

**UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
FORT WORTH DIVISION**

In re:)	
)	Chapter 11
)	
PILGRIM’S PRIDE CORPORATION, <i>et al.</i>,)	
)	Case No. 08-45664-DML
Debtors.)	(Joint Administration requested)
)	
)	Hon. D. Michael Lynn

**STIPULATION REGARDING EVENT OF DEFAULT, NOTICE OF EVENT OF DEFAULT AND
PAYMENT OF
LETTER OF CREDIT REIMBURSEMENT OBLIGATION**

WHEREAS, Pilgrim’s Pride Corporation (“*Debtor*”) is one of the Debtors in the above-captioned Chapter 11 proceeding;

WHEREAS, pursuant to a Trust Indenture between the Camp County Industrial Development Corporation and Harris Trust and Savings Bank as Original Indenture Trustee dated as of June 15, 1999 (the “*Indenture*”), the Camp County Industrial Development Corporation (the “*Issuer*”) issued \$25 million in environmental facilities revenue bonds (Pilgrim’s Pride Corporation Project, Series 1999) (the “*Bonds*”), the proceeds of which were loaned to the Debtor and deposited into a Construction Fund account with the Original Indenture Trustee, to be held in trust to pay the costs of acquiring, constructing and improving certain sewage and solid waste disposal facilities serving the poultry by-products processing plant of the Debtor located in Camp County, Texas (the “*Project*”);

WHEREAS, the loan to the Debtor and its promise to make loan payments sufficient to pay amounts due on the Bonds was evidenced by the Loan Agreement between the Issuer and the Debtor dated as of June 15, 1999 (the "*Loan Agreement*");

WHEREAS, under the terms of the Indenture, the Issuer granted a security interest in favor of Harris Trust and Savings Bank as Original Indenture Trustee in all of the Issuer's interest in the loan payments due from the Debtor any money paid under the Letter of Credit, defined below, and all amounts on deposit in all funds, including the Construction Fund (other than the Bond Purchase Fund and the Rebate Fund);

WHEREAS, in connection with the issuance of the Bonds, Harris Trust and Savings Bank, now Harris N.A. (the "*Letter of Credit Bank*"), issued an irrevocable Letter of Credit in the amount of the principal and interest on the Bonds, in favor of the Original Indenture Trustee for the Bonds (the "*Letter of Credit*");

WHEREAS, under the terms of the Reimbursement Agreement, between the Letter of Credit Bank and the Debtor, dated as of June 15, 1999 (the "*Reimbursement Agreement*"), the Debtor agreed to reimburse the Letter of Credit Bank for any drawing on the Letter of Credit plus interest at the rate of the Domestic Rate plus two and a half (2.5) percent per annum and fees;

WHEREAS, The Bank of New York Mellon Trust Company N.A. is the Successor Indenture Trustee for the Bonds (the "*Successor Indenture Trustee*");

WHEREAS, on December 9, 2008, the sole holder of the Bonds (the “*Bondholder*”) tendered the Bonds to the Successor Indenture Trustee for repurchase in accordance with Section 4.1(a)(ii) of the Indenture;

WHEREAS, on December 16, 2008, pursuant to Section 4.3(b)(ii) of the Indenture, the Successor Indenture Trustee made a drawing under the Letter of Credit in the amount of \$25,015,095.63 for the purpose of repurchasing the Bonds from the Bondholder, as required by the Indenture following tender of the Bonds;

WHEREAS, the Letter of Credit Bank honored the draw on the Letter of Credit, and the Successor Indenture Trustee is in receipt of funds sufficient to repurchase, and did repurchase, the Bonds in accordance with the Indenture and, as a result thereof, the Debtor is the registered holder of the Bonds and the Letter of Credit Bank is entitled to receive all payments of principal and interest on the Bonds;

WHEREAS, the commencement by the Debtor of a voluntary case under the United States Bankruptcy Code constitutes an event of default under the Loan Agreement and the Reimbursement Agreement, which, pursuant to Section 11.1 of the Indenture, entitles the Letter of Credit Bank, *inter alia*, to deliver notice to the Successor Indenture Trustee of such event of default (a “*Bank Default Notice*”) and to direct the Successor Indenture Trustee to declare the principal of the outstanding Bonds immediately due and payable;

WHEREAS, Section 11.2 of the Indenture provides that, if the Successor Indenture Trustee receives a Bank Default Notice, the Successor Indenture Trustee is required, by notice in writing to the Issuer, the Letter of Credit Bank and the Company, to declare the principal of all Bonds

then outstanding to be immediately due and payable, and upon such declaration the said principal, together with interest accrued thereon to the date of such declaration, shall become due and payable immediately at the place of payment provided therein;

WHEREAS, pursuant to Section 5.5 of the Indenture and Section 3.03(d) of the Loan Agreement, upon the acceleration of the Bonds, all funds then held in or on deposit in the Construction Fund shall be transferred by the Successor Indenture Trustee to the Bond Fund under the Indenture, and, pursuant to Section 6.2(b)(iv) of the Indenture, moneys in the Bond Fund shall be applied toward reimbursement of the obligations owing to the Letter of Credit Bank under the Reimbursement Agreement;

WHEREAS, under the terms of Section 11.2 of the Indenture, upon the acceleration of the Bonds and a draw on the Letter of Credit in an amount sufficient to pay all amounts due on the Bonds, the Letter of Credit Bank succeeds to and is subrogated to the right, title and interest of the Successor Indenture Trustee and the Bondholder under the Reimbursement Agreement and to all funds held under the Indenture and any other security held for the payment of Bonds, all of which, upon the satisfaction of fees and expenses due and payable to the Successor Indenture Trustee, are assigned by the Successor Indenture Trustee to the Letter of Credit Bank;

WHEREAS, in accordance with the Indenture and the Loan Agreement, the Debtor has not elected, and has no intention, to construct the Project;

WHEREAS, in accordance with the Indenture, as a result of the Debtor's election not to construct the Project, the Successor Indenture Trustee is currently holding in the Construction Fund the original proceeds of the offering of the Bonds plus accretions thereto in an amount

equal to approximately \$27,377,927, which would be in excess of the amount sufficient to repay the obligations due to the Letter of Credit Bank under the Reimbursement Agreement;

WHEREAS, the obligation of the Debtor to the Letter of Credit Bank under the Reimbursement Agreement bears an interest rate of the Domestic Rate plus two and a half (2.5) percent per annum, far in excess of the amount that currently can be earned if the Construction Fund is invested;

WHEREFORE, accordingly, from an arbitrage perspective, it is in the best interest of the Estate of the Debtor to satisfy immediately the obligation of the Debtor to the Letter of Credit Bank arising from the draw on the Letter of Credit.

NOW, THEREFORE, the Debtor and Harris N.A. as Letter of Credit Bank, subject to the approval of the Bankruptcy Court, hereby stipulate and agree as follows:

1. If and to the extent the Automatic Stay prohibits the delivery of notice of an event of default or acceleration under any of the Indenture, the Loan Agreement and the Reimbursement Agreement to the Debtor, in order to effect the intention of the parties to this stipulation in accordance with the terms of said agreements, the Debtor, in its capacity as an obligor under said agreements and as the sole Bondholder, hereby waives any requirements for the delivery of notice thereunder.

2. The delivery of this Stipulation to Camp County Industrial Development Corporation as Issuer shall constitute and be deemed a notice of an event of default and acceleration by the Letter of Credit Bank in accordance with Section 11.2 of the Indenture,

agreed to by the Debtor, and the principal of all Bonds then outstanding, together with interest accrued thereon, shall become due and payable immediately.

3. The Debtor and Harris N.A. as the Letter of Credit Bank will jointly request the Successor Indenture Trustee to satisfy the amounts due from the Debtor to Harris N.A. as Letter of Credit Bank under the Reimbursement Agreement from funds currently held by the Successor Indenture Trustee in the Construction Fund.

4. The Letter of Credit is deemed cancelled, and the Successor Indenture Trustee shall surrender the Letter of Credit to the Letter of Credit Bank.

5. The payment to Harris N.A. pursuant to paragraph 3 above shall constitute a permanent paydown on the Bonds, the Bonds are thereby deemed delivered to the Successor Indenture Trustee for cancellation, the Bonds are deemed redeemed, cancelled and retired and the Indenture, Loan Agreement and Reimbursement Agreement are deemed terminated and, to the extent applicable, relief from the Automatic Stay is granted to effectuate the provisions of this Stipulation.

6. Upon the satisfaction of the obligation due to Harris N.A. as Letter of Credit Bank, any funds held by the Successor Indenture Trustee, after satisfaction of all amounts due the Successor Indenture Trustee under the Indenture shall be deemed Cash Collateral within the meaning of the Interim Financing Order Authorizing (1) Borrowing with Priority over Administrative Expenses and Secured by Liens on Property of the Estates pursuant to Section 364(c) and Section 364(d) of the Bankruptcy Code, (2) the Debtors' use of Cash Collateral, including to Repurchase Receivables and Granting Adequate Protection therefore pursuant to

Section 361 and 363 of the Bankruptcy Code, (3) modifying the Automatic Stay and (4) giving notice of schedule of financial hearings [Docket No. 67].

Hereby stipulated and agreed to this _____ day of January, 2009.

PILGRIM'S PRIDE CORPORATION AS DEBTOR

By: _____
Its: _____

HARRIS N.A. AS LETTER OF CREDIT BANK

By: _____
Its: _____