

July 2, 2009

## **MEMORANDUM OF AGREEMENT**

Subject to bankruptcy court approval, the following agreements will apply to all Collective Bargaining Agreements in existence between Pilgrim's Pride Corporation and the United Steel Workers International Union and its local unions covering employees at the Company's Chattanooga, TN plants. This document is intended to summarize tentative agreements to date, pending ratification by the membership of the Local Union.

### **1113 COMPLIANCE, 1113 WAIVER, CONDITIONS TO EFFECTIVENESS/ASSUMPTION, EXCULPATION**

1. 1113 Compliance - The modifications to this Agreement (the "Modifications") were agreed to by United Steelworkers International Union ("USW") and Pilgrim's Pride Corporation (the "Company" or "PPC") in furtherance of the Company's effort to improve liquidity and profitability and successfully restructure its capital structure and operations and reorganize through the Chapter 11, and in consideration of the Company's agreements herein. This agreement as modified (the "Modified Agreement") will be binding on any Chapter 11 trustee appointed in these cases or other entity operating with the equivalent authority of a Chapter 11 trustee.

The Company and USW believe that:

- The Modifications are based on the most complete and reliable information available to the Company
- The Modifications permit the Company to avoid irreparable harm and provide for the necessary modifications to the Agreement that are necessary, fair, and equitable in order to permit the successful restructuring and reorganization of the Company in Chapter 11 and the continuation of its business.
- The balance of equities favors the Company entering into the Modified Agreement and the Company's adherence thereto.

2. 1113 Waiver. Neither the Company nor any Company affiliate will file or support any motion pursuant to 11 U.S.C. Sections 1113, 1113(e), or any other relevant provision of the Bankruptcy Code, seeking rejection or modification of, or relief or interim relief from, the Modified Agreement (a "Motion"). The Company and its affiliates specifically waive the right to file or support a Motion, and the Company and its affiliates will actively oppose any such Motion if filed by another party.

3. Conditions to Effectiveness/Assumption. The Modified Agreement will become effective immediately upon (a) entry of an order of the Bankruptcy Court authorizing the Company to enter into the Modified Agreement, and (b) ratification by the Local Unions. The Company will expeditiously seek approval of the Modified Agreement and will share with the USW's counsel the draft of such papers. Any plan of reorganization for the Company and its affiliates shall provide for assumption of the Modified Agreement, and the Company agrees that it will not file, sponsor or support

confirmation of a plan of reorganization that does not provide for assumption of the Modified Agreement.

4. Exculpation. To the extent any plan of reorganization for the Company and its affiliates contains exculpation or release provisions, any such plan of reorganization will include the same plan exculpation and release provision for (a) the Company and all of its affiliates, and each of their current or former officers, directors, employees, agents, attorneys, accountants, advisors, consultants, actuaries, investment bankers, experts and other representatives, and (b) the USW, and each of its current or former members, officers, committee members, employees, advisors, attorneys, accountants, actuaries, investment bankers, consultants, agents and other representatives, with respect to any liability such person or entity may have in connection with or related to the PPC bankruptcy cases; the formulation, preparation, negotiation, dissemination, implementation, administration, confirmation or consummation of any of the plan of reorganization, the disclosure statement concerning the plan of reorganization, the Restructuring Agreement, or any contract, employee pension or other benefit plan, instrument, release or other agreement of document created, modified, amended, terminated or entered into in connection with either the plan of reorganization or any agreement between the Company and the USW, or any other act taken or omitted to be taken in connection with PPC's bankruptcy.

#### **Retirement Plans**

The Company has proposed freezing the defined benefit plan at the Debone plant (with 100% vesting at the date the plan is frozen for all active participants at that time) and discontinuing the mandatory contribution to the defined contribution plan at the cook plant, effective December 31, 2009. Beginning January 1, 2010, all bargaining unit hourly employees at the Chattanooga facility would have the opportunity to participate in the Company's 401-k Plan. The Company will match 25% of the first 6% of employee contributions to the plan each year.

For the calendar year 2010 only, the Company would make an additional one-time matching contribution for all active participants at year end, based on the following schedule:

The Company agrees to conduct educational enrollment meetings with all impacted employees prior to December 15, 2009.

Employee YTD Contributions	Supplemental Match Rate (%)	Maximum Amount
\$1.00 -- \$300.00	10%	\$30.00
\$301.00 -- \$600.00	25%	\$150.00
\$601.00 -- \$900.00	35%	\$315.00
\$901.00 plus	50%	\$600.00

#### **Extension of Cook Plant Agreement**

The parties agree to extend the term of the Cook Plant Agreement by an additional twenty-two (22) months beyond the original expiration date of September 19, 2009. The new expiration date shall be at midnight July 16, 2011 to coincide with the expiration date of the collective bargaining agreement for the debone plant. The Company agrees that the Cook Plant employees will be given a thirty-five cents (\$0.35) per hour wage increase effective September 20, 2009 and an additional thirty-five cents (\$0.35) per hour increase effective September 19, 2010. The parties agree that

they shall engage in collective bargaining to combine the two collective bargaining agreements sometime prior to the expiration dates.

### **E-Payroll**

Employees currently enrolled in direct deposit will no longer receive pay advices via mail to their homes or at the worksite. Pay advices for those employees will be available for viewing and/or printing at kiosks located in the employee break rooms at their respective worksites. The pay advices are also available for viewing via their personal computers at home or the information is available by calling a 1-800 number. The implementation of e-payroll will be delayed until September 1, 2009 to allow for the Company to provide specific training on the use of the electronic system.

### **Suspension of the Driver Recognition Program**

The cash payment component of the Driver Recognition Program shall be suspended with respect to payments which would have been otherwise due for the period June 1, 2008 through May 31, 2009; provided however, the professional driver's record for such period shall be taken into account for purposes of future awards under the Driver Recognition Program. A Memorandum of Agreement has been executed between the parties suspending the payment which would have been due sometime in July 2009.

### **Suspension of the Tuition Reimbursement Program**

The Company shall suspend the Tuition Reimbursement Program until the Plan of Reorganization becomes effective. This provision does not apply to Company sponsored and approved training programs for maintenance mechanics and truck drivers.

### **Debone Plant Modifications**

#### **Article 5 Hours of Work and Overtime**

Section 5A—All time worked in excess of nine (9) hours in any day will be paid at the rate of one and one half (1 ½) times the regular rate of pay, provided the employee works all scheduled hours in a regular five (5) day workweek, with the exception of live and feed haul drivers, who are exempt from this provision. In the event the employee does not work all scheduled hours in a regular five (5) day workweek, then overtime will be paid for all hours worked in excess of forty (40) hours.

Section 5C. All employees who have worked all scheduled hours for six (6) consecutive days and then work a seventh (7<sup>th</sup>) consecutive day in a workweek will be paid one and one half (1 ½) time the regular hourly rate of pay for all hours worked on the seventh (7<sup>th</sup>) consecutive day in the workweek.

Processing plant maintenance mechanics, whose regular shift is twelve (12) hours, will be paid one and one half (1 ½) times their rate of pay for all hours worked in excess of forty (40) hours worked in any workweek.

There will be no pyramiding of overtime.

Article 10 – Vacations Section 6. Vacations are earned and taken on an anniversary year basis. An employee must work throughout the entire anniversary year to earn vacation. If the employee is terminated or quits, they will receive pay only for unused vacation earned from the previous anniversary year. (The parties have agreed on a conversion plan for 2010 and 2011.).

#### Article 11 – Holidays.

##### Section 1. Eliminate the Floating Holiday

Section 3. All employees who work on a holiday shall be paid one and one-half times their regular rate of pay for all hours worked on the holiday, plus eight (8) hours holiday pay at their straight-time hourly rate of pay. For all hours actually worked in excess of nine (9) hours by an employee on a holiday, the employee shall be compensated at a rate of two and one-half (2 ½) times the regular rate of pay.

#### Article 12 – Reporting Pay

An employee who comes to work, without having been previously notified by the Company that there is no work available, shall receive a minimum of three (3) hours pay at his regular hourly rate. Such employee shall be asked to perform three (3) hours of work at his regular hourly rate. If the employee refused such work, he shall receive no pay. This provision does not apply when lack of work is due to mechanical or electrical difficulties, interruption of outside services, or other emergency conditions beyond the control of management.

#### Article 13 – Emergency Call-In Pay

Maintenance employees called back to work after having clocked out of the plant shall be guaranteed three (3) hours pay at the rate of one and one-half (1 ½) times the employees hourly rate of pay, and will be allowed to leave as soon as the job is finished that they were called in to perform.

#### **Cook Plant Modifications**

#### Article 11 – Hours of Work and Overtime

Section 2. All employees who have worked all the scheduled hours for five (5) consecutive days and then work on the sixth (6<sup>th</sup>) consecutive day, in a workweek, will be paid time and one half (1 ½) for all hours worked on the sixth (6<sup>th</sup>) day in the workweek. All employees who have worked all the scheduled hours for six (6) consecutive days and then work on the seventh (7<sup>th</sup>) consecutive day in a workweek will be paid time and one half (1 ½) for all hours worked on the seventh (7<sup>th</sup>) consecutive day of work.

Article 12 – Reporting Pay An employee who comes to work without having been previously notified by the Company that there is no work for them shall receive a minimum of three (3) hours pay at his regular hourly rate. Such employee shall be asked to perform three (3) hours work at his regular rate. If the employee refuses such work, he shall receive no pay. This provision does not apply when lack of work is due to mechanical or electrical difficulties, interruption of outside services, or other emergency conditions beyond the control of management.

Article 13 – Emergency Call-In Pay

Maintenance employees who are called back to work, after clocking out of the plant, shall be guaranteed three (3) hours of pay at his hourly rate of pay, and will be allowed to leave as soon as the job is finished that they were called in to perform.

Article 14 – Vacations

Amend last paragraph of Section 1 to read as follows:

Vacations are earned and taken on an anniversary year basis. An employee must work throughout the entire anniversary year to earn vacation. If the employee is terminated or quits during the year, they will receive pay for only the unused vacation earned from the previous anniversary year. .  
(The parties have agreed on a conversion plan for 2010 and 2011.).

Article 15 – Holidays

Delete the Birthday Holiday and add the Day After Thanksgiving

Article 18 – **Weekly Indemnity (Accident and Sickness Plan)**

Delete the current language and replace with the following:

The weekly benefit will be 60% of base pay for up to 13 or 26 weeks. Employees covered by an insurance plan with at least one (1) year of seniority but less than two (2) years will be eligible for 13 weeks of benefits. Employees covered by an insurance plan with two (2) years or greater service will be eligible for 26 weeks of benefits. The Company will pay the full cost of this Plan.

**Life Insurance Coverage.**

Delete the current provision and replace with the following:

It has been agreed to increase employee only basic life insurance coverage from \$16,000 to one (1) times base pay and the Accidental Death and Dismemberment coverage also from \$16,000 to one (1) times base pay. The Company will pay the full cost of these plans.

For the United Steel Workers International Union and Local 15120:

  
Wesley Thompson, Staff Representative

For Pilgrim's Pride Corporation:

  
Jane T. Brookshire, Executive-Vice President, Human Resources

Date: July 2, 2009