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For the United States Trustee

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

In Re	§	**Chapter 11 Cases**
	§	
Pilgrim's Pride Corporation, et al,	§	**Case no. 08-45664-dml**
	§	
	§	**(Jointly Administered)**
	§	
Debtors-In-Possession	§	
	§	

United States Trustee's Objection to Unsecured Creditors Committee's Motion to Modify Ruling on Application for an Order Pursuant to Sections 328(a) and 1103(a) of the Bankruptcy Code and Rule 2014 of the Federal Rules of Bankruptcy Procedure Authorizing the Employment of Integrity Management Services, Inc. as Operational Consultant

TO THE HONORABLE D. MICHAEL LYNN,
UNITED STATES BANKRUPTCY JUDGE:

The United States Trustee for Region 6 objects to the Official Unsecured Creditors Committee's Motion to Modify Ruling on Application for Order Pursuant to Sections 328(a) and 1103(a) of the Bankruptcy Code and Rule 2014 of the Federal Rules of Bankruptcy Procedure Authorizing the Employment of Integrity Management Services, Inc. as Operational Consultant (ECF No. 2825, filed 07/28/2009) and respectfully states:

Jurisdiction

The United States Trustee agrees that this Court has subject matter jurisdiction under 28

U.S.C. §1334; that this employment issue is a core matter that the Bankruptcy Court has the power to resolve under 28 U.S.C. §157(b)(2)(A), (O); and that venue is proper.

Objection to Reconsideration

1. The Official Unsecured Creditors' Committee (UCC) seeks to modify the provision barring Budd Pilgrim, the owner of Integrity Management, from trading shares of PPC common stock until "the earliest of (1) 90 days after the conclusion of his employment by the UCC; (2) 90 days after the effective date of any plan confirmed for the parent debtor; and (3) entry of a further order of the court eliminating the restriction." *Motion to Modify, ¶ 5*. Although the UCC characterizes the trading prohibition as applying to Buddy Pilgrim's "trading his shares of PPC Common Stock," *Motion to Modify, ¶ 5,* the United States Trustee understands that the trading prohibition applies to the acquisition or sale of any type of PPC stock, including new issuances.

2. The Court afforded Buddy Pilgrim two other options: immediately divesting his PPC stock holdings, which the United States Trustee understood included a prohibition on additional trading, or putting the PPC stock holdings in a blind trust. These options comported with governmental financial conflict guidance. *5 C.F.R. §§ 2634.403* (blind trust); *2634.1004* (certificate of divestment). The United States Trustee informed the UCC's counsel that either of this options would be acceptable.

The Basis for the Court's Determination

3. The UCC, on behalf of Integrity Management and Pilgrim, complains that the ninety day trading restriction is "unnecessarily punitive, as no other stockholder[s] of the Debtors (including the Debtors' senior management, officers, and directors) are subject to any such 90-day post-effective date trading restriction."

4. Unlike other stockholders Buddy Pilgrim has created a fiduciary relationship representing

the interests of the UCC. His employment is subject to section 1103(a), which in turn engrafts section 328(c)'s requirements that the Court evaluate disinterest and "adverse interests" disclosures when deciding whether to award fees or deny retention. Generally, a "disinterested person" cannot be "an equity security holder." 11 U.S.C. §101(14)(A).

5. Here, Buddy Pilgrim has a series of other connections to the Debtor, and he owns stock. In the letter opinion, the Court emphasized, "I am troubled by the illogic of Pilgrim's willingness to forfeit control over common stock in the Debtors that is worth about $600,000 in favor of employment that might net him as little as $28,000." The Court added, "[a]s to public perception of the process, I believe any negatives there can be addressed by setting conditions on Integrity's employment. If Pilgrim's stock ownership is neutralized and oversight imposed on any post-emergence relationship between the Debtors and Pilgrim, criticism of his employment by the UCC should be defused." *July 14, 2009, Letter Ruling on Employment of Integrity Management, p. 5.*

6. As reflected by the Court's references to $600,000 in stock value versus $28,000 in professional fees, the concern when professionals hold adverse interests is that they are acting in their own self interest rather than the interest of their constituency. Deferring stock trading for ninety days after confirmation defuses any concern that Buddy Pilgrim was actually promoting his own self interest rather than the interests of the creditors' committee. While trading on insider information is a concern that applies to others as well as Mr. Pilgrim, here the Court is defusing a totally different concern: the perception that the employment itself is designed primarily to benefit Pilgrim's stock holdings rather than the UCC's interests. Arguably, requesting the modification evidences the very concern that led the Court to impose the restriction. Pilgrim would not care about trading restrictions if he was not concerned about

losses or gains on his stock.

7. The ninety days post-confirmation trading bar is a reasonable constriction under the facts. Altering the provision at this point would increase concerns about Integrity's motivations.

Conclusion

Wherefore, the United States Trustee requests that the Court deny the Motion to Modify, that the Court require tailoring in accordance with this objection, or that that the Court grant further proper relief.

DATED: August 3, 2009

Respectfully submitted,

WILLIAM T. NEARY
UNITED STATES TRUSTEE

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Certificate of Service

I, Lisa L. Lambert, certify that on August 3, 2009, I served a true copy of this document either by electronic case filing or by first class U.S. mail on the following parties and on those requesting notice by ECF:

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