



PILGRIM'S PRIDE CORPORATION

BANKRUPTCY CASE STUDY

BY

CRG PARTNERS GROUP, LLC

Case Study Introduction

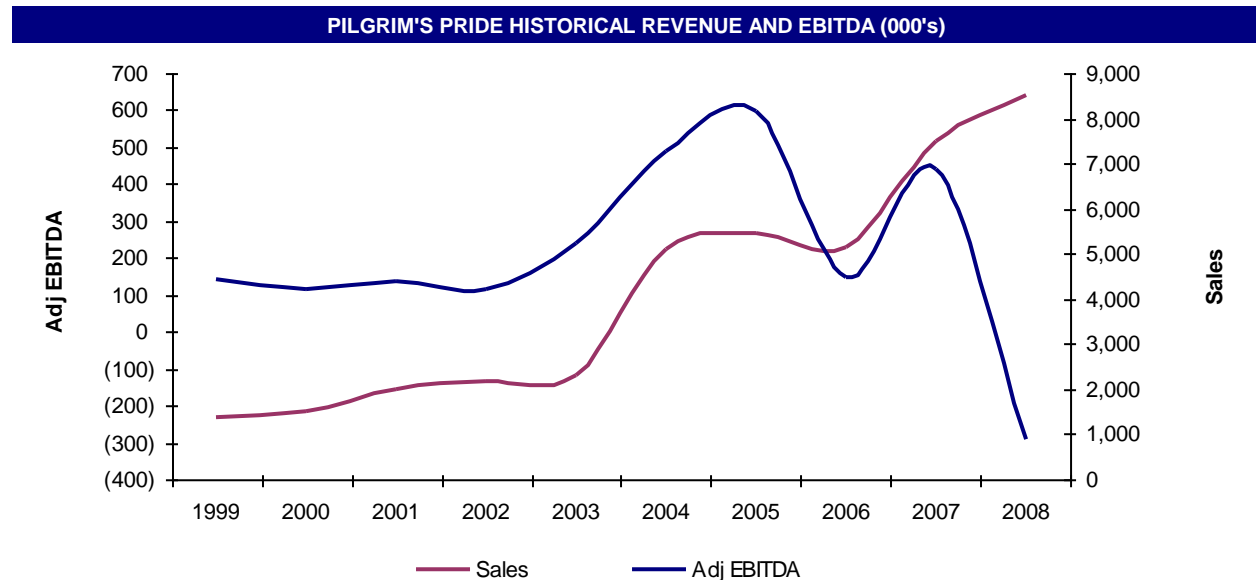
Pilgrim’s Pride Corporation (“Pilgrim’s Pride”, “PPC”, or the “Company”), is an \$8.0 billion in revenue integrated poultry producer that filed for Chapter 11 bankruptcy protection on December 1, 2008 (the “Chapter 11 Cases”). The Chapter 11 Cases were heard in the Northern District of Texas by the Honorable D. Michael Lynn. This case study provides an overview of the following:

- The events that led to the bankruptcy filing – primarily a deterioration of poultry pricing combined with an increase in input costs and the Company’s lack of liquidity to withstand the downturn.
- Preparations for filing and activities during bankruptcy protection, including its operational and financial restructuring.
- The Company’s emergence from bankruptcy, facilitated by its strategic partnership with JBS USA Holdings, Inc. (“JBS” or the “Plan Sponsor”).

Pilgrim’s Pride successfully emerged from bankruptcy protection on December 28, 2009, recapitalized its senior bank debt, and paid creditors in full, in cash, with existing equity, retaining a considerable portion of the reorganized Company.

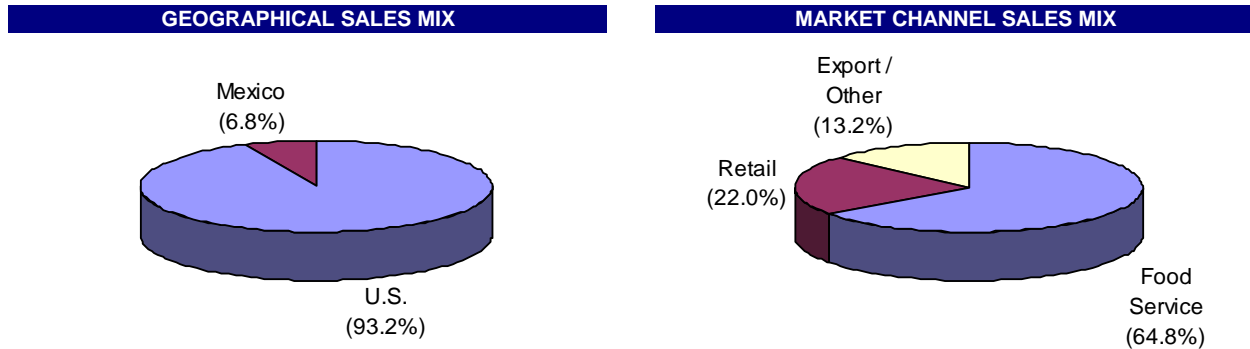
Company Overview

Pilgrim’s Pride was formed in 1946 as an animal feed store in the rural East Texas town of Pittsburg by Lonnie “Bo” Pilgrim and his brother, Aubrey Pilgrim. Through organic growth and acquisitions, Pilgrim’s Pride is now an \$8.0 billion vertically integrated producer of uncooked, partially cooked and fully cooked chicken products. Under the well-established Pilgrim’s Pride brand name, the Company’s chicken products are sold to retailers in the southeastern, central, southwestern and western regions of the U.S., throughout Puerto Rico, and in the northern and central regions of Mexico. Pilgrim’s Pride chicken products meet the needs of many large customers in the food service industry. They export commodity chicken products to approximately 80 countries around the world.



For FYE 2008, Pilgrim’s Pride sold approximately 8.4 billion pounds of dressed chicken, which produced net sales of around \$8.5 billion. Approximately 93.2% of the Company’s sales were attributed to its U.S. operations while the remaining 6.8% of sales were from its operations in Mexico. Of the Company’s \$7.1

billion in U.S. chicken sales, approximately 65.0% was sold to food service–industry customers, 22.0% to retail customers, and the remaining 13.0% to export and other customers.



Prior to the bankruptcy filing on December 1, 2008, Pilgrim’s Pride owned 34 processing plants in the U.S. and 3 processing plants in Mexico, which were supported by 49 hatcheries, 35 feed mills and 14 rendering plants. In addition, Pilgrim’s Pride owned 12 prepared-food production facilities in the U.S.

Before the filing date, Pilgrim’s Pride contracted with more than 5,500 growers and farm owners working on more than 6,000 farms that raise or care for chickens that the Company utilizes for breeding, or to grow broiler chickens from hatchlings until they are ready to be processed. The growers are independent contractors who own, operate and provide the farms, chicken houses, equipment, utilities and labor necessary to tend the chickens. Pilgrim’s Pride maintains title to and ownership of the chickens and feed ingredients, but contracts with growers to administer feed and care for the chickens until they reach a certain targeted age or weight. The chickens are then returned to Pilgrim’s to be processed, packaged and transported to customers.

Events Leading to Bankruptcy Filing

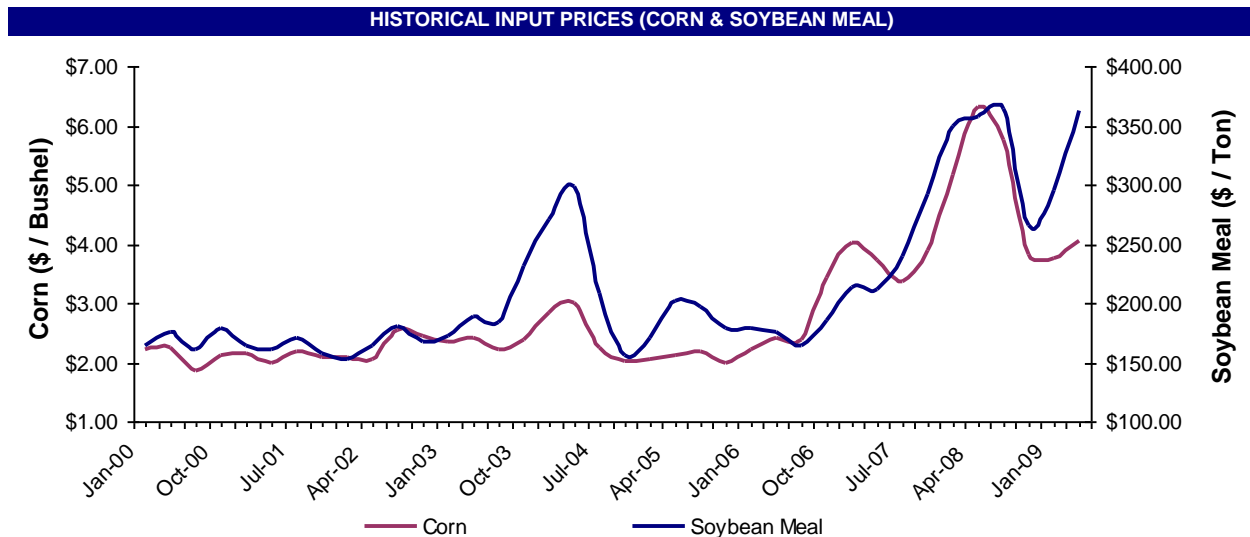
During the 12 months prior to the bankruptcy filing, the underlying economics of the poultry industry deteriorated dramatically. Profitability in the chicken industry was materially affected by increased commodity prices of feed ingredients, which primarily consist of corn and soybean meal, as well as by depressed chicken prices caused by an oversupply in the market. In addition, substantial debt on the Company’s balance sheet from prior acquisitions limited its ability to endure the industry downturn.

Increase in Input Prices

Feed ingredients are the largest portion of Pilgrim’s Pride’s direct costs, representing approximately 38.0% of FYE 2008 cost of sales. The production of feed ingredients is affected primarily by the global level of supply inventories, demand for feed ingredients, the agricultural policies of the U.S. and foreign governments, and global weather patterns. However, as chicken products are processed further, profit margins on these products are higher and feed ingredient costs become a decreasing percentage of a product’s total production cost, thereby reducing their impact on the Company’s profitability.

Also during the 12-month period prior to the bankruptcy filing, the cost of corn and soybean meal significantly increased, primarily as a result of increased demand and the passage of the Energy Independence and Security Act of 2007, which requires an increase in biofuel production, including ethanol, from 9 billion gallons in 2008 to 36 billion gallons by 2022. The price of corn has historically ranged from \$2.00 to \$3.00 per bushel, but it rose to more than \$6.00 per bushel in the summer of 2008, resulting in much higher feed expenses for Pilgrim’s Pride, which in turn contributed to notable financial losses. Additionally, the Company’s attempt to hedge its feed ingredient costs against an increase in prices during the fourth quarter of 2008 resulted in increased losses when the price of corn began to

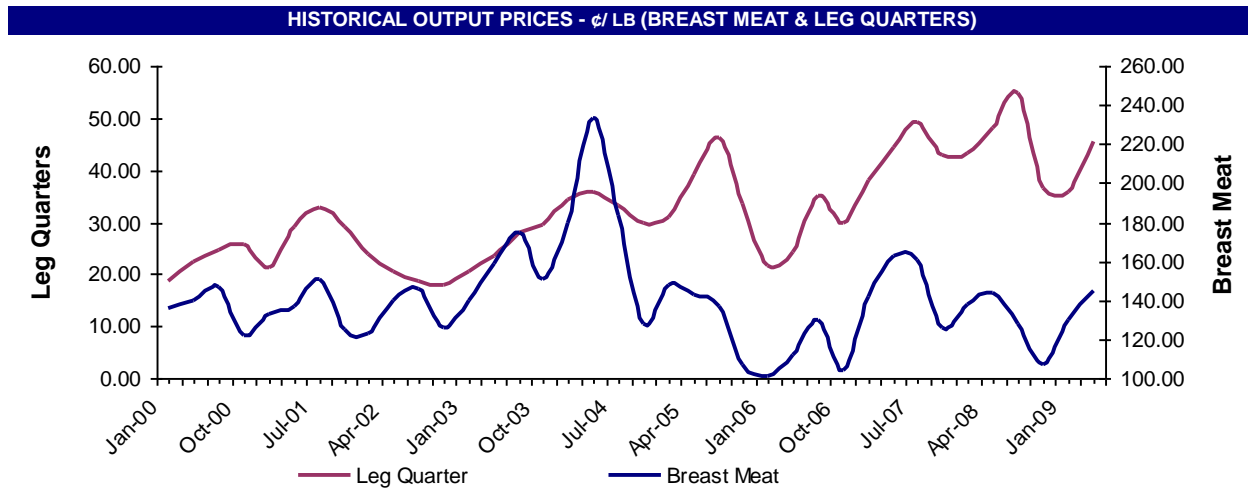
decrease from its record highs. Finally, contracts with customers did not allow the Company to pass through these higher feed costs. The chart below illustrates the historical spot prices for corn and soybean meal from 2000 through the second quarter of 2009.



Also, the cost of energy, most notably natural gas and motor vehicle fuel, drastically increased in the year prior to the filing. The Company operates 34 processing plants, which include significant production and manufacturing equipment with high energy needs, as well as associated transportation costs for delivering its chicken products to production facilities and end markets.

Poultry Oversupply

In addition to the increase in feed ingredient and energy costs, the supply of chicken products continued to exceed demand, causing an oversupply in the industry. Further, the chicken industry experienced heightened competition from other meat proteins such as beef and pork, as protein producers liquidated livestock to mitigate the adverse effects of the soaring feed ingredient and energy costs. The U.S. chicken industry, like other industries, was negatively affected by the nation’s economic downturn. This resulted in reduced demand for chicken products and made it more difficult for the Company to increase product pricing to offset the higher costs for feed and energy. Industry oversupply was also due, in part, to reluctance by chicken producers to significantly cut production, mainly because of the production-driven cultural mindset of most industry participants. In some ways, the relatively short cycle of chicken production compared to beef and pork put the industry in a better position to react more quickly to oversupply, but it failed to make this change.



Significant Indebtedness

In January 2007, Pilgrim's Pride completed the acquisition of Gold Kist, Inc. ("Gold Kist") for a total purchase price of approximately \$1.3 billion, which was financed primarily with debt, increasing the Company's total leverage ratio (total debt-to-LTM EBITDA) from an actual 4.1x to a pro-forma 10.3x as of September 30, 2006. Much of the Gold Kist business was in commodity and export sales, both of which were most susceptible to commodity chicken price changes and experienced low profit margins. After the acquisition, the combined Company had approximately \$1.8 billion of total debt on the balance sheet. With high leverage on PPC's balance sheet and volatile commodity prices from both the cost and revenue side, Pilgrim's Pride did not have the flexibility or the liquidity to withstand adverse market conditions.

Pre-Filing Restructuring Efforts

In response to the continued imbalance between supply and demand, and in an effort to reduce the impact of market difficulties, Pilgrim's Pride took a number of steps in 2008 to strengthen its competitive position and restore profitability. In early 2008, the Company conducted a thorough review of all production facilities to ensure its operations were functioning as efficiently as possible and to identify opportunities for improvement. The Company sold its turkey production business, closed 3 processing facilities and 7 distribution centers, shortened annual fixed-price sales contracts to 90-day periods, cut production, reduced capital spending, and increased its focus on exports and production of prepared food products with a higher profit margin. In the aggregate, the Company's restructuring efforts during the preceding 12 months leading to the Chapter 11 filing resulted in the elimination of more than 4,500 jobs.

To help alleviate liquidity issues, on May 16, 2008, PPC announced that it had completed a public offering of 7.5 million shares of its common stock for approximately \$177.0 million in net proceeds. Pilgrim's Pride used these funds to reduce debt and fund general corporate purposes.

In the months prior to the bankruptcy filing, the debtors considered various out-of-court restructuring alternatives. The Company retained Bain Corporate Renewal Group, LLC and Lazard, Ltd. ("Lazard") to work as its advisors in connection with reviewing operational and balance sheet restructuring alternatives. However, due to the worldwide credit crisis, no viable out-of-court balance sheet restructuring alternative materialized. As the Company's liquidity position continued to worsen, and as the end of waiver periods under various credit agreements approached, Pilgrim's Pride determined that the only method by which to protect the interests of all stakeholders was to seek protection under the Bankruptcy Code.

In November 2008, PPC appointed William K. Snyder, managing partner of CRG Partners Group, LLC (“CRG Partners”), as Chief Restructuring Officer (“CRO”) to assist PPC in capitalizing on cost-reduction initiatives, developing restructuring plans, and assisting with bankruptcy-related activities. CRG Partners was also hired as the Company’s financial and restructuring advisors, with a full-time staff of five professionals.

Bankruptcy Preparations

Due to the Company’s constrained liquidity and upcoming bond payments, immediate action was necessary to increase liquidity and prepare for a bankruptcy filing.

Cash Flow Management

Prior to filing for bankruptcy, Pilgrim’s Pride and CRG Partners worked to improve the existing 13-week cash flow forecast. Similar to any other bankruptcy or turnaround situation, a 13-week cash flow forecast was prepared immediately to ascertain the source, timing and amount of cash coming into the Company, as well as evaluate the cash that must be paid in order to continue operations. The 13-week cash flow forecast also provided a picture of the expense magnitude and helped identify which expenses could possibly be further analyzed for efficiencies and cutbacks.

Upon evaluation of the existing cash flow forecast, the Company implemented several changes. First, revising the cash flow budget to a book-cash basis, which took into consideration outstanding float based on the concept that the Company had obligations to cover all written/issued checks. Under a book-cash basis, the weekly disbursement variances could be explained more clearly based on when checks were written and disbursed, as opposed to when checks would clear.

After assessing the weekly disbursements, the complexity of the process and the ability of the personnel, the Company and CRG Partners decided to outsource the budgeting of certain disbursement items to individuals within the organization who were responsible for such costs on an operational basis. The purpose was to empower the employees to be actively involved and to take ownership of their relevant areas. Furthermore, these individuals would better know payment patterns and potential major disbursements in the future.

Through revising the cash flow process, the Company and CRG Partners decided to have an open communication process with other constituents in the bankruptcy, particularly the bank group’s financial advisors. The cash flow revision process was developed as a joint effort, during which collective thoughts and concerns were discussed together to reach a consensus. As a result, the debtors developed a robust cash flow forecast and a more accurate variance-monitoring mechanism.

During the bankruptcy period, Pilgrim’s Pride was able to generate approximately \$390.0 million in cash, which was used to pay down \$140.0 million in debtor-in-possession, or DIP, financing with approximately \$250.0 million accumulating in the cash collateral account by the emergence effective date.

Alternative Financing

In addition to assessing operational improvements and beginning discussions with the Company’s vendors (as discussed below), Pilgrim’s Pride began negotiations with existing lender groups to pursue the possibility of immediate liquidity infusions through various amendments to borrowing base availability calculations, as well as contributing additional fixed assets in order to increase collateral pools.

The Company's fixed-asset lenders were unable to increase exposure and lend additional capital primarily due to exposure limits in the banks. However, the working-capital lenders were receptive to providing additional capital but requested they have a priming position relative to the Company's existing debt. Through negotiations, the borrowing base was increased by pledging the Company's accounts receivable, which provided additional capital during the early periods of the bankruptcy filing.

Pilgrim's Pride also pursued a possible sale of different business units, as well as a controlling interest in the Company. Although these efforts would assist in improving the overall liquidity position after filing bankruptcy, the long lag time needed to close any sale could not be completed prior to or shortly after a bankruptcy filing.

Vendor Communication

Open lines of communication between a company and its vendors are critical to any turnaround situation. Pilgrim's Pride could not survive for more than 3 to 5 days without vendor supply of key materials, such as corn and soybean meal and other feed ingredients, as well as transportation of these materials across the U.S. In addition, more than 5,000 chicken growers earn their sole source of income from Pilgrim's Pride and require feed and supplies to continue raising the Company's chickens.

Before the bankruptcy filing, Pilgrim's Pride developed a script for discussions with vendors. The document addressed key questions and helped ensure the continued purchasing of normal course goods and services. Immediately after filing, PPC begin holding recurring telephone calls with key vendors in order to keep them apprised of the Company's performance. Additionally, included in the first-day motions, the Court allowed the payment to grain suppliers, farmers and other critical vendors so that key supplies could continue to be provided without substantial collateral or a tightening of terms.

Most importantly, the Company was able to mandate continuation or extension of trade credit from critical vendors paid through the first-day motions. Pilgrim's Pride carefully evaluated and negotiated trade credit on a case-by-case basis to preserve value in the estate and ensure that payments on pre-petition obligations would generate at least the same amount of post-petition liquidity in trade credit. Overall, Pilgrim's Pride estimates that out of approximately \$100.0 million in pre-petition obligations that were paid, the Company received over \$150.0 million in new or better trade terms.

Estimation of Administrative Expense Claims

A key point in any bankruptcy filing is the calculation of administrative expense claims and the determination of administrative solvency, or the ability of a debtor to pay its administrative claims. The determination of solvency is important because if a debtor is found to be administratively insolvent, the case is likely to be converted to Chapter 7, followed by a liquidation of the debtor's assets, often at a substantial discount relative to its going concern value. For many debtors, including Pilgrim's Pride, the significant administrative expense claims that arise out of pre-petition activities are section 503(b)(9) claims and reclamation claims. Section 503(b)(9) claims are made by a creditor for unpaid goods (but not services) delivered within 20 days of the filing of a Chapter 11 case. Section 503(b)(9) refers to the section in the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 ("BAPCPA") that created the claim. Similarly, reclamation claims are for goods delivered within 45 days of a filing date and are governed by section 546(c) of the Bankruptcy Code. This too was new in BAPCPA but was an extension of reclamation rights under state law and the Uniform Commercial Code.

Section 503(b)(9) Claims: In order to establish its initial borrowing base reserve prior to filing, the Company, with CRG Partners' assistance, estimated the value of goods received 20 days before the filing date. The Company first identified those vendors that primarily provided goods versus services. Second,

using an A/P aging summary report for those vendors, the Company estimated 20 days' worth of outstanding payables. Later, Pilgrim's Pride completed a more refined estimate by mining goods receipt data at a purchase order level from its SAP accounting system. As part of its first-day motions, the Company also established rules for asserting a 503(b)(9) claim and rules by which Pilgrim's Pride and a creditor would resolve claims. This allowed the Company to establish, mid-way through the case, the final 503(b)(9) claim amount. The total 503(b)(9) estimate was initially between \$70.0 and \$80.0 million. The Company received 460 claims totaling \$54.0 million, which was lower than the original estimate and was partially due to critical vendor payments. Ultimately, the allowed 503(b)(9) claims totaled only \$10.0 million.

Reclamation Claims: There are two major defenses to a reclamation claim. First, if the goods reclaimed are subject to a prior lien, such as a secured creditor's lien, then the claim may be unenforceable. A second defense to a reclamation claim is that if the goods reclaimed are no longer in the possession of the debtor (because they have been consumed or resold), the claim may be deemed to be extinguished when the reclamation claim is received.

Prior to the filing, the Company established teams that would be available to quickly count inventory at its various locations if and when claims were received. Again, as part of its first-day motions, Pilgrim's Pride established rules for asserting a reclamation claim and rules by which the debtor and a creditor would resolve the claims. The Company received 98 reclamation claims totaling around \$39.0 million. PPC was ultimately successful in defeating all reclamation claims with the "prior lien" defense.

Bankruptcy Filing

On December 1, 2008, Pilgrim's Pride and six subsidiaries filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. The Chapter 11 Cases were jointly administered under a single case heading and number, In re: Pilgrim's Pride Corporation, et al., Case No. 08-45664 (DML), before the Honorable D. Michael Lynn. After the filing date, the debtors were allowed to continue operating their businesses and manage their property as debtors-in-possession.

As part of the filing, the debtors filed typical first-day motions seeking relief designed to minimize disruption to operations and facilitate reorganization.

Case Administration

The Bankruptcy Court entered a number of procedural orders to streamline and simplify the administration of the Pilgrim's bankruptcy case. These orders consisted of the following: (a) authorized the joint administration of the cases, allowing most documents to be filed in the lead case; (b) granted an extension of time to file the debtors' schedules of assets and liabilities and statements of financial affairs; (c) established procedures for sending notices to parties-in-interest; (d) authorized the employment of Weil, Gotshal & Manges, LLP as general counsel, Lazard as investment banker, Baker & McKenzie, LLP as special counsel, Kurtzman Carson Consultants as claims agent, Gardere Wynne Sewell, LLP as special counsel, CRG Partners as financial and bankruptcy advisor, and William Snyder as CRO; (e) authorized the debtors to continue using other professionals in the ordinary course of business under defined circumstances; and (f) established rules for asserting and resolving administrative expense claims.

Critical Obligations

To allow the debtors to maintain operations during the bankruptcy, the Court authorized certain payments on pre-petition obligations. The Court allowed the debtors to satisfy outstanding pre-petition obligations, including those related to: (a) wages, compensation and employee benefits; (b) sales, use, property and other types of taxes; (c) growers, haulers, catchers, feed-ingredient suppliers and sales brokers; (d) goods

and services ordered pre-petition but delivered post-petition; (e) critical trade vendors; (f) customers and customer programs; and (g) common carrier fees, logistics coordinator fees, warehouse fees, freight-forwarding fees and repairmen fees who were in possession of the Company's assets and inventory at the time of filing.

Business Operations

In addition, the Court granted Pilgrim's Pride the authority to continue select business operations. Among other matters, the Court (a) authorized the debtors to continue certain workers' compensation and other insurance policies, and (b) prohibited various utility-service providers from altering, refusing or discontinuing service upon the establishment of certain procedures for determining adequate assurance of payment. Lastly, the Court authorized the Company to maintain its existing bank accounts and continue its centralized cash-management system.

Achievements During Bankruptcy

In order to escape the fate of many companies filing for bankruptcy today by either liquidating or consummating an immediate sale under Section 363, Pilgrim's Pride had to implement many operational changes, including hiring a new senior management team, initiating a cost-reduction program, reducing exposure to commodity chicken products, and selling non-core assets. Additionally, filing for bankruptcy allowed the Company to take advantage of many provisions in the Bankruptcy Code to eliminate unwanted leases and efficiently process claims and outstanding obligations.

Management Changes

One of the first decisions after filing for bankruptcy was to strengthen the management team by hiring senior-level industry veterans to oversee sales, marketing and business development. Within the first two months of filing, the Company hired Don Jackson as the new CEO, and he subsequently hired several additional management team members with strong industry experience, including a new EVP of Sales and Marketing and a SVP of Business Development. Subsequent to hiring a strengthened management team, several organizational changes were executed, including collapsing of the organizational structure and realignment of regions to allow more accountability, quicker communication and improved response time to customers.

Operational Improvements

Since filing for relief under the Bankruptcy Code on December 1, 2008, PPC has made a series of significant operational changes to reduce costs and operate more efficiently. The operational changes have been directed in two phases. Phase I focused on preserving cash and mitigating losses through tactical moves. The main actions in Phase I involved shift and associated headcount reductions along with other lean manufacturing initiatives. Phase II of the operational changes reduced PPC's production footprint and served to mitigate low capacity utilization and efficiency issues created by previously enacted production cuts.

In addition, PPC realized other business improvements and efficiency gains from ongoing actions and a more favorable product mix. These improvements included reductions in selling, general and administrative expenses through headcount reductions, supply-chain and margin improvements and savings from contract rejections.

Supply-Chain Focus – Demand-Driven Production

Pilgrim's Pride was historically a supply-driven company. Its leadership was keenly focused on production and production efficiencies, the desire to be the largest producer, and the ability to provide the

lowest-cost product to the market. Planning was based on production scheduling with minimal focus on long-term customer forecasts. With reduced market demand and excess production capabilities, Pilgrim's Pride became a dominant provider to the commodity markets, which caused volatile revenue patterns and dependence on exogenous conditions. Prior to filing, only modest efforts were taken internally to move to a customer-driven supply-chain concept.

A Focus on the Customer

After the bankruptcy filing, Pilgrim's Pride, with assistance from CRG Partners, designed and implemented a full customer-demand supply chain to drive operations. The leadership changes as described in a previous section actively supported this work. The following items were completed shortly after filing for bankruptcy to improve the Company's supply-chain and production capabilities:

- Design and implementation of a supply-chain organization with single leadership over all planning functions and customer service.
- Design of business rules and protocol changes to existing ERP systems to facilitate detailed scheduling optimization.
- Product mix shift to maintain higher-profit product lines, resulting in a significant reduction in commodity products.
- Design and implementation of a comprehensive sales and operational planning process that included the full Pilgrim's Pride leadership for all functions, which applied the following:
 - Demand planning from customer forecasts
 - Production and inventory planning, scheduling and optimization
 - Equipment utilization optimization and maintenance planning
 - Logistical planning
 - Procurement scheduling and vendor issue resolution
 - Portfolio profit margin review and optimization

Pilgrim's Pride full supply chain is operating successfully using an integrated customer forecast with advanced planning optimization software within its ERP system. Although it is still in the early phases, projections for cost savings to the Pilgrim's Pride stakeholders are significant.

Lean Engineering Initiatives (Phase I)

Pilgrim's Pride implemented a streamlined version of Toyota's Production Systems (Lean Engineering) in the late summer of 2008. Several people were trained in lean systems, with one individual designated to lead this work. The lean work was done ad hoc at individual production sites with minimal corporate coordination and sponsorship.

With the filing of bankruptcy and change in leadership, the Company began to review and provide support in the expanded implementation of the lean-engineering initiatives.

The new management team reviewed several operating sites where lean-engineering initiatives were implemented or considered. With CRG Partners' assistance, analysis and recommendations, Pilgrim's Pride was able to implement lean-engineering programs broadly across multiple sites. Additionally, the lean implementation programs were coordinated with the initial phase of plant closures, and Pilgrim's Pride was able to demonstrate consistently large cost savings at several operating facilities where lean-production efforts were implemented. Actual results have dramatically exceeded initial estimates, with lean-engineering programs now expanding to all operational facilities.

Plant Closures (Phase II)

In the spring of 2009, following the projects focused on lean initiatives, cost reduction, operational improvements and organizational restructuring, CRG Partners assisted the Company in completing a plant closure plan. The purpose of closing specific plants was to reduce costs, consolidate production capability to higher-efficiency plants, and decrease exposure to unprofitable and volatile products, specifically in the commodity markets. The overall considerations for closing a plant included the following:

- Variable Costs: Assessment of both live and variable processing costs on a plant-level basis relative to competitors and similar facilities within the Company.
- Fixed Costs: Evaluating plant overhead costs compared to peers within the Company and competitors.
- Quality Issues: Plants must achieve consistent quality and maintain a solid reputation in the marketplace.
- Plant Utilization: Utilization for each plant was reviewed relative to overall capacity of the Company.
- Labor Costs: The Company reviewed productivity at each complex in order to assess labor problems.
- Strategic Issues: Product mix at each facility was reviewed to determine which plants produced the most profitable products. Additionally, a list of key customers for each plant was reviewed to assess any potential customer issues from shutting down a plant. Last, the Company evaluated the possibility of transferring profitable products to another plant upon shutting down a certain complex.

Initially, the following five processing facilities were put into consideration for closing: El Dorado, AR; Douglas, GA; Dalton, GA; Farmerville, LA, and a small salad operation in Franconia, PA. Upon further review and completion of the items above, the five plants were closed in June 2009, and two additional processing plants in Athens, AL, and Athens, GA, were closed in October 2009.

Overall, the plant closures are anticipated to contribute approximately \$135.0 million in projected EBITDAR improvement from FY 2008 to FY 2009, and a reduction of about 800 million pounds in chicken supply, primarily in the low-margin commodity segment.

Sale of Non-Core Assets

Section 363 of the Bankruptcy Code grants debtors the ability, subject to approval of the Bankruptcy Court, to use, sell or lease property of the debtors’ estate outside of the ordinary course of their business. Under a more cost-efficient environment and by reducing commodity chicken product production, Pilgrim’s Pride determined that certain fixed assets were no longer needed. During the Chapter 11 Case, the Company consummated sale transactions for the following material assets:

Material Asset Sales (\$mm)		
Date	Asset Sold	Amount
2/23/09	ADM Joint Venture	\$5.0
5/21/09	Farmerville Processing Complex	72.3
5/28/09	Plant City Distribution Center	2.6
7/24/09	Excess Land	5.2
7/30/09	Cincinnati Distribution Center	0.7
10/13/09	Valley Rail Service	1.0
Total		\$86.8

Lease and Contract Rejections

Under Section 365 of the Bankruptcy Code, a debtor may reject unexpired leases and executory contracts to help alleviate costly and unneeded obligations of a debtor. This provision of the Bankruptcy Code allows companies to reject contracts and leases that might have terms that are more constraining or pricing that is higher than what the market is currently offering for new contracts and leases. In addition, companies reject certain leases because the equipment is excess, considering pro forma impacts of certain reorganization efforts, such as reduced production capacity.

During the Chapter 11 Case, Pilgrim's Pride rejected more than 750 unexpired leases and executory contracts, which included 2 leases for real property, 700 grower contracts due to facility closures, 22 service agreements and 44 vehicle and equipment leases that were in excess of current needs given reduced production and the closure of certain facilities. Due to rejection of certain leases and unexpired contracts, Pilgrim's Pride incurred an annual savings of approximately \$8.0 million. In order to maintain open dialogue during the bankruptcy process, PPC conducted weekly calls with all lessors, which assisted in the rejection process, maintaining current lease terms and negotiating better terms from certain existing leases.

Alternative Dispute Resolution Process

In the course of conducting its business, the Company has become exposed to potential liability for claims relating to bodily injury or death arising from events that occurred prior to the bankruptcy filing (the "PI Claims"). The PI Claims arose primarily from traffic accidents involving trucks owned by PPC and driven by Company employees, Texas work-related injuries, and products produced and sold by Pilgrim's Pride. PPC estimates that prior to filing for bankruptcy, approximately 200 lawsuits or other proceedings commenced against the debtors and/or their employees and insurers related to such PI Claims. Additionally, the Company estimated that there were more than 700 other PI Claims with respect to which no litigation, lawsuit or other proceedings had yet commenced.

On April 9, 2009, the Bankruptcy Court approved alternative dispute-resolution procedures proposed by the Company for attempting to resolve the PI Claims in order to avoid piecemeal litigation by holders who sought to lift the automatic stay. Alternative dispute resolution procedures provide that, before obtaining relief from the automatic stay and in order to pursue a PI Claim in a non-bankruptcy forum, each claimant (with certain exceptions) must in good faith participate with the Company in a mediation process. Any settlement reached through a mediation process, or any judgment awarded after the automatic stay is lifted, is granted an allowed general unsecured claim in the Chapter 11 Cases.

Negotiation of Union Contracts

As of the Commencement Date, Pilgrim's Pride employed approximately 43,000 individuals in the U.S., more than 13,000 of whom were full-time employees covered by one of 23 collective bargaining agreements ("CBAs") with 4 labor unions.

In January 2009, the Company began to outline a strategy and list of modifications it would seek from its employees and their unions. These modifications focused primarily on specific aspects of the CBAs that it believed to be the most burdensome rather than a wholesale reduction in wages and benefits. The first question that was answered was how to seek changes. One approach, ultimately dismissed by the Company, was to reject the various CBAs in Court. First, the standard to successfully reject a labor contract is high and involves proving that the changes are necessary to reorganize. Second, with the Company in bankruptcy, a rejection would, at best, damage the relationship with its employees or, at worst, result in a walk-out at several locations, leading to disastrous results. Third, the cost of a protracted

fight with the unions would be high. Finally, although not pursued, contract rejection always remained an option and posed a real threat by the Company should the unions fail to negotiate in good faith.

Ultimately, the Company opted for a negotiated settlement, and the unions agreed to several modifications, primarily focused around pay practices with respect to overtime and standardization of medical benefits for all union members. According to filings with the Bankruptcy Court, the anticipated annual cost savings from the agreed modifications is approximately \$23.4 million.

Formation of the Equity Committee

In February 2009, an ad hoc shareholders group, which included members who would later serve on the Equity Committee, requested that the United States Trustee appoint an official committee of equity security holders in the Chapter 11 Case. This request was declined, and the ad hoc shareholders group filed a motion with the Bankruptcy Court under section 1102 of the Bankruptcy Code seeking an order compelling the United States Trustee to appoint an official committee of equity security holders. Despite opposition by the Creditors' Committee and the United States Trustee, and after a full-day evidentiary hearing, the motion to compel appointment of an official Equity Committee was granted by order of the Bankruptcy Court.

On June 18, 2009, the United States Trustee appointed the Equity Committee, which retained the law firms of Brown Rudnick, LLP as co-counsel, Kelly Hart & Hallman, LLP as co-counsel and Houlihan Lokey Howard & Zukin Capital, Inc. as its financial advisor.

Claims Resolution Process

Included in the Company's initial filings with the Bankruptcy Court, Pilgrim's Pride scheduled 6,800 claims (i.e., discrete liabilities) totaling approximately \$2.4 billion. Various claimants in the Chapter 11 Cases filed an additional 6,400 claims against the debtor, totaling around \$3.9 billion, which included 1,600 "unliquidated" claims. After matching the filed claims (\$3.9 billion) to scheduled claims (\$2.4 billion), the Company had to resolve 11,900 claims, which totaled approximately \$4.4 billion.

The first step in resolving the claims was to divide them into various categories, such as trade claims, tax claims and contract claims, so that they could be reviewed and resolved by specific departments within the Company that had responsibility over that type of claim within normal operations. The Company and CRG Partners held weekly meetings with representatives of the various departments to review claims, raise and resolve issues and discuss possible objections.

Second, the Company established procedures to object to claims in an omnibus fashion. With the large number of claims, filing objections to each claim individually would have clogged the Court's docket and taken an extremely long time to resolve. Through approval of the omnibus procedures, PPC was allowed to object to up to 100 claims in a single motion where the reason for objection was the same. The Company established 13 objection categories for omnibus objections, including objections for duplicate claims, satisfied claims, and books and records discrepancies. The claim objection procedures approved by the Court also established the rules by which objections would be resolved.

In an effort to reduce costs and assist claimants, Judge Lynn requested that PPC establish procedures whereby a claimant could first reach out to the Company if they disagreed with the objection filed by Pilgrim's Pride before hiring a lawyer and responding to the objection in Court. The Company established a toll-free telephone number and email address and included this contact information in each objection and worked with those claimants to resolve the objections.

The Plan of Reorganization allows PPC up to 150 days after emergence to resolve all claims. While the claims review process continues, it is estimated that the final allowed pre-petition claims against Pilgrim's Pride will be between \$2.3 billion and \$2.4 billion.

Exit Strategy

To exit from bankruptcy, Pilgrim's Pride had two options: (i) pursue a stand-alone plan with claims held by the general unsecured creditors converted to equity and subsequently controlling the reorganized Company, or (ii) consummate a transaction with JBS through selling a controlling stake in the Company, the cash from which would be used to pay all general unsecured creditors in full. Both options required a recapitalization of the existing senior secured debt. Ultimately, the Company chose to pursue a transaction with JBS. One of the primary concerns regarding the choice of a plan was the desire to emerge prior to calendar year-end 2009, which was important due to the following:

- Provides flexibility to pursue hedging strategies in order to withstand adverse commodity price movements.
- Eliminates constraints on capital expenditure spending as stipulated in the DIP credit agreement.
- The DIP loan matured by year-end, so a refinancing would be required under an extended Chapter 11 Case.
- Most customer contracts are negotiated in the fourth calendar quarter and executed in the first calendar quarter.
- A protracted bankruptcy would place pressure on PPC's existing customer relationships and hamper its efforts to win new business.

Plan of Reorganization

Under a stand-alone plan, the unsecured bonds and trade accounts payable would be impaired and receive equity in the reorganized Company in exchange for their claims against PPC. A stand-alone plan presented many challenges, including the large number of constituents and different motives within classes and between classes, which primarily revolved around differing views on valuation. Lazard prepared a valuation of the Company, but with different impaired classes holding multiple interests in the resulting valuation, a lengthy negotiation would be inevitable and might jeopardize the Company's timeline for emergence.

The JBS transaction provided resolution to all issues that were presented in a stand-alone plan in addition to achieving the targeted exit date. JBS agreed to purchase 64.0% of Pilgrim's Pride for \$800.0 million. The resulting 36.0% retained by existing equity had an implied value of approximately \$500.0 million. This valuation met the goals of the Equity Committee and provided a larger post-confirmation ownership percentage relative to the expected ownership percentage in a stand-alone plan. The \$800.0 million cash investment from JBS allowed for the complete pay-down of all unsecured bonds and general unsecured claims. Due to a successful turnaround effort, a completed exit-financing transaction (as described below), select asset sales and improving markets, the Company was able to categorize all claims as unimpaired except for equity holders, which still recognized a better result than what was achievable under a stand-alone plan or liquidation.

Exit Financing

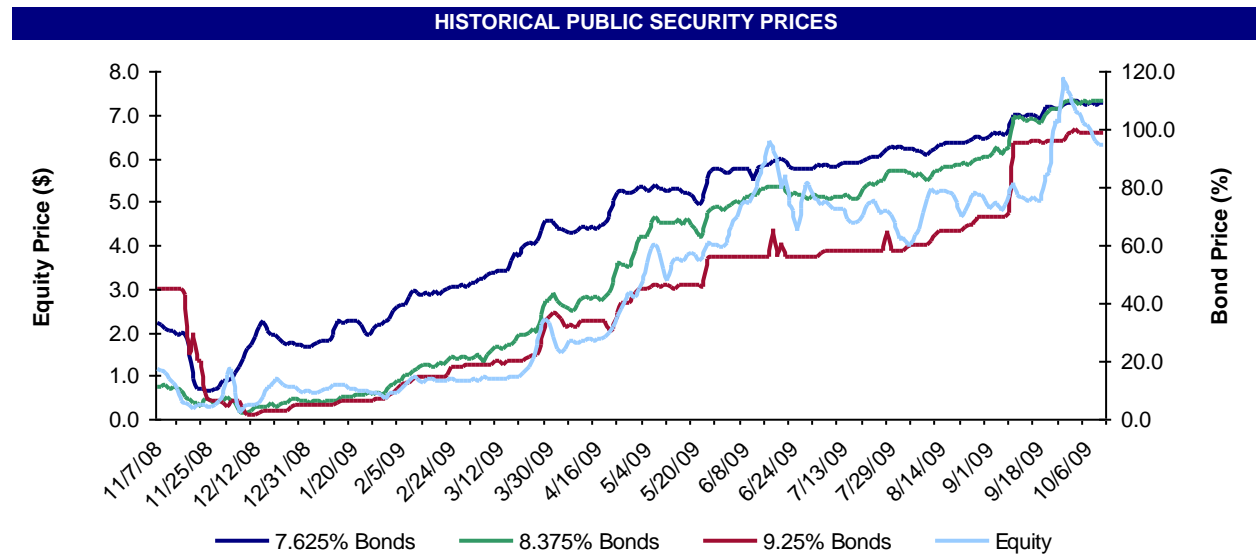
During initial discussions regarding the Pilgrim's Pride exit financing, the Company contacted all agricultural lenders and money center banks to discuss possible interest and initial terms in an exit-financing facility. Based on preliminary conversations, the Company received at least eight proposals to provide the exit financing.

Pilgrim’s Pride ultimately chose CoBank to raise the debt capital due to the good working relationship between the parties, and a single lien facility was preferable to the Company, which CoBank was willing to underwrite. CoBank and Pilgrim’s Pride negotiated a \$1.65 billion single lien credit facility that, due to the large size, would require many of the pre-petition lenders to roll their existing commitments. However, if the pre-petition lenders chose not to roll their commitments, one possible alternative was a “cram-down” facility, which would provide the lenders with less collateral, as they could be reinstated with a bifurcated credit facility and a different collateral package. Ultimately, CoBank, with the help of RaboBank as co-lead arranger, filled all commitments and completed a successful close, which was instrumental to the Company’s emergence from bankruptcy.

Results

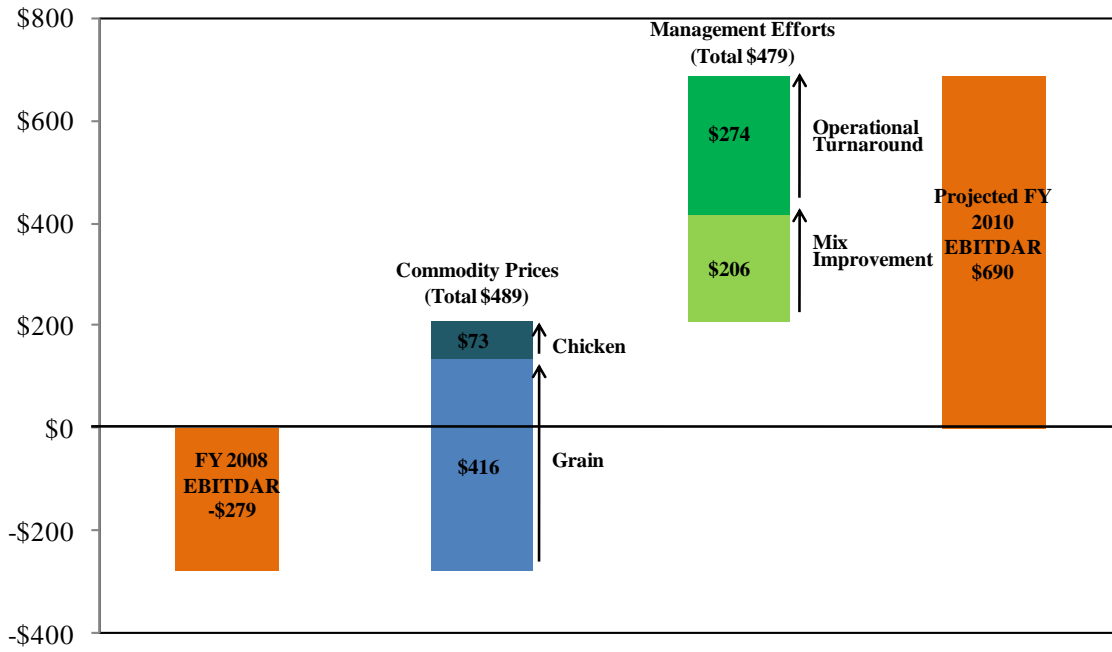
Pilgrim’s Pride emerged from bankruptcy on December 28, 2009, with all creditors receiving 100.0% of allowed claims and equity maintaining approximately \$500.0 million in value through their 36.0% ownership interest in the reorganized entity. With the challenges of volatile commodity markets, high leverage, constrained liquidity and many constituents with varied motivations, Pilgrim’s Pride was able to emerge from bankruptcy protection less than 13 months after filing. During this time, the Company’s cash position went from a negative cash balance with approximately \$140.0 million in DIP financing to around \$250.0 million in cash with the DIP credit facility completely paid down.

The results of such a successful bankruptcy exit and operational turnaround are primarily attributable to proactive management and maintaining an open dialogue with all participants throughout the bankruptcy process. As illustrated in the chart below, the Company’s security prices have been on a steady increase since the filing date, further confirming the successful completion of the bankruptcy filing and creating over \$1.0 billion in value since the filing date on December 1, 2008.



The following chart further confirms the successful operational turnaround at Pilgrim’s Pride and illustrates that, despite improvements in the commodity markets during the Company’s time in bankruptcy, emergence from Chapter 11 protection would not be feasible without the reorganization efforts of the Company’s proactive management and advisors.

ACTUAL FY 2008 TO PROJECTED FY 2010 EBITDAR BRIDGE (\$mm)



Notes:

1. EBITDAR = Earnings before Income Tax, Depreciation-Amortization and Reorganization/Restructuring Expenses
2. Operational turnaround includes: Phase I, Phase II and SG&A reduction
3. Mix improvement represents management efforts in upgrading the product mix from commodity toward value-added products such as prepared food

About CRG Partners

About CRG Partners

CRG Partners provides operational improvement and financial restructuring services through superior leadership and expertise in the restructuring process while collaborating with our clients' management teams to identify, develop and implement effective solutions that yield sustainable results. Our strengths are the skills and expertise of our seasoned professionals, who bring proven analytical and leadership skills, represent a broad range of industries, and leverage both financial and operational expertise in complex situations. Our services include the following comprehensive capabilities:

- Turnaround Management
- Crisis Management
- Performance Improvement
- Financial Restructuring
- Bankruptcy Advisory

We offer unparalleled knowledge and expertise, which include the following:

- **Financial Expertise:** CRG Partners brings more than 25 years of experience in working with highly levered companies to help our clients and their stakeholders quickly control and manage critical drivers of cash flow and asset productivity.
- **Operating Expertise:** We identify business challenges, supply-chain issues, acquisition integration obstacles, and assist companies in attacking the complex operating challenges they face as they grow or adapt to new paradigms.
- **Value Orientation:** We provide the right resources at the right cost. We leverage client staff (when possible) to implement efficient and lasting solutions using a knowledge base already in place.

Our professionals have extensive experience in the following industries:

- Agriculture & Forestry
- Arts, Entertainment & Recreation
- Construction & Real Estate
- Consumer Products
- Energy
- Finance, Rental & Leasing
- Healthcare
- Manufacturing
- Media
- Professional & Technical Services
- Real Estate, Rental & Leasing
- Restaurants & Hospitality
- Retail Trade
- Telecommunications
- Transportation & Warehousing
- Wholesale Trade

**Pilgrim's Pride
CRG Team Bios**

William K. Snyder, Managing Partner

With executive and entrepreneurial experience spanning more than 25 years, William Snyder has restructured, managed and guided a multitude of companies in a wide variety of industries, including:

- Accessory & Textile
- Apparel
- Distribution
- Food Service
- Healthcare
- High Tech
- Manufacturing
- Outsourcing
- Restaurants
- Retail
- Telecommunications
- Transportation & Logistics

As a broadly experienced interim executive and advisor who has participated in the restructuring of more than 70 companies, Mr. Snyder brings a results-driven leadership style to complex and crisis situations.

His recent interim-management engagements include:

- Court-appointed examiner of Mirant, a \$6.5 billion merchant energy company
- CRO of a \$8 billion integrated poultry company
- CRO of a \$250 million fire engine and chassis manufacturer
- COO of a \$200 million furnishing retailer
- CEO of a \$210 million mattress retailer
- CFO of a \$250 million building products manufacturer
- CFO of a \$250 million computer manufacturer
- CIO of an \$800 million healthcare company
- Primary advisor to a \$500 million staffing company, a \$1.4 billion logistics company and a \$2 billion construction contractor

Previously, Mr. Snyder was president of his own financial consulting company, The Snyder Company, where he managed family investments that included operating companies, limited partnerships and securities. Additionally, he has been principal in a variety of companies and held positions in increasing responsibility for global bottling companies in the United States. Mr. Snyder has served as an interim-officer/examiner/trustee in more than 20 bankruptcies and is a frequent speaker and presenter on a wide range of turnaround topics.

Mr. Snyder holds a bachelor's degree, cum laude, in computer science from Texas A&M University. He is a Certified Turnaround Professional and has received numerous distinctions over the years, including being named to *Turnarounds & Workouts* 2007 People to Watch list, an honor he shares with 11 professionals nationwide.

Dallas M. (Mike) Darland, Partner

Mike Darland has more than 25 years of experience in senior-level operational, R&D and business-development roles. He has served in leadership positions, on boards of directors, and as an advisor or consultant to many companies. Mr. Darland specializes in corporate strategy, integrated operations and supply-chain management and has experience in a variety of industries, including:

- Agriculture
- Chemicals
- Construction and Real Estate
- Consumer Packaged Goods
- Distribution
- High Tech
- Manufacturing
- Pulp, Paper & Forestry
- Retail & Wholesale Food Products
- Transportation Logistics
- Water-Purification Systems

His engagements with CRG Partners have been diverse in nature, ranging from short-term operational and financial analyses to long-term, interim leadership. A few noteworthy engagements include:

- CEO of a start-up water-purification firm leading the product scale-up, market development and commercialization of a unique, highly patented vapor-compression distillation unit designed for broad commercial applications
- COO of a \$200 million hydroponics firm, which is the world's largest greenhouse complex
- COO of a packaged-food products manufacturer
- Led supply-chain implementation and transformation for a \$8 billion poultry producer
- Led re-capitalization for a major homebuilder in southeastern U.S.
- Led the carve-out, implementation and transition teams for a \$300 million company specializing in equipment rental and construction safety services
- Spearheaded turnaround, restructuring and crisis management for a \$100 million company specializing in cheese manufacturing and food processing
- Provided supply-chain support for numerous companies, developing and implementing operational restructuring plans resulting in significant returns to investors

Previously, Mr. Darland was Vice President of Supply Chain and Chief Procurement Officer for Sappi Paper, a multi-billion-dollar integrated pulp and paper company. At Sappi, he was a member of the senior executive committee, compliance officer for Sarbanes-Oxley, and led several globalization activities. Prior, Mr. Darland was an executive for the Polaroid Corporation serving as operations director for the several divisions of film assembly, chemical manufacturing and imaging media.

Mr. Darland holds a bachelor's degree in mathematics and nuclear engineering from the U.S. Naval Academy and an MBA from the University of Massachusetts with concentrations in finance and strategic planning. He is a Certified Purchasing Manager and recognized as a world-class expert in supply-chain operations. Mr. Darland served as a nuclear submarine officer and recently retired as a Captain in the Naval Reserves after five command tours.

Winston Mar, Managing Director

Winston Mar provides advisory and interim management services to struggling and distressed companies. He is skilled in strategic direction, creditor negotiation and productivity improvements and has experience in a wide variety of industries, including:

- Advertising & Marketing
- Computer Products & Services
- Consumer Electronics
- Entertainment
- Manufacturing
- Food Services

Mr. Mar has assisted numerous companies with their restructuring efforts, both out-of-court and during Chapter 11 proceedings. A few noteworthy engagements include:

- Project leader of a publicly traded poultry company, assisting the company through the bankruptcy process where he oversaw all reporting to the court and other advisors in the case and was instrumental in designing a reorganization and exit-financing plan
- CEO of a sun-dried tomato processor and distributor, where he arranged the restructuring, stabilized the restructured entity and subsequently sold the company to a strategic buyer
- Interim CEO of a Yellow Pages company during its Chapter 11 proceedings, where he generated significant net cash flows that resulted in a full recovery for creditors
- Negotiated the out-of-court restructuring of a publicly traded computer products and services provider, which increased working capital by several million dollars, generating a positive net income and enabling operational restructuring
- Provided interim CFO services for an electronic products company during its Chapter 11 proceedings, which resulted in a successful asset sale
- Facilitated the sale of a \$100 million entertainment distribution company and managed its creditor relations, which allowed the company to continue operations as a new entity
- Assisted in the out-of-court restructuring of secured and unsecured creditor debt for a restaurant franchisee that resulted in reduced debt and the release of personal guarantees

Previously, Mr. Mar worked as a director at a management consulting firm. Prior, he served as a vice president and general manager for a water and wastewater equipment manufacturer and service provider, where he held P&L responsibility for the company's Southern California, Nevada and Northern Mexico markets. He also served as director of a subsidiary of the company, with operations in China, Malaysia and Thailand. As director, Mr. Mar provided corporate oversight to successfully improve the failing division.

Mr. Mar holds a bachelor's degree in accounting from the University of Southern California and an MBA from UCLA Anderson School of Management. Additionally, Mr. Mar is a CPA who is licensed in California.

Mike Juniper, Director

Mike Juniper has more than 10 years of experience focused on financial and operational analysis, turnaround and restructuring consulting, and crisis management. He has worked in a variety of industries, including:

- Apparel Manufacturing & Distribution
- Biofuels
- Food Manufacturing & Distribution
- Internet Direct Marketing
- Plastics
- Retail
- Telecommunications

Some of his notable engagements include:

- Acting CFO for a 135-convenience-store chain during its Chapter 11 proceedings and sale through multiple 363 auctions where he created and managed multiple DIP budgets for different asset pools and lender groups
- Bankruptcy consultant for an \$8 billion Fortune 500 poultry producer responsible for \$4 billion in claims reconciliation and adjudication and assisted with cash flow forecasting and business plan projections
- Consultant for a food manufacturer and distributor to help identify critical issues of the company. He later served as controller and acting CFO through its Chapter 11, working with the chief restructuring officer both to operate and ultimately to sell the operations for the benefit of the secured lender, unsecured creditors and owners
- Financial advisor for a branded and private label apparel manufacturing company where he created new budgeting and reporting tools for management, introduced innovative and non-traditional financing of new projects, and assisted with divestiture of non-core assets and divisions
- Senior financial and operational analyst for injection- and blow-molding company with multiple facilities in two countries, where he was part of finance team that developed and implemented a new standard cost-income statement for better variance reporting. He was also part of the management team that completed a \$120 million recapitalization of the company.

Mr. Juniper received his bachelor's degree in finance from the University of Arkansas at Little Rock and an MBA from Washington University in St. Louis.

Soegiono Hadiwijaya, Director

Soegiono “Sugi” Hadiwijaya has nearly 10 years of combined experience in financial services and turnaround management, including several years at a financial advisory firm, where he served as a manager of the reorganization services group. Mr. Hadiwijaya has provided financial advisory and operational restructuring services both out-of-court and during Chapter 11 proceedings, assisting companies with tasks such as cash management, securing of financing, business plan assessment, M&A activities and financial modeling. He has worked in a variety of industries, including:

- Health & Wellness
- Energy
- Manufacturing
- Protein / Poultry
- Retail & Consumer Products
- Telecommunications
- Transportation

Mr. Hadiwijaya is particularly skilled at helping companies maximize their value through profitability analyses, cash-flow projections, budgeting and strategic planning. A few noteworthy engagements include:

- Assisted an \$8 billion poultry processor during its Chapter 11 restructuring process, where he developed a 13-week cash-flow forecast and monitored the cash-management system as part of the DIP loan, created the five-year business plan and financial projection, worked with management on financial analyses regarding operational strategies, advised management and assisted in negotiations on the restructuring plan and exit financing
- Assisted a \$1 billion interstate bus-passenger company in an operational turnaround, where he developed pro-forma models to support the route and passenger-flow restructuring plans, worked with various departments on cost-reduction strategies and established financial metrics to track restructuring results
- Provided financial advisory services to an upscale regional furniture retailer, where he created a 13-week cash-flow forecast, assisted in DIP financing negotiations and advised the company on alternative plans
- Formulated a cash-collections model and assessment on cash-acceleration initiatives during the pre-packaged bankruptcy filing of a \$1 billion health-club chain with more than 300 locations nationwide
- Provided financial advisory services during the Chapter 11 proceedings of a regional coal mine company, where he created a 13-week cash-flow forecast and monitored liquidity
- Performed a four-wall store-profitability analysis for a \$600 million Northeast-based arts-and-crafts retailer, where he analyzed store profitability trends and presented recommendations to management on the store footprint and closing plan

Mr. Hadiwijaya holds a bachelor’s degree in finance from the University of Texas. He is a Certified Insolvency Restructuring Advisor and a Chartered Financial Analyst.

Matthew Farrell, Senior Consultant

Matthew Farrell is skilled in financial modeling, risk assessment, mergers and acquisitions, financing and investment due diligence. He has experience in a variety of industries, including:

- Business Services
- Consumer Products
- Energy & Power
- Financial Services
- Insurance
- Manufacturing
- Retail
- Technology

Mr. Farrell has supported a number of investments with due diligence services, including various analyses and assessments, performance reviews, financial modeling and investment memoranda. Noteworthy accomplishments include:

- Assisted an \$8 billion poultry processor during its Chapter 11 restructuring process where he provided preference analysis, litigation support, creditor interaction, absolute priority analysis, claims analysis and settlement, and a liquidation analysis for the Disclosure Statement
- Led due diligence for the funding of an international finance company, where he subsequently developed a wind-down plan that included the run-off of its U.S. and Canadian assets and a successful sale of its U.K. business
- Developed a sale leaseback memorandum regarding the owned real estate for potential investors of a retail lumber company
- Lead account manager for a portfolio of investments valued at \$1 billion, where he provided due diligence services, including interim reporting and annual financial and operational performance reviews
- Assisted a business services company with funding for the acquisition of franchisees and refinancing of debt
- Developed an equipment liquidation analysis for a potential investment in a fractional jet company
- Assisted with a successful workout and refinancing of an investment in a consumer products company
- Enabled the financial restructuring of a geothermal power project by providing a \$150 million credit facility

Prior to joining CRG Partners, Mr. Farrell was an associate in the specialty lending group of Goldman, Sachs & Co., where he was responsible for underwriting, screening and managing investments in private debt and equity securities. Previously, Mr. Farrell was an investment analyst with Prudential Capital Group, where he focused on private debt and equity investments in electric utilities and power generation facilities.

Mr. Farrell holds a bachelor's degree from the University of Texas at Austin, where he majored in finance with a concentration in accounting. Mr. Farrell is also a level-three Chartered Financial Analyst candidate and will sit for part three of the Certified Insolvency and Restructuring Advisor exam.