in inventories.

Capital expenditures for fiscal 1997 were $50.2 million and were incurred primarily to acquire or expand production capacities in the U.S., improve efficiencies, reduce costs and for the routine replacement of equipment. The Company anticipates that it will spend approximately $55.0 million for capital expenditures in fiscal year 1998 and expects to finance such expenditures with available operating cash flows and long-term financing.

Capital expenditures include the Company's April 15, 1997, acquisition of certain chicken producing assets of Green Acre Foods, Inc., an integrated poultry producer located in the Center and Nacogdoches area of East Texas. These assets are capable of producing 650,000 chickens per week.

Cash flows provided by operating activities were $49.6 million, $11.4 million and $32.7 million in fiscal 1997, 1996 and 1995, respectively. The significant increase in cash flows provided by operating activities for fiscal 1997 when compared to fiscal 1996 was due primarily to net income for fiscal 1997 compared to a net loss in fiscal 1996. The decrease in cash flows provided by operating activities between fiscal 1996 and fiscal 1995 was primarily caused by increased inventories resulting from higher feed costs in fiscal 1996.

Cash flows provided by financing activities were $348,000, $27.3 million and $40.2 million in fiscal 1997, 1996 and 1995, respectively. The cash provided by financing activities primarily reflects the net proceeds from notes payable and long-term financing and debt retirements.

At September 27, 1997, the Company's stockholder's equity increased to $182.5 million from $143.1 million at September 28, 1996. Total debt to capitalization decreased to 56.4% at September 27, 1997 compared to 62.1% at September 28, 1996. The Company maintains $110 million in revolving credit facilities and $45 million in secured term borrowing facilities. The credit facilities provide for interest at rates ranging from LIBOR plus one and three-quarters percent to LIBOR plus two percent and are secured by inventory, trade accounts receivable and fixed assets. At September 27, 1997, $102 million was available under the revolving credit facilities and $25 million was available under the term borrowing facilities.

The Company's deferred income taxes have resulted primarily from the Company's use of the cash method of accounting for periods before July 2, 1988. The "Omnibus Budget Reconciliation Act of 1987" required certain family-owned farming businesses to switch to the accrual method of accounting and provided that such corporations establish a suspense account in lieu of taking the adjustment into taxable income currently. "The Taxpayer Relief Act of 1997" requires that this suspense account be taken into income ratably over 20 years beginning in fiscal 1997, however, any remaining balance in the suspense account will be accelerated if the Company ceases to be family-owned corporation. A "family-owned" corporation is one in which at least 50 percent of the total combined voting power of all classes of stock of the corporation are owned by members of the same

family. The Company believes that it will remain a family owned corporation for the foreseeable future.

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 8.50 at October 28, 1997. The decline in the Mexican peso exchange rate affected the Company's operations directly and indirectly as a result of the related economic recession in Mexico in fiscal 1995. Similarly, the Company's results of operations were adversely affected by the continuation of the economic recession in Mexico in fiscal 1996. On December 3, 1997 the Mexican peso closed at 8.13 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.

IMPACT OF INFLATION:

Due to moderate inflation and the Company's rapid inventory turnover rate, the results of operations have not been adversely affected by inflation during the past three-year period.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements together with the report of independent auditors, and financial statement schedules are included on pages 36 through 49 of this document. Financial statement schedules other than those included herein have been omitted because the required information is contained in the consolidated financial statements or related notes, or such information is not applicable.

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

NOT APPLICABLE

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF REGISTRANT

Reference is made to "Election of Directors" on pages 3 through 5 of Registrant's Proxy Statement for its 1998 Annual Meeting of Stockholders, which section is incorporated herein by reference.

Reference is made to "Compliance with Section 16(a) of the Exchange Act" on page 9 of Registrant's Proxy Statement for its 1998 Annual Meeting of Stockholders, which section is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information responsive to Items 11, 12 and 13 is incorporated by reference from sections entitled "Security Ownership", "Election of Directors", "Executive Compensation", and "Certain Transactions" of the Registrant's Proxy Statement for its 1998 Annual Meeting of Stockholders.

PART IV

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

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

(2) No schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are required under the related instructions or are applicable and therefore have been omitted.

(3) Exhibits

Exhibit
NUMBER

2.1 Agreement and Plan of Reorganization dated September 15, 1986, by and among Pilgrim's Pride Corporation, a Texas corporation; Pilgrim's Pride Corporation, a Delaware corporation; and Doris Pilgrim Julian, Aubrey Hal Pilgrim, Paulette Pilgrim Rolston, Evanne Pilgrim, Lonnie "Bo" Pilgrim, Lonnie Ken Pilgrim, Greta Pilgrim Owens and Patrick Wayne Pilgrim (incorporated by reference from Exhibit 2.1 to the Company's Registration Statement on Form S-1 (No. 33-8805) effective November 14, 1986).

3.1 Certificate of Incorporation of the Company (incorporated by reference from Exhibit 3.1 of the Company's Registration Statement on Form S-1 (No.33-8805) effective November 14, 1986).

3.2 Amended and Restated Corporate Bylaws of Pilgrim's Pride Corporation, a Delaware Corporation, effective December 4, 1996 (incorporated by reference from Exhibit 3.3 of the Company's Quarterly Report on Form 10-Q for the three months ended March 29, 1997).

4.1 Certificate of Incorporation of the Company (incorporated by reference from Exhibit 3.1 of the Company's Registration Statement on Form S-1 (No. 33-8805) effective November 14, 1986).

4.2 Amended and Restated Corporate Bylaws of Pilgrim's Pride Corporation, a Delaware Corporation, effective December 4, 1996 (incorporated by reference from Exhibit 3.3 of the Company's Quarterly Report on Form 10-Q for the three months ended March 29, 1997).

4.3 Specimen Certificate for shares of Common Stock, par value $.01 per share, of the Company (incorporated by reference from Exhibit 4.6 of the

Company's Form 8 filed on July 1, 1992).

4.4 Form of Indenture between the Company and Ameritrust Texas National Association relating to the Company's 10 7/8% Senior Subordinated Notes Due 2003 (incorporated by reference from Exhibit 4.6 of the Company's Registration Statement on Form S-1 (No.33-59626) filed on March 16, 1993).

4.5 Form of 10 7/8% Senior Subordinated Note Due 2003 (incorporated by reference from Exhibit 4.8 of the Company's Registration Statement on Form S-1 (No. 33-61160) filed on June 16, 1993).

10.1 Pilgrim's Industries, Inc. Profit Sharing Retirement Plan, restated as of July 1, 1987 (incorporated by reference from Exhibit 10.1 of the Company's Form 8 filed on July 1, 1992).

10.2 Bonus Plan of the Company (incorporated by reference from Exhibit 10.2 to the Company's Registration Statement on Form S-1 (No.33-8805) effective November 14, 1986).

10.3 Stock Purchase Agreement dated May 12, 1992, between the Company and Archer Daniels Midland Company (incorporated by reference from Exhibit 10.45 of the Company's Form 10-K for the year ended September 26, 1992).

10.4 Employee Stock Investment Plan of the Company (incorporated by reference from Exhibit 10.28 of the Company's Registration Statement on Form S-1 (No. 33-21057) effective May 2, 1988).

10.5 Promissory Note dated September 20, 1990, by and between the Company and Hibernia National Bank of Texas (incorporated by reference from Exhibit 10.42 of the Company's Form 8 filed on July 1, 1992).

10.6 Loan Agreement dated October 16, 1990, by and among the Company, Lonnie "Bo" Pilgrim and North Texas Production Credit Association, with related Variable Rate Term Promissory Note and Deed of Trust (incorporated by reference from Exhibit 10.43 of the Company's Form 8 filed on July 1, 1992).

10.7 Secured Credit Agreement dated May 27, 1993, by and among the Company and Harris Trust and Savings Bank, and FBS AG Credit, Inc., Internationale Nederlanden Bank, N.V., Boatmen's First National Bank of Kansas City, and First Interstate Bank of Texas, N.A. (incorporated by reference from Exhibit 10.31 of the Company's Registration Statement on Form S-1 (No. 33-61160) filed on June 16, 1993).

10.8 First Amendment to Secured Credit Agreement dated June 30, 1994 to the Secured Credit Agreement dated May 27, 1993, by and among the Company and Harris Trust and Savings Bank, and FBS AG Credit, Inc., Internationale Nederlanden Bank N.V., Boatmen's First National Bank of Kansas City and First Interstate Bank of Texas, N.A. (incorporated by reference from Exhibit 10.33 of the Company's annual report on Form 10-K for the fiscal year ended September 28, 1996).

10.9 Second Amendment to Secured Credit Agreement dated December 6, 1994 to the Secured Credit Agreement dated May 27, 1993, by and among the Company and Harris Trust and Savings Bank, and FBS AG Credit, Inc., Internationale Nederlanden Bank N.V., Boatmen's First National Bank of Kansas City and First Interstate Bank of Texas, N.A. (incorporated by reference from Exhibit 10.36 of the Company's annual report on Form 10-K for the fiscal year ended September 28, 1996).

10.10 Third Amendment to Secured Credit Agreement dated June 30, 1995 to the Secured Credit Agreement dated May 27, 1993, by and among the Company and Harris Trust and Savings Bank, and FBS AG Credit, Inc., Internationale Nederlanden Bank N.V., (incorporated by reference from Exhibit 10.37 of the Company's annual report of Form 10-K for the fiscal year ended September 28, 1996).

10.11 Second Amended and Restated Loan and Security Agreement dated July 31, 1995, by and among the Company, the banks party thereto and Creditanstalt-Bankverein, as agent (incorporated by reference from Exhibit 10.38 of the Company's annual report on Form 10-K for the fiscal year ended September 28, 1996).

10.12 Revolving Credit Loan Agreement dated March 27, 1995 by and among the Company and Agricultural Production Credit Association (incorporated by reference from Exhibit 10.39 of the Company's annual report on Form 10-K for the fiscal year ended September 28, 1996).

10.13 First Supplement to Revolving Credit Loan Agreement dated July 6, 1995 by and among the Company and Agricultural Production Credit Association (incorporated by reference from Exhibit 10.40 of the Company's annual report on Form 10-K for the fiscal year ended September 28, 1996).

10.14 Credit Agreement dated as of January 31, 1996 is entered into among Pilgrim's Pride, S.A. de C.V., and Internationale Nederlanden (U.S.) Capital Corporation, 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., Immobiliaria Avicola Pilgrim's Pride, S. De R.L. de C.V. and C.I.A. Incubadora Hidalgo, S.A. de C.V. (incorporated by reference from Exhibit 10.42 of the Company's annual report on Form 10-K for the fiscal year ended September 28, 1996).

10.15 Fourth Amendment to Secured Credit Agreement dated June 6, 1996 to the Secured Credit Agreement dated May 27, 1993, by and among the Company and Harris Trust and Savings Bank, and FBS AG Credit, Inc., Internationale Nederlanden Bank N.V., successor to First Interstate Bank of Texas., N.A.

(incorporated by reference from Exhibit 10.43 of the Company's annual report on Form 10-K for the fiscal year ended September 28, 1996).

10.16 Second Supplement to Revolving Credit Loan Agreement dated June 28, 1996 by and among the Company and Agricultural Production Credit Association (incorporated by reference from Exhibit 10.44 of the Company's annual report on Form 10-K for the fiscal year ended September 28, 1996).

10.17 Third Supplement to Revolving Credit Loan Agreement dated August 22, 1996 by and among the Company and Agricultural Production Credit Association (incorporated by reference from Exhibit 10.45 of the Company's annual report on Form 10-K for the fiscal year ended September 28, 1996).

10.18 Note Purchase Agreement dated April 14, 1997 by and between John Hancock Mutual Life Insurance Company and Signature 1A (Cayman), Ltd. and the Company (incorporated by reference from Exhibit 10.46 of the Company's Quarterly Report on Form 10-Q for the three months ended March 29, 1997).

10.19 Guaranty Fee Agreement between Pilgrim's Pride Corporation and Certain Shareholders dated November 28, 1996 (incorporated by reference from Exhibit 10.47 of the Company's Quarterly Report on Form 10-Q for the three months ended March 29, 1997).

10.20 Aircraft Lease Extension Agreement between B.P. Leasing Co., (L.A. Pilgrim, Individually) and Pilgrim's Pride Corporation, (formerly Pilgrim's Industries, Inc.) effective November 15, 1992 (incorporated by reference from Exhibit 10.48 of the Company's Quarterly Report on Form 10-Q for the three months ended March 29, 1997).

10.21 Broiler Grower Contract dated May 6, 1997 between Pilgrim's Pride Corporation and Lonnie "Bo" Pilgrim (Farm 30) (incorporated by reference from Exhibit 10.49 of the Company's Quarterly Report on Form 10- for the three months ended March 29, 1997).

10.22 Commercial Egg Grower Contract dated May 7, 1997 between Pilgrim's Pride Corporation and Pilgrim Poultry G.P. (incorporated by reference from Exhibit 10.50 of the Company's Quarterly Report on Form 10-Q for the three months ended March 29, 1997).

10.23 Agreement dated October 15, 1996 between Pilgrim's Pride Corporation and Pilgrim Poultry G.P. (incorporated by reference from Exhibit 10.51 of the Company's Quarterly Report on Form 10-Q for the three months ended March 29, 1997).

10.24 Heavy Breeder Contract dated May 7, 1997 between Pilgrim's Pride Corporation and Lonnie "Bo" Pilgrim (Farms 44, 45 & 46) (incorporated by reference from Exhibit 10.51 of the Company's Quarterly Report on Form 10-Q for the three months ended March 29, 1997).

10.25 Broiler Grower Contract dated January 9, 1997 by and between Pilgrim's Pride and O.B. Goolsby, Jr. (incorporated by reference from Exhibit 10.25 of the Company's Registration Statement on Form S-1 (No. 333-29163) effective June 27, 1997).

10.26 Broiler Grower Contract dated January 15, 1997 by and between Pilgrim's Pride Corporation and B.J.M. Farms. (incorporated by reference from Exhibit 10.26 of the Company's Registration Statement on Form S-1 (No. 333-29163) effective June 27, 1997).

10.27 Broiler Grower Agreement dated January 29, 1997 by and between Pilgrim's Pride Corporation and Clifford E. Butler (incorporated by reference from Exhibit 10.27 of the Company's Registration Statement on Form S-1 (No. 333-29163) effective June 27, 1997).

10.28 Secured Term Credit Agreement dated June 5, 1997 by and among Pilgrim's Pride Corporation and Harris Trust and Savings Bank, and FBS AG Credit, Inc., CoBank, ACB, ING (U.S.) Capital Corporation, Wells Fargo Bank(Texas) and N.A., Caisse National de Credit Agricole, Chicago Branch.*

10.29 Amended and Restated Secured Credit Agreement dated August 11, 1997 to the Secured Credit Agreement dated May 27, 1993 by and among the Company and Harris Trust and Savings Bank, and FBS AG Credit, Inc., CoBank, ACB, ING (U.S.) Capital Corporation, Wells Fargo Bank (Texas) and N.A., Caisse National de Credit Agricole, Chicago Branch.*

10.30 Second Amendment to Second Amended and Restated Loan and Security Agreement dated September 18, 1997 by and among the Company, the banks party thereto and Creditanstalt-Bankverein, as agent.*

10.31 Guaranty Fee Agreement between Pilgrim's Pride Corporation and Certain Shareholders dated July 23, 1997.*

21.1 Subsidiaries of Registrant.*

23.1 Consent of Ernst & Young LLP.*

* Filed herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the issuer has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 12th day of December 1997.

PILGRIM'S PRIDE CORPORATION

By: \s\ Richard A. Cogdill

Richard A. Cogdill
Chief Financial Officer
Secretary and Treasurer

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

SIGNATURE	TITLE	DATE
\s\ Lonnie "Bo Pilgrim _____ Lonnie "Bo" Pilgrim	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	12/12/97
\s\ Clifford E. Butler _____ Clifford E. Butler	Vice Chairman of the Board of Directors, Executive President	12/12/97
\s\ Lindy M. "Buddy" Pilgrim _____ Lindy M. "Buddy" Pilgrim	President and Chief Operating Officer and Director	12/12/97
\s\ Robert L. Hendrix _____ Robert L. Hendrix	Executive Vice President Operations and Director	12/12/97
\s\ James J. Miner _____ James J. Miner	Senior Vice President Technical Services and Director	12/12/97
\s\ Lonnie Ken Pilgrim _____ Lonnie Ken Pilgrim	Senior Vice President and Director	12/12/97
\s\ Charles L. Black _____ Charles L. Black	Director	12/12/97
_____ Robert E. Hilgenfeld	Director	12/12/97
_____ Vance C. Miller	Director	12/12/97
_____ James J. Vetter, Jr.	Director	12/12/97
_____ Donald L. Wass	Director	12/12/97

REPORT OF INDEPENDENT AUDITORS

Stockholders and Board of Directors
Pilgrim's Pride Corporation

We have audited the accompanying consolidated balance sheets of Pilgrim's Pride Corporation and subsidiaries at September 27, 1997 and September 28, 1996 and the related consolidated statements of income (loss), stockholders' equity and cash flows for each of the three years in the period ended September 27, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Pilgrim's Pride Corporation and subsidiaries at September 27, 1997 and September 28, 1996, and the consolidated results of their operations and their cash flows for each of the three years in the period ended September 27, 1997 in conformity with generally accepted accounting principles.

ERNST & YOUNG LLP

\s\ Ernst & Young LLP

Dallas, Texas
November 5, 1997

C O N S O L I D A T E D B A L A N C E S H E E T S

PILGRIM'S PRIDE CORPORATION AND SUBSIDIARIES

	YEARS ENDED	
	SEPTEMBER 27, 1997	SEPTEMBER 28, 1996
ASSETS	(IN THOUSANDS)	
Current Assets		
Cash and cash equivalents	$ 20,338	$ 18,040
Trade accounts and other receivables, less allowance for doubtful accounts	77,967	65,887
Inventories	146,180	136,866
Deferred income taxes	3,998	6,801
Prepaid expenses	2,353	907
Other current assets	311	757
Total Current Assets	251,147	229,258
OTHER ASSETS	18,094	18,827
PROPERTY, PLANT AND EQUIPMENT		
Land	25,737	19,818
Buildings, machinery and equipment	436,783	409,191
Autos and trucks	33,278	32,503
Construction-in-progress	14,863	5,160
	510,661	466,672
Less accumulated depreciation	200,778	178,035
	309,883	288,637
	$579,124	$536,722
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Notes payable to banks	$ -	$ 27,000
Accounts payable	71,225	71,354
Accrued expenses	34,784	33,599
Current maturities of long-term debt	11,596	8,850
Total Current Liabilities	117,605	140,803
LONG-TERM DEBT, less current maturities	224,743	198,334
DEFERRED INCOME TAX	53,418	53,608
MINORITY INTEREST IN SUBSIDIARY	842	842
COMMITMENTS AND CONTINGENCIES	-	-
STOCKHOLDERS' EQUITY		
Preferred stock, $.01 par value, authorized 5,000,000 shares; none issued	-	-
Common stock, $.01 par value, authorized 45,000,000 shares; 27,589,250 issued and outstanding in 1997 and 1996	276	276
Additional paid-in capital	79,763	79,763
Retained earnings	102,477	63,096
Total Stockholders' Equity	182,516	143,135
	$579,124	$536,722

See Notes to Consolidated Financial Statements

C O N S O L I D A T E D S T A T E M E N T S O F I N C O M E (L O S S)

PILGRIM'S PRIDE CORPORATION AND SUBSIDIARIES

	YEARS ENDED		
	SEPTEMBER 27, 1997	SEPTEMBER 28, 1996	SEPTEMBER 30, 1995
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
NET SALES	$1,277,649	$1,139,310	$931,806
COSTS AND EXPENSES:			
Cost of sales	1,163,152	1,068,670	857,662
Selling, general and administrative	50,603	49,136	49,214
	1,213,755	1,117,806	906,876
Operating Income	63,894	21,504	24,930

OTHER EXPENSES (INCOME):			
Interest expense, net	22,075	21,539	17,483
Foreign exchange loss	434	1,275	5,605
Miscellaneous, net	(2,439)	(1,357)	(249)
	20,070	21,457	22,839
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY CHARGE	43,824	47	2,091
Income tax expense	2,788	4,551	10,058
Net income (loss) before extraordinary charge	41,036	(4,504)	(7,967)
EXTRAORDINARY CHARGE-EARLY REPAYMENT OF DEBT, NET OF TAX	-	(2,780)	-
NET INCOME (LOSS)	$41,036	$(7,284)	$(7,967)
Net income (loss) per common share before extraordinary charge	$1.49	$(0.16)	$(0.29)
Extraordinary charge per common share	-	(0.10)	-
NET INCOME (LOSS) PER COMMON SHARE	$1.49	$(0.26)	$(0.29)

See Notes to Consolidated Financial Statements.

C O N S O L I D A T E D S T A T E M E N T S O F S T O C K H O L D E R S ' E Q U I T Y
PILGRIM'S PRIDE CORPORATION AND SUBSIDIARIES

	NUMBER OF SHARES	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL
		(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)			
Balance at October 1, 1994	27,589,250	$276	$79,763	$81,657	$161,696
Net loss for year				(7,967)	(7,967)
Cash dividends declared ($.06 per share)				(1,655)	(1,655)
Balance at September 30, 1995	27,589,250	276	79,763	72,035	152,074
Net loss for year				(7,284)	(7,284)
Cash dividends declared ($.06 per share)				(1,655)	(1,655)
Balance at September 28, 1996	27,589,250	276	79,763	63,096	143,135
Net income for year				41,036	41,036
Cash dividends declared ($.06 per share)				(1,655)	(1,655)
Balance at September 27, 1997	27,589,250	$276	$79,763	$102,477	$182,516

See Notes to Consolidated Financial Statements

C O N S O L I D A T E D S T A T E M E N T S O F C A S H F L O W S
PILGRIM'S PRIDE CORPORATION AND SUBSIDIARIES

YEARS ENDED

	SEPTEMBER 27, 1997	SEPTEMBER 28, 1996	SEPTEMBER 30, 1995
		(IN THOUSANDS)	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 41,036	$ (7,284)	$ (7,967)
Adjustments to reconcile net income (loss) to cash provided by operating activities:			
Depreciation and amortization	29,796	28,024	26,127
(Gain) loss on property disposals	874	(211)	(263)
Provision for doubtful accounts	(60)	1,003	1,133
Deferred income taxes	2,613	(354)	3,785
Extraordinary charge	-	4,587	-
Changes in operating assets and liabilities:			
Accounts and other receivables	(15,213)	(6,858)	(3,370)
Inventories	(9,314)	(24,830)	(4,336)
Prepaid expenses	(999)	(674)	1,066
Accounts payable and accrued expenses	1,056	18,165	15,249
Other	(174)	(177)	1,288
Net Cash Flows Provided by Operating Activitie	49,615	11,391	32,712
INVESTING ACTIVITIES:			
Acquisitions of property, plant and equipment	(50,231)	(34,314)	(35,194)
Business acquisitions	-	-	(36,178)
Proceeds from property disposal	3,853	1,468	541
Other, net	(1,291)	312	(758)
Net Cash Used in Investing Activities	(47,669)	(32,534)	(71,589)
FINANCING ACTIVITIES:			
Proceeds from notes payable to banks	68,500	91,000	15,000
Repayments on notes payable to banks	(95,500)	(77,000)	(2,000)
Proceeds from long-term debt	39,030	51,028	45,030
Payments on long-term debt	(10,027)	(32,140)	(16,202)
Cash dividends paid	(1,655)	(1,655)	(1,655)
Extraordinary charge, cash items	-	(3,920)	-
Net Cash Provided by Financing Activities	348	27,313	40,173
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS:	4	(22)	(648)
Increase in cash and cash equivalents	2,298	6,148	648
Cash and cash equivalents at beginning of year	18,040	11,892	11,244
CASH AND CASH EQUIVALENTS AT END OF YEAR:	$20,338	$18,040	$11,892
SUPPLEMENTAL DISCLOSURE INFORMATION:			
Cash paid during the year for:			
Interest (net of amount capitalized)	$22,026	$20,310	$16,764
Income taxes	$ 2,021	$4,829	$5,128

See Notes to Consolidated Financial Statements.

N O T E S T O C O N S O L I D A T E D F I N A N C I A L S T A T E M E N T S

Pilgrim's Pride Corporation and Subsidiaries

NOTE A - BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The financial statements of the Company's Mexican subsidiaries are remeasured as if the U.S. dollar were the functional currency. Accordingly, assets and liabilities of the Mexican subsidiaries are translated at end-of-period exchange rates, except for non-monetary assets which are translated at equivalent dollar costs at dates of acquisition using historical rates. Operations are translated at average exchange rates in effect during the

period. Foreign exchange (gains) losses are separately stated as components of "Other expenses (income)" in the Consolidated Statement of Income (Loss).

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

ACCOUNTS RECEIVABLE: The Company does not believe it has significant concentrations of credit risk in its accounts receivable, which are generally unsecured. Credit evaluations are performed on all significant customers and updated as circumstances dictate. Allowances for doubtful accounts were $3.8 million and $4.0 million at September 27, 1997 and September 28, 1996, respectively.

INVENTORIES: Live chicken inventories are stated at the lower of cost or market and breeder hens at the lower of cost, less accumulated amortization, or market. The costs associated with breeder hens are accumulated up to the production stage and amortized over the productive lives using the straight-line method. Finished chicken products, feed, eggs and other inventories are stated at the lower of cost (first-in, first-out method) or market. Occasionally, the Company hedges a portion of its purchases of major feed ingredients using futures contracts to minimize the risk of adverse price fluctuations. Gains and losses on the hedge transactions are deferred and recognized as a component of cost of sales when products are sold.

PROPERTY, PLANT AND EQUIPMENT: Property, plant and equipment is stated at cost. For financial reporting purposes, depreciation is computed using the straight-line method over the estimated useful lives of these assets. Depreciation expense was $28.7 million, $26.8 million and $24.8 million in 1997, 1996 and 1995, respectively.

NET INCOME (LOSS) PER COMMON SHARE: Net income (loss) per share is based on the weighted average shares of common stock outstanding during the year. The weighted average number of shares outstanding was 27,589,250 in all periods.

In February 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 128, EARNINGS PER SHARE (SFAS 128), which the Company will be required to initially adopt in the first quarter of 1998. The adoption of SFAS 128 will have no impact on its reporting of earnings per share.

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

NOTE B - INVENTORIES

Inventories consist of the following:

	YEARS ENDED	
	SEPTEMBER 27, 1997	SEPTEMBER 28, 1996
	(IN THOUSANDS)	
Live chickens and hens	$68,034	$66,248
Feed, eggs and other	43,878	39,804
Finished chicken products	34,268	30,814
	$146,180	$136,866

NOTE C - NOTES PAYABLE AND LONG-TERM DEBT

The Company maintains a $110 million in revolving credit facilities and $45 million in secured term borrowing facilities. These credit facilities provide for interest at rates ranging from LIBOR plus one and three-quarters percent to LIBOR plus two percent and are secured by inventory, trade accounts receivable and fixed assets. At September 27, 1997, $102 million was available under the revolving credit facilities and $25 million was available under the term borrowing facilities.

The table below sets forth maturities on long-term debt during the next five years.

YEAR	AMOUNT

	(in thousands)
1998	$11,596
1999	11,630
2000	11,799
2001	11,942
2002	12,201

During 1996, the Company retired certain debt prior to its scheduled maturity. These repayments resulted in an extraordinary charge of $2.8 million, net of $1.8 million tax benefit.

The Company is required, by certain provisions of its debt agreements, to maintain minimum levels of working capital and net worth, to limit dividends to a maximum of $1.7 million per year, to maintain various fixed charge, leverage, current and debt-to-equity ratios, and to limit annual capital expenditures. Substantially all of the Company's domestic property, plant an equipment is pledged as collateral on its long-term debt.

Total interest was $23.4 million in 1997 and 1996, and $19.1 million in 1995. Interest related to new construction capitalized in 1997, 1996 and 1995 was $.5 million, $1.3 million and $.6 million, respectively. The weighted average interest rate on short term borrowings outstanding as of September 28, 1996 was 7.2%

The fair value of the Company's long-term debt was estimated using quoted market prices, where available. For long-term debt not actively traded, fair values were estimated using discounted cash flow analysis using current market rates for similar types of borrowings.

Long-term debt and the related fair values consist of the following:

	YEARS ENDED			
	SEPTEMBER 27, 1997		SEPTEMBER 28, 1996	
	CARRYING AMOUNTS	FAIR VALUE	CARRYING AMOUNTS	FAIR VALUE
	(IN THOUSANDS)			
Senior subordinated notes due August 1, 2003, interest at 10 7/8% (effective rate of 11/8%) payable in semi-annual installments, less discount of $882,105 and $1,032,000 in 1997 and 1996, respectively.	$ 99,118	$106,000	$ 98,968	$100,219
Notes payable to an insurance company at 7.21%, payable in monthly installments of $455,305 including interest, plus one final balloon payment at maturity on February 28, 2006.	47,065	45,463	48,896	46,063
Notes payable to bank, interest paid monthly at LIBOR plus 1.8% currently and 2.0% in both 1997 and 1996, with quarterly principal payments of $950,000 in 1997 and 1996 and $1,000,000 in 1998 and thereafter, plus one final balloon payment at maturity on June 30, 2003.	40,000	40,000	29,732	29,732
Notes payable to an agricultural lender at a rate approximating LIBOR plus 1.65%, payable in equal monthly installments including interest through April 1, 2003.	28,871	28,871	27,080	27,080
Notes payable to an insurance company, interest paid monthly at LIBOR plus 2.0%, with monthly principal payments of $70,899 plus one fixed balloon payment at maturity on February 28, 2006.	12,478	12,478	-	-
Other notes payable	8,807	8,589	2,508	2,547
	236,339	241,401	207,184	205,641
Less current maturities	11,596		8,850	

	$224,743	$198,334

NOTE D - INCOME TAXES

Income (loss) before income taxes and extraordinary charge after allocation of certain expenses to foreign operations for 1997, 1996 and 1995 was $15.8 million, $16.3 million and $29.9 million, respectively, for U.S. operations, and $28 million, $(16.3) million and $(27.8) million, respectively, for foreign operations. The provisions for income taxes are based on pretax financial statement income.

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

	YEARS ENDED		
	SEPTEMBER 27, 1997	SEPTEMBER 28, 1996	SEPTEMBER 30, 1995
		(IN THOUSANDS)	
Current:			
Federal	$1 ,113	$3,005	$5,215
Foreign	245	817	638
State and other	(1,183)	1,083	420
	175	4,905	6,273
Deferred:			
Reinstatement of deferred taxes through utilization of tax credits and net operating losses	516	397	3,542
Accelerated tax depreciation	558	(195)	215
Expenses deductible in a different year for tax and financial reporting purposes	841	238	411
Other, net	698	(794)	(383)
	2,613	(354)	3,785
	$ 2,788	$4,551	$10,058

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

	YEARS ENDED		
	SEPTEMBER 27, 1997	SEPTEMBER 28, 1996	SEPTEMBER 30, 1995
Federal income tax rate	35.0%	35.0%	35.0%
State tax rate, net	(0.8)	1,674.1	40.1
Effect of Mexican loss being non- deductible in U.S.	-	6,252.3	411.1
Difference in U.S. statutory tax rate and Mexican effective tax rate	(27.8)	1,649.3	-
Other, net	-	0.2	(5.2)
	6.4%	9,610.9%	481.0%

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

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

	YEARS ENDED	
	SEPTEMBER 27, 1997	SEPTEMBER 28, 1996
Deferred tax liabilities:	(IN THOUSANDS)	
Tax over book depreciation	$ 24,584	$24,027
Prior use of cash accounting	34,223	33,418

Other	823	930
Total deferred tax liabilities	59,630	58,375
Deferred tax assets:		
AMT credit carryforward	3,518	4,034
Expenses deductible in different years	6,692	7,534
Total deferred tax asset	10,210	11,568
Net deferred tax liabilities	$49,420	$46,807

The Company has not provided any U.S. deferred income taxes on the undistributed earnings of its Mexican subsidiaries based upon its determination that such earnings will be indefinitely reinvested. As of September 27, 1997, the cumulative undistributed earnings of these subsidiaries were approximately $54.9 million. If such earnings were not considered indefinitely reinvested, deferred U.S. and foreign income taxes would have been provided, after consideration of estimated foreign tax credits. However, determination of the amount of deferred federal and foreign income taxes is not practical.

As of September 27, 1997, approximately $3.5 million of alternative minimum tax credits were available to offset future income taxes. All credits have been reflected in the financial statements as a reduction of deferred taxes. As these credits are utilized for tax purposes, deferred taxes will be reinstated.

NOTE E - SAVINGS PLAN

The Company maintains a Section 401(k) Salary Deferral Plan ("the Plan"). Under the Plan, eligible domestic employees may voluntarily contribute a percentage of their compensation. The Plan provides for a contribution of up to four percent of compensation subject to an overall Company contribution limit of five percent of the U.S. operation income before taxes. Under this plan, the Company's expenses were $2.1 million, $1.8 million and $1.9 million in 1997, 1996 and 1995, respectively.

NOTE F - RELATED PARTY TRANSACTIONS

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

	YEARS ENDED		
	SEPTEMBER 27, 1997	SEPTEMBER 28, 1996	SEPTEMBER 30, 1995
	(IN THOUSANDS)		
Contract egg grower fees to major stockholder	$ 4,926	$ 4,697	$ 4,760
Chick, feed and other sales to major stockholder	20,116	18,057	12,478
Live chicken purchases from major stockholder	20,442	18,112	12,721

The Company leases an airplane from its major stockholder under an operating lease agreement. The terms of the lease agreement require monthly payments of $33,000 plus operating expenses. Lease expense was $396,000 for each of the years 1997, 1996 and 1995. Operating expenses were $107,000, $88,000 and $149,000 in 1997, 1996 and 1995, respectively.

Expenses incurred for the guarantee of certain debt by stockholders were $1,137,000, $1,027,000 and $623,000 in 1997, 1996 and 1995, respectively.

NOTE G - COMMITMENTS AND CONTINGENCIES

The Consolidated Statements of Income (Loss) included rental expense for operating leases of approximately $11.3 million, $10.1 million and $9.8 million in 1997, 1996 and 1995, respectively. The Company's future minimum lease commitments under noncancelable operating leases are as follows:

YEAR	AMOUNT
1998	$10,238
1999	9,259
2000	8,148
2001	10,288

2002	8,301
Thereafter	9,567

At September 27, 1997, the Company had $8.0 million letters of credit outstanding relating to normal business transactions.

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

NOTE H - BUSINESS SEGMENTS

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

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

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

	YEARS ENDED		
	SEPTEMBER 27, 1997	SEPTEMBER 28, 1996	SEPTEMBER 30, 1995
		(IN THOUSANDS)	
Sales to unaffiliated customers:			
United States	$1,002,652	$ 911,181	$772,315
Mexico	274,997	228,129	159,491
	$1,277,649	$1,139,310	$931,806
Operating income(loss):			
United States	$ 29,321	$ 29,705	$ 41,923
Mexico	34,573	(8,201)	(16,993)
	$ 63,894	$ 21,504	$ 24,930
Identifiable assets:			
United States	$ 404,213	$ 363,543	$328,489
Mexico	174,911	173,179	169,115
	$ 579,124	$ 536,722	$497,604

The operating losses in Mexico in 1996 and 1995 were primarily the result of currency devaluation and other economic factors. As of September 27, 1997 the Company had net assets in Mexico of $154 million.

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 131, DISCLOSURES ABOUT SEGMENTS OF AN ENTERPRISE AND RELATED INFORMATION (SFAS 131), effective for years beginning after December 15, 1997. SFAS No. 131 supersedes SFAS No. 14, FINANCIAL REPORTING FOR SEGMENTS OF A BUSINESS ENTERPRISE, and requires that a public company report annual and interim financial and descriptive information about its reportable operating segments pursuant to criteria that differ from current accounting practice. Because this statement addresses how supplemental financial information is disclosed in annual and interim reports, the adoption will have no impact on the Company's financial statements, but may affect the disclosure of segment information.

NOTE I - ACQUISITIONS AND INVESTMENTS

On July 5, 1995, the Company acquired certain assets of Union de Queretaro, et al, a group of five chicken companies located near Queretaro, Mexico for approximately $35.3 million. These assets were integrated with the Company's existing Mexican operation, headquartered in Queretaro, Mexico, which is one of the two largest chicken operations in Mexico. The acquisition has been accounted for as a purchase, and the results of operations for this acquisition have been included in the Company's consolidated results of operations since the acquisition date. Pro forma operating results are not presented as they would not differ materially from actual results reported in 1995.

NOTE J - QUARTERLY RESULTS - (UNAUDITED)

YEAR ENDED SEPTEMBER 27, 1997

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	FISCAL YEAR
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
Net sales	$297,806	$303,401	$335,168	$341,274	$1,277,649
Gross profit	30,267	23,085	27,285	33,860	114,497
Operating income	16,314	9,660	12,627	25,293	63,894
Net income	10,105(a)	4,954	7,286	18,691	41,036(a)
Per Share:					
Net income	0.37(a)	0.18	0.26	0.68	1.49 (a)
Cash dividends	0.015	0.015	0.015	0.015	0.06
Market price:					
High	9	12 1/8	12 3/4	15 3/8	15 3/8
Low	7 3/4	8 5/8	9 1/2	10 5/16	7 3/4

YEAR ENDED SEPTEMBER 28, 1996

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	FISCAL YEAR
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
Net sales	$267,475	$272,004	$294,339	$305,492	$1,139,310
Gross profit	20,972	16,047	17,384	16,237	70,640
Operating income	8,825	3,684	5,454	3,541	21,504
Extraordinary charge (b)	-	(2,780)	-	-	(2,780)
Net income (loss)	(704)	(3,335)	1,007	(4,252)	(7,284)
Per share:					
Net income (loss) before extraordinary charge	(0.03)	(0.02)	0.04	(0.15)	(0.16)
Extraordinary charge	-	(0.10)	-	-	(0.10)
Net income (loss)	(0.03)	(0.12)	0.04	(0.15)	(0.26)
Cash dividends	0.015	0.015	0.015	0.015	0.06
Market price:					
High	8 3/8	7 5/8	9	9	9
Low	6 5/8	6 3/4	6 3/4	7 1/2	6 5/8

(a) Includes $2.2 million ($1.3 million net of taxes) of other income arising from the final settlement of claims arising from a January 1992 fire at the Company's prepared foods plant.

(b) The extraordinary charge of $2.8 million, net of tax, is the result of the early repayment of 10.49% and 9.55% senior secured debt payable to an insurance company. (See Note C).

EXHIBIT 22 - SUBSIDIARIES OF REGISTRANT

1. AVICOLA PILGRIM'S PRIDE DE MEXICO, S.A. DE C.V.
2. COMPANIA INCUBADORA AVICOLA PILGRIM'S PRIDE, S.A. DE C.V.
3. CIA. INCUBADORA HIDALGO, S.A. DE C.V.
4. INMOBILIARIA AVICOLA PILGRIM'S PRIDE, S. DE R.L. DE C.V.
5. PILGRIM'S PRIDE, S.A. DE C.V.
6. PRODUCTORA Y DISTRIBUIDORA DE ALIMENTOS, S.A. DE C.V.
7. GALLINA PESADA S.A. DE C.V.

EXHIBIT 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 3-12043) of Pilgrim's Pride Corporation of our report dated November 5, 1997, with respect to the consolidated financial statements of Pilgrim's Pride Corporation included in this Annual Report (Form 10-K) for the year ended September 7, 1997.

Ernst & Young LLP

\s\ Ernst & Young LLP

Dallas, Texas
December 15, 1997

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1,000

YEAR	
	SEP-27-1997
	SEP-27-1997
	20338
	0
	77967
	0
	146180
	251147
	510661
	309883
	579124
	117605
	224743
	276
	0
	0
	182240
	579124
	1277649
	1277649
	1163152
	1213755
	20070
	(60)
	22075
	43824
	2788
	41036
	0
	0
	0
	41036
	1.49
	1.49

SECURED TERM CREDIT AGREEMENT

Among

PILGRIM'S PRIDE CORPORATION

And

HARRIS TRUST AND SAVINGS BANK
INDIVIDUALLY AND AS AGENT

AND

FBS Ag Credit, Inc.

COBANK, ACB

ING (U.S.) Capital Corporation

WELLS FARGO BANK (TEXAS), N.A.

Caisse Nationale de Credit Agricole, Chicago Branch

Dated as of June 5, 1997

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Pilgrim's Pride Corporation
SECURED TERM CREDIT AGREEMENT

Pilgrim's Pride Corporation

SECURED TERM CREDIT AGREEMENT

Harris Trust and Savings Bank
Chicago, Illinois

FBS Ag Credit, Inc.
Denver, Colorado

CoBank, ACB
Wichita, Kansas

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

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

Caisse Nationale de Credit Agricole, Chicago Branch
Chicago, Illinois

Ladies and Gentlemen:

The undersigned, PILGRIM'S PRIDE CORPORATION, a Delaware corporation (the "COMPANY"), applies to you for your several commitment, subject to all the terms and conditions hereof and on the basis of the representations and warranties hereinafter set forth, to make a term credit (the "TERM CREDIT") available to the Company, all as more fully hereinafter set forth. Each of you is hereinafter referred to individually as "BANK" and collectively as "BANKS." Harris Trust and Savings Bank in its individual capacity is sometimes referred to herein as "HARRIS", and in its capacity as Agent for the Banks is hereinafter in such capacity called the "AGENT."

SECTION 1. THE CREDIT FACILITIES.

SECTION 1.1. THE TERM CREDIT. (a) Subject to all of the terms and conditions hereof, the Banks agree, severally and not jointly, to extend a Term Credit to the Company which may be utilized by the Company in the form of loans (individually a "TERM LOAN" and collectively the "TERM LOANS"). The aggregate principal amount of all Term Loans made hereunder shall not exceed the Banks' Term Credit Commitments (as hereinafter defined). The Term Loans may be disbursed in one or more borrowings during the period from the date hereof to and including April 30, 1999 (the "TERMINATION DATE").

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

Harris Trust and Savings Bank	$2,666,667.00
FBS Ag Credit, Inc.	$2,000,000.00
CoBank, ACB	$2,000,000.00
ING (U.S.) Capital Corporation	$1,333,333.00
Wells Fargo Bank (Texas), N.A.	$1,000,000.00
Caisse Nationale de Credit Agricole	$1,000,000.00
Total	$10,000,000.00

All Term Loans shall be made from each Bank in proportion to its respective Term Credit Commitment as above set forth. Each borrowing of Term Loans shall be in an amount not less than $1,000,000 or such greater amount which is an integral multiple of $500,000 and each Fixed Rate Portion shall be in an amount not less than $1,000,000. The Term Loans shall mature on the Termination Date.

SECTION 1.2. THE NOTES. All Term Loans made by each Bank hereunder shall be evidenced by a single Secured Term Credit Note of the Company substantially in the form of Exhibit A hereto (individually, a "TERM NOTE" and together, the "TERM NOTES") payable to the order of each Bank

in the principal amount of such Bank's Term Credit Commitment, but the aggregate principal amount of indebtedness evidenced by such Term Note at any time shall be, and the same is to be determined by, the aggregate principal amount of all Term Loans made by such Bank to the Company pursuant hereto on or prior to the date of determination less the aggregate amount of principal repayments on such Term Loans received by or on behalf of such Bank on or prior to such date of determination. Each Term Note shall be dated as of the execution date of this Agreement, shall be delivered concurrently herewith, and shall be expressed to mature on the Termination Date and to bear interest as provided in Section 1.3 hereof. Each Bank shall record on its books or records or on a schedule to its Term Note the amount of each Term Loan made by it hereunder, and, with respect to Eurodollar Portions, the interest rate and Interest Period applicable thereto, and all payments of principal and interest and the principal balance from time to time outstanding, provided that prior to any transfer of such Term Note all such amounts shall be recorded on a schedule to such Term Note. The record thereof, whether shown on such books or records or on the schedule to the Term Note, shall be PRIMA FACIE evidence as to all such amounts; provided, however, that the failure of any Bank to record or any mistake in recording any of the foregoing shall not limit or otherwise affect the obligation of the Company to repay all Term Loans made hereunder together with accrued interest thereon. Upon the request of any Bank, the Company will furnish a new Term Note to such Bank to replace its outstanding Term Note and at such time the first notation appearing on the schedule on the reverse side of, or attached to, such Term Note shall set forth the aggregate unpaid principal amount of Term Loans then outstanding from such Bank, and, with respect to each Fixed Rate Portion, the interest rate and Interest Period applicable thereto. Such Bank will cancel the outstanding Term Note upon receipt of the new Term Note.

SECTION 1.3. INTEREST RATES AND RATE SELECTION. (a) INTEREST RATE OPTIONS. Subject to all of the terms and conditions of this Section 1.3, portions of the principal indebtedness evidenced by each Term Note (all of the indebtedness evidenced by each Term Note bearing interest at the same rate for the same period of time being hereinafter referred to as a "PORTION") may, at the option of the Company, bear interest with reference to the Domestic Rate (the "DOMESTIC RATE PORTION") or with reference to an Adjusted Eurodollar Rate ("EURODOLLAR PORTIONS") or with reference to an Adjusted CD Rate ("CD RATE PORTIONS"), and Portions may be converted from time to time from one basis to another. All of the indebtedness evidenced by each Term Note which is not part of a Fixed Rate Portion shall constitute a single Domestic Rate Portion. All of the indebtedness evidenced by each Term Note which bears interest with reference to a particular Adjusted Eurodollar Rate for a particular Interest Period shall constitute a single Eurodollar Portion, all of the indebtedness evidenced by each Term Note which bears interest with reference to a particular Adjusted CD Rate for a particular Interest Period shall constitute a single CD Rate Portion. Each Domestic Rate Portion shall be in an amount not less than $1,000,000 or such greater amount which is an integral multiple of $500,000 and each Fixed Rate Portion shall be in an amount not less than $1,000,000 or such greater amount which is an integral multiple of $1,000,000.

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

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

(d) CD RATE PORTIONS. Each CD Rate Portion shall bear interest (computed on the basis of a year of 360 days and actual days elapsed) on the unpaid principal amount thereof from the date such Loan is made until

the last day of the Interest Period applicable thereto or, if earlier, until maturity (whether by acceleration or otherwise) at a rate per annum equal to the lesser of (i) the Highest Lawful Rate and (ii) the sum of the Applicable Margin plus the Adjusted CD Rate, payable on the last day of each Interest Period applicable thereto and at maturity (whether by acceleration of otherwise) and, with respect to CD Rate Portions with an Interest Period in excess of 90 days, on the date occurring every 90 days from the first day of the Interest Period applicable thereto.

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

(f) The Company shall give telephonic, telex or telecopy notice to the Agent (which notice, if telephonic, shall be promptly confirmed in writing) no later than (i) 11:00 a.m. (Chicago time) on the date the Banks are requested to make each Domestic Rate Portion, (ii) 11:00 a.m. (Chicago time) on the date at least three (3) Banking Days prior to the date of (A) each Eurodollar Portion which the Banks are requested to make or continue, and (B) the conversion of any CD Rate Portion or Domestic Rate Portion into a Eurodollar Portion and (iii) 11:00 a.m. (Chicago time) on the date at least one (1) Business Day prior to the date of (A) each CD Rate Portion which the Banks are requested to make and (B) the conversion of any Eurodollar Portion or Domestic Rate Portion into a CD Rate Portion. Each such notice shall specify the date of the Loan requested (which shall be a Business Day in the case of Domestic Rate Portions and CD Rate Portions and a Banking Day in the case of a Eurodollar Portion), the amount of such Loan, whether the Loan is to be made available by means of a Domestic Rate Portion, CD Rate Portion or Eurodollar Portion and, with respect to Fixed Rate Portions, the Interest Period applicable thereto. The Company agrees that the Agent may rely on any such telephonic, telex or telecopy notice given by any person who the Agent believes is authorized to give such notice without the necessity of independent investigation and in the event any notice by such means conflicts with the written confirmation, such notice shall govern if any Bank has acted in reliance thereon. The Agent shall, no later than 12:30 p.m. (Chicago time) on the day any such notice is received by it, give telephonic, telex or telecopy (if telephonic, to be confirmed in writing within one Business Day) notice of the receipt of notice from the Company hereunder to each of the Banks, and, if such notice requests the Banks to make, continue or convert any Fixed Rate Portions, the Agent shall confirm to the Company by telephonic, telex or telecopy means, which confirmation shall be conclusive and binding on the Company in the absence of manifest error, the Interest Period and the interest rate applicable thereto promptly after such rate is determined by the Agent.

SECTION 1.4. CONVERSION AND CONTINUATION OF PORTIONS. (a) Provided that no Event of Default or Potential Default has occurred and is continuing, the Company shall have the right, subject to the other terms and conditions of this Agreement, to continue in whole or in part (but, if in part, in the minimum amount specified for Fixed Rate Portions in Section 1.3(a) hereof) any Fixed Rate Portion from any current Interest Period into a subsequent Interest Period, provided that the Company shall give the Bank notice of the continuation of any such Loan as provided in Section 1.3(f) hereof.

(b) In the event that the Company fails to give notice pursuant to Section 1.3(f) hereof of the continuation of any Fixed Rate Portion or fails to specify the Interest Period applicable thereto, or an Event of Default or Potential Default has occurred and is continuing at the time any such Portion is to be continued hereunder, then such Portion shall be automatically converted as (and the Company shall be deemed to have given notice requesting) a Domestic Rate Portion, subject to Sections 1.3, 8.2 and 8.3 hereof, unless paid in full on the last day of the then applicable Interest Period.

(c) Provided that no Event of Default or Potential Default has occurred and is continuing, the Company shall have the right, subject to the terms and conditions of this Agreement, to convert Portions of one type (in whole or in part) into Portions of another type from time to time provided that: (i) the Company shall give the Bank notice of each such conversion as provided in Section 1.3(f) hereof, (ii) the principal amount of any Portion converted hereunder shall be in an amount not less than the minimum amount specified for the type of Portion in Section 1.3(a) hereof, (iii) after giving effect to any such conversion in part, the principal amount of any Fixed Rate Portion then outstanding shall not be less than the minimum amount specified for the type of Portion in Section 1.3(a) hereof, (iv) any conversion of a Portion hereunder shall

only be made on a Banking Day, and (v) any Fixed Rate Portion may be converted only on the last day of the Interest Period then applicable thereto.

SECTION 1.5. MANNER OF BORROWING. (a) In addition to any notice required by Section 1.3(f) of this Agreement, the Company shall give telephonic, telex or telecopy notice to the Agent (which notice, if telephonic, shall be promptly confirmed in writing) no later than 11:00 a.m. (Chicago time) on the date the Banks are requested to make a borrowing of Term Loans available hereunder. Each such notice shall specify the date of the proposed borrowing and the amount of such borrowing. The Company agrees that the Agent may rely on any such telephonic, telex or telecopy notice given by any person who the Agent believes is authorized to give such notice without the necessity of independent investigation and in the event any notice by such means conflicts with the written confirmation, such notice shall govern if any Bank has acted in reliance thereon. The Agent shall, no later than 12:30 p.m. (Chicago time) on the day any such notice is received by it, give telephonic, telex or telecopy (if telephonic, to be confirmed in writing within one Business Day) notice of the receipt of notice from the Company hereunder to each of the Banks.

(b) Subject to the provisions of Section 6 hereof, the proceeds of each Term Loan shall be made available to the Company at the principal office of the Agent in Chicago, Illinois, in immediately available funds, on the date such Term Loan is requested to be made. Not later than 2:00 p.m. Chicago time, on the date specified for any Term Loan to be made hereunder, each Bank shall make its portion of such Term Loan available to the Company in immediately available funds at the principal office of the Agent.

(c) Unless the Agent shall have been notified by a Bank prior to 1:00 p.m. (Chicago time) on the date a Term Loan is to be made by such Bank (which notice shall be effective upon receipt) that such Bank does not intend to make the proceeds of such Term Loan available to the Agent, the Agent may assume that such Bank has made such proceeds available to the Agent on such date and the Agent may in reliance upon such assumption (but shall not be required to) make available to the Company a corresponding amount. If such corresponding amount is not in fact made available to the Agent by such Bank, the Agent shall be entitled to receive such amount on demand from such Bank (or, if such Bank fails to pay such amount forthwith upon such demand, to recover such amount, together with interest thereon at the rate otherwise applicable thereto under Section 1.3 hereof, from the Company) together with interest thereon in respect of each day during the period commencing on the date such amount was made available to the Company and ending on the date the Agent recovers such amount, at a rate per annum equal to the effective rate charged to the Agent for overnight Federal funds transactions with member banks of the Federal Reserve System for each day, as determined by the Agent (or, in the case of a day which is not a Business Day, then for the preceding Business Day) (the "FED FUNDS RATE"). Nothing in this Section 1.5(c) shall be deemed to permit any Bank to breach its obligations to make Term Loans under the Term Credit or to limit the Company's claims against any Bank for such breach.

SECTION 1.6 LETTER OF CREDIT. Subject to all the terms and conditions hereof, satisfaction of all conditions precedent set forth in this Agreement and so long as no Potential Default or Event of Default is in existence, at the Company's request Harris shall issue a standby letter of credit (the "BOND L/C") in an original stated amount of up to $10,000,000 (the "L/C COMMITMENT") for the account of the Company at any time on or prior to April 30, 1999 (the "L/C FACILITY EXPIRATION DATE"). The Bond L/C shall be issued pursuant to a Reimbursement Agreement (the "L/C AGREEMENT") in form and substance satisfactory to the Banks and shall be for the purpose of supporting tax-exempt industrial revenue bonds which may be issued to finance the Company's Tenaha Feed Mill (the "IRBS"). The Bond L/C shall have an expiry date not more than three years from the date of issuance thereof, subject to extension as provided in the L/C Agreement. Nothing contained in this Agreement shall be deemed to require the Company to cause any IRBs to be issued, it being agreed that the issuance of IRBs shall be within the Company's sole discretion.

SECTION 1.7. REIMBURSEMENT OBLIGATION. The Company will be obligated to pay in immediately available funds to Harris each demand for payment made under the Bond L/C as provided in the L/C Agreement (the obligation of the Company under the L/C Agreement is hereinafter referred to as a "REIMBURSEMENT OBLIGATION").

SECTION 1.8. PARTICIPATION IN THE BOND L/C. Each of the Banks will acquire a risk participation for its own account, without recourse to or

representation or warranty from Harris, in the Bond L/C upon the issuance thereof ratably in accordance with its Commitment Percentage. In the event any Reimbursement Obligation is not immediately paid by the Company pursuant to Section 1.7 hereof and the L/C Agreement, each Bank will pay to Harris funds in an amount equal to such Bank's Commitment Percentage of the unpaid amount of such Reimbursement Obligation. The obligation of the Banks to Harris under this Section 1.9 shall be absolute and unconditional and shall not be affected or impaired by any Event of Default or Potential Default which may then be continuing hereunder. Harris shall notify each Bank by telephone of its Commitment Percentage of such unpaid Reimbursement Obligation. If such notice has been given to each Bank by 12:00 Noon, Chicago time, each Bank agrees to pay Harris in immediately available and freely transferable funds on the same Business Day. If such notice is received after 12:00 noon, Chicago time, each Bank agrees to pay Harris in immediately available and freely transferable funds no later than the following Business Day. Funds shall be so made available at the account designated by Harris in such notice to the Banks. Harris shall share with each Bank on a pro rata basis relative to its Commitment Percentage a portion of each payment of a Reimbursement Obligation (whether of principal or interest) and any L/C Fee (but not any L/C Issuance Fee) payable by the Company. Any such amount shall be promptly remitted to the Banks when and as received by Harris from the Company.

SECTION 1.9. REDUCTIONS AND REINSTATEMENTS. The Company and the Banks recognize, acknowledge and agree that (i) the Bond L/C provides for automatic reductions and reinstatements as set forth in the provisions of such Bond L/C, and (ii) the Bond L/C provides for the beneficiary thereof to reduce from time to time the amounts available to be drawn thereon. Each Bank acknowledges that, because the interest component of the Bond L/C may be reinstated at a time when the Company has not reimbursed the Banks in full for an interest drawing under the Bond L/C, the total may exceed the total amount of L/Cs that may be issued pursuant to Section 1.6 hereof and each Bank agrees to pay Harris its pro rata share of any drawing under the Bond L/C notwithstanding that any such payment may result in the aggregate principal amount owing such Bank hereunder exceeding the Revolving Credit Commitment of such Bank.

SECTION 1.10. LIABILITY OF HARRIS. None of the Harris-Related Persons shall (i) be liable for any action taken or omitted to be taken by any of them under or in connection with the L/C Agreement or any Bond Document (except for its own gross negligence or willful misconduct), or (ii) be responsible in any manner to any of the Banks for any recital, statement, representation or warranty made by the Company, the Subsidiary Guarantors or any Affiliate of the Company or the Subsidiary Guarantors, or any officer thereof, contained in the L/C Agreement or any Bond Document, or in any certificate, report, statement or other document referred to or provided for in, or received by Harris under or in connection with, the L/C Agreement or any Bond Document, or for the validity, effectiveness, genuineness, enforceability or sufficiency of the L/C Agreement or any Bond Document, or for any failure of the Company or any other party to the L/C Agreement or any Bond Document to perform its obligations thereunder (other than for the gross negligence or willful misconduct of Harris). No Harris-Related Person shall be under any obligation to any Bank to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, the L/C Agreement or any Bond Document, or to inspect the properties, books or records of the Company, the Subsidiary Guarantors or any of their respective Affiliates.

SECTION 1.11. RELIANCE BY HARRIS. Harris shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to the Company). Harris shall be fully justified in failing or refusing to take any action under the L/C Agreement or any Bond Document which would otherwise require the consent of the Required Banks or all of the Banks unless it shall first receive such advice or concurrence of the Required Banks (or, if required by this Agreement, all Banks) as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Harris shall in all cases be fully protected in acting, or in refraining from acting, under the L/C Agreement or any Bond Document in accordance with a request or consent of the Required Banks (or, if required by this Agreement, all Banks) and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Banks.

SECTION 1.12. NOTICE OF DEFAULT. Harris shall not be deemed to have knowledge or notice of the occurrence of any Potential Default or Event of Default under Section 8.1(1) hereof, unless Harris shall have received written notice from the Company or any other party to a Bond Document. Harris shall take such action with respect to such Potential Default or Event of Default under the L/C Agreement and the Bond Documents as shall be required pursuant to Section 8 hereof; PROVIDED that unless and until Harris shall have received direction under Section 8, Harris may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Potential Default or Event of Default as it shall deem advisable and in the best interest of the Banks, except any action resulting in the acceleration or redemption of any Bonds.

SECTION 1.13. INDEMNIFICATION. The Banks shall indemnify upon demand the Harris-Related Persons (to the extent not reimbursed by or on behalf of the Company and without limiting the obligation of the Company to do so), ratably according to such Bank's Revolving Credit Commitment from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements of any kind whatsoever which may at any time (including at any time following the termination of the Bond L/C) be imposed on, incurred by or asserted against any such Person and which are in any way relating to or arising out of this Agreement or any document contemplated by or referred to herein or the transactions contemplated hereby or thereby or any action taken or omitted by any such Person under or in connection with any of the foregoing; PROVIDED that no Bank shall be liable for the payment to the Harris-Related Persons of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting solely from such Person's gross negligence or willful misconduct or for the fees and expenses of counsel in connection with the preparation, execution, delivery, administration, or modification of the L/C Agreement or any Bond Document or any amendments thereto. The obligation of the Banks in this Section shall survive the payment of all amounts owing by the Company hereunder.

SECTION 1.14. DOCUMENTS AND REPORTS. Harris agrees to deliver to the Banks promptly upon receipt thereof copies of all documents and reports delivered to Harris pursuant to the L/C Agreement or any Bond Document.

SECTION 1.15. AMENDMENTS. Harris may enter into any amendment or modification of, or may waive compliance with the terms of any Bond Document (other than an Indenture) without the consent of any Bank; PROVIDED (a) that without the consent of the Required Banks, Harris shall not execute any instrument agreeing to any amendment or modification of, or waiver of compliance with the L/C Agreement or any Bond Document, which would waive any "EVENT OF DEFAULT" arising under the L/C Agreement or any Bond Document, and (b) without the consent of all of the Banks, Harris shall not execute any instrument agreeing to any amendment or modification of, or waiver of compliance with the L/C Agreement or any Bond Document, (i) which would (A) reduce the principal of, or interest on, any Reimbursement Obligation, (B) postpone the due date for any payment of principal of, or interest on, any Reimbursement Obligation, (C) extend the stated expiration date of the Bond L/C, (D) increase in any material manner (in the reasonable opinion of Harris) the obligations of the Banks, or (E) release or otherwise adversely affect the interests of the Banks in any collateral granted under the L/C Agreement or any Bond Document, or (ii) after the occurrence of a Potential Default or Event of Default.

SECTION 1.16. CAPITAL ADEQUACY. If, after the date hereof, any Bank or the Agent shall have determined in good faith that the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein (including, without limitation, any revision in the Final Risk-Based Capital Guidelines of the Board of Governors of the Federal Reserve System (12 CFR Part 208, Appendix A; 12 CFR Part 225, Appendix A) or of the Office of the Comptroller of the Currency (12 CFR Part 3, Appendix A), or in any other applicable capital rules heretofore adopted and issued by any governmental authority), or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Lending Office) with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Bank's capital, or on the capital of any corporation controlling such Bank, in each case as a consequence of its obligations hereunder to a level below that which such Bank would have achieved but for such adoption, change or compliance (taking into consideration such Bank's policies with respect to capital adequacy) by an amount reasonably deemed by such Bank to be material, then from time to time, within fifteen (15) days after demand by such Bank (with a copy to the Agent),

the Company shall pay to such Bank such additional amount or amounts as will compensate such Bank for such reduction.

SECTION 2. FEES, PREPAYMENTS AND TERMINATIONS.

SECTION 2.1.(A) COMMITMENT FEE. For the Period from the date hereof through the Termination Date or such earlier date on which the Banks' Term Credit Commitments are terminated in whole, the Company shall pay the Banks a commitment fee at the rate of one-quarter of one percent (0.25%) per annum (computed on the basis of a year of 360 days and actual days elapsed) of the average daily unused portion of the Term Credit Commitments, as the same may be reduced from time to time pursuant to Section 2.4 hereof, such fee to be payable quarterly in arrears on the last day of each March, June, September and December commencing on the first such date occurring after the date of this Agreement and on the Termination Date, unless the Term Credit Commitments are terminated in whole on an earlier date, in which event this commitment fee for the final period shall be paid on the date of such earlier termination in whole.

(B) L/C FEES. The Company shall pay the Bank an L/C fee (the "L/C FEE") with respect to the Bond L/C for the period from and including the date of issuance of the Bond L/C and thereafter until the expiration or termination of the Bond L/C, such fee to be in the amount per annum equal to the Applicable Margin in Eurodollar Portions (calculated on the basis of a year of 360 days and actual days elapsed), payable quarterly in arrears on the last day of each March, June, September and December commencing on the first of such date occurring after the issuance of the Bond L/C and on the date the Bond L/C terminates or expires; PROVIDED, HOWEVER, that upon the occurrence of an Event of Default and during the continuation thereof such fee shall be in the amount of three percent (3%) per annum, calculated and payable as described above.

(C) L/C ISSUANCE FEES. The company shall pay Harris for its own account such issuance, drawing, negotiation, amendment and other administration fees (collectively, "L/C Issuance Fees") in connection with the Bond L/C as may be established by Harris from time to time.

SECTION 2.2. OPTIONAL PREPAYMENTS. The Company shall have the privilege of prepaying without premium or penalty and in whole or in part (but if in part, then in a minimum principal amount of $1,000,000 or such greater amount which is an integral multiple of $100,000) any Domestic Rate Portion at any time upon prior telex or telephonic notice to the Agent on or before 12:00 Noon on the same Business Day. The Company may not prepay any Fixed Rate Portion. Any amount prepaid under the Term Credit may not be borrowed again.

SECTION 2.3. MANDATORY PREPAYMENT. The Term Loans shall be subject to mandatory prepayment in full on the date of issuance of the Bond L/C. Such prepayment shall be effected by the payment of the entire outstanding principal amount of the Term Loans together with all accrued and unpaid interest thereon and any amounts payable pursuant to Section 9.4 of this Agreement.

SECTION 2.4. TERMINATION BY COMPANY. The Company shall have the option at any time upon 10 Business Days written notice to the Bank to terminate the Banks' Term Credit Commitments in whole. Upon such termination of the Banks' Term Credit Commitment all amounts payable hereunder and under the Notes will become due and payable on the effective date of such termination without notice to the Company, notwithstanding anything to the contrary contained in the Notes.

SECTION 3. PLACE AND APPLICATION OF PAYMENTS.

All payments of principal and interest made by the Company in respect of the Notes and Reimbursement Obligations and all fees payable by the Company hereunder, shall be made to the Agent at its office at 111 West Monroe Street, Chicago, Illinois 60690 and in immediately available funds, prior to 12:00 noon on the date of such payment. All such payments shall be made without setoff or counterclaim and without reduction for, and free from, any and all present and future levies, imposts, duties, fees, charges, deductions withholdings, restrictions or conditions of any nature imposed by any government or any political subdivision or taxing authority thereof. Unless the Banks otherwise agree, any payments received after 12:00 noon Chicago time shall be deemed received on the following Business Day. The Agent shall remit to each Bank its proportionate share of each payment of principal, interest and facility fees and L/C fees received by the Agent by 3:00 P.M. Chicago time on the same day of its receipt if received by the Agent by 12:00

noon, Chicago time, and its proportionate share of each such payment received by the Agent after 12:00 noon on the Business Day following its receipt by the Agent. In the event the Agent does not remit any amount to any Bank when required by the preceding sentence, the Agent shall pay to such Bank interest on such amount until paid at a rate per annum equal to the Fed Funds Rate. The Company hereby authorizes the Agent to automatically debit its account with Harris for any principal, interest and fees when due under the Notes, the L/C Agreement or this Agreement and to transfer the amount so debited from such account to the Agent for application as herein provided. All proceeds of Collateral shall be applied in the manner specified in the Security Documents.

SECTION 4. DEFINITIONS.

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

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

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

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

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

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

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

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

A	B	C	D	E
Leverage Ratio	<.45	>.45 to 1 and <0.5 to 1	>.50 to 1 and <.60 to 1	>.60 to 1 and <.70 to 1
Eurodollar Portions	0.75%	1.125%	1.375%	1.75%
Domestic Rate Portions	0%	0.125%	0.375%	0.75%
CD Rate Portions	0.875%	1.25%	1.50%	1.875%

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

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

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

"BOND DOCUMENTS" shall mean the Indenture and all other documents relating to the issuance and sale of the IRBs.

"BOND L/C" shall have the meaning specified in Section 1.6 hereof.

"CD RATE" shall mean, with respect to each Interest Period

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

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

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

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

"COMMITMENT PERCENTAGE" shall have the meaning set forth in Section 1.1(b) hereof.

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

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

"DOMESTIC RATE PORTION" means a Term Loan which bears interest as provided in Section 1.3(a) hereof.

"EURODOLLAR PORTION" shall mean a Term Loan which bears interest as provided in Section 1.3(b) hereof.

"EURODOLLAR RATE" shall mean for each Interest Period applicable to a Eurodollar Portion, (a) the LIBOR Index Rate for such Interest Period, if such rate is available, and (b) if the LIBOR Index Rate cannot be determined, the arithmetic average of the rate of interest per annum (rounded upwards, if necessary, to nearest 1/100 of 1%) at which deposits in U.S. dollars in immediately available funds are offered to the Agent at 11:00 a.m. (London, England time) two (2) Business Days before the beginning of such Interest Period by major banks in the interbank eurodollar market for a period equal to such Interest Period and in an amount equal or comparable to the principal amount of the Eurodollar Portion scheduled to be made by the Agent during such Interest Period.

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

"FED FUNDS RATE" shall have the meaning specified in Section 1.5(c) hereof.

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

"FIXED RATE PORTION" shall mean a Eurodollar Portion or a CD Rate Portion and "FIXED RATE PORTIONS" shall mean either or both of such types

of Portion.

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

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

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

"INDENTURE" shall mean any trust indenture, trust agreement or other agreement pursuant to which the IRBs are issued.

"IRBS" shall have the meaning specified in Section 1.6 hereof.

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

"L/C Agreement" shall have the meaning set forth in Section 1.6 hereof.

"L/C COMMITMENT' shall have the meaning specified in Section 1.6 hereof.

"L/C FACILITY EXPIRATION DATE" shall have the meaning specified in Section 1.6 hereof.

"L/C FEE" has the meaning specified in Section 2.1(b) hereof.

"L/C ISSUANCE FEE" has the meaning specified in Section 2.1(c) hereof.

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

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

"MORTGAGE" shall mean a Deed of Trust and Security Agreement with Assignment of Rents substantially in the form of Exhibit B hereto from the Company to a trustee for the benefit of the Agent, as the same may be amended and supplemented from time to time.

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

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

"REIMBURSEMENT OBLIGATION" has the meaning specified in Section 1.7 hereof.

"REQUIRED BANKS" shall mean (a) prior to the issuance of the Bond L/C, any Bank or Banks which in the aggregate hold at least 66-2/3% of the aggregate unpaid principal balance of the Term Loans or, if no Term Loans are outstanding hereunder, any Bank or Banks in the aggregate having at least 66-2/3% of the Term Credit Commitments, and (b) after the issuance of the Bond L/C, any Bank or Banks which in the aggregate hold

66-2/3% of the participation interests in the Bond L/C or, if the Bond L/C is not outstanding, 66-2/3% of the participation interests in the outstanding Reimbursement Obligations.

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

"REVOLVING AGREEMENT" shall mean the Secured Credit Agreement dated as of May 27, 1993, among the Company, Harris Trust and Savings Bank, individually and as Agent thereunder, and the other lenders named therein, as amended, supplemented, restated and otherwise modified from time to time, and all agreements entered into in substitution or replacement thereof.

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

"SECURITY DOCUMENTS" shall mean the Security Agreement and the Mortgage.

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

"TENAHA FEED MILL" shall mean a feed mill and related facilities and equipment to be located in Tenaha, Shelby County, Texas.

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

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

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

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

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

SECTION 4.2. TERMS DEFINED IN THE REVOLVING AGREEMENT. Unless otherwise defined in this Agreement, all defined terms used herein shall have the same meaning as in the Revolving Agreement.

SECTION 4.3. ACCOUNTING TERMS. Any accounting term or the character or amount of any asset or liability or item of income or expense required to be determined under this Agreement, shall be determined or made in accordance with generally accepted accounting principles at the time in effect, to the extent applicable, except where such principles are inconsistent with the requirements of this Agreement.

SECTION 5. Representations and Warranties.

The Company represents and warrants to the Banks as follows:

SECTION 5.1. REVOLVING AGREEMENT REPRESENTATIONS. The representations and warranties of the Company contained in Section 5 of the Revolving Agreement are true and correct in all material respects on the date hereof (except that the representations contained in Section 5.3 of the

Revolving Agreement shall be deemed to refer to the most recent financial statements of the Company delivered to the Banks).

SECTION 5.2. NO DEFAULT. The Company is in full compliance with all of the terms and conditions of this Agreement, and no Potential Default or Event of Default is existing under this Agreement.

SECTION 6. CONDITIONS PRECEDENT.

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

SECTION 6.1. INITIAL EXTENSION OF CREDIT. Prior to the initial Term Loan hereunder:

(a) the Company shall have delivered to the Agent for the benefit of the Banks in sufficient counterparts for distribution to the Banks:

(i) a fully executed Note payable to the order of each Bank;

(ii) a fully executed supplement to the Security Agreement;

(iii) a fully executed Mortgage encumbering the real estate on which the Tenaha Feed Mill is to be located;

(iv) an appraisal of the real estate subject to the Mortgage which complies with all regulatory requirements applicable to the Banks with respect thereto;

(v) a mortgagee's policy or policies of title insurance (or a binding commitment or commitments therefor) relating to the Mortgage and in an amount equal to $6,500,000 of the appraised value of the real estate, buildings and improvements subject to the Mortgage, with a wavier of coinsurance insuring the liens of those Security Documents creating liens on real property to be valid first liens subjected to no defects or objections which are unacceptable to the Agent, together with such direct access reinsurance agreements and endorsements (including without limitation a letter of credit endorsement and doing business, usury and zoning endorsements) as the Agent may require;

(vi) current ALTA surveys of and current Phase I environmental inspection reports for so much of the Collateral under the Mortgage as consists of real property;

(vii) an opinion of local counsel to the Agent with respect to the Mortgage and other real estate matters;

(viii) appropriate forms of financing statements to perfect the security interest of the Agent provided for by the Mortgage;

(ix) a fully executed counterpart of a Guaranty Agreement from Mr. and Mrs. Lonnie A. Pilgrim to the Banks satisfactory in form and substance to the Banks;

(x) evidence of insurance required by Section 7.3 hereof and by the Security Agreement showing the Agent as loss payee thereunder;

(xi) a good standing certificate or certificate of existence for the Company, dated as of the date no earlier than April 1, 1997, from the office of the secretary of state of the state of its incorporation and each state in which it is qualified to do business as a foreign corporation;

(xii) copies of the Certificate of Incorporation, and all amendments thereto, of the Company certified by the office of the secretary of state of its state of incorporation as of the date no earlier than April 1, 1997;

(xiii) copies of the By-Laws, and all amendments thereto, of the Company, certified as true, correct and complete on the date hereof by the Secretary of the Company;

(xiv) copies, certified by the Secretary or Assistant Secretary of the Company, of resolutions regarding the transactions contemplated by this Agreement, duly adopted by the Board of Directors of the Company, and satisfactory in form and substance to all of the Banks;

(xv) an incumbency and signature certificate for the Company satisfactory in form and substance to all of the Banks; and

(xvi) such other documents as the Banks may reasonably require;

(b) legal matters incident to the execution and delivery of the Loan Documents shall be satisfactory to each of the Banks and their legal counsel; and prior to the initial Term Loans hereunder, the Agent shall have received the favorable written opinion of Godwin & Carlton, counsel for the Company, substantially in the form of Exhibit E, in substance satisfactory to each of the Banks and their respective legal counsel; and

(c) the Agent shall have received copies (executed or certified, as may be appropriate) of all documents or proceedings taken in connection with the execution and delivery of the Loan Documents to the extent any Bank or its respective legal counsel requests.

SECTION 6.2. EACH EXTENSION OF CREDIT. As of the time of the making of each Term Loan and the issuance of the Bond L/C hereunder (including the initial Term Loan):

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

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

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

SECTION 6.3. THE BOND L/C. Prior to the issuance of the Bond L/C:

(a) the Agent shall have received:

(i) a fully executed L/C Agreement substantially in the form of Exhibit B attached hereto;

(ii) a receipt for the L/C from the trustee for the IRBs;

(iii) an opinion of counsel to the Company, in substantially the form of Exhibit E attached hereto with respect to the L/C Agreement;

(iv) written evidence of any consents and approvals required in connection with the issuance of the Bond L/C to support the IRBs;

(v) an opinion of local counsel to the Agent with respect to the Mortgage and other real estate matters; and

(vi) certified copies of all documentation, legal opinions and legal proceedings relating to the issuance of the Bond L/C to support the IRBs;

(b) the Term Loans shall be fully paid concurrently with the issuance of the Bond L/C;

(c) all conditions precedent contained in the L/C Agreement shall be satisfied; and

(d) the conditions precedent set forth in Sections 6.1(a)(ii),

(iii), (v), (vi), (vii), (viii), (xiv), (xv), (xvi), (xvii), (xviii), (b) and (c) and 6.2(a) and (b) shall be satisfied.

SECTION 7. COVENANTS.

It is understood and agreed that so long as credit is in use or available under this Agreement or any amount remains unpaid on any Note or the Bond L/C, except to the extent compliance in any case or cases is waived in writing by the Required Banks, the Company agrees that it will comply with, abide by, and be restricted by all the provisions (as originally in force and effect but amended as set forth below) contained in Sections 7.1 to and including 7.32 of the Revolving Agreement regardless of whether any of said provisions were heretofore waived, modified, amended, released or discharged or whether any indebtedness is now or hereafter remains outstanding thereunder (all of which provisions, and all Exhibits to the Revolving Agreement referred to therein, are incorporated herein by reference and made a part hereof to the same extent and with the same force and effect as if the same had been herein set forth and repeated at length); provided, however, that any amendment, modification or waiver of any of Sections 7.1 to and 7.32 of or any such Exhibit to the Revolving Agreement shall automatically be and constitute an amendment, modification or waiver to such Sections or Exhibits as incorporated herein effective as of the date such amendment, modification or waiver to the Revolving Agreement is effective, it being specifically agreed that the payment of all indebtedness under the Revolving Agreement and the discharge or termination thereof will not constitute an amendment, modification or waiver of such Sections or Exhibits as incorporated herein; and provided further, that said provisions as incorporated herein and made a part hereof shall be amended in the following respects:

(1) Sections 7.4(d) and (e) of the Revolving Agreement as incorporated herein shall be of no force or effect;

(2) so long as the Revolving Agreement is in effect, the Company's delivery of the Compliance Certificate required by Section 7.4(c) of the Revolving Agreement shall also satisfy the requirements of Section 7.4(c) of this Agreement;

(3) Section 7.22 of the Revolving Agreement as incorporated herein shall read as follows:

> "SECTION 7.22. USE OF PROCEEDS. The proceeds of all Term Loans made hereunder shall be used solely to finance the acquisition and construction of the Tenaha Feed Mill and the Bond L/C shall be used solely to support the IRBs.";

(4) the terms "EVENT OF DEFAULT" and "POTENTIAL DEFAULT" now appearing in said provisions shall mean and refer to an "EVENT OF DEFAULT" and a "POTENTIAL DEFAULT" as defined herein, respectively;

(5) the terms "HEREIN", "HERETO" and "HEREUNDER" now appearing in said provisions shall be deemed to refer to this Agreement;

(6) said Sections 7.1 to and including 7.32 of the Revolving Agreement as incorporated herein by this Section are hereby renumbered as Sections 7.1 to and including 7.32, respectively, for all purposes of this Agreement and any reference in other documents to such Sections of this Agreement;

(7) Exhibits A and B of the Revolving Agreement shall be replaced by Exhibits A and B, respectively, to this Agreement;

(8) Exhibits C, F, H, J, L and M of the Revolving Agreement shall be deleted and Exhibits D, E, G, I and K to the Revolving Agreement shall be redesignated as Exhibits C, D, E, F and G and H, respectively, for all purposes of this Agreement and any reference in other documents to such Exhibits to this Agreement; and

(9) any reference in said Exhibits to the Revolving Agreement as incorporated herein to the Revolving Agreement shall be deemed to refer to this Agreement.

Other than as hereinabove amended, any terms contained in the Sections of the Revolving Agreement as incorporated herein which are defined in the Revolving Agreement shall have the same meaning herein as in the Revolving Agreement.

SECTION 8. EVENTS OF DEFAULT AND REMEDIES.

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

(a) Default in the payment when due of any interest on or principal of any Note or Reimbursement Obligation, whether at the stated maturity thereof or as required by Section 2.4 hereof or at any other time provided in this Agreement, or of any fee or other amount payable by the Company pursuant to this Agreement;

(b) Default in the observance or performance of any covenant set forth in Sections 7.4, 7.5, 7.6, 7.7, 7.15, 7.17, 7.19 and 7.20, inclusive, hereof, or of any provision of any Security Document requiring the maintenance of insurance on the Collateral subject thereto or dealing with the use or remittance of proceeds of such Collateral;

(c) Default in the observance or performance of any covenant set forth in Sections 7.8, 7.9, 7.10, 7.11, 7.12, 7.13, 7.14, 7.16, 7.18, 7.21, 7.23 and 7.31, inclusive, hereof and such default shall continue for 10 days after written notice thereof to the Company by any Bank;

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

(e) Default shall occur under any evidence of indebtedness in a principal amount exceeding $1,000,000 issued or assumed or guaranteed by the Company, or under any mortgage, agreement or other similar instrument under which the same may be issued or secured and such default shall continue for a period of time sufficient to permit the acceleration of maturity of any indebtedness evidenced thereby or outstanding or secured thereunder;

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

(g) Any judgment or judgments, writ or writs, or warrant or warrants of attachment, or any similar process or processes in an aggregate amount in excess of $2,000,000 shall be entered or filed against the Company or any Subsidiary or against any of their respective Property or assets and remain unbonded, unstayed and undischarged for a period of 30 days from the date of its entry;

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

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

or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, or (vi) fail to contest in good faith any appointment or proceeding described in Section 8.1(j) hereof;

(j) A custodian, receiver, trustee, conservator, liquidator or similar official shall be appointed for the Company, any Subsidiary or any substantial part of its respective Property, or a proceeding described in Section 8.1(i)(v) shall be instituted against the Company or any Subsidiary and such appointment continues undischarged or any such proceeding continues undismissed or unstayed for a period of 60 days;

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

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

(m) Mr. and Mrs. Lonnie A. Pilgrim and their descendants and heirs shall for any reason cease to have legal and/or beneficial ownership of no less than 51% of the issued and outstanding shares of all classes of capital stock of the Company;

(n) Either Mr. or Mrs. Lonnie A. Pilgrim shall terminate, breach, repudiate or disavow his or her guaranty of the Company's indebtedness, obligations and liabilities to the Banks under the Loan Documents or any part thereof, or any event specified in Sections 8.1(i) or (j) shall occur with regard to either or both of Mr. and Mrs. Lonnie A. Pilgrim;

(o) The Required Banks shall have determined that one or more conditions exist or events have occurred which may result in a material adverse change in the business, operations, Properties or condition (financial or otherwise) of the Company or any Subsidiary;

(p) The occurrence of a "CHANGE OF CONTROL" as defined in that certain Indenture dated as of May 1, 1993 from the Company to Ameritrust Texas National Association, as Trustee, relating to the Company's 10.875% Senior Subordinated Notes Due 2003; or

(q) the existence of any condition or the occurrence of any event which is specified as an "EVENT OF DEFAULT" under the L/C Agreement.

SECTION 8.2. REMEDIES FOR NON-BANKRUPTCY DEFAULTS. When any Event of Default, other than an Event of Default described in subsections (i) and (j) of Section 8.1 hereof, has occurred and is continuing, the Agent, if directed by the Required Banks, shall give notice to the Company and take any or all of the following actions: (i) terminate the remaining Term Credit Commitments or L/C Commitment hereunder on the date (which may be the date thereof) stated in such notice, (ii) declare the principal of and the accrued interest on the Notes and unpaid Reimbursement Obligations to be forthwith due and payable and thereupon the Notes and unpaid Reimbursement Obligations including both principal and interest, shall be and become immediately due and payable without further demand, presentment, protest or notice of any kind, (iii) proceed to foreclose against any Collateral under any of the Security Documents, take any action or exercise any remedy under any of the Loan Documents or exercise any other action, right, power or remedy permitted by law. Any Bank may exercise the right of set off with regard to any deposit accounts or other accounts maintained by the Company with any of the Banks, and (iv) if the Bond L/C is outstanding, require the Company to immediately pay to the Agent for the benefit of the Banks the maximum amount available to be drawn under the Bond L/C, which amount shall be held by the Agent as additional collateral security for the Company's indebtedness, obligations and liabilities to the Agent and the Banks under the Loan Documents.

SECTION 8.3. REMEDIES FOR BANKRUPTCY DEFAULTS. When any Event of Default described in subsections (i) or (j) of Section 8.1 hereof has occurred and is continuing, then (a) the Notes and all Reimbursement

Obligations shall immediately become due and payable without presentment, demand, protest or notice of any kind, and the obligation of the Banks to extend further credit pursuant to any of the terms hereof shall immediately terminate, and (b) if the Bond L/C is then outstanding, the Company shall immediately pay to the Agent for the benefit of the Banks the maximum amount available to be drawn under the Bond L/C, which amount shall be held by the Agent as additional collateral security for the Company's indebtedness, obligations and liabilities to the Agent and the Banks under the Loan Documents.

SECTION 8.4. REMEDIES UNDER THE BOND DOCUMENTS. In addition to the foregoing, the Banks shall have all of the remedies provided for in the Bond Documents upon the occurrence of an Event of Default.

SECTION 9. CHANGE IN CIRCUMSTANCES REGARDING FIXED RATE PORTIONS.

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

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

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

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

(ii) subject such Bank, any Fixed Rate Portion or any Note to any tax (including, without limitation, any United States

interest equalization tax or similar tax however named applicable to the acquisition or holding of debt obligations and any interest or penalties with respect thereto), duty, charge, stamp tax, fee, deduction or withholding in respect of this Agreement, any Fixed Rate Portion or any Note except such taxes as may be measured by the overall net income of such Bank or its lending branch and imposed by the jurisdiction, or any political subdivision or taxing authority thereof, in which such Bank's principal executive office or its lending branch is located;

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

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

and such Bank shall determine that the result of any of the foregoing is to increase the cost (whether by incurring a cost or adding to a cost) to such Bank of making or maintaining any Fixed Rate Portion hereunder or to reduce the amount of principal or interest received by such Bank, then the Company shall pay to such Bank from time to time as specified by such Bank such additional amounts as such Bank shall reasonably determine are sufficient to compensate and indemnify it for such increased cost or reduced amount. If any Bank makes such a claim for compensation, it shall provide to the Company a certificate setting forth such increased cost or reduced amount as a result of any event mentioned herein specifying such Change in Law, and such certificate shall be conclusive and binding on the Company as to the amount thereof except in the case of manifest error. Upon the imposition of any such cost, the Company may prepay any affected Portion, subject to the provisions of Sections 2.3 and 9.4 hereof.

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

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

(ii) any failure by the Company to create, continue or convert any Fixed Rate Portion on the date specified in the notice given pursuant to Section 1.3(f) hereof; or

(iii) the occurrence of any Event of Default;

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

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

SECTION 9.5. LENDING BRANCH. Each Bank may, at its option, elect to make, fund or maintain its Eurodollar Portions hereunder at the branch or office specified opposite its signature on the signature page hereof or such other of its branches or offices as such Bank may from time to time elect, subject to the provisions of Section 1.5(b) hereof.

SECTION 9.6. DISCRETION OF BANK AS TO MANNER OF FUNDING. Notwithstanding any provision of this Agreement to the contrary, each Bank shall be entitled to fund and maintain its funding of all or any part of its Term Loans in any manner it sees fit, it being understood however, that for the purposes of this Agreement all determinations hereunder shall be made as if the Banks had actually funded and maintained each Fixed Rate Portion during each Interest Period for such Portion through the purchase of deposits in the relevant interbank market having a maturity corresponding to such Interest Period and bearing an interest rate equal to the Adjusted Eurodollar Rate or Adjusted CD Rate, as the case may be, for such Interest Period.

SECTION 10. THE AGENT.

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

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

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

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

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

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

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

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

SECTION 10.9. MAY TREAT PAYEE AS OWNER. The Agent may deem and treat the payee of any Note as the owner thereof for all purposes hereof unless and until a written notice of the assignment or transfer thereof shall

have been filed with the Agent. Any request, authority or consent of any person, firm or corporation who at the time of making such request or giving such authority or consent is the holder of any such Note shall be conclusive and binding on any subsequent holder, transferee or assignee of such Note or of any Note issued in exchange therefor.

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

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

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

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

SECTION 10.14. DURATION OF AGENCY. The agency established by Section 10.1 hereof shall continue, and Sections 10.1 through and including Section 10.15 shall remain in full force and effect, until the Notes and all other amounts due hereunder and thereunder, including without limitation all Reimbursement Obligations, shall have been paid in full and the Banks' commitments to extend credit to or for the benefit of the Company shall have terminated or expired.

SECTION 11. MISCELLANEOUS.

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

of principal thereof, or modify any of the provisions of the Notes with respect to the payment or prepayment thereof, (ii) give to any Note any preference over any other Notes, (iii) amend the definition of Required Banks, (iv) alter, modify or amend the provisions of this Section 11.1, (v) change the amount or term of any of the Banks' Term Credit Commitments or the fees required under Section 2.1 hereof, (vi) alter, modify or amend the provisions of Sections 1.10, 6 or 9 of this Agreement, (vii) alter, modify or amend any Bank's right hereunder to consent to any action, make any request or give any notice, (viii) release any Collateral under the Security Documents or release or discharge any guarantor of the Company's indebtedness, obligations and liabilities to the Banks, in each case, unless such release or discharge is permitted or contemplated by the Loan Documents, or (ix) alter, amend or modify any subordination provisions of any Subordinated Debt. Any such amendment or waiver shall apply equally to all Banks and the holders of the Notes and Reimbursement Obligations and shall be binding upon them, upon each future holder of any Note and Reimbursement Obligation and upon the Company, whether or not such Note shall have been marked to indicate such amendment or waiver. No such amendment or waiver shall extend to or affect any obligation not expressly amended or waived.

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

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

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

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

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

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

SECTION 11.7. REPRESENTATIONS. All representations and warranties made herein or in certificates given pursuant hereto shall survive the execution and delivery of this Agreement and of the Notes, and shall

continue in full force and effect with respect to the date as of which they were made and as reaffirmed on the date of each borrowing the request for the Bond L/C and as long as any credit is in use or available hereunder.

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

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

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

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

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

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

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

SECTION 11.15. PARTICIPANTS. Each Bank shall have the right at its own cost to grant participations (to be evidenced by one or more agreements or certificates of participation) in the Term Loans made, and/or Term Credit Commitment and participations in the Bond L/C and Reimbursement Obligations held, by such Bank at any time and from time to time, and to assign its rights under such Term Loans, participations in the Bond L/C and Reimbursement Obligations or the Notes evidencing such Loans to one or more other Persons; PROVIDED that no such participation shall relieve any Bank of any of its obligations under this Agreement, and any agreement pursuant to which such participation or assignment of a Note or

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

SECTION 11.16. ASSIGNMENT OF COMMITMENTS OR TERM LOANS BY BANK. Each Bank shall have the right at any time, with the prior consent of the Company and the Agent (which consent will not be unreasonably withheld), to sell, assign, transfer or negotiate all or any part of its Term Credit Commitment or Term Loans to one or more commercial banks or other financial institutions; PROVIDED that such assignment is in an amount of at least $500,000 or, if less, the entire unused amount of the Term Credit Commitment or the entire principal amount of the Term Loans of such Bank, PROVIDED FURTHER that no Bank may so assign more than one-half of its original Term Credit Commitment or one-half of the principal amount of such Bank's Term Loans outstanding hereunder, and PROVIDED FURTHER that any Bank may assign all of its interest hereunder to any of its subsidiaries or affiliates that are under Under Common Control with such Bank. Upon any such assignment, and its notification to the Agent, the assignee shall become a Bank hereunder, all Term Loans and the Term Credit Commitment it thereby holds shall be governed by all the terms and conditions hereof, and the Bank granting such assignment shall have its Term Credit Commitment and its obligations and rights in connection therewith, reduced by the amount of such assignment. Upon each such assignment the Bank granting such assignment shall pay to the Agent for the Agent's sole account a fee of $2,500.

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

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

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

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

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

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

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

nor any third party is entitled to rely thereon.

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

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

Dated as of June 5, 1997.

PILGRIM'S PRIDE CORPORATION

By \s\ Clifford E. Butler

_____Its Executive President

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

HARRIS TRUST AND SAVINGS BANK
individually and as Agent

By \s\ Carl Blackham
_____Its Vice President

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

FBS AG CREDIT, INC.

By \s\ Ronald E. van Steyn
_____
Its
Address 4643 South Ulster Street,
Suite 1280
Denver, Colorado 80237
Attention: _____

COBANK, ACB

By \s\ Virgil Harms
_____
Its

Address: P.O. Box 2940
245 North Waco
Wichita, Kansas 67201-2940
Attention:

ING (U.S.) CAPITAL CORPORATION

By \s\ Sheila M. Greatrex
_____
Its
Address 135 East 57th Street
New York, New York 10022
2101
Attention: _____

WELLS FARGO BANK (TEXAS), N.A.

By \s\ Vito Carborne
_____
Its

Address: 1445 Ross Avenue

Dallas, Texas 75202
Attention:

CAISSE NATIONALE DE CREDIT AGRICOLE,
CHICAGO BRANCH

By \s\ W. Leroy Startz
_____
Its

Address:

Attention:

EXHIBIT A

Pilgrim's Pride Corporation

SECURED TERM CREDIT NOTE

$_____ June 5, 1997

FOR VALUE RECEIVED, the undersigned, PILGRIM'S PRIDE CORPORATION, a Delaware corporation (the "COMPANY"), promises to pay to the order of _____ (the "LENDER") on April 30, 1999, at the principal office of Harris Trust and Savings Bank in Chicago, Illinois, the principal sum of _____ or, if less, the aggregate unpaid principal amount of all Term Loans made by the Lender to the Company under the Term Credit provided for under the Credit Agreement hereinafter mentioned and remaining unpaid on April 30, 1999, together with interest on the principal amount of each Term Loan from time to time outstanding hereunder at the rates, and payable in the manner and on the dates specified in said Credit Agreement.

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

This Note is one of the Term Notes referred to in and issued under that certain Secured Term Credit Agreement dated as of June 5, 1997, among the Company, Harris Trust and Savings Bank, as Agent, and the banks named therein, as amended from time to time (the "CREDIT AGREEMENT"), and this Note and the holder hereof are entitled to all of the benefits and security provided for thereby or referred to therein, including without limitation the collateral security provided pursuant to the Security Documents (as defined in the Credit Agreement), to which Credit Agreement and Security Documents reference is hereby made for a statement thereof and a statement of the terms and conditions upon which the Agent may exercise rights with respect to such collateral. All defined terms used in this Note, except terms otherwise defined herein, shall have the same meaning as such terms have in said Credit Agreement.

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

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

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

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

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

PILGRIM'S PRIDE CORPORATION

By \s\ Clifford E. Butler
_____Its Executive
President

AMENDED AND RESTATED SECURED CREDIT AGREEMENT

Among

PILGRIM'S PRIDE CORPORATION

And

HARRIS TRUST AND SAVINGS BANK
INDIVIDUALLY AND AS AGENT

AND

FBS Ag Credit, Inc.

COBANK, ACB

ING (U.S.) Capital Corporation

WELLS FARGO BANK (TEXAS), N.A.

Caisse Nationale de Credit Agricole, Chicago Branch

Dated as of August 11, 1997

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Pilgrim's Pride Corporation
AMENDED AND RESTATED SECURED CREDIT AGREEMENT

Pilgrim's Pride Corporation

AMENDED AND RESTATED
Secured Credit Agreement

Harris Trust and Savings Bank
Chicago, Illinois

FBS Ag Credit, Inc.
Denver, Colorado

CoBank, ACB
Wichita, Kansas

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

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

Caisse Nationale de Credit Agricole, Chicago Branch
Chicago, Illinois

Ladies and Gentlemen:

The undersigned, PILGRIM'S PRIDE CORPORATION, a Delaware corporation (the "COMPANY"), refers to the Secured Credit Agreement dated as of May 27, 1993, as amended and currently in effect between the Company and you (such Secured Credit Agreement as so amended is hereinafter referred to as the "CREDIT AGREEMENT") pursuant to which you agreed to make a revolving credit (the "REVOLVING CREDIT") available to the Company, all as more fully set forth therein. Each of you is hereinafter referred to individually as "BANK" and collectively as "BANKS." Harris Trust and Savings Bank in its individual capacity is sometimes referred to herein as "HARRIS", and in its capacity as Agent for the Banks is hereinafter in such capacity called the "AGENT." The Company requests you to make certain further amendments to the Credit Agreement and, for the sake of convenience and clarity, to restate the Credit Agreement in its entirety as so amended. Accordingly, upon your acceptance hereof in the space provided for that purpose below and upon satisfaction of the conditions precedent to effectiveness hereinafter set forth, Section 1 through 11 of the Credit Agreement and Exhibits A through P thereto shall be amended and as so amended shall be restated in their entirety to read as follows:

"1. THE REVOLVING CREDIT.

SECTION 1.1. THE REVOLVING CREDIT. (a) Subject to all of the terms and conditions hereof, the Banks agree, severally and not jointly, to extend a Revolving Credit to the Company which may be utilized by the Company in the form of loans (individually a "REVOLVING CREDIT LOAN" and collectively the "REVOLVING CREDIT LOANS"), and L/Cs (as hereinafter defined). The aggregate principal amount of all Revolving Credit Loans under the Revolving Credit plus the aggregate principal amount of all Bid Loans outstanding under this Agreement plus the amount available for drawing under all L/Cs and the aggregate principal amount of all unpaid Reimbursement Obligations (as hereinafter defined) at any time outstanding shall not exceed the lesser of (i) the sum of the Banks' Revolving Credit Commitments (as hereinafter defined) in effect from time to time during the term of this Agreement (as hereinafter defined) or (ii) the Borrowing Base as determined on the basis of the most recent Borrowing Base Certificate. The Revolving Credit shall be available to the Company, and may be availed of by the Company from time to time, be repaid (subject to the restrictions on prepayment set forth herein) and used again, during the period from the date hereof to and including May 31, 2000 (the "TERMINATION DATE").

(b) At any time not earlier than 120 days prior to, nor later than 60 days prior to, the date that is two years before the Termination Date then in effect (the "ANNIVERSARY DATE"), the Company may request that the Banks extend the then scheduled Termination Date to the date one year from such Termination Date. If such request is made by the Company each Bank shall inform the Agent of its willingness to extend the Termination Date no later

than 20 days prior to such Anniversary Date. Any Bank's failure to respond by such date shall indicate its unwillingness to agree to such requested extension, and all Banks must approve any requested extension. At any time more than 15 days before such Anniversary Date the Banks may propose, by written notice to the Company, an extension of this Agreement to such later date on such terms and conditions as the Banks may then require. If the extension of this Agreement to such later date is acceptable to the Company on the terms and conditions proposed by the Banks, the Company shall notify the Banks of its acceptance of such terms and conditions no later than the Anniversary Date, and such later date will become the Termination Date hereunder and this Agreement shall otherwise be amended in the manner described in the Banks' notice proposing the extension of this Agreement upon the Agent's receipt of (i) an amendment to this Agreement signed by the Company and all of the Banks, (ii) resolutions of the Company's Board of Directors authorizing such extension and (iii) an opinion of counsel to the Company equivalent in form and substance to the form of opinion attached hereto as Exhibit E and otherwise acceptable to the Banks.

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

Harris Trust and Savings Bank	$ 26,666,667	26.66666667%
FBS Ag Credit, Inc.	$ 20,000,000	20%
CoBank, ACB	$ 20,000,000	20%
ING (U.S.) Capital Corporation	$ 13,333,333	13.33333334%
Wells Fargo Bank (Texas), N.A.	$ 10,000,000	10%
Caisse Nationale de Credit Agricole, Chicago Branch	$ 10,000,000	10%
Total	$100,000,000	100%

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

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

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

furnish a new Revolving Note to such Bank to replace its outstanding Revolving Note and at such time the first notation appearing on the schedule on the reverse side of, or attached to, such Revolving Note shall set forth the aggregate unpaid principal amount of Revolving Credit Loans and Bid Loans then outstanding from such Bank, and, with respect to each Fixed Rate Loan, the interest rate and Interest Period applicable thereto. Such Bank will cancel the outstanding Revolving Note upon receipt of the new Revolving Note.

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

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

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

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

SECTION 1.4. CONVERSION AND CONTINUATION OF REVOLVING CREDIT LOANS. (a) Provided that no Event of Default or Potential Default has occurred and is continuing, the Company shall have the right, subject to the other terms and conditions of this Agreement, to continue in whole or in part (but, if in part, in the minimum amount specified for Fixed Rate Loans in Section 1.1 hereof) any Fixed Rate Loan made under the Revolving Credit from any current Interest Period into a subsequent Interest Period, provided that the Company shall give the Agent notice of the continuation of any such Loan as provided in Section 1.7 hereof.

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

(c) Provided that no Event of Default or Potential Default has occurred and is continuing, the Company shall have the right, subject to the terms and conditions of this Agreement, to convert Revolving Credit Loans of one type (in whole or in part) into Revolving Credit Loans of another type from time to time provided that: (i) the Company shall give the Agent notice of each such conversion as provided in Section 1.7 hereof, (ii) the principal amount of any Revolving Credit Loan converted hereunder shall be in an amount not less than the minimum amount specified for the type of Revolving Credit Loan in Section 1.1 hereof, (iii) after giving

effect to any such conversion in part, the principal amount of any Fixed Rate Loan under the Revolving Credit then outstanding shall not be less than the minimum amount specified for the type of Loan in Section 1.1 hereof, (iv) any conversion of a Revolving Credit Loan hereunder shall only be made on a Banking Day, and (v) any Fixed Rate Loan may be converted only on the last day of the Interest Period then applicable thereto.

SECTION 1.5. LETTERS OF CREDIT. Subject to all the terms and conditions hereof, satisfaction of all conditions precedent to borrowing under this Agreement and so long as no Potential Default or Event of Default is in existence, at the Company's request Harris may in its discretion issue letters of credit (an "L/C" and collectively the "L/Cs") for the account of the Company subject to availability under the Revolving Credit, and the Banks hereby agree to participate therein as more fully described in Section 1.8 hereof. Each L/C shall be issued pursuant to an Application for Letter of Credit (the "L/C Agreement") in the form of Exhibit B hereto. The L/Cs shall consist of standby letters of credit in an aggregate face amount not to exceed $20,000,000. Each L/C shall have an expiry date not more than one year from the date of issuance thereof (but in no event later than the Termination Date). The amount available to be drawn under each L/C issued pursuant hereto shall be deducted from the credit otherwise available under the Revolving Credit. In consideration of the issuance of L/Cs the Company agrees to pay Harris a fee (the "L/C FEE") in the amount per annum equal to (a) 1.0% of the face amount of each Performance L/C and (b) the Applicable Margin for Eurodollar Loans of the stated amount of each Financial Guarantee L/C (in each case computed on the basis of a 360 day year and actual days elapsed) of the face amount for any L/C issued hereunder. In addition the Company shall pay Harris for its own account an issuance fee (the "L/C ISSUANCE FEE") in an amount equal to one-eighth of one percent (0.125%) of the stated amount of each L/C issued by Harris hereunder. All L/C Fees shall be payable quarterly in arrears on the last day of each calendar quarter and on the Termination Date, and all L/C Issuance Fees shall be payable on the date of issuance of each L/C hereunder and on the date of each extension, if any, of the expiry date of each L/C.

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

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

means conflicts with the written confirmation, such notice shall govern if any Bank has acted in reliance thereon. The Agent shall, no later than 12:30 p.m. (Chicago time) on the day any such notice is received by it, give telephonic, telex or telecopy (if telephonic, to be confirmed in writing within one Business Day) notice of the receipt of notice from the Company hereunder to each of the Banks, and, if such notice requests the Banks to make, continue or convert any Fixed Rate Loans, the Agent shall confirm to the Company by telephonic, telex or telecopy means, which confirmation shall be conclusive and binding on the Company in the absence of manifest error, the Interest Period and the interest rate applicable thereto promptly after such rate is determined by the Agent.

(b) Subject to the provisions of Section 6 hereof, the proceeds of each Revolving Credit Loan shall be made available to the Company at the principal office of the Agent in Chicago, Illinois, in immediately available funds, on the date such Revolving Credit Loan is requested to be made, except to the extent such Revolving Credit Loan represents (i) the conversion of an existing Revolving Credit Loan or (ii) a refinancing of a Reimbursement Obligation, in which case each Bank shall record such conversion on the schedule to its Revolving Note, or in lieu thereof, on its books and records, and shall effect such conversion or refinancing, as the case may be, on behalf of the Company in accordance with the provisions of Section 1.4(a) hereof and 1.8 hereof, respectively. Not later than 2:00 p.m. Chicago time, on the date specified for any Revolving Credit Loan to be made hereunder, each Bank shall make its portion of such Revolving Credit Loan available to the Company in immediately available funds at the principal office of the Agent, except (i) as otherwise provided above with respect to converting or continuing any outstanding Revolving Credit Loans and (ii) to the extent such Revolving Credit Loan represents a refinancing of any outstanding Reimbursement Obligations.

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

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

Funds shall be so made available at the account designated by Harris in such notice to the Banks. Upon the election by the Banks to treat such funding as additional Revolving Credit Loans hereunder and payment by each Bank, such Loans shall bear interest in accordance with Section 1.3(a) hereof. Harris shall share with each Bank on a pro rata basis relative to its Commitment Percentage a portion of each payment of a Reimbursement Obligation (whether of principal or interest) and any L/C Fee (but not any L/C Issuance Fee) payable by the Company. Any such amount shall be promptly remitted to the Banks when and as received by Harris from the Company.

SECTION 1.9. CAPITAL ADEQUACY. If, after the date hereof, any Bank or the Agent shall have determined in good faith that the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein (including, without limitation, any revision in the Final Risk-Based Capital Guidelines of the Board of Governors of the Federal Reserve System (12 CFR Part 208, Appendix A; 12 CFR Part 225, Appendix A) or of the Office of the Comptroller of the Currency (12 CFR Part 3, Appendix A), or in any other applicable capital rules heretofore adopted and issued by any governmental authority), or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Lending Office) with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Bank's capital, or on the capital of any corporation controlling such Bank, in each case as a consequence of its obligations hereunder to a level below that which such Bank would have achieved but for such adoption, change or compliance (taking into consideration such Bank's policies with respect to capital adequacy) by an amount reasonably deemed by such Bank to be material, then from time to time, within fifteen (15) days after demand by such Bank (with a copy to the Agent), the Company shall pay to such Bank such additional amount or amounts as will compensate such Bank for such reduction.

2. THE COMPETITIVE BID FACILITY.

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

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

SECTION 2.3. SUBMISSION OF COMPETITIVE BIDS. Each Bank may, in its sole discretion, make one or more Competitive Bids to the Company responsive to the Competitive Bid Request. Each Competitive Bid by a Bank must be received by the Agent by telephone not later than 8:45 A.M., Chicago time, on the Borrowing Date, promptly confirmed in writing by a duly completed Confirmation of Competitive Bid substantially in the form of Exhibit N attached hereto to be received by the Agent no later than 9:00 A.M. on the same day; PROVIDED, HOWEVER, that any Competitive Bid made by Harris must be made by telephone to the Company no later than 8:30 A.M., Chicago time, and confirmed by telecopier to the Company no later than 8:45 A.M., Chicago time, on the Borrowing Date. Competitive Bids which do not conform precisely to the terms of this Section 2.3 may be rejected by the Agent and the Agent shall notify the Bank submitting such Competitive Bid of such rejection by telephone as soon as practicable after determining that the Competitive Bid does not conform precisely to the terms of this Section 2.3. Each Competitive Bid shall refer to this Agreement and specify (x) the maximum principal amount (which shall not be less than $3,000,000 and shall be an integral multiple of $1,000,000) of the Bid Loan that the Bank is willing to make to the Company (y) the Yield (which shall be computed on the basis of a 360-day year and actual days elapsed and for a period equal to the Interest Period applicable thereto) at which the Bank is prepared to make the Bid Loan and (z) the Interest Period applicable thereto. The Agent shall reject any Competitive Bid if such Competitive Bid (i) does not specify all of the information specified in the immediately preceding sentence, (ii) contains any qualifying, conditional, or similar language, (iii) proposes terms other than or in addition to those set forth in the Competitive Bid Request to which it responds, or (iv) is received by the Agent later than 8:45 A.M. (Chicago time). Any Competitive Bid submitted by a Bank pursuant to this Section 2.3 shall be irrevocable and shall be promptly confirmed in writing in the form of Exhibit P; PROVIDED THAT in all events the telephone Competitive Bid received by the Agent shall be binding on the relevant Bank and shall not be altered, modified, or in any other manner affected by any inconsistent terms contained in, or terms missing from, the Bank's Confirmation of Competitive Bid.

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

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

SECTION 2.6. NOTICE OF ACCEPTANCE OR REJECTION OF BID. The Agent shall promptly (but in any event no later than 10:30 A.M., Chicago time) give telephonic notice to the Banks whether or not their Competitive Bids have been accepted (and if so, in what amount and at what Yield) on the proposed

Borrowing Date, and each successful bidder will thereupon become bound, subject to Section 7 and the other applicable conditions hereof, to make the Bid Loan in respect of which its bid has been accepted. Each Bank so bound shall notify the Agent upon making the Bid Loan. As soon as practicable on each Borrowing Date, the Agent shall notify each Bank of the aggregate principal amount of all Bid Loans made pursuant to a Competitive Bid Request on such Borrowing Date, the Interest Period(s) applicable thereto and the highest and lowest Yields at which such Bid Loans were made for each Interest Period.

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

SECTION 2.8. MINIMUM AMOUNT. Each Bid Loan made to the Company on any date shall be in an integral multiple of $1,000,000 and in a minimum principal amount of $3,000,000. Bid Loans shall be made in the amounts accepted by the Company in accordance with Section 2.5.

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

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

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

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

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

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

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

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

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

SECTION 3.1. FACILITY FEE. For the period from the date hereof to and including the Termination Date, the Company shall pay to the Agent for the account of the Banks a facility fee with respect to the Revolving Credit at the rate of three-eighths of one percent (0.375%) per annum if the Company's Leverage Ratio is equal to or greater than 0.45 to 1 and one-quarter of one percent (0.25%) per annum if the Company's Leverage Ratio is less than 0.45 to 1 (in each case computed in each case on the basis of a year of 360 days for the actual number of days elapsed) of the aggregate maximum amount of the Banks' Revolving Credit Commitments hereunder in effect from time to time and whether or not any credit is in use under the Revolving Credit, all such fees to be payable quarterly in arrears on the last day of each calendar quarter commencing on the last day of September 30, 1997, and on the Termination Date, unless the Revolving Credit is terminated in whole on an earlier date, in which event the facility fee for the final period shall be paid on the date of such earlier termination in whole.

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

SECTION 3.3. OPTIONAL PREPAYMENTS. The Company shall have the privilege

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

SECTION 3.4. MANDATORY PREPAYMENTS - BORROWING BASE. The Company shall not permit the sum of the principal amount of all Loans plus the amount available for drawing under all L/Cs and the aggregate principal amount of all unpaid Reimbursement Obligations at any time outstanding to exceed the lesser of (i) the sum of the Banks' Revolving Credit Commitments or (ii) the Borrowing Base as determined on the basis of the most recent Borrowing Base Certificate. In addition to the Company's obligations to pay any outstanding Reimbursement Obligations as set forth in Section 1.6 hereof, the Company will make such payments on any outstanding Loans and Reimbursement Obligations (and, if any L/Cs are then outstanding, deposit an amount equal to the aggregate amount available for drawing under all L/Cs into an interest bearing account with the Agent which shall be held as additional collateral security for such L/Cs) which are necessary to cure any such excess within three Business Days after the occurrence thereof. Any amount prepaid under the Revolving Credit may, subject to the terms and conditions of this Agreement, be borrowed, prepaid and borrowed again.

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

4. DEFINITIONS.

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

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

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

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

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

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

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

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

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

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

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

A	B	C	D	E
Leverage Ratio	<0.45 to 1	>.45 to 1 and <0.5 to 1	>.50 to 1 and <.60 to 1	>.60 to 1 and <.70 to 1
Eurodollar Loans	0.75%	1.125%	1.375%	1.75%
Domestic Rate Loans	0.0%	0.125%	0.375%	0.75%
CD Rate Loans	0.875%	1.25%	1.50%	1.875%

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

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

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

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

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

(a) 80% of the amount of Eligible Receivables, plus

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"CERCLIS" shall mean the CERCLA Information System.

"CHANGE IN CONTROL" means (a) a sale of all or substantially all the assets of the Company to any Person or related group of Persons as an entirety or substantially as an entirety in one transaction or series of transactions, (b) the merger or consolidation of the Company with or into another corporation or the merger of another corporation into the Company with the effect that immediately after such transaction the stockholders of the Company immediately prior to such transaction hold less than 50% of the total voting power generally entitled to vote in the election of directors, managers or trustees of the Person surviving such merger or consolidation, (c) the Pilgrim Family shall cease to own more than 50% of the total voting power generally entitled to vote in the election of directors, managers or trustees of the Company or more than 50% of all non-voting classes of Capital Stock of the Company, (d) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors of the Company (together with any new directors whose election by such Board or whose nomination for election by the stockholders of the Company was approved by a vote of a majority of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors of the Company then in office, or (e) the stockholders of the Company shall approve any plan for the liquidation or dissolution of the Company.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(e) all indebtedness, obligations and liabilities representing the deferred purchase price of property or services; and

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) It arises out of a bona fide rendering of services or sale of goods sold and delivered by or on behalf of the Company to, or in the process of being delivered by or on behalf of the Company to, the Account Debtor on said Receivables;

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

(c) it has been identified to the Banks in a manner satisfactory to the Banks;

(d) it is evidenced by an invoice (dated not later than five days after the date of shipment or performance of services) rendered to the Account Debtor thereunder;

(e) the invoice representing such Receivable shall have a due date not more than 45 days following the invoice date for such products;

(f) it is not owing by an Account Debtor who shall have failed to pay 10% or more of all Receivables owed by such Account Debtor within the period set forth in (g) below or who has become insolvent or is the subject of any bankruptcy, arrangement, reorganization proceedings or other proceedings for relief of debtors;

(g) it has not remained unpaid in whole or in part from and after the due date thereof;

(h) it is payable in United States Dollars;

(i) it is not owing by the United States of America or any

department, agency or instrumentality thereof;

(j) it is not owing by any Account Debtor located outside of the United States;

(k) it is net of any credit or allowance given by the Company to such Account Debtor;

(l) the Receivable is not subject to any counterclaim or defense asserted by the Account Debtor thereunder, nor is it subject to any offset or contra account payable to the Account Debtor (in any case, unless the amount of such Receivable is net of such counterclaim, defense, offset or contra account); and

(m) it is not owing by an Account Debtor that is an Affiliate of the Company other than Archer Daniels Midland.

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

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

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

"EURODOLLAR RATE" shall mean for each Interest Period applicable to a Eurodollar Loan, (a) the LIBOR Index Rate for such Interest Period, if such rate is available, and (b) if the LIBOR Index Rate cannot be determined, the arithmetic average of the rate of interest per annum (rounded upwards, if necessary, to nearest 1/100 of 1%) at which deposits in U.S. dollars in immediately available funds are offered to the Agent at 11:00 a.m. (London, England time) two (2) Business Days before the beginning of such Interest Period by major banks in the interbank eurodollar market for a period equal to such Interest Period and in an amount equal or comparable to the principal amount of the Eurodollar Loan scheduled to be made by the Agent during such Interest Period.

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

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

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

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

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

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

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

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

interest, all current maturities of all such indebtedness of such maturity and all rental payments under capitalized leases of such maturity.

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

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

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

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

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

"INTERCREDITOR AGREEMENT" shall mean the letter agreement dated as of May 27, 1993 originally among the Agent, the Banks, John Hancock Mutual Life Insurance Company, Aetna Life Insurance Company, The Aetna Casualty and Surety Company and Creditanstalt-Bankverein, individually and as agent.

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

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

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

"IRB" shall mean tax-exempt industrial revenue bonds which may be issued to finance the Company's Tenaha Feed Mill.

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

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

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

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

"LEVERAGE RATIO" shall mean the ratio for the Company and its Subsidiaries of (a) 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 clause (a) above plus Net Worth.

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

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

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

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

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

"NET WORKING CAPITAL" shall mean the excess for the Company of Current Assets over Current Liabilities.

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

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

"PBGC" shall mean the Pension Benefit Guaranty Corporation.

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

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

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

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

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

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

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

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

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

"RESERVE PERCENTAGE" means the daily arithmetic average maximum rate at which reserves (including, without limitation, any supplemental, marginal and emergency reserves) are imposed on member banks of the Federal Reserve System during the applicable Interest Period by the Board of Governors of the Federal Reserve System (or any successor) under Regulation D on "EUROCURRENCY LIABILITIES" (as such term is defined in Regulation D), subject to any amendments of such reserve requirement by such Board or its successor, taking into account any transitional

adjustments thereto. For purposes of this definition, the Eurodollar Loans shall be deemed to be eurocurrency liabilities as defined in Regulation D without benefit or credit for any prorations, exemptions or offsets under Regulation D.

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

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

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

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

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

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

"SUBSIDIARY" shall mean collectively any corporation or other entity at least a majority of the outstanding voting equity interests (other than directors' qualifying shares) of which is at the time owned directly or indirectly by the Company or by one of more Subsidiaries or by the Company and one or more Subsidiaries. The term "CONSOLIDATED SUBSIDIARY" shall mean any Subsidiary whose accounts are consolidated with those of the Company in accordance with generally accepted accounting principles.

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

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

"TENAHA FEED MILL" shall mean a feed mill and related facilities and equipment to be located in Tenaha, Shelby County, Texas.

"TERM LOANS" shall mean the term loans made pursuant to the Term Loan Agreement.

"TERM LOAN AGREEMENT" shall mean the Secured Term Credit Agreement dated as of June 5, 1997, among the Company, the Agent and the Banks, as the same may be supplemented and amended from time to time.

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

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

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

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

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

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

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

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

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

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

5. Representations and Warranties.

The Company represents and warrants to the Banks as follows:

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

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

SECTION 5.3. FINANCIAL REPORTS. The Company has heretofore delivered to the Banks a copy of the Audit Report as of September 28, 1996 of the Company and its Subsidiaries and unaudited financial statements (including a balance sheet, statement of income and retained earnings, statement of cash flows, footnotes and comparison to the comparable prior year period) of the Company as of, and for the period ending May 24, 1997. Such audited financial statements have been prepared in accordance with generally accepted accounting principles on a basis consistent, except as otherwise noted therein, with that of the previous fiscal year or period and fairly reflect the financial position of the Company and its Subsidiaries as of the dates thereof, and the results of its operations for the periods covered thereby. The Company and its Subsidiaries have no material contingent liabilities other than as indicated on said financial statements and since said date of September 28, 1996 there has been no material adverse change in the condition, financial or otherwise, of the Company or any Subsidiary that has not been disclosed in writing to the Banks.

SECTION 5.4. LITIGATION; TAX RETURNS; APPROVALS. There is no litigation or governmental proceeding pending, nor to the knowledge of the Company threatened, against the Company or any Subsidiary which, if adversely determined, is likely to result in any material adverse change in the Properties, business and operations of the Company or any Subsidiary. All income tax returns for the Company required to be filed have been filed on

a timely basis, all amounts required to be paid as shown by said returns have been paid. There are no pending or, to the best of the Company's knowledge, threatened objections to or controversies in respect of the United States federal income tax returns of the Company for any fiscal year. No authorization, consent, license, exemption or filing (other than the filing of financing statements) or registration with any court or governmental department, agency or instrumentality, is or will be necessary to the valid execution, delivery or performance by the Company of the Loan Documents.

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

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

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

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

SECTION 5.9. ACCURATE INFORMATION. No information, exhibit or report furnished by the Company to the Banks in connection with the negotiation of the Loan Documents contained any material misstatement of fact or omitted to state a material fact or any fact necessary to make the statements contained therein not misleading in light of the circumstances in which made. The financial projections furnished by the Company to the Banks contain to the Company's knowledge and belief, reasonable projections as of the date hereof of future results of operations and financial position of the Company.

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

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

(c) there are no underground storage tanks, active or abandoned, including petroleum storage tanks, on or under any property now or previously owned or leased by the Company or any Subsidiary that, singly or in the aggregate, have, or may reasonably be expected to have, a material adverse effect on the financial condition, operations, assets, business, Properties or prospects of the Company or such Subsidiary;

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

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

material liability under any Environmental Law.

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

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

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

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

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

SECTION 5.16. STATUS UNDER CERTAIN LAWS. Neither the Company nor any of its Subsidiaries is an "INVESTMENT COMPANY" or a person directly or indirectly controlled by or acting on behalf of an "INVESTMENT COMPANY" within the meaning of the Investment Company Act of 1940, as amended, or a "HOLDING COMPANY," or a "SUBSIDIARY COMPANY" of a "HOLDING COMPANY," or an "AFFILIATE" of a "HOLDING COMPANY" or a "SUBSIDIARY COMPANY" of a "HOLDING COMPANY," within the meaning of the Public Utility Holding Company Act of 1935, as amended.

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

Section 5.18. FAIR LABOR STANDARDS ACT. The Company and each Subsidiary has complied in all material respects with, and will continue to comply with, the provisions of the Fair Labor Standards Act of 1938, 29 U.S.C. (section)201, ET SEQ., as amended from time to time (the "FLSA"), including

specifically, but without limitation, 29 U.S.C. (section)215(a). This representation and warranty, and each reconfirmation hereof, shall constitute written assurance from the Company, given as of the date hereof and as of the date of each reconfirmation, that the Company and each Subsidiary has complied with the requirements of the FLSA, in general, and Section 15(a)(1), 29 U.S.C. (section>215(a)(1), thereof, in particular.

6. CONDITIONS PRECEDENT.

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

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

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

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

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

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

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

SECTION 6.3. LEGAL MATTERS. Legal matters incident to the execution and delivery of the Loan Documents shall be satisfactory to each of the Banks and their legal counsel; and prior to the initial Loan or L/C hereunder, the Agent shall have received the favorable written opinion of Godwin & Carlton, counsel for the Company, substantially in the form of Exhibit E, in substance satisfactory to each of the Banks and their respective legal counsel.

SECTION 6.4. DOCUMENTS. The Agent shall have received copies (executed or certified, as may be appropriate) of all documents or proceedings taken in connection with the execution and delivery of the Loan Documents to the extent any Bank or its respective legal counsel requests.

SECTION 6.5. LIEN SEARCHES. The Agent shall have received lien searches showing that the Property of the Company is subject to no security interest or liens except those permitted by Section 7.16 hereof.

7. COVENANTS.

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

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

SECTION 7.2. TAXES. The Company will, and will cause each Subsidiary

to, duly pay and discharge all taxes, rates, assessments, fees and governmental charges upon or against the Company or its Subsidiaries or against their respective Properties in each case before the same become delinquent and before penalties accrue thereon unless and to the extent that the same are being contested in good faith and by appropriate proceedings diligently conducted and for which adequate reserves in form and amount reasonably satisfactory to the Required Banks have been established, provided that the Company shall pay or cause to be paid all such taxes, rates, assessments, fees and governmental charges forthwith upon the commencement of proceedings to foreclose any lien which is attached as security therefor, unless such foreclosure is stayed by the filing of an appropriate bond in a manner satisfactory to the Required Banks.

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

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

(a) as soon as available, and in any event within 45 days after the close of each monthly fiscal period of the Company a copy of the consolidated and consolidating balance sheet, statement of income and retained earnings, statement of cash flows, and the results of operations for each division of the Company, for such period of the Company and its Subsidiaries, together with all such information for the year to date, all in reasonable detail, prepared by the Company and certified on behalf of the Company by the Company's chief financial officer;

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

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

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

Default or Event of Default and specifying the action, if any, taken by the Company to remedy the same;

(e) with 30 Business Days after the end of each month, an accounts receivable aging report in the form of Exhibit I hereto, signed by the chief financial officer of the Company;

(f) promptly upon preparation thereof copies in the form presented to the Company's Board of Directors of its annual budgets and forecasts of operations and capital expenditures including investments, a balance sheet, an income statement and a projection of cash flow for each fiscal year;

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

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

(i) within 90 days of the last day of each Fiscal Year of the Company, a summary of the capital expenditures made or incurred by the Company and its Subsidiaries during such Fiscal Year, for the applicable period and the year to date, all in reasonable detail, prepared by the Company and certified on behalf of the Company by the Company's chief financial officer.

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

SECTION 7.6. CONSOLIDATION AND MERGER. The Company will not, and will not permit any Subsidiary to, consolidate with or merge into any Person, or permit any other Person to merge into it, or acquire (in a transaction analogous in purpose or effect to a consolidation or merger) all or substantially all the Property of the other Person, or acquire substantially as an entirety the business of any other Person, without the prior written consent of the Required Banks; PROVIDED, HOWEVER, that if no Potential Default or Event of Default shall have occurred and be continuing the Company may acquire all or substantially all the Property of the other Person, or acquire substantially as an entirety the business of any other Person if the aggregate fair market value of all consideration paid or payable by the Company in all such acquisitions made in any Fiscal Year does not exceed $10,000,000.

SECTION 7.7. TRANSACTIONS WITH AFFILIATES. The Company will not, and will not permit any Subsidiary to, enter into any transaction, including without limitation, the purchase, sale, lease or exchange of any Property, or the rendering of any service, with any Affiliate of the Company or such Subsidiary except (a) in the ordinary course of and pursuant to the reasonable requirements of the Company's or such Subsidiary's business and upon fair and reasonable terms not materially less favorable to the Company than would be obtained in a comparable arm's-length transaction with a Person not an Affiliate of the Company or such Subsidiary, and (b) on-going transactions with Affiliates of the type disclosed in the Company's proxy statement for its Fiscal Year ended September 28, 1996.

SECTION 7.8. LEVERAGE RATIO. The Company will not permit the ratio of

its Leverage Ratio at any time during each period specified below to exceed the ratio specified below for such period:

(a) from the date hereof through the next to last day of Fiscal Year 1997, 0.70 to 1;

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

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

(d) on the last day of Fiscal Year 1999 and thereafter, 0.625 to 1.

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

(a) from the date hereof through the next to last day in Fiscal Year 1997, $125,308,829; and

(b) from the last day of Fiscal Year 1997 and at all times during each Fiscal Year thereafter, an amount in any Fiscal Year equal to the minimum amount required to be maintained during the preceding Fiscal Year plus an amount equal to 75% of the Company's Net Income (but not less than zero) during such Fiscal Year, if the Company's Leverage Ratio for such Fiscal Year is equal to or greater than 0.5 to 1, or 50% of the Company's Net Income (but not less than zero) if the Company's Leverage Ratio for such Fiscal Year is less than 0.5 to 1.

SECTION 7.10. CURRENT RATIO. The Company will maintain at all times and measured as of the last day of each monthly fiscal accounting period a Current Ratio of not less than (a) from and after the date hereof through Fiscal Year 1997, 1.25 to 1, (b) during Fiscal Year 1998, 1.3 to 1 and (c) during each Fiscal Year thereafter, 1.35 to 1.

SECTION 7.11. NET TANGIBLE ASSETS TO TOTAL LIABILITIES. The Company will not permit the ratio of its Net Tangible Assets to its Total Liabilities at any time to be less than 1.3 to 1.

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

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

(a) during Fiscal Year 1997, $45,000,000;

(b) during Fiscal Year 1998, $50,000,000;

(c) during Fiscal Year 1999, $50,000,000; and

(d) during each Fiscal Year thereafter, $55,000,000.

SECTION 7.14. CAPITAL EXPENDITURES. The Company will not, and will not permit any Subsidiary to, make or commit to make any capital expenditures (as defined and classified in accordance with generally accepted accounting principles consistently applied;) PROVIDED, HOWEVER, that if no Event of Default or Potential Default shall exist before and after giving effect thereto, the Company and its Subsidiaries may make (a) capital expenditures during each Fiscal Year in an aggregate amount in each Fiscal Year not to exceed the sum of (i) an amount equal to 115% of the Company's depreciation and amortization charges for the preceding Fiscal Year and (ii) the amount, if any, by which such capital expenditures made by the Company in the immediately preceding Fiscal Year was less than the maximum amount of capital expenditures the Company was permitted to make under this Section 7.14 during such Fiscal Year, determined without regard to any carryover amount from any prior Fiscal Year, but not to exceed $5,000,000 in any Fiscal Year, and (b) additional capital expenditures in an aggregate amount not to exceed $48,000,000 in Fiscal Years 1997 and 1998 in connection with the acquisition and expansion of the fixed assets, inventory and operations of Green Acre Foods, Inc.

SECTION 7.15. DIVIDENDS AND CERTAIN OTHER RESTRICTED PAYMENTS. The

Company will not (a) declare or pay any dividends or make any distribution on any class of its capital stock (other than dividends payable solely in its capital stock) or (b) directly or indirectly purchase, redeem or otherwise acquire or retire any of its capital stock (except out of the proceeds of, or in exchange for, a substantially concurrent issue and sale of capital stock) or (c) make any other distributions with respect to its capital stock; PROVIDED, HOWEVER, that if no Potential Default or Event of Default shall exist before and after giving effect thereto, the Company may pay (i) dividends in an aggregate amount not to exceed $1,700,000 in any Fiscal Year, and (ii) dividends permitted under Section 7.15(i) during the immediately preceding Fiscal Year that were declared but not paid in the immediately preceding Fiscal Year.

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

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

(b) the pledge of Property for the purpose of securing an appeal or stay or discharge in the course of any legal proceedings, provided that the aggregate amount of liabilities of the Company and its Subsidiaries so secured by a pledge of Property permitted under this subsection (b) including interest and penalties thereon, if any, shall not be in excess of $1,000,000 at any one time outstanding;

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

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

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

(f) liens on the Collateral securing the Company's indebtedness described in Section 7.17(e) hereof created in accordance with the Intercreditor Agreement, PROVIDED such liens are subordinated to the Agent's liens therein and provided that the Agent is concurrently granted a lien in the collateral security for the Company's indebtedness described in Section 7.17(e) hereof;

(g) liens of carriers, warehousemen, mechanics and materialmen and other like liens, in each case arising in the ordinary course of the Company's or any Subsidiary's business to the extent they secure obligations that are not past due;

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

(i) liens, pledges, mortgages, security interests or other charges granted by any of the Company's Subsidiaries in Mexico in such Subsidiary's Inventory and certain fixed assets located in Mexico and such Subsidiary's accounts receivable, in each case securing only indebtedness in an aggregate principal amount of up to $10,000,000 incurred by such Subsidiaries for working capital purposes;

(j) statutory landlord's liens under leases;

(k) existing liens described on Exhibit D hereto;

(l) liens on the cash surrender value of the life insurance

policy maintained by the Company on the life of Mr. Lonnie A. Pilgrim, to the extent such liens secure loans in an aggregate principal amount not to exceed $900,000;

(m) liens, security interests, pledges, mortgages or other charges in any Property other than the Collateral securing obligations in an aggregate amount not exceeding $1,000,000 at any time;

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

(o) liens and security interests securing the Term Loans and the IRB.

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

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

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

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

(d) indebtedness disclosed on the audited financial statements referred to in Section 5.3 hereof, except (i) indebtedness to the Existing Lenders under the Existing Agreement;

(e) indebtedness in an aggregate principal amount not to exceed $43,000,000 owed to Creditenstalt-Bankverein;

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

(g) indebtedness in an aggregate principal amount of up to $10,000,000 incurred by the Company's Subsidiaries in Mexico for working capital purposes;

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

(i) indebtedness of any Mexican Subsidiary to any other Mexican Subsidiary;

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

(k) Funded Debt incurred to finance capital expenditures permitted by Section 7.14 hereof;

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

(m) the Term Loans;

(n) the IRB;

(o) indebtedness in an aggregate principal amount not to exceed $35,000,000 owed to Agricultural PCA; at an interest rate approximating LIBOR plus 1.65%, payable in equal monthly installments including interests through April 1, 2003; and

(p) indebtedness in an aggregate principal amount not to exceed $85,000,000, which includes $15,000,000 currently unfunded at principal and interest payments yet to be determined, owed to John Hancock Mutual Life; notes payable with interest rates at 7.21%, 9.39%, 9.45% and LIBOR plus 2.0%, payable in monthly installments of $455,305, $61,839, $23,863 and a principal payment of $70,899 with

interest, respectively, plus balloon payments at maturity on February 28, 2006 for the 7.21% notes and March 1, 2003 for the remaining notes.

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

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

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

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

(d) marketable obligations of the United States;

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

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

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

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

(i) loans and advances from one Mexican Subsidiary to another Mexican Subsidiary;

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

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

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

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

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

(c) sales of approximately 16,500 acres of farm land in Lamar and Fannin Counties, Texas.

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

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

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

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

SECTION 7.23. CONDUCT OF BUSINESS AND MAINTENANCE OF EXISTENCE. The Company will, and will cause each Subsidiary to, continue to engage in business of the same general type as now conducted by it, and the Company will, and will cause each Subsidiary to, preserve, renew and keep in full force and effect its corporate existence and its rights, privileges and franchises necessary or desirable in the normal conduct of business.

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

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

SECTION 7.26. COMPANY CHATTEL PAPER - DELIVERY TO BANK. The Company will keep in its exclusive possession all components of its respective Receivables which constitute chattel paper. The Agent may request in its sole discretion, and the Company agrees to deliver to the Agent upon such request, any or all of such Receivables constituting chattel paper.

SECTION 7.27. COMPLIANCE WITH LAWS, ETC. The Company will, and will cause each of its Subsidiaries to, comply in all material respects with all applicable laws, rules, regulations and orders, such compliance to include (without limitation) (a) the maintenance and preservation of its corporate existence and qualification as a foreign corporation, (b) the registration pursuant to the Food Security Act of 1985, as amended, with the Secretary of State of each State in which are produced any farm products purchased by the Company and which has established a central filing system, as a buyer of farm products produced in such state, and the maintenance of each such registration, (c) compliance with the Packers and Stockyard Act of 1921, as amended, (d) compliance with all applicable rules and regulations promulgated by the United States Department of Agriculture and all similar applicable state rules and regulations, and (e) compliance with all rules and regulations promulgated pursuant to the Occupational Safety and Health Act of 1970, as amended.

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

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

Environmental Laws;

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

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

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

SECTION 7.30. GUARANTY FEES. The Company will not, and it will not permit any Subsidiary to, directly or indirectly, pay to Mr. and/or Mrs. Lonnie A. Pilgrim or any other guarantor of any of the Company's indebtedness, obligations and liabilities, any fee or other compensation, but excluding salary, bonus and other compensation for services rendered as an employee (collectively the "GUARANTY FEES") in an aggregate amount in excess of $1,400,000 in any Fiscal Year of the Company. For purposes of this Section 7.30, any Guaranty Fees paid within 45 days after the last day of any Fiscal Year shall be deemed to have been paid during such Fiscal Year.

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

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

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

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

8. EVENTS OF DEFAULT AND REMEDIES.

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

(a) Default in the payment when due of any interest on or

principal of any Note or Reimbursement Obligation, whether at the stated maturity thereof or as required by Section 3.4 hereof or at any other time provided in this Agreement, or of any fee or other amount payable by the Company pursuant to this Agreement;

(b) Default in the observance or performance of any covenant set forth in Sections 7.4, 7.5, 7.6, 7.7, 7.15, 7.17, 7.19 and 7.20, inclusive, hereof, or of any provision of any Security Document requiring the maintenance of insurance on the Collateral subject thereto or dealing with the use or remittance of proceeds of such Collateral;

(c) Default in the observance or performance of any covenant set forth in Sections 7.8, 7.9, 7.10, 7.11, 7.12, 7.13, 7.14, 7.16, 7.18, 7.21, 7.23 and 7.31, inclusive, hereof and such default shall continue for 10 days after written notice thereof to the Company by any Bank;

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

(e) Default shall occur under any evidence of indebtedness in a principal amount exceeding $1,000,000 issued or assumed or guaranteed by the Company, or under any mortgage, agreement or other similar instrument under which the same may be issued or secured and such default shall continue for a period of time sufficient to permit the acceleration of maturity of any indebtedness evidenced thereby or outstanding or secured thereunder;

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

(g) Any judgment or judgments, writ or writs, or warrant or warrants of attachment, or any similar process or processes in an aggregate amount in excess of $2,000,000 shall be entered or filed against the Company or any Subsidiary or against any of their respective Property or assets and remain unbonded, unstayed and undischarged for a period of 30 days from the date of its entry;

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

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

(j) A custodian, receiver, trustee, conservator, liquidator or similar official shall be appointed for the Company, any Subsidiary or any substantial part of its respective Property, or

a proceeding described in Section 8.1(i)(v) shall be instituted against the Company or any Subsidiary and such appointment continues undischarged or any such proceeding continues undismissed or unstayed for a period of 60 days;

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

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

(m) Mr. and Mrs. Lonnie A. Pilgrim and their descendants and heirs shall for any reason cease to have legal and/or beneficial ownership of no less than 51% of the issued and outstanding shares of all classes of capital stock of the Company;

(n) Either Mr. or Mrs. Lonnie A. Pilgrim shall terminate, breach, repudiate or disavow his or her guaranty of the Company's indebtedness, obligations and liabilities to the Banks under the Loan Documents or any part thereof, or any event specified in Sections 8.1(i) or (j) shall occur with regard to either or both of Mr. and Mrs. Lonnie A. Pilgrim;

(o) The Required Banks shall have determined that one or more conditions exist or events have occurred which may result in a material adverse change in the business, operations, Properties or condition (financial or otherwise) of the Company or any Subsidiary; or

(p) The occurrence of a Change in Control.

SECTION 8.2. REMEDIES FOR NON-BANKRUPTCY DEFAULTS. When any Event of Default, other than an Event of Default described in subsections (i) and (j) of Section 8.1 hereof, has occurred and is continuing, the Agent, if directed by the Required Banks, shall give notice to the Company and take any or all of the following actions: (i) terminate the remaining Revolving Credit Commitments hereunder on the date (which may be the date thereof) stated in such notice, (ii) declare the principal of and the accrued interest on the Notes and unpaid Reimbursement Obligations to be forthwith due and payable and thereupon the Notes and unpaid Reimbursement Obligations including both principal and interest, shall be and become immediately due and payable without further demand, presentment, protest or notice of any kind, and (iii) proceed to foreclose against any Collateral under any of the Security Documents, take any action or exercise any remedy under any of the Loan Documents or exercise any other action, right, power or remedy permitted by law. Any Bank may exercise the right of set off with regard to any deposit accounts or other accounts maintained by the Company with any of the Banks.

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

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

9. CHANGE IN CIRCUMSTANCES REGARDING FIXED RATE LOANS.

SECTION 9.1. CHANGE OF LAW. Notwithstanding any other provisions of this Agreement or any Note to the contrary, if at any time after the date hereof with respect to Fixed Rate Loans, any Bank shall determine in good faith that any change in applicable law or regulation or in the

interpretation thereof makes it unlawful for such Bank to make or continue to maintain any Fixed Rate Loan or to give effect to its obligations as contemplated hereby, such Bank shall promptly give notice thereof to the Company to such effect, and such Bank's obligation to make, relend, continue or convert any such affected Fixed Rate Loans under this Agreement shall terminate until it is no longer unlawful for such Bank to make or maintain such affected Loan. The Company shall prepay the outstanding principal amount of any such affected Fixed Rate Loan made to it, together with all interest accrued thereon and all other amounts due and payable to the Banks under Section 9.4 of this Agreement, on the earlier of the last day of the Interest Period applicable thereto and the first day on which it is illegal for such Bank to have such Loans outstanding; provided, however, the Company may then elect to borrow the principal amount of such affected Loan by means of another type of Loan available hereunder, subject to all of the terms and conditions of this Agreement.

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

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

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

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

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

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

and such Bank shall determine that the result of any of the foregoing is to increase the cost (whether by incurring a cost or adding to a cost) to such Bank of making or maintaining any Fixed Rate Loan hereunder or to reduce the amount of principal or interest received by such Bank, then the Company shall pay to such Bank from time to time as specified by such Bank such

additional amounts as such Bank shall reasonably determine are sufficient to compensate and indemnify it for such increased cost or reduced amount. If any Bank makes such a claim for compensation, it shall provide to the Company a certificate setting forth such increased cost or reduced amount as a result of any event mentioned herein specifying such Change in Law, and such certificate shall be conclusive and binding on the Company as to the amount thereof except in the case of manifest error. Upon the imposition of any such cost, the Company may prepay any affected Loan, subject to the provisions of Sections 3.3 and 9.4 hereof.

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

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

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

(iii) the occurrence of any Event of Default;

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

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

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

SECTION 9.6. DISCRETION OF BANK AS TO MANNER OF FUNDING. Notwithstanding any provision of this Agreement to the contrary, each Bank shall be entitled to fund and maintain its funding of all or any part of its Loans in any manner it sees fit, it being understood however, that for the purposes of this Agreement all determinations hereunder shall be made as if the Banks had actually funded and maintained each Fixed Rate Loan during each Interest Period for such Loan through the purchase of deposits in the relevant interbank market having a maturity corresponding to such Interest Period and bearing an interest rate equal to the Adjusted Eurodollar Rate or Adjusted CD Rate, as the case may be, for such Interest Period.

10. THE AGENT.

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

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

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

SECTION 10.4. NO RESPONSIBILITY FOR LOANS, RECITALS, ETC. The Agent shall not (i) be responsible to the Banks for any recitals, reports,

statements, warranties or representations contained in the Loan Documents or furnished pursuant thereto, (ii) be responsible for the payment or collection of or security for any Loans or Reimbursement Obligations hereunder except with money actually received by the Agent for such payment, (iii) be bound to ascertain or inquire as to the performance or observance of any of the terms of the Loan Documents, or (iv) be obligated to determine or verify the existence, eligibility or value of any Collateral, or the correctness of any Borrowing Base Certificate or compliance certificate. In addition, neither the Agent nor its counsel shall be responsible to the Banks for the enforceability or validity of any of the Loan Documents or for the existence, creation, attachment, perfection or priority of any security interest in the Collateral.

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

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

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

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

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

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

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

SECTION 10.12. BANK CREDIT DECISION. Each Bank acknowledges that it has,

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

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

SECTION 10.14. DURATION OF AGENCY. The agency established by Section 10.1 hereof shall continue, and Sections 10.1 through and including Section 10.15 shall remain in full force and effect, until the Notes and all other amounts due hereunder and thereunder, including without limitation all Reimbursement Obligations, shall have been paid in full and the Banks' commitments to extend credit to or for the benefit of the Company shall have terminated or expired.

11. MISCELLANEOUS.

SECTION 11.1. AMENDMENTS AND WAIVERS. Any term, covenant, agreement or condition of this Agreement may be amended only by a written amendment executed by the Company, the Required Banks and, if the rights or duties of the Agent are affected thereby, the Agent, or compliance therewith only may be waived (either generally or in a particular instance and either retroactively or prospectively), if the Company shall have obtained the consent in writing of the Required Banks and, if the rights or duties of the Agent are affected thereby, the Agent, provided, however, that without the consent in writing of the holders of all outstanding Notes and unpaid Reimbursement Obligations and the issuer of any L/C, or all Banks if no Notes or L/Cs are outstanding, no such amendment or waiver shall (i) change the amount or postpone the date of payment of any scheduled payment or required prepayment of principal of the Notes or reduce the rate or extend the time of payment of interest on the Notes, or reduce the amount of principal thereof, or modify any of the provisions of the Notes with respect to the payment or prepayment thereof, (ii) give to any Note any preference over any other Notes, (iii) amend the definition of Required Banks, (iv) alter, modify or amend the provisions of this Section 11.1, (v) change the amount or term of any of the Banks' Revolving Credit Commitments or the fees required under Section 3.1 hereof, (vi) alter, modify or amend the provisions of Sections 1.9, 6 or 9 of this Agreement, (vii) alter, modify or amend any Bank's right hereunder to consent to any action, make any request or give any notice, (viii) change the advance rates under the Borrowing Base or the definitions of "ELIGIBLE INVENTORY" or "ELIGIBLE RECEIVABLES," (ix) release any Collateral under the Security Documents or release or discharge any guarantor of the Company's indebtedness, obligations and liabilities to the Banks, in each case, unless such release or discharge is permitted or contemplated by the Loan Documents, or (x) alter, amend or modify any subordination provisions of any Subordinated Debt. Any such amendment or waiver shall apply equally to all Banks and the holders of the Notes and Reimbursement Obligations and shall be binding upon them, upon each future holder of any Note and Reimbursement Obligation and upon the Company, whether or not such Note shall have been marked to indicate such amendment or waiver. No such amendment or waiver shall extend to or affect any obligation not expressly amended or waived.

SECTION 11.2. WAIVER OF RIGHTS. No delay or failure on the part of the Agent or any Bank or on the part of the holder or holders of any Note or Reimbursement Obligation in the exercise of any power or right shall operate as a waiver thereof, nor as an acquiescence in any Potential Default or Event of Default, nor shall any single or partial exercise of any power or right preclude any other or further exercise thereof, or the exercise of any other power or right, and the rights and remedies hereunder of the Agent, the Banks and of the holder or holders of any Notes are

cumulative to, and not exclusive of, any rights or remedies which any of them would otherwise have.

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

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

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

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

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

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

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

SECTION 11.9. COSTS AND EXPENSES; INDEMNITY. The Company agrees to pay on demand all costs and expenses of the Agent, in connection with the negotiation, preparation, execution and delivery of this Agreement, the Notes and the other instruments and documents to be delivered hereunder or in connection with the transactions contemplated hereby, including the fees and expenses of Messrs. Chapman and Cutler, special counsel to the Agent; all costs and expenses of the Agent (including attorneys' fees) incurred in connection with any consents or waivers hereunder or amendments hereto, and all costs and expenses (including attorneys' fees), if any, incurred by the Agent, the Banks or any other holders of a Note or any Reimbursement Obligation in connection with the enforcement of this Agreement or the Notes and the other instruments and documents to be delivered hereunder. The Company agrees to indemnify and save harmless the Banks and the Agent from any and all liabilities, losses, costs and expenses incurred by the

Banks or the Agent in connection with any action, suit or proceeding brought against the Agent or any Bank by any Person which arises out of the transactions contemplated or financed hereby or by the Notes, or out of any action or inaction by the Agent or any Bank hereunder or thereunder, except for such thereof as is caused by the gross negligence or willful misconduct of the party indemnified. The provisions of this Section 11.9 shall survive payment of the Notes and Reimbursement Obligations and the termination of the Revolving Credit Commitments hereunder.

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

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

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

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

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

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

SECTION 11.16. ASSIGNMENT OF COMMITMENTS BY BANK. Each Bank shall have the right at any time, with the prior consent of the Company and the Agent (which consent will not be unreasonably withheld), to sell, assign, transfer or negotiate all or any part of its Revolving Credit Commitment to one or more commercial banks or other financial institutions; provided that such assignment is in an amount of at least $5,000,000 (or, if less than $5,000,000, the amount of its entire Revolving Credit Commitment), provided

further that no Bank may so assign more than one-half of its original Revolving Credit Commitment hereunder unless it is assigning all of its interest hereunder, and provided further that any Bank may assign all of its interest hereunder to any of its subsidiaries or affiliates without the Company's or the Agent's consent. Upon any such assignment, and its notification to the Agent, the assignee shall become a Bank hereunder, all Loans and the Revolving Credit Commitment it thereby holds shall be governed by all the terms and conditions hereof, and the Bank granting such assignment shall have its Revolving Credit Commitment and its obligations and rights in connection therewith, reduced by the amount of such assignment. Upon each such assignment the Bank granting such assignment shall pay to the Agent for the Agent's sole account a fee of $2,500.

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

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

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

indebtedness hereunder until payment in full of the principal of the indebtedness hereunder (including the period of any renewal or extension thereof) so that the interest on account of the indebtedness hereunder for such full period shall not exceed the highest amount permitted by applicable law. This paragraph shall control all agreements between the Company, the Agent and the Banks.

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

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

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

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

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

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

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

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

(b) Mr. and Mrs. Lonnie A. Pilgrim shall have executed and delivered to the Banks the Guarantors' Consent in the form set forth below.

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

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

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

(f) The Agent shall have received (in sufficient counterparts for

distribution to each of the Banks) all of the following in a form satisfactory to the Agent, the Banks and their respective counsel:

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

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

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

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

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

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

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

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

The Company has heretofore executed and delivered to the Agent that certain Security Agreement Re: Accounts Receivable, Farm Products and Inventory dated as of May 27, 1993 (the "SECURITY AGREEMENT"), and the Company hereby agrees that notwithstanding the execution and delivery hereof, the Security Agreement shall be and remain in full force and effect and that any rights and remedies of the Agent thereunder, obligations of the Company thereunder and any liens or security interests created or provided for thereunder shall be and remain in full force and effect, shall not be affected, impaired or discharged thereby and shall secure all of the Company's indebtedness, obligations and liabilities to the Agent and the Banks under the Credit Agreement as amended and restated hereby. Nothing herein contained shall in any manner affect or impair the priority of the liens and security interests created and provided for by the Security Agreement as to the indebtedness which would be secured thereby prior to giving effect hereto. Without limiting the foregoing, the Company acknowledges and agrees that all of its indebtedness, obligations and liabilities to the Agent and the Banks pursuant to the Credit Agreement as amended and restated hereby, including without limitation, all principal of and interest on the Revolving Notes (as defined in the Credit Agreement as amended and restated hereby), whether presently existing or hereafter arising, shall constitute "Secured Obligations" as defined in the Security Agreement and shall be secured by, and entitled to all of the benefits of, the liens and security interest created and provided for under the Security Agreement. In furtherance of the foregoing, the Company hereby grants to the Agent for the benefit of the Banks, and hereby agrees that the Agent for the benefit of the Banks shall continue to have a continuing security interest in, all and singular of the Company's receivables, farm products, inventory, books and records, documents, accessions and additions to all of the foregoing and all products and proceeds of each of the foregoing, and all proceeds or collection of any of the foregoing and all of the other collateral described or referred to in the granting clauses of the Security

Agreement, each and all of which granting clauses are hereby incorporated by reference herein in their entirety. The foregoing grant shall be in addition to and supplemental of and not in substitution for the grant by the Company under the Security Agreement, and shall not affect or impair the lien or priority of the Security Agreement in the collateral subject thereto or the indebtedness secured thereby.

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

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

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

Dated as of August 11, 1997.

PILGRIM'S PRIDE CORPORATION

By \s\ Clifford E. Butler
_____Its Executive President

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

HARRIS TRUST AND SAVINGS BANK
individually and as Agent

By \s\ Carl Blackham
_____Its Vice President

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

FBS AG CREDIT, INC.

By \s\ Ronald E von Steyn
_____Its

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

COBANK, ACB

By \s\ Virgil Harms
_____Its

Address: P.O. Box 2940
245 North Waco
Wichita, Kansas 67201-2940
Attention:

ING (U.S.) CAPITAL CORPORATION

By \s\ Sheila Greatrex
_____Its

Address: 135 East 57th Street
New York, New York 10022-2101
Attenti _____

WELLS FARGO BANK (TEXAS), N.A.

By \s\ Hugh S. Miller
_____Its

Address: 1455 Ross Avenue
Dallas, Texas 75202
Attention:

CAISSE NATIONALE DE CREDIT AGRICOLE,
CHICAGO BRANCH

By \s\ W. Leroy Startz
_____Its

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

GUARANTORS' CONSENT

The undersigned, Lonnie A. Pilgrim and Patty R. Pilgrim, have executed and delivered a Guaranty Agreement dated as of May 27, 1993 (the "GUARANTY") to the Banks. As an additional inducement to and in consideration of the Banks' acceptance of the foregoing Amended and Restated Secured Credit Agreement (the "AMENDED CREDIT AGREEMENT"), the undersigned hereby agree with the Banks as follows:

1. Each of the undersigned consents to the execution of the foregoing Amended Credit Agreement by the Company and acknowledges that this consent is not required under the terms of the Guaranty and that the execution hereof by the undersigned shall not be construed to require the Banks to obtain the undersigneds' consent to any future amendment, modification or waiver of any term of the Amended Credit Agreement except as otherwise provided in said Guaranty. Each of the undersigned hereby agrees that the Guaranty shall apply to all indebtedness, obligations and liabilities of the Company to the Banks, the Agent and under the Credit Agreement, as amended and restated pursuant to the foregoing Amended Credit Agreement. Each of the undersigned further agrees that the Guaranty shall be and remain in full force and effect.

2. All terms used herein shall have the same meaning as in the foregoing Amended Credit Agreement, unless otherwise expressly defined herein.

Dated as of August 11, 1997.

Lonnie A. Pilgrim

\s\ Lonnie A. Pilgrim

Patty R. Pilgrim

\s\ Patty R. Pilgrim

EXHIBIT A

Pilgrim's Pride Corporation

SECURED REVOLVING CREDIT NOTE

August 11, 1997

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

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

This Note is one of the Revolving Notes referred to in and issued under that certain Amended and Restated Secured Credit Agreement dated as of August 11, 1997, among the Company, Harris Trust and Savings Bank, as Agent, and the banks named therein, as amended from time to time (the "CREDIT AGREEMENT"), and this Note and the holder hereof are entitled to all of the benefits and security provided for thereby or referred to therein, including without limitation the collateral security provided pursuant to the Security Agreement (as defined in the Credit Agreement), to which Credit Agreement and Security Agreement reference is hereby made for a statement thereof and a statement of the terms and conditions upon which the Agent may exercise rights with respect to such collateral. All defined terms used in this Note, except terms otherwise defined herein, shall have the same meaning as such terms have in said Credit Agreement.

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

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

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

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

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

PILGRIM'S PRIDE CORPORATION

By \s\ Clifford E. Butler

_____Its Executive President

EXHIBIT B

L/C AGREEMENT

EXHIBIT C

ENVIRONMENTAL DISCLOSURE

1. Pilgrim's Pride Corporation previously leased a facility located at 3100 Randal Mill Road, Arlington, Texas for use as a storage and distribution center. When Pilgrim's Pride initial occupied the facility there were underground storage tanks that had been installed by others. Pilgrim's Pride Corporation subsequently had the tanks removed in accordance with Texas Natural Resource Conversation Commission regulations. Testing of soil from the tank holes indicated some elevated levels of petroleum based compounds. Pilgrim's Pride Corporation is working with the TNRCC to further investigate this situation and take remedial action as deemed appropriate. The majority of any remediation costs will be covered by funds from the TNRCC remediation fund, with the financial exposure to Pilgrim's Pride Corporation being relatively minimal, i.e. estimated at less than $25,000.

EXHIBIT D

PERMITTED LIENS

LIEN DATE	LIEN HOLDER	COLLATERAL
10/05/90	State Street Bank & Trust Company of Connecticut, N.A.	Real Property and Personal Property located in and around Nacogdoches and Lufkin, Texas, DeQueen and Nashville, Arkansas and Camp and Upshur Counties more fully described in a Note Purchase Agreement dated 9/21/90, as amended.
11/05/86	State Street Bank & Trust Company of Connecticut, N.A.	Real Property and Personal Property located in and around Nacogdoches and Lufkin, Texas, DeQueen and Nashville, Arkansas and Camp and Upshur Counties more fully described in a Note Purchase Agreement dated 9/21/90, as amended.
05/01/88	Ameritrust	Real Property and Personal Property described in a Deed of Trust dated 10/4/90, as amended, from Pilgrim's Pride Corporation to Ameritrust.
08/09/80	Ameritrust	First lien on Feed Mill located in Nacogdoches, Texas.
10/05/90	State Street Bank & Trust Company of Connecticut, N.A.	Real Property and Personal Property located in and around Nacogdoches and Lufkin, Texas, DeQueen and Nashville, Arkansas and Camp and Upshur Counties more fully described in a Note Purchase Agreement dated 9/21/90, as amended.
1/23/88	Connecticut Mutual Life	Real Property located in Fannin County and known as Riverby Farm.
10/28/89	Federal Land Bank	Real Property located in Lamar County and known as Chicota and Slate Shoals Farms.
10/28/87	Federal Land Bank	Real Property located in Lamar County and known as Chicota and Slate Shoals Farms.
2/26/88	Federal Land Bank	Real Property located in Lamar County and known as Chicota and Slate Shoals Farms.
7/28/80	John Hancock Mut.Life	Insurance Policy on the Life of Lonnie A. Pilgrim
2/01/88	John Hancock Mut.Life	Real Property and Personal Property described in a Deed of Trust dated 2/1/88, as amended, from Pilgrim's Pride Corporation to John Hancock Mutual Life.
05/24/91	John Hancock Mut.Life	Real Property and Personal Property described in a Deed of Trust dated 2/1/88 as amended, from Pilgrim's Pride Corporation to John Hancock Mutual Life.
09/26/90	Hibernia National Bank	Real Property and Personal Property described in a Deed of Trust dated 9/20/90 as amended, from Pilgrim's Pride Corporation to Hibernia National Bank.
10/16/90	North Texas P.C.A.	Real Property and Personal Property described in a Deed of Trust dated 10/16/90, as amended,

		from Pilgrim's Pride Corporation to The North Texas P.C.A.
10/03/85	Creditanstalt	Real Property and Personal Property described in a Deed of Trust dated 9/24/85 as amended, from Pilgrim's Pride Corporation to RaboBank Nederland.
12/03/87	Creditanstalt	Real Property and Personal Property described in a Deed of Trust dated 9/24/85 as amended, from Pilgrim's Pride Corporation to RaboBank Nederland.
06/01/90	Creditanstalt	Real Property and Personal Property described in a Deed of Trust dated 9/24/85 as amended, from Pilgrim's Pride Corporation to RaboBank Nederland.
06/02/86	Thomas W. Reardon	Real Property located in Camp County and known as part of "Lake" Property.
09/22/89	NCNB-Kerrville	Real Property and Personal Property described in a Deed of Trust dated 9/21/88 from Pilgrim's Pride Corporation to Charles Schreiner Bank.
10/11/91	XL Data Comp	Capitalized Lease-Master Lease dated 10/11/91.
6/2/89	Dana Commercial	Capitalized Lease-Master Lease dated 6/20/89.
4/08/93	Welco, LTD.	Capitalized Lease-Master Lease dated 4/08/93.
2/16/96	John Hancock Mut.Life	Real and Personal Property described in a Deed of Trust dated 2/16/96, as amended, from Pilgrim's Pride Corporation to John Hancock Mutual Life.
4/13/97	John Hancock Mut.Life	Real and Personal Property described in a Deed of Trust dated 4/13/97, as amended, from Pilgrim's Pride Corporation to John Hancock Mutual Life.
3/28/95	Agricultural PCA	Real and Personal Property described in a Deed of Trust dated 3/28/97, as amended, from Pilgrim's Pride Corporation to Agricultural PCA.
4/13/97	City of Nacogdoches, Texas	Capitalized Lease-Master Lease dated 1/1/96; acquired in Green Acre Foods, Inc. Acquisition.
4/13/97	Various Leases	Security interest or other interest of lessors in equipment acquired in Green Acre Foods, Inc. Acquisition.

EXHIBIT E

LEGAL OPINION

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

_____, 1997

Harris Trust and Savings Bank
Chicago, Illinois

FBS Ag Credit, Inc.
Denver, Colorado

CoBank, ACB
Wichita, Kansas

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

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

Caisse Nationale de Credit Agricole, Chicago Branch
Chicago, Illinois

Ladies and Gentlemen:

We have served as counsel to Pilgrim's Pride Corporation, a Texas corporation (the "BORROWER"), in connection with a revolving credit facility being made available by you to the Borrower. As such counsel, we have supervised the taking of the corporate proceedings necessary to authorize the execution and delivery of, and have examined executed originals of, the instruments and documents identified on Exhibit A to this letter (collectively the "LOAN DOCUMENTS", individual Loan Documents and other capitalized terms used below being hereinafter referred to by the designations appearing on Exhibit A). As counsel to the Borrower, we are familiar with the articles of incorporation, charter, by-laws and any other agreements under which the Borrower is organized. We have also examined such other instruments and records and inquired into such other factual matters and matters of law as we deem necessary or pertinent to the formulation of the opinions hereinafter expressed.

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

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

2. The Borrower has full right, power and authority to borrow from you, to mortgage, pledge, assign and otherwise encumber its assets and properties as collateral security for such borrowings, to execute and deliver the Loan Documents executed by it and to observe and perform all the matters and things therein provided for. The execution and delivery of the Loan Documents executed by the Borrower does not, nor will the observance or performance of any of the matters or things therein provided for, contravene any provision of law or of the respective articles of incorporation, charter or by-laws of the Borrower (there being no other agreements under which the Borrower is organized) or, to the best of our knowledge after due inquiry, of any covenant, indenture or agreement binding upon or affecting the Borrower or any of its properties or assets.

3. The Loan Documents executed by the Borrower have been duly authorized by all necessary corporate action (no stockholder approval being required), have been executed and delivered by the proper officers of the Borrower and constitute valid and binding agreements of the Borrower enforceable against it in accordance with their respective terms, subject

to bankruptcy, insolvency and other similar laws affecting creditors' rights generally and to general principles of equity.

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

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

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

_____Respectfully submitted,

Exhibit A

THE LOAN DOCUMENTS

(All Loan Documents are dated as of August 11, 997. Harris Trust and Savings Bank ("HARRIS") in its capacity as agent under the Amended and Restated Secured Credit Agreement is referred to below as the "AGENT" and Harris in its individual capacity, together with the other lenders party to the Amended and Restated Secured Credit Agreement are referred to below as the "BANKS".)

1. Amended and Restated Secured Credit Agreement by and among the Borrower, the Agent and the Banks.

2. Secured Revolving Credit Note of the Borrower payable to the order of Harris in the principal amount of $26,666,667.

3. Secured Revolving Credit Note of the Borrower payable to the order of FBS Ag Credit, Inc. in the principal amount of $20,000,000.

4. Secured Revolving Credit Note of the Borrower payable to the order of CoBank, ACB in the principal amount of $20,000,000.

5. Secured Revolving Credit Note of the Borrower payable to the order of ING (U.S.) Capital Corporation in the principal amount of $13,333,333.

6. Secured Revolving Credit Note of the Borrower payable to the order of Wells Fargo Bank (Texas), N.A. in the principal amount of $10,000,000.

7. Secured Revolving Credit Note of the Borrower payable to the order of Caisse Nationale de Credit Agricole, Chicago Branch.

EXHIBIT F

Pilgrim's Pride Corporation

COMPLIANCE CERTIFICATE

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

THE UNDERSIGNED HEREBY CERTIFIES THAT:

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

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

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

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

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

_____

_____

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

PILGRIM'S PRIDE CORPORATION

By _____

Its

SECOND AMENDMENT TO SECOND AMENDED
AND RESTATED LOAN AND SECURITY AGREEMENT

THIS SECOND AMENDMENT TO SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT (the "Amendment"), is made and entered into as of the 18th day of September, 1997 by and among PILGRIM'S PRIDE CORPORATION, a Delaware corporation ("Borrower"), each of the Banks signatory hereto (hereinafter referred to individually as a ABank@ and collectively as the "Banks"), and CREDITANSTALT-BANKVEREIN, as agent for the Banks (in such capacity, together with its successors and assigns in such capacity hereinafter referred to as the "Agent").

W I T N E S S E T H:

WHEREAS, Borrower, the Banks and the Agent are parties to that certain Loan and Security Agreement, dated as of June 3, 1993 (the "Original Loan Agreement"), which provided for a term loan (the "Original Facility") in the original principal amount of Twenty-Eight Million Dollars ($28,000,000.00);

WHEREAS, by that certain Amended and Restated Loan and Security Agreement dated July 29, 1994 (the "Amended and Restated Loan Agreement"), the Borrower, the Banks and the Agent amended and restated the Original Loan Agreement (a) to continue the Original Facility at its then current outstanding balance of $21,700,000.00; (b) to make a standby/term loan (the AExisting Standby/Term Facility@) to Borrower to be utilized on or before June 20, 1995 (the "Conversion Date"); and (c) to make certain other changes as more fully set forth therein;

WHEREAS, by letter agreement of the parties dated June 19, 1995, the Amended and Restated Loan Agreement was amended to extend the Conversion Date to September 20, 1995;

WHEREAS, John Hancock Mutual Life Insurance Company, a Massachusetts corporation, (AHancock@) or its assignee has heretofore released its Lien on the Mortgaged Property, evidenced by (i) that certain promissory note dated February 1, 1988, executed by the Borrower and payable to Hancock's order in the original principal amount of $20,000,000, secured by that certain Deed of Trust, Mortgage and Security Agreement dated February 1, 1988, executed by the Borrower for the benefit of Hancock, and recorded in Volume 182, Page 315, aforesaid Records, amended by instruments recorded in Volume 656, page 163, aforesaid Records and Volume 698, page 77, assigned to Agriculture Production Credit Association ("APCA") by instrument recorded at file number 2798, aforesaid Records, and (ii) that certain promissory note dated April 25, 1991, executed by the Borrower for the benefit of Hancock, and recorded in Volume 656, Page 168, Deed of Trust Records, Titus County, Texas, amended by instrument recorded in Volume 698, page 77, aforesaid Records, assigned to APCA by instrument recorded at file number 2798, aforesaid Records.

WHEREAS, by that certain Second Amended and Restated Loan and Security Agreement dated as of July 31, 1995 (the "Agreement") the Borrower, the Banks and the Agent amended and restated the Amended and Restated Loan Agreement (a) to continue the Original Facility at its then current outstanding balance of $15,400,000.00; (b) to continue the Existing Standby/Term Facility at its then current outstanding balance of $10,000,000.00; (c) to make an additional term loan to Borrower in the original principal amount of $5,000,000.00 (the "Term Facility"); and (d) to make certain other changes as more fully set forth therein;

WHEREAS, by that certain First Amendment to Second Amended and Restated Loan and Security Agreement dated as of May 30, 1996, the Borrower, the Banks and the Agent amended the Agreement to change the interest rate and modify certain financial covenants set forth therein;

WHEREAS, the Borrower, the Banks and the Agent wish to amend the Agreement further (a) to continue the Original Facility at its current balance of $13,300,000.00; (b) to continue the Existing Standby/Term Facility at its current outstanding balance of $8,664,000.00; (c) to continue the Term Facility at its current outstanding balance of $4,666,000.00; (d) to make an additional term loan to Borrower; (e) to grant a Lien to Agent in additional collateral; (f) to modify certain financial covenants set forth therein; and (g) to make certain other changes as more fully set forth herein;

NOW, THEREFORE, for and in consideration of the premises, the terms

and conditions set forth herein, and for other good and valuable consideration, the sufficiency and receipt of all of which are acknowledged by Borrower, Borrower, the Banks and Agent agree as follows:

1. DEFINED TERMS. Defined terms used herein, as indicated by the initial capitalization thereof, shall have the same respective meanings ascribed to such terms in the Agreement unless otherwise specifically defined herein.

2. AMENDMENTS.

(a) The Agreement is hereby amended by adding the following definitions to Section 1.1:

"FACILITY C TERM LOANS" shall mean, collectively, the loans made pursuant to Section 2.1(d) hereof, and "FACILITY C TERM LOAN" shall mean any loan made pursuant to Section 2.1(d) hereof.

"FACILITY C TERM NOTE" or "FACILITY C TERM NOTES" shall have the meanings given to such terms in Section 2.1(d) hereof.

"NEW DEED OF TRUST" shall mean the Deed of Trust, Assignment of Rents and Security Agreement dated as of September 18, 1997, recorded or to be recorded in the Camp County, Texas Deed Records, executed by Borrower, conveying a first Lien security interest in the Camp County Mortgaged Property to secure the repayment of the Loans and the performance of the Obligations, and all amendments thereto.

"CAMP COUNTY LAND" shall mean the real estate or interest therein described in EXHIBIT "A-2" attached hereto and incorporated herein by this reference, all fixtures or other improvements situated thereon and all rights, titles and interests appurtenant thereto.

"CAMP COUNTY MORTGAGED PROPERTY" shall mean the Camp County Land, the Leases and Equipment and all other property (real, personal or mixed) which is conveyed by the New Deed of Trust or any other Loan Document in which a lien therein is created.

"FOURTH DEED OF TRUST" shall mean the Deed of Trust, Assignment of Rents and Security Agreement dated as of September 18, 1997, recorded or to be recorded in the Titus County, Texas Deed Records, executed by Borrower conveying a fourth Lien security interest in the Titus County Mortgaged Property to secure repayment of the Loans and performance of the Obligations, and all amendments thereto.

"SECOND AMENDMENT CLOSING DATE" shall mean the date this Amendment has been signed by Borrower, the Banks and the Agent and has become effective in accordance with Section 3 hereof.

"TITUS COUNTY LAND" shall mean the real estate or interest therein described in EXHIBIT "A" attached hereto and incorporated herein by reference, all fixtures or other improvements situated thereon and all rights, titles and interests appurtenant thereto.

"TITUS COUNTY MORTGAGED PROPERTY" shall mean the Titus County Land, the Leases and Equipment relating thereto and all other property (real, personal or mixed) which is conveyed by the Deed of Trust, the Second Deed of Trust, the Third Deed of Trust, the Fourth Deed of Trust or any other Loan Document in which a lien therein is created.

(b) The Agreement is hereby amended by deleting the definitions of the following terms in their entirety from Section 1.1 and substituting in lieu thereof the following definitions:

"LAND" shall mean the Titus County Land and the Camp County Land.

"LOAN" shall mean either a Term Loan, a Standby/Term Loan, a Facility B Term Loan or a Facility C Term Loan, and "LOANS" shall mean, collectively, all Term Loans, Standby/Term Loans, Facility B Term Loans and Facility C Term Loans. Loans may be either Eurodollar Loans or Base Rate Loans, each of which is a "type" of Loan.

"LOAN DOCUMENTS" shall mean this Agreement, the Deed of Trust, the Second Deed of Trust, the Third Deed of Trust, the Fourth Deed of Trust, the New Deed of Trust, the Notes, any financing statements covering portions of the Collateral and any and all other instruments, documents, and agreements now or hereafter executed and/or delivered by Borrower or its Subsidiaries in connection herewith, or any one, more, or all of the foregoing, as the context shall require, and "LOAN DOCUMENT" shall mean any one of the Loan Documents.

"MATURITY DATE" shall mean June 30, 2003.

"MORTGAGED PROPERTY" shall mean the Titus County Mortgaged Property, the Camp County Mortgaged Property and all other property (real, personal or mixed) on which a Lien is placed or granted to secure the repayment or the performance of the Obligations.

"NOTES" shall mean, collectively, the Term Notes, the Standby/Term Notes, the Facility B Term Notes and the Facility C Term Notes.

"OBLIGATIONS" shall mean the Loans and any and all other indebtedness, liabilities and obligations of Borrower and its Subsidiaries, or any of them, to any Bank of every kind and nature (including, without limitation, interest charges, expenses, attorneys= fees and other sums chargeable to Borrower by Agent or any Bank and future advances made to or for the benefit of Borrower), arising under this Agreement, the Deed of Trust, the Second Deed of Trust, the Third Deed of Trust, the Fourth Deed of Trust, the New Deed of Trust or the other Loan Documents, whether direct or indirect, absolute or contingent, primary or secondary, due or to become due, now existing or hereafter acquired.

(c) Subsections 2.1(a)(ii), 2.1(b)(ii) and 2.1(c)(ii) are hereby amended to provide that, from and after the Second Amendment Closing Date, the quarterly installments of principal of the Term Loans, the Standby/Term Loans and the Facility B Term Loans, respectively, shall be payable on March 15, June 15, September 15, and December 15 of each year, commencing December 15, 1997, and continuing through June 15, 2003, in the quarterly installment amount set forth in each such subsection, with a final installment due and payable on each such category of Loans on the Maturity Date in an amount equal to the then-outstanding unpaid aggregate principal amount thereof, together with all accrued but unpaid interest thereon.

(d) The Agreement is hereby amended by inserting the following Subsection 2.1(d) immediately following Subsection 2.1(c) thereof:

(d) FACILITY C TERM LOANS.

(i) Subject to the terms and conditions hereof and provided there exists no Default or Event of Default, each Bank severally agrees to make on the Second Amendment Closing Date loans (each a "Facility C Term Loan" and collectively the "Facility C Term Loans"), as requested by Borrower in accordance with the provisions of Section 2.3 hereof, to Borrower in an aggregate amount of Thirteen Million Three Hundred Seventy Thousand and No 100 Dollars ($13,370,000.00). The Facility C Term Loans made by each Bank shall be evidenced by a promissory note, substantially in the form of EXHIBIT "C-3" attached hereto, payable to such Bank in the principal face amount of such Bank's Loan Percentage of the Facility C Term Loans (together with any and all amendments, modifications and supplements thereto, and any renewals, replacements or extensions thereof (including, but not limited to, pursuant to Sections 13.4 and 13.4(e) hereof), in whole or in part, individually a "Facility C Term Note" and collectively the "Facility C Term Notes"). Facility C Term Loans, once borrowed and repaid, may not be reborrowed.

(ii) The aggregate principal amount of the Facility C Term Loans shall be repayable in twenty-two (22) quarterly installments of principal, payable on March 15, June 15, September 15 and December 15 of each year, commencing December 15, 1997, and continuing through June 15, 2003, with the first nineteen (19) such installments each being in an amount equal to Forty-Nine Thousand Five Hundred and No/100 Dollars ($49,500.00), and with the next three (3) such installments each being in an amount equal to Seven Hundred Forty-Nine Thousand Five Hundred and No/100 Dollars ($749,500.00), and with a final payment due and payable on the Maturity Date in an amount equal to the then-outstanding unpaid

aggregate principal amount of the Facility C Term Loans, together with all accrued but unpaid interest thereon.

(e) The Agreement is hereby amended by deleting Section 4.2 thereof in its entirety and substituting in lieu thereof a new Section 4.2 to read as follows:

> 4.2 TITUS COUNTY MORTGAGED PROPERTY. As additional security for the Obligations, Borrower has heretofore granted to Agent, for the benefit of the Banks, a first (except for prior liens expressly permitted thereby) priority lien on and security interest in the Titus County Mortgaged Property, evidenced by the Deed of Trust, a second (except for prior Liens expressly permitted thereby) priority Lien on and security interest in the Titus County Mortgaged Property, evidenced by the Second Deed of Trust, and a third (except for prior Liens expressly permitted thereby) priority Lien on and security interest in the Titus County Mortgaged Property, evidenced by the Third Deed of Trust and Borrower has of even date herewith granted to Agent, for the benefit of the Banks, a fourth (except for prior Liens expressly permitted thereby) priority Lien on and security interest in the Titus County Mortgaged Property, evidenced by the Fourth Deed of Trust, recorded or to be recorded in the Titus County, Texas Deed Records.

(f) The Agreement is hereby amended by inserting a new Section 4.5 to read as follows:

> 4.5 CAMP COUNTY MORTGAGED PROPERTY. As additional security for the Obligations, Borrower has of even date herewith granted to Agent, for the benefit of the Banks, a first (except for prior liens expressly permitted thereby) priority Lien on and security interest in the Camp County Mortgaged Property, evidenced by the New Deed of Trust, recorded or to be recorded in the Camp County, Texas Deed Records.

(g) The Agreement is hereby amended by deleting Section 9.13 thereof in its entirety and substituting in lieu thereof new Section 9.13 to read as follows:

> 9.13 EVENT OF DEFAULT UNDER DEED OF TRUST, SECOND DEED OF TRUST, THIRD DEED OF TRUST, FOURTH DEED OF TRUST OR NEW DEED OF TRUST. There occurs an AEvent of Default@ under the Deed of Trust, the Second Deed of Trust, the Third Deed of Trust, the Fourth Deed of Trust or the New Deed of Trust.

(h) The Agreement is hereby amended by deleting Section 10.7 thereof in its entirety and substituting in lieu thereof new Section 10.7 to read as follows:

> 10.7 REMEDIES UNDER DEED OF TRUST, SECOND DEED OF TRUST, THIRD DEED OF TRUST, FOURTH DEED OF TRUST AND NEW DEED OF TRUST. The right of the Agent to sell or otherwise dispose of all or any of the Mortgaged Property, in the manner provided for in the Deed of Trust, the Second Deed of Trust, the Third Deed of Trust, the Fourth Deed of Trust and the New Deed of Trust, all other rights and remedies available to the Agent under the Deed of Trust, the Second Deed of Trust, the Third Deed of Trust, the Fourth Deed of Trust and the New Deed of Trust.

(i) The Agreement is hereby amended by adding thereto EXHIBIT "A-2" and EXHIBIT "C-2" attached hereto and by this reference incorporated in and made a part of the Agreement.

(j) The Agreement is hereby amended by deleting SCHEDULE 5.2 and SCHEDULE 5.17 attached thereto in their entirety and substituting in lieu thereof new SCHEDULE 5.2 and SCHEDULE 5.17, respectively, attached hereto and by this reference incorporated in the Agreement.

3. CONDITIONS PRECEDENT; EFFECTIVENESS. Subject to the other terms and conditions hereof, this Amendment, and the amendments and terms set forth herein, shall not become effective until the following conditions have been met to the sole and complete satisfaction of Agent and its counsel:

(a) Agent shall have received the following documents, each duly executed and delivered to the Agent, for the benefit of the Banks, and each to be satisfactory in form and substance to

Agent and its counsel:

(i) this Amendment;

(ii) the Facility C Term Note;

(iii) the Fourth Deed of Trust;

(iv) the New Deed of Trust;

(v) a Reaffirmation of that certain Environmental Indemnity Agreement dated June 3, 1993, reaffirming the warranties and representations made by Borrower thereunder;

(vi) a certificate signed by the executive president and chief financial officer of Borrower dated as of the Second Amendment Closing Date, stating that the representations and warranties set forth in Article 5 of the Agreement are true and correct in all material respects on and as of such date with the same effect as though made on and as of such date, stating that Borrower is on such date in compliance with all the terms and conditions set forth in the Agreement on its part to be observed and performed, and stating that on such date, and after giving effect to the making of any initial Loan no Default or Event of Default has occurred or is continuing;

(vii) a certificate of the Secretary of Borrower dated as of the Second Amendment Closing Date certifying (1) that there have been no amendments to the Certificate of Incorporation of Borrower since May 30, 1996; (2) that there have been no amendments to the By-laws of Borrower since May 30, 1996, other than the amendment dated December 4, 1996, attached thereto; (3) that attached thereto is a true and complete copy of Resolutions adopted by the Board of Directors of Borrower, authorizing the execution, delivery and performance of this Amendment and the other Loan Documents; and (4) as to the incumbency and genuineness of the signatures of the officers of Borrower executing this Agreement or any of the other Loan Documents;

(viii) copies of all filing receipts or acknowledgments issued by any governmental authority to evidence any filing or recordation necessary to perfect the Liens of Agent in the Collateral and evidence in a form acceptable to the Majority Banks that such Liens constitute valid and perfected first priority Liens;

(ix) a Good Standing Certificate for Borrower and a Certification of Account Status, issued by the Secretary of the State of Texas, dated as of a date close to the Second Amendment Closing Date;

(x) certified copies of Borrower=s casualty and liability insurance policies with evidence of the payment of the premium therefor, together, in the case of such casualty policies, with loss payable and mortgagee endorsements on Agent=s standard form naming Agent as loss payee;

(xi) the written opinion of Godwin & Carlton, counsel to Borrower, dated as of the Second Amendment Closing Date, in form and content acceptable to Banks and Agent, as to the transactions contemplated by this Amendment;

(xii) assurance from a title insurance company satisfactory to the Agent and the Banks that such title insurance company is committed to cause the Fourth Deed of Trust and the New Deed of Trust to be recorded and, upon recordation of the Fourth Deed of Trust and the New Deed of Trust to issue its ALTA lender's title insurance policy in a form acceptable to the Agent and in amounts satisfactory to the Agent, showing the Fourth Deed of Trust as the Ainsured mortgage@ and insuring the validity and priority of the Fourth Deed of Trust as a Lien upon

the Titus County Mortgaged Property, subject only to the First Deed of Trust, the Second Deed of Trust, and the Third Deed of Trust and to the Permitted Liens described in clauses (b) - (d) of the definition thereof; and

(xiii) such other documents, instruments and agreements with respect to the transactions contemplated by this Amendment, in each case in such form and containing such additional terms and conditions as may be reasonably satisfactory to the Majority Banks, and containing, without limitation, representations and warranties which are customary and usual in such documents.

(b) Upon the satisfaction of the foregoing conditions precedent, this Amendment shall become effective as of September 18, 1997.

4. REPRESENTATIONS AND WARRANTIES; NO DEFAULT.

(a) To induce the Banks to enter into this Amendment and to continue to make advances to Borrower pursuant to the Agreement, as amended hereby, Borrower hereby represents and warrants that all Borrower's representations and warranties contained in the Agreement, as amended, and the other Loan Documents are true and correct on and as of the date of Borrower's execution of this Amendment, and no Event of Default, nor any event or condition which, with notice, lapse of time, or both, would constitute an Event of Default, has occurred and is continuing as of such date under any Loan Document.

(b) Borrower hereby further represents and warrants (i) Borrower has the power and authority to enter into this Amendment and to perform all of its obligations hereunder; (ii) the execution and delivery of this Amendment has been duly authorized by all necessary action (corporate or otherwise) on the part of Borrower; and (iii) the execution and delivery of this Amendment and performance hereof by Borrower does not and will not violate the Articles or Certificate of Incorporation, By-laws or other organizational documents of Borrower and does not and will not violate or conflict with any law, order, writ, injunction, or decree of any court, administrative agency or other governmental authority applicable to Borrower or its properties.

5. EXPENSES. Borrower agrees to pay, immediately upon demand by the Banks, all costs, expenses, attorneys' fees, and other charges and expenses incurred by the Banks in connection with the negotiation, preparation, execution and delivery of this Amendment and other instrument, document, agreement or amendment executed in connection with this Amendment.

6. DEFAULTS HEREUNDER. The breach of any representation, warranty or covenant contained herein or in any document executed in connection herewith, or the failure to observe or comply with any term or agreement contained herein or in any document executed in conjunction herewith, shall constitute an Event of Default under the Documents and the Banks shall be entitled to exercise all rights and remedies it may have under the Agreement, any of the other Loan Documents and applicable law.

7. REFERENCES IN LOAN DOCUMENTS. All references in the Agreement and the other Loan Documents to the Agreement shall hereafter be deemed to be references to the Agreement as amended hereby and as the same may hereafter be amended from time to time.

8. NO CLAIMS, OFFSET. Borrower hereby represents, warrants, acknowledges and agrees to and with the Banks that (a) Borrower does not hold, to the best of its knowledge, or claim any right of action, claim, cause of action or damages, either at law or in equity, against the Banks which arises from, may arise from, allegedly arise from, are based upon or are related in any manner whatsoever to the Agreement and the Loan Documents or which are based upon actions or omissions of the Banks in connection therewith and (b) the Obligations are absolutely owed to the Banks, without offset, deduction or counterclaim.

9. NO NOVATION. The terms of this Amendment are not intended to and do not serve to effect a novation as to the Agreement. The parties hereto expressly do not intend to extinguish any debt or security interest created pursuant to the Agreement. Instead, it is the express intention of the parties hereto to affirm the Agreement and the security created thereby.

10. LIMITATION OF AMENDMENT. Except as expressly set forth herein, this Amendment shall not be deemed to waive, amend or modify any term or

condition of the Agreement or any of the other Loan Documents, each of which is hereby ratified and reaffirmed, and which shall remain in full force and effect, nor to serve as a consent to any matter prohibited by the terms and conditions thereof.

11. COUNTERPARTS. This Amendment may be executed in any number of counterparts, and any party hereby may execute any counterpart, each of which, when executed and delivered, will be deemed to be an original and all of which, taken together, will be deemed to be but one and the same agreement.

12. SUCCESSORS AND ASSIGNS. This Amendment shall be binding upon and inure to the benefit of the successors and permitted assigns of the parties hereto.

13. SECTION REFERENCES. Section titles and references used in this Amendment shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreements among the parties hereto evidenced hereby.

14. FURTHER ASSURANCES. Borrower agrees to take such further action as the Banks shall reasonably request in connection herewith to evidence the amendments herein contained to the Agreement.

15. GOVERNING LAW. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to principles of conflicts of law.

[SIGNATURES APPEAR ON NEXT PAGE]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment under seal as of the date first written above.

"BORROWER"

PILGRIM'S PRIDE CORPORATION

By: \s\ Clifford E. Butler

Name: Clifford E. Butler
Title: Executive President

Attest: \s\ Richard A. Cogdill

Name: Richard A. Cogdill
Title: Chief Financial Officer,
Secretary and Treasurer

[CORPORATE SEAL]

"AGENT"

CREDITANSTALT-BANKVEREIN

By: \s\ Robert M. Biringer

Robert M. Biringer
Senior Vice President

By: \s\ John G. Taylor
Name: John G. Taylor
Title: Senior Associate

[CORPORATE SEAL]

LOAN PERCENTAGE

"BANKS"

100%

CREDITANSTALT-BANKVEREIN

By: \s\ Robert M. Biringer

Robert M. Biringer
Senior Vice President

By: \s\ John G. Taylor
Name: John G. Taylor
Title: Senior Associate

AGREEMENT BETWEEN PILGRIM'S PRIDE CORPORATION
AND CERTAIN SRAREHOLDERS

AGREEMENT MADE this 23rd day of July, 1997, by, between and among LONNIE A. PILGRIM and LONNIE KEN PILGRIM herein singly called "Shareholder" and collectively called "Shareholders"), and PILGRIM'S PRIDE CORPORATION, a Delaware corporation with its principal offices at 110 South Texas Street, Pittsburg, Texas (herein called the "Company").

PRELIMINARY STATEMENT

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

As a condition to any Shareholder's being contingently liable as a Guarantor on any Guaranteed Indebtedness all of the Shareholders require that all Shareholders shall be liable ratably with their shares in the Company for each such Guaranteed Indebtedness either as a Guarantor or as an Indemnitor of such Shareholders who are Guarantors and that the Company shall pay each Shareholder a reasonable fee for such guaranty or indemnity undertaking.

AGREEMENT

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

1. GUARANTY OF GUARANTEED INDEBTEDNESS.

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

1.02. ELIGIBLE INDEBTEDNESS. The term "Eligible indebtedness" shall mean any indebtedness to be incurred by the Company after the date of this Agreement and required by its business needs by reason of credit to be extended to the Company by a creditor who shall require one or more of the Shareholders to guarantee such indebtedness as a condition to extending such credit to the Company. For purposes of this Agreement a resolution by the Board of Directors that such indebtedness is required by the business needs of the Company shall be binding and conclusive upon all parties to this Agreement.

1.03. CONDITION PRECEDENT TO ISSUANCE OF GUARANTY. No Shareholder shall be required to issue a Guaranty until they have been furnished a certificate of the Secretary of the Company certifying (i) the Eligible Indebtedness (including the maximum amount of indebtedness, the name of the creditor and the terms and conditions thereof) to be so guaranteed; (ii) a resolution of the Board of Directors of the Company authorizing the Company to incur the Eligible Indebtedness; and (iii) the principal amount of all Guaranteed Indebtedness then outstanding.

2. INDEMNIFICATION OF GUARANTOR.

2.01. INDEMNITY. All Shareholders shall indemnify a Shareholder who issues a Guaranty ("Guarantor") against all loss, cost and expense (including reasonable attorneys' fees) which Guarantor shall incur with the respect to the Guaranty ("Total Indemnified Amount"); provided, however, that each Shareholder's liability of indemnity hereunder shall be several and shall be limited to an amount which is equal to that proportion of the Total Indemnified Amount as the shares of Common Stock of the Company owned of record or beneficially by such Shareholder on the date of issuance of such Guaranty shall bear to the shares of Common Stock of the Company owned of record or beneficially by all Shareholders (including Guarantor) on the date of issuance of the Guaranty ("Indemnity"). Any Shareholder who is contingently liable on an Indemnity is herein referred to as "Indemnitor".

2.02. TERMINATION OF INDEMNITY. Notwithstanding the termination of this Agreement an Indemnity with respect to a Guaranty which shall have been issued shall continue until (i) the related Guaranteed Indebtedness shall have been paid in full by the Company; or (ii) the Guarantor shall have been released from the Guaranty by the creditor; or (iii) the Indemnity shall have been discharged in full by payment required of the Shareholders under the Indemnity or otherwise, whichever shall first occur ("Indemnity Termination Date").

3. GUARANTY OR INDEMNITY FEE.

3.01. GENERAL. So long as a Guaranty shall be outstanding the Company shall pay a fee to each Shareholder for the undertaking herein by such Shareholder under a Guaranty issued on or after the date of this Agreement or an Indemnity covering such Guaranty computed and subject to limitations as provided herein ("Fee").

3.02. DETERMINATION AND PAYMENT OF FEES ATTRIBUTABLE TO EACH SHAREHOLDER. The total Fees which shall accrue with respect to any calendar quarter shall be an amount equal to 1/4th of a percent multiplied by the average daily balance of the principal amount of Guaranteed Indebtedness outstanding during such calendar quarter. The total Fees for a particular calendar quarter shall be apportioned among the Shareholders in the proportion that they share the contingent liability of such Guaranteed Indebtedness, however, in no event will a guaranteeing Shareholder receive less than 5-percent of the allocable fee. For this purpose contingent liability shall be determined under Section 2.01 hereof except that each Guarantor's liability shall be deemed an Indemnity and shall be limited to such amount as such Guarantor would be contingently liable as an Indemnitor rather than a Guarantor. All Fees shall be paid quarterly within 45 days after the end of each calendar quarter.

4. REPRESENTATIONS AND WARRANTIES.

4.01. Representations and Warranties of Company. Company represents and warrant to the Shareholders that:

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

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

4.02. REPRESENTATIONS AND WARRANTIES OF SHAREHOLDERS. Each Shareholder represents and warrants to the other Shareholder and to the Company that:

(a) CONDITION TO CONTINGENT LIABILITY. As a condition to such Shareholder's being contingently liable with respect to his Guaranty or Indemnity herein such Shareholder requires (i) that all of the Shareholders shall be liable contingently as provided in this Agreement (either as a Guarantor or as an Indemnitor of such Shareholders who are Guarantors) ratably with their shares in the Company for each such Guaranteed Indebtedness; and (ii) that the Company shall pay each such Shareholder a reasonable fee for such undertaking' as Guarantor or Indemnitor.

(b) SHARE OWNERSHIP . Each Shareholder now owns of record or beneficially such number of shares, $1 par value, of Common Stock of the Company as is set forth opposite his signature subscribed at the end of this Agreement.

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

5. MISCELLANEOUS.

5.01. PRIOR AGREEMENT. This Agreement shall supersede any obligation to issue a Guaranty in the future or any Indemnity with respect to such future Guaranty as shall have been required by any such prior Agreement among Shareholders.

5.02. NOTICES. All communications and notices hereunder shall be in writing and shall be mailed or delivered to the respective Shareholder at their addresses as appear herein below in this Agreement or to the Company at

its mailing address, P.O. Box 93, Pittsburg, Texas 75686 or delivered to its principal office, 110 South Texas Street, Pittsburg, Texas. The Company or any Shareholder may change it or his address where all communications and notices may be sent hereunder by addressing notice of such change in the manner above provided.

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

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

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

5.06. BENEFIT. This Agreement shall be binding upon and inure to the benefit of (i) any successor of the Company by statutory merger or consolidation; and (ii) the estates of the respective Shareholders except that the death of a Shareholder shall discharge such deceased Shareholder's obligation to either issue a Guaranty or incur an Indemnity, with respect to Eligible Indebtedness to be incurred after such Shareholder's death but nothing herein shall affect such deceased Shareholder's obligation of Guaranty or Indemnity with respect to Guaranteed Indebtedness incurred prior to his death.

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

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

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

5.10. TERMINATION OF AGREEMENT.

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

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

(2) NOTICE BY MAJORITY OF SHAREHOLDERS. Expiration of 30 days after a majority in interest of the Shareholders shall have given written notice to the Company to such effect on or after January 1, 1997.

(3) DEATH OF MAJORITY IN INTEREST OF SHAREHOLDERS. Upon the death of any Shareholder if immediately after such death less than a majority in interest of the Shareholders shall then be living.

(b) DETERMINATION OF MAJORITY IN INTEREST. The respective interests of the Shareholders for purposes of determining a "majority in interest" shall be determined on the basis of their respective ownership of record and beneficially of shares of Common Stock of the Company at the particular time in question.

(c) EFFECT OF TERMINATION. Upon the termination of this Agreement the obligations of all parties hereto shall then be discharged in full except that all Guaranties and Indemnities then outstanding shall remain in full force according to their respective terms and conditions, and the Company shall pay the Fees to the Shareholders with respect to Guaranteed Indebtedness outstanding after termination as provided in Article 3.

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

Attest

PILGRIM'S PRIDE CORPORATION

\s\ Richard A. Cogdill

\s\ Clifford E. Butler

Richard A. Cogdill
Chief Financial Officer

By:Clifford E. Butler
Executive President

SHAREHOLDERS

Name (SIGNATURES)	ADDRESS	Shares DIRECTLY OWNED
\s\ Lonnie A. Pilgrim Lonnie A. Pilgrim	PO Box 93 Pittsburg, TX 75686	16,648,727
Lonnie Ken Pilgrim Lonnie Ken Pilgrim	PO Box 393 Pittsburg, TX 75686	375,500
		17,024,227