NOTE C—BUSINESS ACQUISITION

On December 27, 2006, we acquired 45,343,812 shares, representing 88.9% of shares outstanding, of Gold Kist Inc. ("Gold Kist") common stock through a tender offer. We subsequently acquired all remaining Gold Kist shares and, on January 9, 2007, Gold Kist became a wholly owned subsidiary of the Company. Gold Kist, based in Atlanta, Georgia, was the third largest chicken company in the United States, accounting for more than nine percent of chicken produced in the United States in recent years. Gold Kist operated a fully−integrated chicken production business that included live production, processing, marketing and distribution.

For financial reporting purposes, we have not included the operating results and cash flows of Gold Kist in our consolidated financial statements for the period from December 27, 2006 through December 30, 2006. The operating results and cash flows of Gold Kist from December 27, 2006 through December 30, 2006 were not material. We have included the acquired assets and assumed liabilities in our balance sheet using an allocation of the purchase price based on an appraisal received from a third−party valuation specialist.

The following summarizes the purchase price for Gold Kist at December 27, 2006 (in thousands):

Purchase of 50,146,368 shares at $21.00 per share	$ 1,053,074
Premium paid on retirement of debt	22,208
Retirement of share−based compensation awards	25,677
Transaction costs and fees	37,740
Total purchase price	$ 1,138,699

We retired the Gold Kist 10 1/4% Senior Notes due 2014 with a book value of $128.5 million at a cost of $149.8 million plus accrued interest and the Gold Kist Subordinated Capital Certificates of Interest at par plus accrued interest and a premium of one year's interest. We also paid acquisition transaction costs and funded change in control payments to certain Gold Kist employees. This acquisition was initially funded by (i) $780.0 million borrowed under our revolving−term secured credit facility and (ii) $450.0 million borrowed under our $450.0 million Senior Unsecured Term Loan Agreement ("Bridge Loan"). For additional information, see Note L—Notes Payable and Long−Term Debt.

In connection with the acquisition, we elected to freeze certain of the Gold Kist benefit plans with the intent to ultimately terminate them. We recorded a purchase price adjustment of $65.6 million to increase the benefit plans liability to the $82.5 million current estimated cost of these plan terminations. We do not anticipate any material net periodic benefit costs (income) related to these plans in the future. Additionally, we conformed Gold Kist's accounting policies to our accounting policies and provided for deferred income taxes on all related purchase adjustments.

The following summarizes our estimates of the fair value of the assets acquired and liabilities assumed at the date of acquisition (in thousands):

Current assets	$ 418,583
Property, plant and equipment	674,444
Goodwill	499,669
Intangible assets	64,500
Other assets	65,597
Total assets acquired	1,722,793
Current liabilities	269,619
Long−term debt, less current maturities	140,674
Deferred income taxes	93,509
Other long−term liabilities	80,292
Total liabilities assumed	584,094
Total purchase price	$ 1,138,699

Goodwill and other intangible assets reflected above were determined to meet the criteria for recognition apart from tangible assets acquired and liabilities assumed. Intangible assets related to the acquisition consisted of the following at December 27, 2006:

	Estimated Fair Value	Amortization Period
	(In millions)	(In years)
Intangible assets subject to amortization:		
Customer relationships	$ 51,000	13.0
Trade name	13,200	3.0
Non−compete agreements	300	3.0
Total intangible assets subject to amortization	64,500	
Goodwill	499,669	
Total intangible assets	$ 564,169	
Weighted average amortization period		10.9

Goodwill, which is recognized in the Company's chicken segment, represents the purchase price in excess of the value assigned to identifiable tangible and intangible assets. We elected to acquire Gold Kist at a price that resulted in the recognition of goodwill because we believed the following strategic and financial benefits were present:

- The combined company would be positioned as the world's leading chicken producer and that position would provide us with enhanced abilities to:
  - Compete more efficiently and provide even better customer service;
  - Expand our geographic reach and customer base;
  - Further pursue value−added and prepared chicken opportunities; and
  - Offer long−term growth opportunities for our stockholders, employees, and growers.
- The combined company would be better positioned to compete in the industry both internationally and in the US as additional consolidation occurred.

As discussed in Note I—Goodwill, because of the deterioration in the chicken industry subsequent to the acquisition, the Company determined that this goodwill was fully impaired at September 27, 2008.

The amortizable intangible assets were determined by us to have finite lives. The useful life for the customer relationships intangible asset we recognized was based on our forecasts of customer turnover. The useful life for the trade name intangible asset we recognized was based on the estimated length of our use of the Gold Kist trade name while it is phased out and replaced with the Pilgrim's Pride trade name. The useful life of the non−compete agreements intangible asset we recognized was based on the remaining life of the agreements. We amortize these intangible assets over their remaining useful lives on a straight−line basis. Annual amortization expense for these intangible assets was $8.4 million in 2008 and $6.3 million in 2007. We expect to recognize annual amortization expense of $8.4 million in 2009, $5.1 million in 2010, $3.9 million in each year from 2011 through 2019, and $1.0 million in 2020.

The following unaudited pro forma financial information has been presented as if the acquisition had occurred at the beginning of each period presented.

	2007 Pro forma	2006 Pro forma
	(In thousands, except shares and per share data)	
Net sales	$ 8,026,422	$ 7,269,182
Depreciation and amortization	$ 228,539	$ 221,512
Operating income (loss)	$ 206,640	$ (45,482)
Interest expense, net	$ 144,354	$ 123,726
Income (loss) from continuing operations before taxes	$ 43,900	$ (163,049)
Income (loss) from continuing operations	$ 17,331	$ (112,538)
Net income (loss)	$ 12,832	$ (118,571)
Income (loss) from continuing operations per common share	$ 0.26	$ (1.69)
Net income (loss) per common share	$ 0.19	$ (1.78)
Weighted average shares outstanding	66,555,733	66,555,733

NOTE D—DISCONTINUED BUSINESS

The Company sold certain assets of its turkey business for $18.6 million and recognized a gain of $1.5 million ($0.9 million, net of tax) during 2008 that is included in the line item Gain on sale of discontinued business, net of tax in the 2008 Consolidated Statement of Operations. This business was composed of substantially our entire former turkey segment. The results of this business are included in the line item Income (loss) from operation of discontinued business, net of tax in the Consolidated Statements of Operations for all periods presented.

For a period of time, we will continue to incur cash flow activities that are associated with our former turkey business. These activities are transitional in nature. We have entered into a short−term co−pack agreement with the acquirer of the former turkey business under which they will process turkeys for sale to our customers through the end of 2008. For the period of time until we have collected funds on the sale of these turkeys, we will continue to incur cash flow activity and to report operating activity, although at a substantially reduced level. Upon completion of these activities, the cash flows and the operating activity will be eliminated.

Neither our continued involvement in the distribution and sale of these turkeys or the co−pack agreement confers upon us the ability to influence the operating and/or financial policies of the turkey business under its new ownership.

No debt was assumed by the acquirer of the discontinued turkey business or required to be repaid as a result of the disposal transaction. We elected to allocate to the discontinued turkey operation other consolidated interest that was not directly attributable to or related to other operations of the Company based on the ratio of net assets to be sold or discontinued to the sum of the total net assets of the Company plus consolidated debt. Interest allocated to the discontinued business totaled $1.4 million, $2.6 million, and $1.6 million in 2008, 2007 and 2006, respectively.

The following amounts related to our turkey business have been segregated from continuing operations and included in the line items Income (loss) from operation of discontinued business, net of tax and Gain on sale of discontinued business, net of tax in the Consolidated Statements of Operations:

	2008	2007	2006
		(In thousands)	
Net sales	$ 86,261	$ 99,987	$ 82,836
Loss from operation of discontinued business before income taxes	$ (11,746)	$ (7,228)	$ (9,691)
Income tax benefit	(4,434)	(2,729)	(3,658)
Loss from operation of discontinued business, net of tax	$ (7,312)	$ (4,499)	$ (6,033)
Gain on sale of discontinued business before income taxes	$ 1,450	$ —	$ —
Income tax expense	547	—	—
Gain on sale of discontinued business, net of tax	$ 903	$ —	$ —

Property, plant and equipment related to our turkey business in the amount of $15.5 million was segregated and included in the line item Assets held for sale in the Consolidated Balance Sheet as of September 29, 2007. The following assets and liabilities related to our turkey business have been segregated and included in the line items Assets of discontinued business and Liabilities of discontinued business, as appropriate, in the Consolidated Balance Sheets as of September 27, 2008 and September 29, 2007.

	September 27, 2008	September 29, 2007
	(In thousands)	
Trade accounts and other receivables, less allowance for doubtful accounts	$ 5,881	$ 16,687
Inventories	27,638	36,545
Assets of discontinued business	$ 33,519	$ 53,232
Accounts payable	$ 7,737	$ 3,804
Accrued expenses	3,046	2,752
Liabilities of discontinued business	$ 10,783	$ 6,556

NOTE E—RESTRUCTURING ACTIVITIES

During 2008, the Company completed the following restructuring activities:

- Closed two processing complexes in Arkansas and North Carolina,
- Idled a processing complex in Louisiana,
- Transferred certain operations previously performed at a processing complex in Arkansas to other complexes,
- Closed seven distribution centers in Florida (2), Iowa, Mississippi, Ohio, Tennessee and Texas, and
- Closed an administrative office building in Georgia.

The Company's Board of Directors approved the actions as part of a plan intended to curtail losses amid record−high costs for corn, soybean meal and other feed ingredients and an oversupply of chicken in the United States. The actions began in March 2008 and were completed in September 2008. The affected processing complexes and distribution centers employed approximately 2,300 individuals. Virtually all of these individuals were impacted by the restructuring activities.

The Company recognized impairment charges during 2008 to reduce the carrying amounts of the following assets located at or related to the facilities discussed above to their estimated fair values:

	Impairment Charge
	(In thousands)
Property, plant and equipment	$ 10,210
Inventories	2,021
Intangible assets	852
Total	$ 13,083

Consistent with our previous practice and because management believes the realization of the carrying amount of the affected assets is directly related to the Company's production activities, the charges were reported as a component of gross profit (loss).

Results of operations for 2008 included restructuring charges totaling $16.2 million related to these actions. All of the restructuring charges, with the exception of certain lease commitment costs, have resulted in cash expenditures or will result in cash expenditures within one year.

The following table sets forth restructuring activity that occurred during 2008:

	September 29, 2007	2008 Accruals	2008 Payments	September 27, 2008
	(In thousands)			
Lease continuation	$ —	$ 4,778	$ 312	$ 4,466
Severance and employee retention	—	4,000	1,306	2,694
Grower compensation	—	3,989	—	3,989
Other restructuring costs	—	3,389	1,727	1,662
Total	$ —	$ 16,156	$ 3,345	$ 12,811

Consistent with the Company's previous practice and because management believes these costs are related to ceasing production at these facilities and not directly related to the Company's ongoing production, they are classified as a component of operating income (expense).

We continue to review our business strategies and evaluate further restructuring activities. This could result in additional restructuring charges in future periods.

NOTE F—RECEIVABLES

Trade accounts and other receivables, less allowance for doubtful accounts, consisted of the following:

	September 27, 2008	September 29, 2007
	(In thousands)	
Trade accounts receivable	$ 135,003	$ 89,555
Other receivables	13,854	30,140
	148,857	119,695
Allowance for doubtful accounts	(4,701)	(5,017)
Receivables, net	$ 144,156	$ 114,678

In connection with the RPA, the Company sold, on a revolving basis, certain of its trade receivables (the "Pooled Receivables") to a special purpose entity ("SPE") wholly owned by the Company, which in turn sold a percentage ownership interest to third parties. The SPE was a separate corporate entity and its assets were available first and foremost to satisfy the claims of its creditors. The aggregate amount of Pooled Receivables sold plus the remaining Pooled Receivables available for sale under this RPA declined from $300.0 million at September 29, 2007 to $236.3 million at September 27, 2008. The outstanding amount of Pooled Receivables sold at September 27, 2008 and September 29, 2007 were $236.3 million and $300.0 million, respectively. The gross proceeds resulting from the sale are included in cash flows from operating activities in the Consolidated Statements of Cash Flows. The losses recognized on the sold receivables during 2008 and 2007 were not material. On December 3, 2008, the RPA was terminated and all receivables thereunder were repurchased with proceeds of borrowings under the DIP Credit Agreement.

NOTE G—INVENTORIES

Inventories consist of the following:

	September 27, 2008	September 29, 2007
	(In thousands)	
Chicken:		
Live chicken and hens	$ 385,511	$ 343,185
Feed and eggs	265,959	223,631
Finished chicken products	365,123	337,052
Total chicken inventories	1,016,593	903,868
Other products:		
Commercial feed, table eggs, retail farm store and other	$ 13,358	$ 11,327
Distribution inventories (other than chicken products)	6,212	10,145
Total other products inventories	19,570	21,472
Total inventories	$ 1,036,163	$ 925,340

Inventories included a lower−of−cost−or−market allowance of $26.6 million at September 27, 2008. Inventories did not include a lower−of−cost−or−market allowance at September 29, 2007.

NOTE H—INVESTMENTS IN AVAILABLE−FOR−SALE SECURITIES

The following is a summary of our current and long−term investments in available−for−sale securities:

	September 27, 2008	September 29, 2007
Current investments:	(In thousands)	
Fixed income securities	$ 9,835	$ 7,549
Other	604	604
Total current investments	$ 10,439	$ 8,153
Long−term investments:		
Fixed income securities	$ 44,127	$ 35,451
Equity securities	9,775	9,591
Other	1,952	993
	$ 55,854	$ 46,035

The Company and certain retirement plans that it sponsors invest in a variety of financial instruments. In response to the continued turbulence in global financial markets, we have analyzed our portfolios of investments and, to the best of our knowledge, none of our investments, including money market funds units, commercial paper and municipal securities, have been downgraded because of this turbulence, and neither we nor any fund in which we participate hold significant amounts of structured investment vehicles, mortgage backed securities, collateralized debt obligations, auction−rate securities, credit derivatives, hedge funds investments, fund of funds investments or perpetual preferred securities.

Certain investments are held in trust as compensating balance arrangements for our insurance liability and are classified as long−term based on a maturity date greater than one year from the balance sheet date and management's intention not to use such assets in the next twelve months.

Maturities for the Company's investments in fixed income securities as of September 27, 2008 were as follows:

	Amount	Percent
	(In thousands)	
Matures in less than one year	$ 9,835	18.2%
Matures between one and two years	7,952	14.8%
Matures between two and five years	28,690	53.1%
Matures in excess of five years	7,485	13.9%
	$ 53,962	100.0%

The Company has recorded unrealized pretax losses totaling $1.4 million, related to its investments at September 27, 2008 as accumulated other comprehensive income, a separate component of stockholders' equity.

NOTE I—GOODWILL AND IDENTIFIED INTANGIBLE ASSETS

The Company generally plans to perform its annual impairment test of goodwill at the beginning of its fourth quarter. However, the Company evaluated goodwill as of September 27, 2008 because of the significant deterioration in the operating environment during the fourth quarter of 2008. The Company's impairment test resulted in a non−cash, pretax impairment charge of $501.4 million ($7.40 per share) related to a write−down of the goodwill reported in the Chicken segment. The goodwill was primarily related to the 2007 acquisition of Gold Kist. The charge is not tax deductible because the acquisition of Gold Kist was structured as a tax−free stock transaction. The impairment charge is included in the line item Goodwill impairment in the Consolidated Statement of Operations for the year ended September 27, 2008.

The impairment of goodwill mainly resulted from declines in current and projected operating results and cash flows of the Company because of, among other factors, record−high costs for corn, soybean meal and other feed ingredients and an oversupply of chicken and other animal−based proteins in the United States. These factors resulted in the carrying value of the goodwill being greater than its implied fair value; therefore, a write−down to the implied fair value was required.

The implied fair value of goodwill is the residual fair value after allocating the total fair value of the Company to its other assets, net of liabilities. The total fair value of the Company was estimated using a combination of a discounted cash flow model (present value of future cash flows) and a market approach model (a multiple of various metrics based on comparable businesses and market transactions).

Identified intangible assets consisted of the following:

	Useful Life (Years)	Original Cost	Accumulated Amortization	Carrying Amount
			(In thousands)	
September 27, 2008:				
Trade names	3–15	$ 39,271	$ (16,168)	$ 23,103
Customer relationships	13	51,000	(6,865)	44,135
Non−compete agreement and other identified intangibles	3–15	300	(175)	125
Total intangible assets		$ 90,571	$ (23,208)	$ 67,363
September 29, 2007:				
Trade names		$ 39,271	$ (10,007)	$ 29,264
Customer relationships		51,000	(2,943)	48,057
Non−compete agreement and other identified intangibles		1,343	(231)	1,112
Total identified intangible assets		$ 91,614	$ (13,181)	$ 78,433

We recognized amortization expense of $10.2 million, $8.1 million and $1.8 million in 2008, 2007 and 2006, respectively.

We expect to recognize amortization expense associated with identified intangible assets of $10.2 million in 2009, $6.8 million in 2010 and $5.7 million in each year from 2011 through 2013.

NOTE J—PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, net consisted of the following:

	September 27, 2008	September 29, 2007
	(In thousands)	
Land	$ 111,567	$ 114,365
Buildings, machinery and equipment	2,465,608	2,366,418
Autos and trucks	64,272	59,489
Construction−in−progress	74,307	123,001
Property, plant and equipment, gross	2,715,754	2,663,273
Accumulated depreciation	(1,042,750)	(879,844)
Property, plant and equipment, net	$ 1,673,004	$ 1,783,429

Impairment

The Company recognized non−cash asset impairment charges totaling $10.2 million during 2008 to reduce the carrying amounts of certain property, plant and equipment located at the facilities discussed in Note E—Restructuring Activities to their estimated fair values.

Depreciation

We recognized depreciation expense related to our continuing operations of $224.4 million, $188.6 million and $129.3 million in 2008, 2007 and 2006, respectively. We also recognized depreciation charges related to our discontinued turkey business of $0.7 million, $1.6 million and $1.4 million in 2008, 2007 and 2006, respectively.

Assets Held for Sale

During 2008, the Company classified certain assets in the amount of $19.8 million related to its closed production complexes in North Carolina and Arkansas and its closed distribution centers in Florida and Texas as assets held for sale. The Company sold certain assets related to one of its closed distribution centers in Florida for $4.4 million in the third quarter of 2008 and recognized a gain of $2.0 million. At September 27, 2008, the Company reported $17.4 million of assets held for sale on its Consolidated Balance Sheet.

NOTE K—ACCRUED EXPENSES

Accrued expenses consisted of the following:

	September 27, 2008	September 29, 2007
	(In thousands)	
Compensation and benefits	$ 118,803	$ 159,322
Interest and debt maintenance	35,488	49,100
Self insurance	170,787	158,851
Other	123,745	129,989
Total	$ 448,823	$ 497,262

NOTE L—NOTES PAYABLE AND LONG−TERM DEBT

As previously discussed under Note A—Business, Chapter 11 Bankruptcy Filing and Process and Going Concern Matters, the Company filed for bankruptcy protection on December 1, 2008. The following discussion has two distinct sections, the first relating to our notes payable and long−term debt at September 27, 2008 and the second discussing our notes payable and long−term debt after filing for Chapter 11 bankruptcy protection on December 1, 2008.

Notes Payable and Long−Term Debt at September 27, 2008

Our notes payable and long−term debt consisted of the following:

	Final Maturity	September 27, 2008	September 29, 2007
		(In thousands)	
Senior unsecured notes, at 7 5/8%	2015	$ 400,000	$ 400,000
Senior subordinated unsecured notes, at 8 3/8%	2017	250,000	250,000
Secured revolving credit facility with notes payable at LIBOR plus 1.25% to LIBOR plus 2.75%	2013	181,900	—
Secured revolving credit facility with notes payable at LIBOR plus 1.65% to LIBOR plus 3.125%	2011	51,613	26,293
Secured revolving/term credit facility with four notes payable at LIBOR plus a spread, one note payable at 7.34% and one note payable at 7.56%	2016	1,035,250	622,350
Other	Various	23,220	22,787
Notes payable and long−term debt		1,941,983	1,321,430
Current maturities of long−term debt		(1,874,469)	(2,872)
Notes payable and long−term debt, less current maturities		$ 67,514	$ 1,318,558

In September 2006, the Company entered into an amended and restated revolver/term credit agreement with a maturity date of September 21, 2016. At September 27, 2008 this revolver/term credit agreement provided for an aggregate commitment of $1.172 billion consisting of (i) a $550 million revolving/term loan commitment and (ii) $622.4 million in various term loans. At September 27, 2008, the Company had $415.0 million outstanding under the revolver and $620.3 million outstanding in various term loans. The total credit facility is presently secured by certain fixed assets. On September 21, 2011, outstanding borrowings under the revolving/term loan commitment will be converted to a term loan maturing on September 21, 2016. The fixed rate term loans bear interest at rates ranging from 7.34% to 7.56%. The voluntary converted loans bear interest at rates ranging from LIBOR plus 1.0%−2.0%, depending upon the Company's total debt to capitalization ratio. The floating rate term loans bear interest at LIBOR plus 1.50%−1.75% based on the ratio of the Company's debt to EBITDA, as defined in the agreement. The revolving/term loans provide for interest rates ranging from LIBOR plus 1.0%−2.0%, depending upon the Company's total debt to capitalization ratio. Commitment fees charged on the unused balance of this facility range from 0.20% to 0.40%, depending upon the Company's total debt to capitalization ratio. In connection with temporary amendments to certain of the financial covenants in this agreement on April 30, 2008, the interest rates were temporarily increased until September 26, 2009 to the following ranges: (i) voluntary converted loans: LIBOR plus 1.5%−3.0%; (ii) floating rate terms loans: LIBOR plus 2.00%−2.75%; and (iii) revolving term loans: LIBOR plus 1.5%−3.0%. In connection with these amendments, the commitment fees were temporarily increased for the same period to range from 0.275%−0.525%. As a result of the Company's Chapter 11 filing, after December 1, 2008, interest will accrue at the default rate, which is two percent above the interest rate otherwise applicable under the credit agreement. One−half of the outstanding obligations under the revolver/term credit agreement are guaranteed by Pilgrim Interests, Ltd., an entity affiliated with our Senior Chairman, Lonnie "Bo" Pilgrim. The filing of the bankruptcy petitions also constituted an event of default under this credit agreement. The total principal amount owed under this credit agreement was approximately $1,126.4 million as of December 1, 2008. As a result of such event of default, all obligations under the agreement became automatically and immediately due and payable, subject to an automatic stay of any action to collect, assert, or recover a claim against the Company and the application of applicable bankruptcy law.

In January 2007, the Company borrowed (i) $780 million under our revolver/term credit agreement and (ii) $450 million under our Bridge Loan agreement to fund the Gold Kist acquisition. On January 24, 2007, the Company closed on the sale of $400 million of 7 5/8% Senior Notes due 2015 (the "Senior Notes") and $250 million of 8 3/8% Senior Subordinated Notes due 2017 (the "Subordinated Notes"), sold at par. Interest is payable on May 1 and November 1 of each year, beginning November 1, 2007. Prior to the Chapter 11 filings, the notes were subject to certain early redemption features. The proceeds from the sale of the notes, after underwriting discounts, were used to (i) retire the loans outstanding under our Bridge Loan agreement, (ii) repurchase $77.5 million of the Company's 9 1/4% Senior Subordinated Notes due 2013 at a premium of $7.4 million plus accrued interest of $1.3 million and (iii) reduce outstanding revolving loans under our revolving/term credit agreement. Loss on early extinguishment of debt includes the $7.4 million premium along with unamortized loan costs of $7.1 million related to the retirement of these Notes.

In September 2007, the Company redeemed all of its 9 5/8% Senior Notes due 2011 at a total cost of $307.5 million. To fund a portion of the aggregate redemption price, the Company sold $300 million of trade receivables under the RPA. Loss on early extinguishment of debt includes the $9.5 million premium along with unamortized loan costs of $2.5 million related to the retirement of these Notes.

In February 2007, the Company entered into a domestic revolving credit agreement of up to $300.0 million with a final maturity date of February 18, 2013. The associated revolving credit facility provided for interest rates ranging from LIBOR plus 0.75−1.75%, depending upon our total debt to capitalization ratio. The obligations under this facility are secured by domestic chicken inventories and receivables that were not sold pursuant to the RPA. Commitment fees charged on the unused balance of this facility range from 0.175% to 0.35%, depending upon the Company's total debt to capitalization ratio. In connection with temporary amendments to certain of the financial covenants in this agreement on April 30, 2008, the interest rates were temporarily increased until September 26, 2009 to range between LIBOR plus 1.25%−2.75%. In connection with these amendments, the commitment fees were temporarily increased for the same period to range from 0.25%−0.50%. As a result of the Company's Chapter 11 filing, after December 1, 2008, interest will accrue at the default rate, which is two percent above the interest rate otherwise applicable under the credit agreement. One−half of the outstanding obligations under the domestic revolving credit facility are guaranteed by Pilgrim Interests, Ltd., an entity affiliated with our Senior Chairman, Lonnie "Bo" Pilgrim. The filing of the bankruptcy petitions also constituted an event of default under this credit agreement. The total principal amount owed under this credit agreement was approximately $199.5 million as of December 1, 2008. As a result of such event of default, all obligations under the agreement became automatically and immediately due and payable, subject to an automatic stay of any action to collect, assert, or recover a claim against the Company and the application of applicable bankruptcy law.

In September 2006, a subsidiary of the Company, Avícola Pilgrim's Pride de México, S. de R.L. de C.V. (the "Borrower"), entered into a secured revolving credit agreement of up to $75 million with a final maturity date of September 25, 2011. In March 2007, the Borrower elected to reduce the commitment under this agreement to 558 million Mexican pesos, a US dollar−equivalent 51.6 million at September 27, 2008. Outstanding amounts bear interest at rates ranging from the higher of the Prime Rate or Federal Funds Effective Rate plus 0.5%; LIBOR plus 1.65%−3.125%; or TIIE plus 1.05%−2.55% depending on the loan designation. Obligations under this agreement are secured by a security interest in and lien upon all capital stock and other equity interests of the Company's Mexican subsidiaries. All the obligations of the Borrower are secured by unconditional guaranty by the Company. At September 27, 2008, $51.6 million was outstanding and no other funds were available for borrowing under this line. Borrowings are subject to "no material adverse effect" provisions.

On November 30, 2008, the Company and certain non−Debtor Mexico subsidiaries of the Company (the "Mexico Subsidiaries") entered into a Waiver Agreement and Second Amendment to Credit Agreement (the "Waiver Agreement") with ING Capital LLC, as agent (the "Mexico Agent"), and the lenders signatory thereto (the "Mexico Lenders"). Under the Waiver Agreement, the Mexico Agent and the Mexico Lenders waived any default or event of default under the Credit Agreement dated as of September 25, 2006, by and among the Company, the Mexico Subsidiaries, the Mexico Agent and the Mexico Lenders, the administrative agent, and the lenders parties thereto (the "ING Credit Agreement"), resulting from the Company's filing of its bankruptcy petition with the Bankruptcy Court. Pursuant to the Waiver Agreement, outstanding amounts under the ING Credit Agreement now bear interest at a rate per annum equal to: the LIBOR Rate, the Base Rate, or the TIIE Rate, as applicable, plus the Applicable Margin (as those terms are defined in the ING Credit Agreement). While the Company is operating under its petitions for reorganization relief, the Waiver Agreement provides for an Applicable Margin for LIBOR loans, Base Rate loans, and TIIE loans of 6.0%, 4.0%, and 5.8%, respectively. The Waiver Agreement further amended the ING Credit Agreement to require the Company to make a mandatory prepayment of the revolving loans, in an aggregate amount equal to 100% of the net cash proceeds received by any Mexico Subsidiary, as applicable, in excess of thresholds specified in the ING Credit Agreement (i) from the occurrence of certain asset sales by the Mexico Subsidiaries; (ii) from the occurrence of any casualty or other insured damage to, or any taking under power of eminent domain or by condemnation or similar proceedings of, any property or asset of any Mexico Subsidiary; or (iii) from the incurrence of certain indebtedness by a Mexico Subsidiary. Any such mandatory prepayments will permanently reduce the amount of the commitment under the ING Credit Agreement. In connection with the Waiver Agreement, the Mexico Subsidiaries pledged substantially all of their receivables, inventory, and equipment and certain fixed assets.

Our loan agreements generally obligate us to reimburse the applicable lender for incremental increased costs due to a change in law that imposes (i) any reserve or special deposit requirement against assets of, deposits with or credit extended by such lender related to the loan, (ii) any tax, duty or other charge with respect to the loan (except standard income tax) or (iii) capital adequacy requirements. In addition, some of our loan agreements contain a withholding tax provision that requires us to pay additional amounts to the applicable lender or other financing party, generally if withholding taxes are imposed on such lender or other financing party as a result of a change in the applicable tax law. These increased cost and withholding tax provisions continue for the entire term of the applicable transaction, and there is no limitation on the maximum additional amounts we could be obligated to pay under such provisions.

In June 1999, the Camp County Industrial Development Corporation issued $25.0 million of variable−rate environmental facilities revenue bonds supported by letters of credit obtained by us. At September 27, 2008 and prior to our bankruptcy filing, the proceeds were available for the Company to draw from over the construction period in order to construct new sewage and solid waste disposal facilities at a poultry by−products plant in Camp County, Texas. There was no requirement that we borrow the full amount of the proceeds from these revenue bonds and we had not drawn on the proceeds or commenced construction of the facility as of September 27, 2008. Had the Company borrowed these funds, they would have become due in 2029. The revenue bonds are supported by letters of credit obtained by us under our revolving credit facilities, which are secured by our domestic chicken inventories. The bonds would have been recorded as debt of the Company if and when they were spent to fund construction. The original proceeds from the issuance of the revenue bonds continue to be held by the trustee of the bonds. The interest payment on the revenue bonds, which was due on December 1, 2008, was not paid. The filing of the bankruptcy petitions constituted an event of default under these bonds. As a result of the event of default, the trustee has the right to accelerate all obligations under the bonds such that they become immediately due and payable, subject to an automatic stay of any action to collect, assert, or recover a claim against the Company and the application of applicable bankruptcy law. In addition, the holders of the bonds may tender the bonds for remarketing at any time. We have been notified that the holders have tendered the bonds, which are required to be remarketed on or before December 16, 2008. If the bonds are not successfully remarketed by that date, the holders of the bonds may draw upon the letters of credit supporting the bonds.

Most of our domestic inventories and domestic fixed assets are pledged as collateral on our long−term debt and credit facilities.

At September 27, 2008, the Company was not in compliance with the provisions that required it to maintain levels of working capital and net worth and to maintain various fixed charge, leverage, current and debt−to−equity ratios. In September 2008, the Company notified its lenders that it expected to incur a significant loss in the fourth quarter of 2008 and entered into agreements with them to temporarily waive the fixed−charge coverage ratio covenant under its credit facilities. The lenders agreed to continue to provide liquidity under the credit facilities during the thirty−day period ended October 28, 2008. On October 27, 2008, the Company entered into further agreements with its lenders to temporarily waive the fixed−charge coverage ratio and leverage ratio covenants under its credit facilities. The lenders agreed to continue to provide liquidity under the credit facilities during the thirty−day period ended November 26, 2008. On November 26, 2008, the Company entered into further agreements with its lenders to extend the temporary waivers until December 1, 2008.

The filing of the bankruptcy petitions also constituted an event of default under the 7 5/8% Senior Notes due 2015, the 8 3/8% Senior Subordinated Notes due 2017 and the 9 1/4% Senior Subordinated Notes due 2013. The total principal amount of the Notes was approximately $657 million as of December 1, 2008. As a result of such event of default, all obligations under the Notes became automatically and immediately due and payable, subject to an automatic stay of any action to collect, assert, or recover a claim against the Company and the application of applicable bankruptcy law.

Assuming no amounts are accelerated, annual maturities of long−term debt for the five years subsequent to September 27, 2008 are: 2009—$2.4 million; 2010—$2.4 million; 2011—$54.3 million; 2012—$2.5 million; 2013—$200.9 million and thereafter—$1,679.4 million.

Total interest expense was $134.2 million, $123.2 million and $49.0 million in 2008, 2007 and 2006, respectively. Interest related to new construction capitalized in 2008, 2007 and 2006 was $5.3 million, $5.7 million and $4.3 million, respectively.

The fair value of our public debt obligations at September 27, 2008 based upon quoted market prices for the issues, was approximately $371.2 million. Due to our current financial condition, our public debt is trading at a substantial discount. As of November 28, 2008, the most recent trades of our 7 5/8% senior unsecured notes and 8 3/8% senior subordinated unsecured notes were executed at $14.00 per $100.00 par value and $4.50 per $100.00 par value, respectively. Management also expects that the fair value of our non−public credit facilities has also decreased, but cannot reliably estimate the fair value at this time.

Notes Payable and Long−Term Debt after Chapter 11 Bankruptcy Filings

The filing of the Chapter 11 petitions constituted an event of default under certain of our debt obligations, and those debt obligations became automatically and immediately due and payable, subject to an automatic stay of any action to collect, assert, or recover a claim against the Company and the application of applicable bankruptcy law. As a result, the accompanying Consolidated Balance Sheet as of September 27, 2008 includes a reclassification of $1,872.1 million to reflect as current certain long−term debt under its credit facilities that became automatically and immediately due and payable.

On December 2, 2008, the Bankruptcy Court granted interim approval authorizing the Company and US Subsidiaries to enter into the DIP Credit Agreement among the Company, as borrower, the US Subsidiaries, as guarantors, Bank of Montreal, as agent, and the lenders party thereto. On December 2, 2008, the Company, the US Subsidiaries and the other parties entered into the DIP Credit Agreement, subject to final approval of the Bankruptcy Court.

The DIP Credit Agreement provides for an aggregate commitment of up to $450 million, which permits borrowings on a revolving basis. The Company received interim approval to access $365 million of the commitment pending issuance of the final order by the Bankruptcy Court. Outstanding borrowings under the DIP Credit Agreement will bear interest at a per annum rate equal to 8.0% plus the greatest of (i) the prime rate as established by the DIP agent from time to time, (ii) the average federal funds rate plus 0.5%, or (iii) the LIBOR rate plus 1.0%, payable monthly. The loans under the DIP Credit Agreement were used to repurchase all receivables sold under the Company's RPA and may be used to fund the working capital requirements of the Company and its subsidiaries according to a budget as approved by the required lenders under the DIP Credit Agreement. For additional information on the RPA, see Note F—Accounts Receivable.

Actual borrowings by the Company under the DIP Credit Agreement are subject to a borrowing base, which is a formula based on certain eligible inventory and eligible receivables. The borrowing base formula is reduced by pre−petition obligations under the Fourth Amended and Restated Secured Credit Agreement dated as of February 8, 2007, among the Company and certain of its subsidiaries, Bank of Montreal, as administrative agent, and the lenders parties thereto, as amended, administrative and professional expenses, and the amount owed by the Company and the Debtor Subsidiaries to any person on account of the purchase price of agricultural products or services (including poultry and livestock) if that person is entitled to any grower's or producer's lien or other security arrangement. The borrowing base is also limited to 2.22 times the formula amount of total eligible receivables. As of December 6, 2008, the applicable borrowing base was $324.8 million and the amount available for borrowings under the DIP Credit Agreement was $201.2 million.

The principal amount of outstanding loans under the DIP Credit Agreement, together with accrued and unpaid interest thereon, are payable in full at maturity on December 1, 2009, subject to extension for an additional six months with the approval of all lenders thereunder. All obligations under the DIP Credit Agreement are unconditionally guaranteed by the US Subsidiaries and are secured by a first priority priming lien on substantially all of the assets of the Company and the US Subsidiaries, subject to specified permitted liens in the DIP Credit Agreement.

Under the terms of the DIP Credit Agreement and applicable bankruptcy law, the Company may not pay dividends on the common stock while it is in bankruptcy. Any payment of future dividends and the amounts thereof will depend on our emergence from bankruptcy, our earnings, our financial requirements and other factors deemed relevant by our Board of Directors at the time.

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NOTE M—INCOME TAXES

Income (loss) from continuing operations before income taxes by jurisdiction is as follows:

	2008	2007	2006
		(In thousands)	
US	$ (1,165,208)	$ 87,235	$ (10,026)
Foreign	(21,885)	11,600	(16,600)
Total	$ (1,187,093)	$ 98,835	$ (26,626)

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

	2008	2007	2006
		(In thousands)	
Current:			
Federal	$ 925	$ (35,434)	$ (20,294)
Foreign	(1,649)	1,573	5,130
State and other	1,747	(2,704)	(3,718)
Total current	1,023	(36,565)	(18,882)
Deferred:			
Federal	(212,151)	73,285	9,511
Foreign	35,277	(1,637)	10,221
State and other	(19,070)	12,236	723
Total deferred	(195,944)	83,884	20,455
	$ (194,921)	$ 47,319	$ 1,573

The effective tax rate for continuing operations for 2008 was (16.4%) compared to 47.9% for 2007. The effective tax rate for 2008 differed from 2007 primarily as a result of net operating losses incurred in 2008 which are offset by the tax effect of goodwill impairment and valuation allowances established for deferred tax assets we believe no longer meet the more likely than not realization criteria of SFAS 109, Accounting for Income Taxes.

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The following table reconciles the statutory US federal income tax rate to the Company's effective income tax rate:

	2008	2007	2006
Federal income tax rate	(35.0) %	35.0%	(35.0) %
State tax rate, net	(2.2)	2.6	—
Permanent items	0.8	2.7	—
Difference in US statutory tax rate and foreign country effective tax rate	0.2	(0.7)	(1.4)
Goodwill impairment	14.8	—	—
Tax credits	(0.5)	(7.4)	(17.9)
Tax effect of American Jobs Creation Act repatriation	—	—	93.1
Currency related differences	—	3.5	11.5
Change in contingency / FIN 48 reserves	0.2	6.3	(40.5)
Change in valuation allowance	6.0	—	—
Change in tax rate	—	3.0	—
Other	(0.7)	2.9	(4.0)
Total	(16.4) %	47.9%	5.8%

Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax liabilities and assets are as follows:

	2008	2007
	(In thousands)	
Deferred tax liabilities:		
Property and equipment	$ 207,706	$ 256,341
Inventories	84,261	109,410
Prior use of cash accounting	15,243	16,936
Acquisition−related items	13,832	14,820
Deferred foreign taxes	30,361	25,002
Identified intangibles	23,346	29,266
Other	6,722	51,654
Total deferred tax liabilities	381,471	503,429
Deferred tax assets:		
Net operating losses	212,421	—
Foreign net operating losses	50,824	41,257
Credit carry forwards	20,322	—
Expenses deductible in different years	142,619	143,697
Subtotal	426,186	184,954
Valuation allowance	(71,158)	—
Total deferred tax assets	355,028	184,954
Net deferred tax liabilities	$ 26,443	$ 318,475

The Company maintains valuation allowances when it is more likely than not that all or a portion of a deferred tax asset will not be realized. Changes in valuation allowances from period to period are included in the tax provision in the period of change. We evaluate the recoverability of our deferred income tax assets by assessing the need for a valuation allowance on a quarterly basis. If we determine that it is more likely than not that our deferred income tax assets will be recovered, the valuation allowance will be reduced.

At September 27, 2008, domestically we have recorded gross deferred tax assets of approximately $1,717.2 million with a valuation allowance of $24.6 million, offset by gross deferred tax liabilities of $1,693.0 million. In Mexico, we have recorded gross deferred tax assets of approximately $87.0 million with a valuation allowance of approximately $46.6 million, offset by deferred tax liabilities of $66.9 million.

Due to a recent history of losses, the Company does not believe it has sufficient positive evidence to conclude that realization of its net deferred tax asset position at September 27, 2008 in the US and Mexico is more likely than not.

As of September 27, 2008, the Company had US federal net operating loss carry forwards in the amount of $608.0 million that will begin to expire in 2027 and state net operating loss carry forwards in the amount of $523.7 million that will begin to expire in 2009. The Company also had Mexico net operating loss carry forwards at September 27, 2008 approximating $191.3 million that will begin to expire in 2011.

The Company has not provided any deferred income taxes on the undistributed earnings of its Mexico subsidiaries based upon the determination that such earnings will be indefinitely reinvested. As of September 27, 2008, the cumulative undistributed earnings of these subsidiaries were approximately $38.0 million. If such earnings were not considered indefinitely reinvested, certain deferred foreign and US income taxes would have been provided, after consideration of estimated foreign tax credits.

In October 2007, Mexico's legislative bodies enacted La Ley del Impuesto Empresarial a Tasa Unica ("IETU"), a new minimum corporate tax that was assessed on companies doing business in Mexico beginning January 1, 2008. While the Company has determined that it does not anticipate paying any significant taxes under IETU, the new law did affect the Company's tax planning strategies to fully realize its deferred tax assets under Mexico's regular income tax. The Company has evaluated the impact of IETU on its Mexico operations, and because of the treatment of net operating losses under the new law, established a valuation allowance for net operating losses it believes do not meet the more likely than not realization criteria of SFAS No. 109, Accounting for Income Taxes. This valuation allowance resulted in a $24.5 million charge to tax expense for 2008.

During the fourth quarter of 2006, the Company repatriated $155.0 million in previously unremitted, untaxed earnings under the provisions of the American Jobs Creation Act ("AJCA"). The AJCA, which was enacted in October 2004, included a temporary incentive to US multinationals to repatriate foreign earnings at an approximate effective 5.25% US federal tax rate. The total income tax effect of repatriations under the AJCA was $28.2 million.

The Company adopted the provisions of FIN 48 on September 30, 2007, effective for its year ended September 27, 2008. FIN 48 clarifies the accounting for income taxes by prescribing a minimum recognition threshold a tax benefit is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. As a result of the implementation of FIN 48, the Company increased deferred tax assets by $22.9 million and goodwill by $0.5 million. Unrecognized tax benefits at September 27, 2008 relate to various US jurisdictions.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2008
	(In thousands)
Unrecognized tax benefits, beginning of year	$ 58,557
Increases in tax positions for the current year	3,716
Increases in tax positions for prior years	4,120
Decreases in tax positions for prior years	(1,071)
Unrecognized tax benefits, end of year	$ 65,322

Included in unrecognized tax benefits of $65.3 million at September 27, 2008 was $36.6 million of tax benefits that, if recognized, would reduce the Company's effective tax rate.

The Company recognizes interest and penalties related to unrecognized tax benefits in its provision for income taxes. As of September 27, 2008, the Company had recorded a liability of $15.0 million for interest and penalties. This amount includes an increase of $3.3 million recognized for 2008.

The Company operates in the United States (including multiple state jurisdictions), Puerto Rico and Mexico. With few exceptions, the Company is no longer subject to US federal, state or local income tax examinations for years prior to 2003 and is no longer subject to Mexico income tax examinations by taxing authorities for years prior to 2005. We are currently under audit by the Internal Revenue Service for the tax years ended September 26, 2003 to September 30, 2006. It is likely that the examination phase of the audit will conclude in late 2009. As a result, no adjustments to our FIN 48 liability is expected within the next 12 months.

NOTE N—COMPREHENSIVE INCOME (LOSS)

For the year ending September 27, 2008, comprehensive loss, net of taxes, was $991.4 million, consisting of net loss of $998.6 million, unrealized loss related to our investments in debt securities of $2.2 million, gains related to pension and other postretirement benefits plans of $9.8 million and loss on cash flow hedges of $0.4 million. This compares to the year ended September 29, 2007 in which comprehensive income, net of taxes, was $60.9 million, consisting of net income of $47.0 million, unrealized gains related to our investments in debt securities of $0.8 million, gains related to pension and other postretirement benefits plans of $7.9 million and realized gains on cash flow hedges of $3.4 million. Comprehensive loss for the year ended September 30, 2006 was $33.7 million, consisting of net loss of $34.2 million and unrealized gains related to our investments in debt securities of $0.5 million.

Accumulated other comprehensive income at September 27, 2008 was $21.2 million, net of taxes of $13.4 million, and consisted of pretax adjustments for gains related to pension and other postretirement benefits plans totaling $31.2 million, accumulated unrealized gains on cash flow hedges totaling $4.8 million and accumulated unrealized loss on our investments in debt securities totaling $1.4 million. Accumulated other comprehensive income at September 29, 2007 was $14.0 million, net of taxes of $6.6 million, and consisted of pretax adjustments for gains related to pension and postretirement benefits plans totaling $14.3 million, accumulated unrealized gains on cash flow hedges totaling $5.3 million and accumulated unrealized gain on our investments in debt securities totaling $0.9 million.

NOTE O—COMMON STOCK

Prior to November 21, 2003, the Company had two classes of authorized common stock, Class A common stock and Class B common stock. After the New York Stock Exchange ("NYSE") closed on November 21, 2003, each share of Class A common stock and each share of Class B common stock was reclassified into one share of new common stock. The new common stock is our only class of authorized common stock. The new common stock was listed on the NYSE under the symbol "PPC" and registered under the Securities Exchange Act of 1934. Except as to voting rights, the rights of the new common stock are substantially identical to the rights of the Class A common stock and Class B common stock. Each share of common stock that was reclassified into our new common stock is generally entitled to cast twenty votes on all matters submitted to a vote of the stockholders until there is a change in the beneficial ownership of such share. The reclassification had no significant effect on our Consolidated Financial Statements, as the combination of the Class A and Class B shares into a new class of common stock did not affect the overall shares of common stock outstanding. As of September 27, 2008, we estimate that approximately 25.9 million shares of our common stock still carry twenty votes per share. We also estimate that 25.3 million shares of this common stock are beneficially owned by our Senior Chairman, Lonnie "Bo" Pilgrim, or certain affiliated entities.

In May 2008, the Company completed a public offering of 7.5 million shares of its common stock for total consideration of approximately $177.4 million ($177.2 million, net of costs incurred to complete the sale). The Company used the net proceeds of the offering to reduce outstanding indebtedness under two of its revolving credit facilities and for general corporate purposes.

Effective December 1, 2008, the NYSE delisted our common stock as a result of the Company's filing of its Chapter 11 petitions. Our common stock is now quoted on the Pink Sheets Electronic Quotation Service under the ticker symbol "PGPDQ.PK."

NOTE P—PENSION AND OTHER POSTRETIREMENT BENEFITS

Retirement Plans

The Company maintains the following retirement plans for eligible employees:

- The Pilgrim's Pride Retirement Savings Plan (the "RS Plan"), a Section 401(k) salary deferral plan,
- The Pilgrim's Pride Retirement Plan for Union Employees (the "Union Plan"), a defined benefit plan,
- The Pilgrim's Pride Retirement Plan for El Dorado Union Employees (the "El Dorado" Plan), a defined benefit plan,
- The To−Ricos Employee Cash or Deferred Arrangement Profit Sharing Plan (the "To−Ricos Plan"), a Section 1165(e) salary deferral plan, and
- The Gold Kist Pension Plan (the "GK Pension Plan"), a defined benefit plan.

The Company also maintains three postretirement plans for eligible Mexico employees as required by Mexico law that primarily cover termination benefits. Separate disclosure of plan obligations is not considered material.

The RS Plan is maintained for certain eligible US employees. Under the RS Plan, eligible employees may voluntarily contribute a percentage of their compensation and there are various Company matching provisions. The Union Plan covers certain locations or work groups within the Company. The El Dorado Plan was spun off from the Union Plan effective January 1, 2008 and covers certain eligible locations or work groups within the Company. The To−Ricos Plan is maintained for certain eligible Puerto Rican employees. Under the To−Ricos Plan, eligible employees may voluntarily contribute a percentage of their compensation and there are various Company matching provisions. The GK Pension Plan covers certain eligible US employees who were employed at locations that Pilgrim's Pride acquired in its acquisition of Gold Kist in 2007. Participation in the GK Pension Plan was frozen as of February 8, 2007 for all participants with the exception of terminated vested participants who are or may become permanently and totally disabled. The plan was frozen for that group as of March 31, 2007.

Under all of our retirement plans, the Company's expenses were $4.1 million, $10.0 million and $16.0 million in 2008, 2007 and 2006, respectively, including the correction of $4.6 million, pretax, in 2006 as described in Note B—Summary of Significant Accounting Policies.

The Company used a year−end measurement date of September 27, 2008 for its pension and postretirement benefits plans. Certain disclosures are listed below; other disclosures are not material to the financial statements.

Medical and Life Insurance Plans

Pilgrim's Pride assumed postretirement medical and life insurance obligations through its acquisition of Gold Kist in 2007. In January 2001, Gold Kist began to substantially curtail its programs for active employees. On July 1, 2003, Gold Kist terminated medical coverage for retirees age 65 and older, and only retired employees in the closed group between ages 55 and 65 could continue their coverage at rates above the average cost of the medical insurance plan for active employees. These retired employees will all reach the age of 65 by 2012 and liabilities of the postretirement medical plan will then end.

Benefit Obligations and Plan Assets

The following tables provide reconciliations of the changes in the plans' projected benefit obligations and fair value of assets as well as statements of the funded status, balance sheet reporting and economic assumptions for these plans.

	Pension Benefits		Other Benefits	
	2008	2007	2008	2007
Change in projected benefit obligation:	(In thousands)			
Projected benefit obligation, beginning of year	$ 196,803	$ 9,882	$ 2,432	$ —
Service cost	1,246	2,029	—	—
Interest cost	9,576	8,455	132	103
Plan participant contributions	29	61	79	681
Actuarial gains	(56,589)	(12,933)	(477)	(41)
Acquisitions	—	218,623	—	2,689
Prior year service cost	—	237	—	—
Benefits paid	(23,553)	(29,551)	(273)	(1,000)
Other	(158)	—	—	—
Projected benefit obligation, end of year	$ 127,354	$ 196,803	$ 1,893	$ 2,432

	Pension Benefits		Other Benefits	
	2008	2007	2008	2007
Change in plan assets:	(In thousands)			
Fair value of plan assets, beginning of year	$ 138,024	$ 6,252	$ —	$ —
Acquisitions	—	139,229	—	—
Actual return on plan assets	(24,063)	11,571	—	—
Contributions by employer	2,543	10,462	194	319
Plan participant contributions	29	61	79	681
Benefits paid	(23,553)	(29,551)	(273)	(1,000)
Fair value of plan assets, end of year	$ 92,980	$ 138,024	$ —	$ —

	Pension Benefits		Other Benefits	
	2008	2007	2008	2007
Funded status:	(In thousands)			
Funded status	$ (34,374)	$ (58,779)	$ (1,893)	$ (2,432)
Unrecognized prior service cost	121	237	—	—
Unrecognized net actuarial gain	(30,714)	(14,824)	(670)	(41)
Accrued benefit cost	$ (64,967)	$ (73,366)	$ (2,563)	$ (2,473)

	Pension Benefits 2008	Pension Benefits 2007	Other Benefits 2008	Other Benefits 2007
Amounts recognized in the balance sheets:	(In thousands)			
Accrued benefit cost (current)	$ (13,596)	$ (17,614)	$ (203)	$ (380)
Accrued benefit cost (long−term)	(20,778)	(41,165)	(1,690)	(2,052)
Long−term deferred income taxes	(11,549)	(4,942)	(253)	(16)
Accumulated other comprehensive income	(19,044)	(9,645)	(417)	(25)
Net amount recognized	$ (64,967)	$ (73,366)	$ (2,563)	$ (2,473)

The accumulated benefit obligation for all defined benefit plans was $126.8 million and $196.2 million at September 27, 2008 and September 29, 2007, respectively. All of the Company's defined benefit plans had an accumulated benefit obligation in excess of plan assets at September 27, 2008 and September 29, 2007.

Net Periodic Benefit Cost (Income)

The following table provides the components of net periodic benefit cost (income) for the plans.

	Pension Benefits 2008	Pension Benefits 2007	Pension Benefits 2006	Other Benefits 2008	Other Benefits 2007	Other Benefits 2006
	(In thousands)					
Service cost	$ 1,246	$ 2,029	$ 2,242	$ —	$ —	$ —
Interest cost	9,576	8,455	458	132	103	—
Estimated return on plan assets	(10,200)	(8,170)	(454)	—	—	—
Settlement gain	(6,312)	(2,327)	—	153	—	—
Amortization of prior service cost	116	—	—	—	—	—
Effect of special events	(158)	—	—	—	—	—
Amortization of net gain	(125)	—	—	—	—	—
Net periodic benefit cost (income)	$ (5,857)	$ (13)	$ 2,246	$ 285	$ 103	$ —

Economic Assumptions

The following table presents the assumptions used in determining the benefit obligations and the net periodic benefit cost amounts.

	Pension Benefits		Other Benefits	
	2008	2007	2008	2007
Weighted average assumptions for benefit obligations at year end:				
Discount rate	7.38%	5.06%	7.53%	5.87%
Rate of increase in compensation levels	3.00%	3.00%	NA	NA
Weighted average assumptions for net periodic cost for the year:				
Discount rate	5.08%	5.06%	5.87%	5.50%
Rate of increase in compensation levels	3.00%	3.00%	NA	NA
Expected return on plan assets	7.77%	7.75%	7.75%	7.75%
Assumed health care cost trend rates:				
Health care cost trend rate assumed for next year	NA	NA	9.00%	8.00%
Rate to which the cost trend rate gradually declines	NA	NA	6.00%	5.00%
Year that the rate will reach the rate at which it is assumed to remain	NA	NA	2015	2014

The Company changed its approach in determining the discount rate from an annuity purchase rate approach to a yield curve approach. The effect has been an increase in the discount rate from September 29, 2007 to September 27, 2008. The yield curve approach better mirrors the Company's expectation that the termination of the GK Pension Plan and other benefit plans will not occur in the near future.

A one percentage−point change in the assumed health care cost trend rates would have an insignificant impact on 2008 expense and year−end liabilities.

Plan Assets

The following table reflects the pension plans' actual asset allocations.

	2008	2007
Asset allocation:		
Cash and money market funds	1%	2%
Equity securities	68%	71%
Debt securities	31%	27%
Total assets	100%	100%

Absent regulatory or statutory limitations, the target asset allocation for the investment of the assets for our ongoing pension plans is 25% in debt securities and 75% in equity securities. The plans only invest in debt and equity instruments for which there is a ready public market. We develop our expected long−term rate of return assumptions based on the historical rates of returns for equity and debt securities of the type in which our plans invest.

Benefit Payments

The following table reflects the benefits as of December 31, 2007 expected to be paid in each of the next five years and in the aggregate for the five years thereafter from our pension and other postretirement plans. Because our pension plans are primarily funded plans, the anticipated benefits with respect to these plans will come primarily from the trusts established for these plans. Because our other postretirement plans are unfunded, the anticipated benefits with respect to these plans will come from our own assets.

	Pension Benefits	Other Benefits
Expected benefit payments for year:	(In thousands)	
2009	$ 13,596	$ 204
2010	13,235	197
2011	12,554	171
2012	11,996	174
2013	11,459	176
2014—2018	51,807	887
Total	$ 114,647	$ 1,809

We anticipate contributing $1.8 million and $0.2 million to our pension and other postretirement plans, respectively, during 2009.

Unrecognized Benefit Amounts in Accumulated Other Comprehensive Income

The amounts in accumulated other comprehensive income that have not yet been recognized as components of net periodic benefits cost at September 27, 2008 and the changes in these amounts during 2008 are as follows.

	Pension Benefits	Other Benefits
Components of accumulated other comprehensive income, before tax:	(In thousands)	
Net actuarial gain	$ (30,714)	$ (670)
Net prior service cost	121	—
Total	$ (30,593)	$ (670)

	Pension Benefits	Other Benefits
Changes in accumulated other comprehensive income, before tax:	(In thousands)	
Net actuarial gain, beginning of year	$ (14,824)	$ (41)
Amortization	125	—
Curtailment and settlement adjustments	6,312	(153)
Liability gain	(56,589)	(477)
Asset loss	34,264	—
Other	(2)	1
Net actuarial gain, end of year	$ (30,714)	$ (670)
Net prior service cost, beginning of year	$ 237	$ —
Amortization	(116)	—
Net prior service cost, end of year	$ 121	$ —

NOTE Q—DERIVATIVE FINANCIAL INSTRUMENTS

The Company purchases certain commodities, primarily corn and soybean meal, for use as ingredients in the feed it either sells commercially or consumes in its live operations. As a result, the Company's operating results and cash flows are affected by changes in the price and availability of such feed ingredients. The Company attempts to mitigate its exposure to these changes through a program of risk management that includes the use of (i) contracts for the future delivery of commodities at fixed prices and (ii) derivative financial instruments such as exchange−traded futures and options. The Company has elected not to designate the derivative financial instruments it executes to mitigate its exposure to commodity price changes as cash flow hedges. The Company recognized $38.3 million in losses related to changes in the fair value of these derivative financial instruments during 2008. These losses are recorded in cost of sales. The impact of changes in the fair value of these derivative financial instruments in 2007 and 2006 was immaterial. The impact of changes in the fair value of these derivative financial instruments in 2007 and 2006 was immaterial. At September 27, 2008, the Company recorded a liability for futures contracts with an aggregate fair value of $18.0 million executed to manage the price risk on 19.1 million bushels of corn and 0.3 million tons of soybean meal.

In October 2008, the Company suspended the use of derivative financial instruments in response to its current financial condition. It immediately settled all outstanding derivative financial instruments and recognized losses in October totaling $18.4 million.

NOTE R—RELATED PARTY TRANSACTIONS

Lonnie "Bo" Pilgrim, the Senior Chairman, and certain entities related to Mr. Pilgrim are, collectively, the major stockholder of the Company (the "major stockholder").

Transactions with the major stockholder or related entities are summarized as follows:

	2008	2007	2006
		(In thousands)	
Loan guaranty fees	$ 4,904	$ 3,592	$ 1,615
Contract grower pay	1,008	885	976
Lease payments on commercial egg property	750	750	750
Other sales to major stockholder	710	620	747
Lease payments and operating expenses on airplane	456	507	492
Live chicken purchases from major stockholder	—	—	231

Pilgrim Interests, Ltd., an entity related to Lonnie "Bo" Pilgrim, guarantees a portion of the Company's debt obligations. In consideration of such guarantees, the Company has paid Pilgrim Interests, Ltd. a quarterly fee equal to 0.25% of one−half of the average aggregate outstanding balance of such guaranteed debt. During 2008, 2007 and 2006, we paid $4.9 million, $3.6 million and $1.6 million, respectively, to Pilgrim Interests, Ltd. Pursuant to the terms of the DIP Credit Agreement, the Company may not pay any guarantee fees without the consent of the lenders party thereto.

The Company has executed chicken grower contracts involving farms owned by the major stockholder as well as a farm owned by one former officer and director that provide for the placement of Company−owned flocks on these farms during the grow−out phase of production. These contracts are on terms substantially the same as contracts executed by the Company with unaffiliated parties and can be terminated by either party upon completion of the grow−out phase for each flock. The aggregate amounts paid by the Company to the officers and directors party to these grower contracts were less than $2.0 million in each of the years 2008, 2007 and 2006.

The Company leases a commercial egg property including all of the ongoing costs of the operation from the Company's major stockholder. The lease, which was executed in December 2000, runs for ten years with a monthly lease payment of $62.5 thousand.

The major stockholder owns both an egg laying operation and a chicken growing operation. At certain times during the year, the major stockholder may purchase live chickens and hens, and certain feed inventories during the grow−out phase for his flocks, from the Company and then sell the birds to the Company at maturity using a market−based formula in which the price is subject to a ceiling calculated at his cost plus two percent. The Company has not purchased chickens under this agreement since the first quarter of 2006 when the major stockholder recognized an operating margin of $4.5 thousand on the aggregate amount paid by the Company to the major stockholder reflected in the line item Live chicken purchases from major stockholder in the table above.

The Company leases an airplane from its major stockholder under an operating lease agreement that is renewable annually. The terms of the lease agreement require monthly payments of $33.0 thousand plus operating expenses. Lease expense was $396.0 thousand for each of the years 2008, 2007 and 2006. Operating expenses were $60.0 thousand, $111.2 thousand and $96.5 thousand in 2008, 2007 and 2006, respectively. The lease was terminated on November 18, 2008.

The Company maintains depository accounts with a financial institution in which the Company's major stockholder is also a major stockholder. Fees paid to this bank in 2008, 2007 and 2006 were insignificant. As of September 27, 2008, the Company had account balances at this financial institution of approximately $2.4 million.

The major stockholder has deposited $0.3 million with the Company as an advance on miscellaneous expenditures.

A son of the major stockholder sold commodity feed products and a limited amount of other services to the Company aggregating approximately $0.4 million and $0.6 million in 2008 and 2007, respectively. He also leases an insignificant amount of land from the Company.

NOTE S—COMMITMENTS AND CONTINGENCIES

General

We are a party to many routine contracts in which we provide general indemnities in the normal course of business to third parties for various risks. Among other considerations, we have not recorded a liability for any of these indemnities as based upon the likelihood of payment, the fair value of such indemnities is immaterial.

Purchase Obligations

The Company will sometimes enter into non−cancelable contracts to purchase capital equipment and certain commodities such as corn, soybean meal, cooking oil and natural gas. At September 27, 2008, the Company was party to outstanding purchase contracts totaling $164.9 million. Payments for purchases made under these contracts are due in less than 1 year.

Operating Leases

The Consolidated Statements of Operations include rental expense for operating leases of approximately $71.3 million, $67.3 million and $54.0 million in 2008, 2007 and 2006, respectively. The Company's future minimum lease commitments under non−cancelable operating leases are as follows: 2009—$43.6 million; 2010—$34.6 million; 2011—$27.4 million; 2012—$15.3 million; 2013—$8.0 million and thereafter—$1.7 million.

Certain of the Company's operating leases include rent escalations. The Company includes the rent escalation in its minimum lease payments obligations and recognizes them as a component of rental expense on a straight−line basis over the minimum lease term.

The Company also maintains operating leases for various types of equipment, some of which contain residual value guarantees for the market value of assets at the end of the term of the lease. The terms of the lease maturities range from one to seven years. The maximum potential amount of the residual value guarantees is estimated to be approximately $19.9 million; however, the actual amount would be offset by any recoverable amount based on the fair market value of the underlying leased assets. No liability has been recorded related to this contingency as the likelihood of payments under these guarantees is not considered to be probable and the fair value of such guarantees is immaterial. The Company historically has not experienced significant payments under similar residual guarantees.

Financial Instruments

At September 27, 2008, the Company had $111.2 million in letters of credit outstanding relating to normal business transactions. Letters of credit totaling $86.0 million affect the availability of credit under our $300.0 million secured revolving credit facility with notes payable at LIBOR plus 1.25% to LIBOR plus 2.75%.

The Company's loan agreements generally obligate the Company to reimburse the applicable lender for incremental increased costs due to a change in law that imposes (i) any reserve or special deposit requirement against assets of, deposits with or credit extended by such lender related to the loan, (ii) any tax, duty or other charge with respect to the loan (except standard income tax) or (iii) capital adequacy requirements. In addition, some of the Company's loan agreements contain a withholding tax provision that requires the Company to pay additional amounts to the applicable lender or other financing party, generally if withholding taxes are imposed on such lender or other financing party as a result of a change in the applicable tax law. These increased cost and withholding tax provisions continue for the entire term of the applicable transaction, and there is no limitation on the maximum additional amounts the Company could be obligated to pay under such provisions. Any failure to pay amounts due under such provisions generally would trigger an event of default, and, in a secured financing transaction, would entitle the lender to foreclose upon the collateral to realize the amount due.

Litigation

The Company is subject to various legal proceedings and claims which arise in the ordinary course of business. In the Company's opinion, it has made appropriate and adequate accruals for claims where necessary, and the Company believes the probability of material losses beyond the amounts accrued to be remote; however, the ultimate liability for these matters is uncertain, and if significantly different than the amounts accrued, the ultimate outcome could have a material effect on the financial condition or results of operations of the Company. On December 1, 2008, the Debtors filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court. The cases are being jointly administered under Case No. 08−45664. The Debtors continue to operate their business as "debtors−in−possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. As of the date of the Chapter 11 filing, virtually all pending litigation against the Company (including the actions described below) is stayed as to the Company, and absent further order of the Bankruptcy Court, no party, subject to certain exceptions, may take any action, also subject to certain exceptions, to recover on pre−petition claims against the Debtors. At this time it is not possible to predict the outcome of the Chapter 11 filings or their effect on our business. Below is a summary of the most significant claims outstanding against the Company. The Company believes it has substantial defenses to the claims made and intends to vigorously defend these cases.

Among the claims presently pending against the Company are claims seeking unspecified damages brought by a stockholder, individually and on behalf of a putative class, alleging violations of certain antifraud provisions of the Securities Exchange Act of 1934. The Company intends to defend vigorously against the merits of the action and any attempts by the plaintiff to certify a class action. The likelihood of an unfavorable outcome or the amount or range of any possible loss to the Company cannot be determined at this time.

Other claims presently pending against the Company are claims seeking unspecified damages brought by current and former employees seeking compensation for the time spent donning and doffing clothing and personal protective equipment. We are aware of an industry−wide investigation by the Wage and Hour Division of the US Department of Labor to ascertain compliance with various wage and hour issues, including the compensation of employees for the time spent on activities such as donning and doffing clothing and personal protective equipment. Due, in part, to the government investigation and the recent US Supreme Court decision in IBP, Inc. v. Alvarez, it is possible that we may be subject to additional employee claims. We intend to assert vigorous defenses to the litigation. Nonetheless, there can be no assurances that other similar claims may not be brought against the Company.

US Immigration and Customs Enforcement has recently been investigating identity theft within our workforce. With our cooperation, during the past eleven months US Immigration and Customs Enforcement has arrested approximately 350 of our employees believed to have engaged in identity theft at five of our facilities. No assurances can be given that further enforcement efforts by governmental authorities against our employees or the Company will not disrupt a portion of our workforce or our operations at one or more of our facilities, thereby negatively impacting our business.

NOTE T—BUSINESS SEGMENTS

We operate in two reportable business segments as (i) a producer and seller of chicken products and (ii) a seller of other products.

Our chicken segment includes sales of chicken products we produce and purchase for resale in the US, including Puerto Rico, and Mexico. Our chicken segment conducts separate operations in the US and Puerto Rico and in Mexico and is reported as two separate geographical areas.

Our other products segment includes distribution of non−poultry products that are purchased from third parties and sold to independent grocers and quick service restaurants. Also included in this category are sales of table eggs, feed, protein products, live hogs and other items, some of which are produced or raised by the Company.

Inter−area sales and inter−segment sales, which are not material, are accounted for at prices comparable to normal trade customer sales. Corporate expenses are allocated to Mexico based upon various apportionment methods for specific expenditures incurred related thereto with the remaining amounts allocated to the US portions of the segments based on number of employees.

Assets associated with our corporate functions, included cash and cash equivalents and investments in available for sale securities are included in our chicken segment.

Selling, general and administrative expenses related to our distribution centers are allocated based on the proportion of net sales to the particular segment to which the product sales relate.

Depreciation and amortization, total assets and capital expenditures of our distribution centers are included in our chicken segment based on the primary focus of the centers.

The following table presents certain information regarding our segments:

As of or for the Year Ended	September 27, 2008	September 29, 2007[a]	September 30, 2006
		(In thousands)	
Net sales to customers:			
Chicken:			
United States	$ 7,077,047	$ 6,328,354	$ 4,098,403
Mexico	543,583	488,466	418,745
Subtotal	7,620,630	6,816,820	4,517,148
Other Products:			
United States	869,850	661,115	618,575
Mexico	34,632	20,677	17,006
Subtotal	904,482	681,792	635,581
Total	$ 8,525,112	$ 7,498,612	$ 5,152,729
Operating income (loss):			
Chicken:			
United States[b]	$ (1,135,370)	$ 192,447	$ 28,619
Mexico	(25,702)	13,116	(17,960)
Subtotal	(1,161,072)	205,563	10,659
Other Products:			
United States	98,863	28,636	(1,192)
Mexico	4,513	2,992	1,638
Subtotal	103,376	31,628	446
Total	$ (1,057,696)	$ 237,191	$ 11,105
Depreciation and amortization[c][d][e]:			
Chicken:			
United States	$ 215,586	$ 183,808	$ 114,516
Mexico	10,351	11,015	11,305
Subtotal	225,937	194,823	125,821
Other Products:			
United States	13,354	8,278	7,743
Mexico	244	215	146
Subtotal	13,598	8,493	7,889
Total	$ 239,535	$ 203,316	$ 133,710
Total assets[f]:			
Chicken:			
United States	$ 2,733,089	$ 3,247,812	$ 1,909,129
Mexico	372,952	348,894	361,887
Subtotal	3,106,041	3,596,706	2,271,016
Other Products:			
United States	153,607	104,644	89,447
Mexico	5,542	4,120	1,660
Subtotal	159,149	108,764	91,107
Total	$ 3,265,190	$ 3,705,470	$ 2,362,123
Acquisitions of property, plant and equipment (excluding business acquisition)[g]:			
Chicken:			
United States	$ 148,811	$ 164,449	$ 133,106
Mexico	545	1,633	6,536
Subtotal	149,356	166,082	139,642
Other Products:			
United States	2,815	5,699	3,567
Mexico	330	40	416
Subtotal	3,145	5,739	3,983
Total	$ 152,501	$ 171,821	$ 143,625

(a) The Company acquired Gold Kist on December 27, 2006 for $1.139 billion.

(b) Includes goodwill impairment of $501.4 million and restructuring charges of $29.3 million in 2008.

(c) Includes amortization of capitalized financing costs of approximately $4.9 million, $6.6 million and $2.6 million in 2008, 2007 and 2006, respectively

(d) Includes amortization of intangible assets of $10.2 million, $8.1 million and $1.8 million recognized in 2008, 2007 and 2006 related primarily to the Gold Kist and ConAgra Chicken acquisitions.

(e) Excludes depreciation costs incurred by our discontinued turkey business of $0.7 million, $1.6 million and $1.4 million during 2008, 2007 and 2006, respectively.

(f) Excludes total assets of our discontinued turkey business of $33.5 million at September 27, 2008, $68.8 million at September 29 2007 and $64.7 million at September 30, 2006.

(g) Excludes acquisitions of property, plant and equipment by our discontinued turkey business of $0.5 million and $0.3 million during 2007 and 2006, respectively. Acquisitions of property, plant and equipment by our discontinued turkey business during 2008 were immaterial.

The Company had one customer that represented 10% or more of annual net sales in 2008, 2007 and 2006.

The Company's Mexico operations had net long−lived assets of $97.2 million, $106.2 million, and $116.9 million at September 27, 2008, September 29, 2007 and September 30, 2006, respectively.

The Company's Mexico operations had net assets of $230.5 million and $284.8 million and at September 27, 2008 and September 29, 2007, respectively.

NOTE U—QUARTERLY RESULTS (UNAUDITED)

2008	First	Second(a)	Third(b)	Fourth(c)	Year
	(In thousands, except per share data)				
Net sales	$ 2,047,353	$ 2,100,794	$ 2,207,476	$ 2,169,489	$ 8,525,112
Gross profit (loss)	105,103	(35,401)	53,211	(286,408)	(163,495)
Operating income (loss)	670	(143,629)	(42,531)	(872,206)	(1,057,696)
Loss from continuing operations	(33,166)	(111,501)	(48,344)	(799,161)	(992,172)
Income (loss) from operation of discontinued business	837	(850)	(4,437)	(2,862)	(7,312)
Gain on disposal of discontinued business	—	903	—	—	903
Net loss	(32,329)	(111,448)	(52,781)	(802,023)	(998,581)
Per share amounts:					
Continuing operations	$ (0.50)	$ (1.67)	$ (0.69)	$ (10.79)	$ (14.31)
Discontinued business	0.01	—	(0.06)	(0.04)	(0.09)
Net loss	(0.49)	(1.67)	(0.75)	(10.83)	(14.40)
Dividends	0.0225	0.0225	0.0225	0.0225	0.0900
Number of days in quarter	91	91	91	91	364

(a) The company recognized restructuring charges of $17.7 million in the second quarter of 2008.

(b) The Company recognized gains on derivative financial instruments of $102.4 million in the third quarter of 2008.

(c) The Company recognized goodwill impairment of $501.4 million, losses on derivative financial instruments of $155.7 million, restructuring charges of $8.1 million and valuation allowances of $34.6 million in the fourth quarter of 2008.

2007	First[(a)]	Second	Third	Fourth	Year
	(In thousands, except per share data)				
Net sales	$ 1,291,957	$ 1,987,185	$ 2,104,499	$ 2,114,971	$ 7,498,612
Gross profit	62,238	84,049	234,825	211,618	592,730
Operating income (loss)	(4,902)	(10,674)	136,896	115,871	237,191
Income (loss) from continuing operations	(9,827)	(39,018)	63,277	37,084	51,516
Income (loss) from operation of discontinued business	1,091	(1,059)	(636)	(3,895)	(4,499)
Net income (loss)	(8,736)	(40,077)	62,641	33,189	47,017
Per share amounts:					
Continuing operations	$ (0.15)	$ (0.59)	$ 0.95	$ 0.56	$ 0.77
Discontinued business	0.02	(0.01)	(0.01)	(0.06)	(0.06)
Net income (loss)	(0.13)	(0.60)	0.94	0.50	0.71
Dividends	0.0225	0.0225	0.0225	0.0225	0.0900
Number of days in quarter	91	91	91	91	364

(a) The Company acquired Gold Kist on December 27, 2006 for $1.139 billion. For financial reporting purposes, we have not included the operating results and cash flows of Gold Kist in our consolidated financial statements for the period from December 27, 2006 through December 30, 2006. The operating results and cash flows of Gold Kist from December 27, 2006 through December 30, 2006 were not material.

SCHEDULE II
PILGRIM'S PRIDE CORPORATION
VALUATION AND QUALIFYING ACCOUNTS

	Beginning Balance	Additions: Charged to Costs and Expenses	Additions: Charged to Other Accounts	Deductions (b)	Ending Balance
	(In thousands)				
Trade Accounts and Other Receivables—Allowance for Doubtful Accounts:					
2008	$ 5,017	$ 1,956	$ —	$ 2,272	$ 4,701
2007	2,155	4,751	424 (a)	2,313	5,017
2006	4,818	(185)	—	2,478	2,155
Deferred Tax Assets—Valuation Allowance:					
2008	$ 308	$ 70,850	$ —	$ —	$ 71,158
2007	—	—	308	—	308
2006	—	—	—	—	—

(a) Adjustment to balance established for accounts receivable acquired from Gold Kist.
(b) Uncollectible accounts written off, net of recoveries.

Exhibit Index

2.1	Agreement and Plan of Reorganization dated September 15, 1986, by and among Pilgrim's Pride Corporation, a Texas corporation; Pilgrim's Pride Corporation, a Delaware corporation; and Doris Pilgrim Julian, Aubrey Hal Pilgrim, Paulette Pilgrim Rolston, Evanne Pilgrim, Lonnie "Bo" Pilgrim, Lonnie Ken Pilgrim, Greta Pilgrim Owens and Patrick Wayne Pilgrim (incorporated by reference from Exhibit 2.1 to the Company's Registration Statement on Form S−1 (No. 33−8805) effective November 14, 1986).
2.2	Agreement and Plan of Merger dated September 27, 2000 (incorporated by reference from Exhibit 2 of WLR Foods, Inc.'s Current Report on Form 8−K (No. 000−17060) dated September 28, 2000).
2.3	Agreement and Plan of Merger dated as of December 3, 2006, by and among the Company, Protein Acquisition Corporation, a wholly owned subsidiary of the Company, and Gold Kist Inc. (incorporated by reference from Exhibit 99.(D)(1) to Amendment No. 11 to the Company's Tender Offer Statement on Schedule TO filed on December 5, 2006).
3.1	Certificate of Incorporation of the Company, as amended (incorporated by reference from Exhibit 3.1 of the Company's Annual Report on Form 10−K for the year ended October 2, 2004).
3.2	Amended and Restated Corporate Bylaws of the Company (incorporated by reference from Exhibit 4.4 of the Company's Registration Statement on Form S−8 (No. 333−111929) filed on January 15, 2004).
4.1	Certificate of Incorporation of the Company, as amended (included as Exhibit 3.1).
4.2	Amended and Restated Corporate Bylaws of the Company (included as Exhibit 3.2).
4.3	Indenture, dated November 21, 2003, between Pilgrim's Pride Corporation and The Bank of New York as Trustee relating to Pilgrim's Pride's 9 1/4% Senior Notes due 2013 (incorporated by reference from Exhibit 4.1 of the Company's Registration Statement on Form S−4 (No. 333−111975) filed on January 16, 2004).
4.4	Form of 9 1/4% Note due 2013 (incorporated by reference from Exhibit 4.3 of the Company's Registration Statement on Form S−4 (No. 333−111975) filed on January 16, 2004).
4.5	Senior Debt Securities Indenture dated as of January 24, 2007, by and between the Company and Wells Fargo Bank, National Association, as trustee (incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8−K filed on January 24, 2007).
4.6	First Supplemental Indenture to the Senior Debt Securities Indenture dated as of January 24, 2007, by and between the Company and Wells Fargo Bank, National Association, as trustee (incorporated by reference from Exhibit 4.2 to the Company's Current Report on Form 8−K filed on January 24, 2007).

4.7	Form of 7 5/8% Senior Note due 2015 (incorporated by reference from Exhibit 4.3 to the Company's Current Report on Form 8−K filed on January 24, 2007).
4.8	Senior Subordinated Debt Securities Indenture dated as of January 24, 2007, by and between the Company and Wells Fargo Bank, National Association, as trustee (incorporated by reference from Exhibit 4.4 to the Company's Current Report on Form 8−K filed on January 24, 2007).
4.9	First Supplemental Indenture to the Senior Subordinated Debt Securities Indenture dated as of January 24, 2007, by and between the Company and Wells Fargo Bank, National Association, as trustee (incorporated by reference from Exhibit 4.5 to the Company's Current Report on Form 8−K filed on January 24, 2007).
4.10	Form of 8 3/8% Subordinated Note due 2017 (incorporated by reference from Exhibit 4.6 to the Company's Current Report on Form 8−K filed on January 24, 2007).
10.1	Pilgrim's Industries, Inc. Profit Sharing Retirement Plan, restated as of July 1, 1987 (incorporated by reference from Exhibit 10.1 of the Company's Form 8−K filed on July 1, 1992). ⑤
10.2	Senior Executive Performance Bonus Plan of the Company (incorporated by reference from Exhibit A in the Company's Proxy Statement dated December 13, 1999). ⑤
10.3	Aircraft Lease Extension Agreement between B.P. Leasing Co. (L.A. Pilgrim, individually) and Pilgrim's Pride Corporation (formerly Pilgrim's Industries, Inc.) effective November 15, 1992 (incorporated by reference from Exhibit 10.48 of the Company's Quarterly Report on Form 10−Q for the three months ended March 29, 1997).
10.4	Broiler Grower Contract dated May 6, 1997 between Pilgrim's Pride Corporation and Lonnie "Bo" Pilgrim (Farm 30) (incorporated by reference from Exhibit 10.49 of the Company's Quarterly Report on Form 10−Q for the three months ended March 29, 1997).
10.5	Commercial Egg Grower Contract dated May 7, 1997 between Pilgrim's Pride Corporation and Pilgrim Poultry G.P. (incorporated by reference from Exhibit 10.50 of the Company's Quarterly Report on Form 10−Q for the three months ended March 29, 1997).
10.6	Agreement dated October 15, 1996 between Pilgrim's Pride Corporation and Pilgrim Poultry G.P. (incorporated by reference from Exhibit 10.23 of the Company's Quarterly Report on Form 10−Q for the three months ended January 2, 1999).
10.7	Heavy Breeder Contract dated May 7, 1997 between Pilgrim's Pride Corporation and Lonnie "Bo" Pilgrim (Farms 44, 45 & 46) (incorporated by reference from Exhibit 10.51 of the Company's Quarterly Report on Form 10−Q for the three months ended March 29, 1997).

10.8	Broiler Grower Contract dated January 9, 1997 by and between Pilgrim's Pride and O.B. Goolsby, Jr. (incorporated by reference from Exhibit 10.25 of the Company's Registration Statement on Form S−1 (No. 333−29163) effective June 27, 1997).
10.9	Broiler Grower Contract dated January 15, 1997 by and between Pilgrim's Pride Corporation and B.J.M. Farms (incorporated by reference from Exhibit 10.26 of the Company's Registration Statement on Form S−1 (No. 333−29163) effective June 27, 1997).
10.10	Broiler Grower Agreement dated January 29, 1997 by and between Pilgrim's Pride Corporation and Clifford E. Butler (incorporated by reference from Exhibit 10.27 of the Company's Registration Statement on Form S−1 (No. 333−29163) effective June 27, 1997).
10.11	Purchase and Contribution Agreement dated as of June 26, 1998 between Pilgrim's Pride Funding Corporation and Pilgrim's Pride Corporation (incorporated by reference from Exhibit 10.34 of the Company's Quarterly Report on Form 10−Q for the three months ended June 27, 1998).
10.12	Guaranty Fee Agreement between Pilgrim's Pride Corporation and Pilgrim Interests, Ltd., dated June 11, 1999 (incorporated by reference from Exhibit 10.24 of the Company's Annual Report on Form 10−K for the year ended October 2, 1999).
10.13	Commercial Property Lease dated December 29, 2000 between Pilgrim's Pride Corporation and Pilgrim Poultry G.P. (incorporated by reference from Exhibit 10.30 of the Company's Quarterly Report on Form 10−Q for the three months ended December 30, 2000).
10.14	Amendment No. 1 dated as of December 31, 2003 to Purchase and Contribution Agreement dated as of June 26, 1998, between Pilgrim's Pride Funding Corporation and Pilgrim's Pride Corporation (incorporated by reference from Exhibit 10.5 of the Company's Quarterly Report on Form 10−Q filed February 4, 2004).
10.15	Employee Stock Investment Plan of the Company (incorporated by reference from Exhibit 4.1 of the Company's Registration Statement on Form S−8 (No. 333−111929) filed on January 15, 2004). ⑤
10.16	2005 Deferred Compensation Plan of the Company (incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8−K dated December 27, 2004). ⑤
10.17	Vendor Service Agreement dated effective December 28, 2005 between Pilgrim's Pride Corporation and Pat Pilgrim (incorporated by reference from Exhibit 10.2 of the Company's Current Report on Form 8−K dated January 6, 2006).
10.18	Transportation Agreement dated effective December 28, 2005 between Pilgrim's Pride Corporation and Pat Pilgrim (incorporated by reference from Exhibit 10.3 of the Company's Current Report on Form 8−K dated January 6, 2006).

10.19	Credit Agreement by and among the Avícola Pilgrim's Pride de México, S. de R.L. de C.V. (the "Borrower"), Pilgrim's Pride Corporation, certain Mexico subsidiaries of the Borrower, ING Capital LLC, and the lenders signatory thereto dated as of September 25, 2006 (incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8−K filed on September 28, 2006).
10.20	2006 Amended and Restated Credit Agreement by and among CoBank, ACB, Agriland, FCS and the Company dated as of September 21, 2006 (incorporated by reference from Exhibit 10.2 of the Company's Current Report on Form 8−K filed on September 28, 2006).
10.21	First Amendment to the Pilgrim's Pride Corporation Amended and Restated 2005 Deferred Compensation Plan Trust, dated as of November 29, 2006 (incorporated by reference from Exhibit 10.03 of the Company's Current Report on Form 8−K filed on December 05, 2006). ⑤
10.22	Agreement and Plan of Merger dated as of December 3, 2006, by and among the Company, Protein Acquisition Corporation, a wholly owned subsidiary of the Company, and Gold Kist Inc. (incorporated by reference from Exhibit 99.(D)(1) to Amendment No. 11 to the Company's Tender Offer Statement on Schedule TO filed on December 5, 2006).
10.23	First Amendment to Credit Agreement, dated as of December 13, 2006, by and among the Company, as borrower, CoBank, ACB, as lead arranger and co−syndication agent, and sole book runner, and as administrative, documentation and collateral agent, Agriland, FCS, as co−syndication agent, and as a syndication party, and the other syndication parties signatory thereto (incorporated by reference from Exhibit 10.01 to the Company's Current Report on Form 8−K filed on December 19, 2006).
10.24	Second Amendment to Credit Agreement, dated as of January 4, 2007, by and among the Company, as borrower, CoBank, ACB, as lead arranger and co−syndication agent, and sole book runner, and as administrative, documentation and collateral agent, Agriland, FCS, as co−syndication agent, and as a syndication party, and the other syndication parties signatory thereto (incorporated by reference from Exhibit 10.01 to the Company's Current Report on Form 8−K filed on January 9, 2007).
10.25	Fourth Amended and Restated Secured Credit Agreement, dated as of February 8, 2007, by and among the Company, To−Ricos, Ltd., To−Ricos Distribution, Ltd., Bank of Montreal, as agent, SunTrust Bank, as syndication agent, U.S. Bank National Association and Wells Fargo Bank, National Association, as co−documentation agents, BMO Capital Market, as lead arranger, and the other lenders signatory thereto (incorporated by reference from Exhibit 10.01 of the Company's Current Report on Form 8−K dated February 12, 2007).