

PILGRIMS PRIDE CORP  
Form DEF 14A  
December 29, 2005

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Pilgrim s Pride Corporation  
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
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**Pilgrim s Pride Corporation**

**4845 U.S. Highway 271 North  
Pittsburg, Texas 75686**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held Wednesday, January 25, 2006**

The Annual Meeting of Stockholders of Pilgrim s Pride Corporation (the Company ) will be held at the Company s headquarters building, 4845 U.S. Highway 271 N., Pittsburg, Texas, on Wednesday, January 25, 2006, at 11:00 a.m., local time, to consider the following matters:

1. The election of thirteen Directors for the ensuing year;
2. To act upon a shareholder proposal, if properly presented at the meeting;
3. The ratification of the appointment of Ernst & Young LLP as the Company s independent registered public accounting firm for the fiscal year ending September 30, 2006; and
4. To transact such other business as may be properly brought before the meeting or any adjournment. No other matters are expected to be voted on at the meeting.

The Board of Directors has fixed the close of business on November 28, 2005, as the record date for determining stockholders of record entitled to notice of, and to vote at, the meeting. If you own stock in the Company at the close of business on that date, you are cordially invited to attend the annual meeting. Seating at the meeting will be limited to the Company s stockholders, proxy holders, and invited guests of the Company. If you are a stockholder of record in your own name, please bring photo identification to the annual meeting. If you hold shares through a bank, broker or other third party, please bring photo identification and a current brokerage statement.

Pittsburg, Texas  
December 29, 2005

RICHARD A. COGDILL

*Chief Financial Officer,  
Secretary and Treasurer*

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**YOUR VOTE IS IMPORTANT!  
PLEASE SIGN AND RETURN THE ACCOMPANYING PROXY.**

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**Pilgrim s Pride Corporation**

**4845 U.S. Highway 271 North  
Pittsburg, Texas 75686**

**PROXY STATEMENT**

**GENERAL INFORMATION**

The Board of Directors of Pilgrim s Pride Corporation (the Company ) solicits stockholders proxies in the accompanying form for use at the Annual Meeting of Stockholders to be held on Wednesday, January 25, 2006, at 11:00 a.m., local time, at the Company s headquarters at 4845 U.S. Highway 271 N., Pittsburg, Texas and at any adjournments thereof (the Meeting ). This Proxy Statement, the accompanying proxy card and the Company s 2005 Annual Report to Stockholders are being mailed, beginning on or about December 30, 2005, to all stockholders entitled to receive notice of, and to vote at, the Meeting.

The principal executive offices of the Company are located at 4845 U.S. Highway 271 N., Pittsburg, Texas 75686. Any writing required to be sent to the Company should be mailed to this address.

**Stockholders Entitled to Vote**

As of November 28, 2005, the record date for determining stockholders entitled to notice of and to vote at the Meeting (the Record Date ), the Company had outstanding 66,555,773 shares of its common stock, \$.01 par value per share. The Company s Certificate of Incorporation generally provides that holders of its common stock are entitled to 20 votes for each share that has been continuously beneficially owned by such holder on and after November 21, 2003, subject to compliance with certain procedures, and one vote for all other shares. Article Fourth of the Company s Certificate of Incorporation and the voting procedures adopted thereunder contain several provisions governing the voting power of the Company s common stock, including a presumption that each share of common stock held in street or nominee name or by a broker, clearing agency, voting trustee, bank, trust company or other nominee shall be presumed to have been acquired after November 21, 2003, and accordingly to be entitled to only one vote per share, unless the holder furnished the Company with proof to the contrary. Applying the presumptions described in Article Fourth of the Company s Certificate of Incorporation, the Company s records indicate that 585,597,872 votes are entitled to be cast at the Meeting. All percentages of voting power set forth in this proxy statement have been calculated based on such number of votes. Attached hereto as Annex A is a summary of these voting provisions.

**Voting of Proxies**

Because many of the Company s stockholders are unable to attend the Meeting, the Board of Directors solicits proxies by mail to give each stockholder an opportunity to vote on all items of business scheduled to come before the Meeting. Each stockholder is urged to:

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- (1) read carefully the material in this Proxy Statement;
  
- (2) specify his or her voting instructions on each item by marking the appropriate boxes on the accompanying proxy card; and
  
- (3) sign, date and return the proxy card in the enclosed, postage prepaid envelope.

The accompanying proxy card provides a space, with respect to the election of Directors, for a stockholder to withhold voting for any or all nominees for the Board of Directors, but does not permit a stockholder to vote for any nominee not named on the proxy card. The card also allows a stockholder to abstain from voting on any other item if the stockholder chooses to do so.

When the accompanying proxy card is properly executed and returned with voting instructions with respect to any of the items to be voted upon, the shares represented by the proxy will be voted in accordance with the stockholder's directions by the persons named on the proxy card as proxies of the stockholder. If a proxy card is signed and returned, but no specific voting instructions are given, the shares represented by the proxy card will be voted for the election of the thirteen nominees for Directors named on the accompanying proxy card, against the shareholder proposal and for the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm.

Unless otherwise indicated by the stockholder, returned proxy cards also confer upon the persons named on the card, as proxies for the stockholder, discretionary authority to vote all shares of stock represented by the proxy card on any item of business that is properly presented for action at the Meeting, even if not described in this Proxy Statement. If any of the nominees for Director named below should be unable or unwilling to accept nomination, the proxies will be voted for the election of such other person as may be recommended by the Board of Directors. The Board of Directors, however, has no reason to believe that any item of business not set forth in this Proxy Statement will come before the Meeting or that any of the nominees for Director will be unavailable for election.

### **Revocation of Proxies**

The proxy does not affect a stockholder's right to vote in person at the Meeting. If a stockholder executes a proxy, he or she may revoke it at any time before it is voted by submitting a new proxy card, or by communicating his or her revocation in writing to the Secretary of the Company at 4845 U.S. Highway 271 N., Pittsburg, Texas 75686, or by voting by ballot at the Meeting.

### **Votes Required**

The holders of at least a majority of the voting power of the Company's common stock outstanding on the Record Date must be present in person or by proxy at the Meeting for the Meeting to be held. Abstentions and broker non-votes are counted in determining whether at least a majority of the voting power of the Company's common stock outstanding on the Record Date is present at the Meeting.

Directors will be elected by a plurality of the votes cast at the Meeting. The affirmative vote of a majority of the voting power of the Company's common stock represented and entitled to vote at the Meeting is required for the approval of the shareholder proposal, the ratification of the appointment of the Company's independent registered public accounting firm and approval of any other item of business to be voted upon at the Meeting. Abstentions from voting on any matter will be included in the voting tally. Abstentions will have no effect on the election of Directors. An abstention will have the same effect as a vote against the shareholder proposal and the proposal to ratify the appointment of the Company's independent registered public accounting firm. Broker non-votes are shares held by a broker or nominee that are represented at the Meeting, but with respect to which such broker or nominee is not empowered to vote on a particular proposal. A broker non-vote will not be considered entitled to vote on matters as to which the broker withholds authority; therefore, broker non-votes are not included in the tabulation of voting results. Broker non-votes will have no effect on the election of Directors, and broker non-votes will not be included in the tabulation of voting results with respect to the shareholder proposal or the proposal to ratify the appointment of the Company's registered public accounting firm. Lonnie Bo Pilgrim owned or controlled over 50% of the voting power of the outstanding common stock on the Record Date, and thus will be able to elect all of the nominees for Directors and determine the outcome of all other matters presented to a vote of the stockholders.

### **Stockholder Proposals for 2007 Annual Meeting**

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The Company currently expects that the 2007 Annual Meeting of Stockholders will be held on Wednesday, January 31, 2007. The Company's Amended and Restated Corporate Bylaws state that a stockholder must give the Secretary of the Company written notice, at the Company's principal executive offices, of its intent to present a proposal at the Company's 2007 Annual Meeting of Stockholders by

October 3, 2006, but not before May 6, 2006. Additionally, in order for stockholder proposals which are submitted pursuant to Rule 14a-8 of the Securities Exchange Act of 1934, as amended (the Exchange Act), to be considered by the Company for inclusion in the Company's proxy materials for the 2007 Annual Meeting of Stockholders, they must be received by the Secretary of the Company at the Company's executive offices no later than the close of business on August 31, 2006.

#### **Cost of Proxy Solicitation**

The Company will bear the cost of the Meeting and the cost of soliciting proxies in the accompanying form, including the cost of mailing the proxy material. In addition to solicitation by mail, Directors, officers and other employees of the Company may solicit proxies by telephone or otherwise. They will not be specifically compensated for such services. The Company will request brokers and other custodians, nominees and fiduciaries to forward proxies and proxy soliciting material to the beneficial owners of the Company's common stock and to secure their voting instructions, if necessary. The Company will reimburse them for the expenses in so doing.

#### **Role of the Board of Directors**

The Board of Directors has the responsibility for establishing broad corporate policies and for the overall performance of the Company. However, it is not involved in day-to-day operating details. Members of the Board are kept informed of the Company's business through discussions with the Chairman and other officers and by reviewing analyses and reports sent to them each month, as well as by participating in Board and committee meetings.

#### **Board Independence**

The Board of Directors has determined that each of the current directors standing for election, except for Lonnie Bo Pilgrim, Clifford E. Butler, Lonnie Ken Pilgrim, O.B. Goolsby, Jr. and Richard A. Cogdill, has no material relationship with the Company (either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company) and is independent within the meaning of the Company's Corporate Governance Policy's categorical independence standards, which are attached hereto as Annex C, and the New York Stock Exchange's listing standards.

#### **Committees of the Board of Directors**

To assist in carrying out its duties, the Board of Directors has delegated certain authority to the Audit and Compensation Committees. The Audit Committee was established in accordance with Section (3)(a)(58)(A) of the Exchange Act. The members of the Audit Committee are Vance C. Miller, Sr., Linda Chavez and Keith Hughes. The members of the Compensation Committee are Lonnie Bo Pilgrim, Vance C. Miller, Sr., Lonnie Ken Pilgrim, James G. Vetter, Jr., and Blake D. Lovette. The Compensation Committee also has a subcommittee consisting of Charles L. Black and Vance C. Miller, Sr. Each committee meets to examine various facets of the Company's operations and take appropriate action or make recommendations to the Board of Directors.



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The Board of Directors does not maintain a Nominating Committee. As a controlled company under the New York Stock Exchange's listing standards, the Company chooses to have the entire Board of Directors participate in the consideration of Director nominees. See Controlled Company Exemption below for a discussion of controlled company status. The Board of Directors does not delegate the responsibility of nominating potential new Directors to a separate nominating committee because it believes that all Directors should be involved in this process. The Board of Directors' policy is to encourage selection of Directors who will contribute to the Company's overall corporate goals of responsibility to its stockholders, industry leadership and integrity in financial reporting and business conduct. The Board of Directors will review the experience and characteristics appropriate for Board members and Director candidates in light of the Board of Directors' composition at the time and skills and expertise needed for effective operation of the Board of Directors and its committees. Final approval of a candidate is determined by the full Board. Because the

Company is a controlled company, the Board of Directors does not have a policy with regard to the consideration of any Director candidates recommended by the Company's stockholders. However, the Board of Directors will consider stockholder recommendations for candidates for the Board which should be sent to Pilgrim's Pride Corporation, Corporate Secretary, 4845 U.S. Highway 271 N., Pittsburg, Texas 75686.

The Audit Committee's responsibilities include the selection of the independent registered public accounting firm, reviewing the plan and results of the audit performed by the Company's independent registered public accounting firm and the adequacy of the Company's systems of internal accounting controls, and monitoring compliance with the Company's conflicts of interest and business ethics policies. The Audit Committee is composed entirely of Directors who the Board of Directors has determined to be independent within the meaning of the New York Stock Exchange's listing standards. The Board of Directors has determined that each of the members of the Audit Committee is financially literate and at least one member has accounting or financial management expertise, in each case as required by the New York Stock Exchange's listing standards. The Board of Directors has determined that Mr. Keith Hughes is an audit committee financial expert within the meaning of the regulations of the Securities and Exchange Commission. The Audit Committee has an Audit Committee Charter that is attached as Annex B to this Proxy Statement. The Audit Committee Charter is also available on the Company's website at [www.pilgrimspride.com](http://www.pilgrimspride.com), under the Investors Corporate Governance caption. The Audit Committee Charter is also available in print to any stockholder who requests it.

The Compensation Committee reviews the Company's remuneration policies and practices and establishes the salaries of the Company's officers. The Compensation Subcommittee is responsible for administering certain aspects of the Pilgrim's Pride Corporation Senior Executive Performance Bonus Plan dealing with compensation for designated Section 162(m) participants, currently Mr. Lonnie Bo Pilgrim, Clifford E. Butler, O.B. Goolsby, Jr., Richard A. Cogdill and J. Clinton Rivers.

## **Meetings**

During the Company's fiscal year ended October 1, 2005, there were six regular and six telephonic meetings of the Board of Directors, five regular and two telephonic meetings of the Audit Committee, one meeting of the Compensation Committee, one meeting of the Compensation Subcommittee and two executive sessions including only non-management directors. During fiscal 2005, each member of the Board of Directors attended at least 75% of the aggregate number of meetings of the Board and Board Committees on which the Director served. All Directors attended the Company's 2005 Annual Meeting. While the Company does not have a formal policy regarding Director attendance at annual meetings of stockholders, the Company encourages each Director to attend each annual meeting of stockholders. In practice, the Company intends to schedule regular Board of Directors meetings on the same day as its annual meeting of stockholders, which the Company believes will facilitate Director attendance at the stockholders' meeting.

## **Communications with the Board of Directors**

Stockholders may communicate directly with the Board of Directors, any Board committee, all independent Directors, or any one Director serving on the Board of Directors by sending written correspondence to the desired person or entity attention of the Company's Corporate Counsel at Pilgrim's Pride Corporation, 4845 U.S. Highway 271 N., Pittsburg, Texas 75686 or [CorporateCounsel@pilgrimspride.com](mailto:CorporateCounsel@pilgrimspride.com). Communications are distributed to the Board of Directors, or to any individual Director or Directors as appropriate, depending on the facts and circumstances outlined in the communication.

## **Corporate Governance**

The Board of Directors has adopted a Code of Business Conduct and Ethics and Corporate Governance Policies of the Board of Directors. The full texts of the Code of Business Conduct and Ethics and Corporate Governance Policies are posted on the Company's website at [www.pilgrimspride.com](http://www.pilgrimspride.com), under the Investors Corporate Governance caption and are also available in print to any stockholder who

requests them. The Company intends to disclose future amendments to, or waivers from, certain provisions of the Code of Business Conduct and Ethics on the Company's website within four business days following the date of such amendment or waiver.

### **Controlled Company Exemptions**

The Company is a controlled company under the New York Stock Exchange's listing standards since Lonnie Bo Pilgrim owns or controls over 50% of the voting power of the outstanding common stock as of the Record Date. Accordingly, the Company takes advantage of the exemptions in Sections 303A.01, 303A.04 and 303A.05 of the New York Stock Exchange's listing standards.

### **Executive Sessions**

Because Lonnie Bo Pilgrim, the current Chairman of the Board, is not an independent Director, the Board of Directors will either designate an independent Director to preside at the meetings of the non-management and independent Directors or a procedure by which a presiding Director is selected for these meetings. In the absence of another procedure being adopted by the Board, the person appointed will be the independent Director with the longest tenure on the Board in attendance at the meeting.

## ELECTION OF DIRECTORS

At the Meeting, thirteen Directors are to be elected, each to hold office for one year or until his successor is duly elected and qualified. Unless otherwise specified on the proxy card, the shares represented by the enclosed proxy will be voted for the election of the thirteen nominees named below. The Board of Directors has no reason to believe that any nominee will be unable to serve if elected. In the event any nominee shall become unavailable for election, it is intended that such shares will be voted for the election of a substitute nominee selected by the Board of Directors. The Board of Directors has recommended each of the nominees for Directors.

## NOMINEES FOR DIRECTOR

**Lonnie Bo Pilgrim**, 77, has served as Chairman of the Board since the organization of the Company in July 1968. He was previously Chief Executive Officer from July 1968 to June 1998. Prior to the incorporation of the Company, Mr. Pilgrim was a partner in the Company's predecessor partnership business founded in 1946.

**Clifford E. Butler**, 63, serves as Vice Chairman of the Board. He joined the Company as Controller and Director in 1969, was named Senior Vice President of Finance in 1973, became Chief Financial Officer and Vice Chairman of the Board in July 1983, became Executive President in January 1997 and served in such capacity through July 1998.

**O.B. Goolsby, Jr.**, 58, serves as President and Chief Executive Officer of the Company. He became a Director in January 2003. Mr. Goolsby has served as President and Chief Executive Officer since September 2004. Mr. Goolsby served as President and Chief Operating Officer from November 2002 to October 2004. Prior to being named as President and Chief Operating Officer in November 2002, Mr. Goolsby served as Executive Vice President, Prepared Foods Complexes from June 1998 to November 2002. He was previously Senior Vice President, Prepared Foods Operations from August 1992 to June 1998 and Vice President, Prepared Foods Operations from September 1987 to August 1992 and was previously employed by the Company from November 1969 to January 1981.

**Richard A. Cogdill**, 45, has served as Chief Financial Officer, Secretary and Treasurer (the Company's Principal Financial and Accounting Officer) since January 1997. He became a Director in September 1998. Previously, he served as Senior Vice President, Corporate Controller, from August 1992 through December 1996 and as Vice President, Corporate Controller, from October 1991 through August 1992. Prior to October 1991, he was a Senior Manager with Ernst & Young LLP. He is a Certified Public Accountant.

**Lonnie Ken Pilgrim**, 47, has been employed by the Company since 1977 and has been Executive Vice President, Assistant to Chairman since November 2004. He served as Senior Vice President, Transportation from August 1997 to November 2004. Prior to that he served the Company as its Vice President, Director of Transportation. He has been a member of the Board of Directors since March 1985. He is a son of Lonnie Bo Pilgrim.

**Charles L. Black**, 76, was Senior Vice President, Branch President of NationsBank, Mt. Pleasant, Texas, from December 1981 to his retirement in February 1995. He previously was a Director of the Company from 1968 to August 1992 and has served as a Director since his re-election in February 1995.

**Linda Chavez**, 58, has been President of the Center for Equal Opportunity, a non-profit public policy research organization in Sterling, Virginia since 1995. Previously, she served as Chairman, National Commission on Migrant Education from 1988 to 1992 and White House Director of Public Liaison in 1985. She was elected a Director in July 2004. She also serves on the board of directors of ABM industries, Inc., a facilities service contractor, as well as on the boards of several non-profit organizations.

**S. Key Coker**, 48, has served as Executive Vice President of Compass Bank, a \$25 billion dollar bank with offices throughout the southern United States, since October 2000. Previously, he served as Senior Vice President of Compass Bank from June 1995 through September 2000 and had been employed by Compass Bank since 1992. He is a career banker with 25 years of experience in banking. He was appointed a Director in September 2000.

**Keith W. Hughes**, 59, was elected a Director of the Company in September 2004. He was Chairman and CEO of Dallas-based Associates First Capital from 1994 to 2000 when it merged with Citigroup, and served as Associates First Capital's President and Chief Operating Officer from 1991 to 1994. Prior to joining Associates, he held various roles in the financial services industry working for Continental Illinois Bank in Chicago, Northwestern Bank in Minneapolis and Crocker Bank in San Francisco. Mr. Hughes also serves as a director of Carreker Corporation, a financial software and consulting organization; Texas Industries, Inc., a producer of steel, concrete and aggregate construction material; and Certegy Inc., a credit card and check authorization business. He is a former Vice Chairman and member of the Board of Directors of Citigroup.

**Blake D. Lovette**, 63, was appointed a director of the Company in November 2003. He has served as a consultant to companies serving the food industry and has been a private investor since July 2002. From 1998 to June 2002, he was President of ConAgra Poultry Company, a fully-integrated chicken processing business engaged in the production, processing, marketing and distribution of fresh and frozen chicken products. Mr. Lovette has served as a poultry company executive for many years. He was President and Chief Operating Officer of Valmac Industries from 1979 to 1985. From 1985 to 1988, Mr. Lovette led the Shenandoah Products Corporation operations of Perdue Farms. He was President and Chief Operating Officer of poultry operations of Holly Farms Corporation from 1988 to 1990, and was with the Lovette Company from 1990 to 1998.

**Vance C. Miller, Sr.**, 72, was elected a Director in September 1986. Mr. Miller has been Chairman of Vance C. Miller Interests, a real estate development company formed in 1977, and has served as the Chairman of the Board and Chief Executive Officer of Henry S. Miller Cos., a Dallas, Texas, real estate services firm, since 1991. Mr. Miller was appointed by the President of the United States to serve as Director of Fannie Mae from 1986 to 1989.

**James G. Vetter, Jr.**, 71, has practiced law in Dallas, Texas, since 1966. He is a shareholder of the Dallas law firm of Godwin Gruber LLP, and has served as general counsel and a Director since 1981. Mr. Vetter is a Board Certified-Tax Law Specialist and served as a lecturer and author in tax matters.

**Donald L. Wass, Ph.D.**, 73, was elected a Director of the Company in May 1987. He has been President of the William Oncken Company of Texas, a time management consulting company, since 1970.

**Report of the Audit Committee**

The Audit Committee oversees the Company's accounting and financial reporting processes and the integrity of the Company's financial statements on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls. In fulfilling its oversight responsibilities, the committee reviewed and discussed the audited financial statements in the Annual Report with management, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements.

The committee reviewed with the independent auditors who are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of the Company's accounting principles and such other matters as are required to be discussed with the committee under generally accepted auditing standards. In addition, the committee has discussed with the independent auditors the auditor's independence from management and the Company, and has received from the independent auditors the written disclosures and the letter from the independent auditors required by the Independence Standards Board.



The committee discussed with the Company's internal and independent auditors the overall scope and plans for their respective audits. The committee meets with the internal and independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls and the overall quality of the Company's financial reporting. In reliance on the reviews and discussions referred to above, the committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended October 1, 2005 for filing with the Securities and Exchange Commission. The committee has also recommended the selection of the Company's independent registered public accounting firm.

The members of the Audit Committee are independent within the meaning of the New York Stock Exchange's listing standards and the Audit Committee otherwise meets the audit committee composition requirements of the New York Stock Exchange's listing standards.

Audit Committee

Vance C. Miller, Sr.

Linda Chavez

Keith Hughes

**Independent Auditor Fee Information**

**Audit Fees**

Fees for audit services totaled approximately \$2,118,000 in fiscal 2005 and approximately \$1,911,344 in fiscal 2004, including fees associated with the annual audit, the audit of internal controls over financial reporting (i.e., the Sec. 404 Audit), the reviews of the Company's quarterly reports on Form 10-Q, statutory audits required in Mexico and assistance with registration statements and accounting consultations.

**Audit-Related Fees**

Fees for audit-related services totaled approximately \$355,000 in fiscal 2005 and approximately \$415,640 in fiscal 2004. Audit-related services principally include transaction assistance, SOX 404 assistance, employee benefit plan audits, and, in fiscal 2004 audit procedures performed to support the closing balance sheet for the Company's acquisition of the chicken division of ConAgra Foods, Inc.

**Tax Fees**

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Fees for tax services, including tax compliance, tax advice and tax planning, totaled approximately \$394,000 in fiscal 2005 and approximately \$333,900 in fiscal 2004.

### **All Other Fees**

Fees for all other services not included above totaled approximately \$6,000 in fiscal 2005 and approximately \$19,900 in fiscal 2004. All other fees principally include services related to the Company's 2002 product recall.

The Audit Committee has pre-approved all audit and non-audit fees of the independent auditor during fiscal 2005.

### **Pre-Approval Policies and Procedures**

In accordance with the Audit Committee Charter, the Audit Committee has established policies and procedures by which it approves in advance any audit and permissible non-audit services to be provided by the Company's independent auditors. Under these procedures, prior to the engagement of the independent

auditor for pre-approved services, requests or applications for the auditors to provide services must be submitted to the Company's chief financial officer or his designee and the Audit Committee and must include a detailed description of the services to be rendered. The chief financial officer or his designee and the independent auditors must ensure that the independent auditors are not engaged to perform the proposed services unless those services are within the list of services that have received the Audit Committee's pre-approval and must cause the Audit Committee to be informed in a timely manner of all services rendered by the independent auditors and the related fees.

Requests or applications for the independent auditors to provide services that require additions or revisions to the fiscal 2006 pre-approval will be submitted to the Audit Committee (or any Audit Committee members who have been delegated pre-approval authority) by the chief financial officer or his designee. Each request or application must include:

a recommendation by the chief financial officer (or designee) as to whether the Audit Committee should approve the request or application; and

a joint statement of the chief financial officer (or designee) and the auditors as to whether, in their view, the request or application is consistent with the Securities and Exchange Commission's regulations and the requirements for auditor independence of the Public Company Accounting Oversight Board (PCAOB).

The Audit Committee also will not permit the auditors' engagement to provide any services to the extent that the Securities and Exchange Commission has prohibited the provision of those services by independent auditors.

The Audit Committee delegated authority to the Chairman of the Audit Committee to:

pre-approve any services proposed to be provided by the independent auditors and not already pre-approved or prohibited by this policy;

increase any authorized fee limit for pre-approved services (but not by more than 30% of the initial amount that was pre-approved) before the Company or its subsidiaries engage the auditors to perform services for any amount in excess of the fee limit; and

investigate further the scope, necessity or advisability of any services as to which pre-approval is sought.

The Chairman is required to report any pre-approval or fee increase decisions to the Audit Committee at the next committee meeting. The Audit Committee did not delegate to management any of the Audit Committee's authority or responsibilities concerning the auditors' services.

**Compensation Committee Interlocks and Insider Participation**

During fiscal 2005, the members of the Company's Compensation Committee were Lonnie Bo Pilgrim, Chairman of the Board of the Company, Vance C. Miller, Sr., Lonnie Ken Pilgrim, Executive Vice President, Assistant to Chairman of the Company, James G. Vetter, Jr., and Blake D. Lovette.

The Company has been and continues to be a party to certain transactions with Lonnie Bo Pilgrim and his children and a law firm affiliated with James G. Vetter, Jr. These transactions, along with all other transactions between the Company and affiliated persons, require the prior approval of the Audit Committee of the Board of Directors. Set forth below is a summary of these transactions:

From time to time Lonnie Bo Pilgrim purchases our live chickens and hens, feed inventory and veterinary and technical services during the grow-out process and then contracts with us to resell the birds at maturity. Chicks, feed and services are purchased from us for their fair market value, and we purchase the

mature chickens from Mr. Pilgrim at a market-based formula price subject to a ceiling price calculated at Mr. Pilgrim's cost plus 2 percent. Additionally, we process the payroll for certain employees of Mr. Pilgrim and Pilgrim Poultry G.P. ( PPGP ) as well as perform certain administrative bookkeeping services for Mr. Pilgrim's personal businesses. During fiscal 2005, we paid Mr. Pilgrim, doing business as PPGP, \$54,318,416 for chickens produced in his grow-out operations and refunds of unused prepayments, and PPGP paid us \$53,041,755 for chicks, feed, services and prepayments related thereto, including the payroll services described above. Lonnie Bo Pilgrim is the sole proprietor of PPGP. During the year ended October 1, 2005 these transactions resulted in a net operating profit to Mr. Pilgrim of \$1,017,000.

PPGP also rents facilities to us for the production of eggs. On December 29, 2000, we entered into an agreement with PPGP to rent its egg production facilities for a monthly amount of \$62,500. During fiscal year 2005, we paid rental on the facilities of \$750,000 to PPGP. Our management believes that the terms of this agreement with PPGP are substantially similar to, and contain terms not less favorable to us than, agreements obtainable from unaffiliated parties.

We also maintain depository accounts with a financial institution of which Lonnie Bo Pilgrim is a major stockholder. Fees paid to this bank in fiscal 2005 are insignificant, and as of October 1, 2005, we had bank balances at this financial institution of approximately \$1.6 million.

Since 1985, we have leased an airplane from Lonnie Bo Pilgrim under a lease agreement which provides for monthly lease payments of \$33,000 plus operating expenses, which terms our management believes to be substantially similar to those obtainable from unaffiliated parties. During fiscal 2005 we had lease expenses of \$396,000 and operating expenses of \$140,090 associated with the use of this airplane.

Historically, much of our debt has been guaranteed by our major stockholders. In consideration of such guarantees, we have paid such stockholders a quarterly fee equal to .25% of the average aggregate outstanding balance of such guaranteed debt. During fiscal 2005, we paid \$1,774,753 to Pilgrim Interests, Ltd., an affiliate of Lonnie Bo Pilgrim.

Certain members of the family of Lonnie Bo Pilgrim are employed by us, including his son, Lonnie Ken Pilgrim, a Director and our Executive Vice President, Assistant to Chairman, his son, Pat Pilgrim and his daughter, Greta Pilgrim-Owens, who received total compensation in fiscal 2005 of \$459,160, \$459,072 and \$470,263, respectively.

Pat Pilgrim also provided hauling and pumping services to the Company for which he was paid \$250,814. He also paid the Company \$12,400 in fiscal 2005 for land he leases from the Company. These transactions have terms substantially the same as contracts entered into by the Company with unaffiliated parties. On November 30, 2005, the Audit Committee pre-approved the Company entering into three contracts with Pat Pilgrim and purchasing a substantially unused aerator from Pat Pilgrim for a purchase price of \$8,000. The aerator was purchased by Pat Pilgrim in May 2005 for \$9,500. The contracts pre-approved by the Audit Committee include a general services agreement, a transportation agreement and a lease of certain land from the Company providing for lease payments of \$23,263.50 per year. The general services agreement and the transportation agreement are intended to document the services provided by Pat Pilgrim, which for fiscal 2005, are described above. Management believes the terms of each of the contracts, the lease and the purchase of the aerator are substantially similar to those obtainable from unaffiliated parties.

Godwin Gruber LLP represents us in connection with a variety of legal matters. James G. Vetter, Jr., is a Director of the Company and is a shareholder of Godwin Gruber LLP.

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We have entered into chicken grower contracts involving farms owned by certain of our officers, providing the placement of Pilgrim's Pride-owned flocks on their farms during the grow-out phase of production. These contracts are on terms substantially the same as contracts entered into by the Company with unaffiliated parties and can be terminated by either party upon completion of the grow-out of each flock. The aggregate amount paid by us to Lonnie Bo Pilgrim under these grower contracts during fiscal 2005 was \$223,889.

## EXECUTIVE COMPENSATION

The following table sets forth a summary of compensation paid to the Company's Chief Executive Officer and the other persons serving as executive officers during fiscal 2005. See "Nominees for Director Compensation Committee Interlocks and Insider Participation" above and "Certain Transactions" below for a discussion of transactions between the Company and its Directors and executive officers and the Company's employment of certain of their children.

Summary Compensation Table

Name and Principal Position	Fiscal Year	Annual Compensation		Other Annual Compensation(1)	All Other Compensation(2)
		Salary	Bonus		
Lonnie Bo Pilgrim Chairman of the Board	2005	\$ 1,124,902	\$ 1,917,862	\$ 116,531	\$ 4,921
	2004	1,189,588	1,437,218	153,106	6,240
	2003	1,071,200	586,640	74,753	28,543
O. B. Goolsby, Jr President and Chief Executive Officer	2005	598,077	1,022,469	44,929	2,872
	2004	492,115	648,978	39,315	2,354
	2003	373,577	301,325	12,455	2,747
Clifford E. Butler Vice Chairman of the Board	2005	409,808	698,687	10,244	3,007
	2004	407,234	535,231	14,770	2,955
	2003	388,921	183,640	12,544	3,009
Richard A. Cogdill Chief Financial Officer, Secretary and Treasurer	2005	498,076	852,058	12,451	890
	2004	394,604	520,263	18,613	670
	2003	324,873	350,000	8,480	927
J. Clinton Rivers Chief Operating Officer	2005	497,115	852,058	9,521	919
	2004	338,582	447,293	2,965	715
	2003	237,355	113,022	-0-	739

(1) Includes the following items of compensation:

a. Personal use of corporate aircraft by the named individual: Lonnie Bo Pilgrim, \$74,687 (2005), \$82,099 (2004) and \$15,557 (2003); and O.B. Goolsby, Jr., \$13,755 (2005), \$19,481 (2004) \$0 (2003). During fiscal years 2003, 2004 and 2005, the Company owned and operated airplanes to facilitate business travel of certain of its employees in as safe a manner as possible with the best use of their time. Mr. Pilgrim and certain other named executive officers use the corporate aircraft for business travel and on a limited basis for personal travel. The value of personal aircraft usage reported above is based on the Company's direct operating cost. The methodology calculates our incremental cost based on the average weighted cost of fuel, aircraft maintenance, landing fees, trip-related hanger and parking costs, and smaller variable costs. Since the corporate aircraft are used primarily for business travel, the methodology excludes fixed costs which do not change based on usage, such as pilots' and other employees' salaries, purchase cost of the aircraft and non-trip related hanger expenses. On certain occasions, an employee's spouse or other family member may accompany the employee on a flight. No additional direct operating cost is incurred in such

situations under the foregoing methodology.

b. Personal use of automobile by the named individual: Lonnie Bo Pilgrim, \$41,844 (2005), \$71,007 (2004) and \$59,196 (2003).

c. Company's contributions to the named individual under its Employee Stock Purchase Plan in the following amounts: Lonnie Bo Pilgrim, \$0 (2005), \$0 (2004), \$0 (2003); O.B. Goolsby, Jr., \$31,174 (2005), \$19,834 (2004), \$12,455 (2003); Clifford E. Butler, \$10,244 (2005), \$14,770 (2004), \$12,544 (2003); Richard A. Cogdill, \$12,451 (2005), \$18,613 (2004), \$8,480 (2003); and J. Clinton Rivers, \$9,521 (2005), \$2,965 (2004), \$0 (2003).

(2) Includes the following items of compensation:

a. Company's contributions to the named individual under its 401(k) Salary Deferral Plan in the following amounts: Lonnie Bo Pilgrim, \$0 (2005), \$0 (2004), \$26 (2003); O.B. Goolsby, Jr., \$182 (2005), \$168 (2004), \$338 (2003); Clifford E. Butler, \$182 (2005), \$189 (2004), \$324 (2003); Richard A. Cogdill, \$182 (2005), \$273 (2004), \$334 (2003); and J. Clinton Rivers, \$182 (2005), \$224 (2004), \$312 (2003).

b. Section 79 income to the named individual due to group term life insurance in excess of \$50,000 in the following amounts: Lonnie Bo Pilgrim, \$4,921 (2005), \$6,240 (2004), \$28,517 (2003); O.B. Goolsby, Jr., \$2,690 (2005), \$2,186 (2004), \$2,409 (2003); Clifford E. Butler, \$2,825 (2005), \$2,766 (2004), \$2,685 (2003); Richard A. Cogdill, \$708 (2005), \$397 (2004), \$593 (2003); and J. Clinton Rivers, \$737 (2005), \$492 (2004), \$427 (2003).



## **Directors Fees**

The Company pays its Directors who are not employees of the Company \$9,000 per meeting attended in person, plus expenses, and Directors who are not employees of the Company also receive \$4,000 and \$2,000 per telephonic meeting that they participate in that lasts at least 45 minutes or less than 45 minutes, respectively. Additionally, the Company pays the members of the Audit Committee \$6,000 for each Audit Committee meeting attended in person, plus expenses, and \$4,000 and \$2,000 per telephonic Audit Committee meeting that they participate in that lasts at least 45 minutes or less than 45 minutes, respectively.

## **Report of Compensation Committee**

The Compensation Committee establishes executive compensation and oversees the administration of the bonus plan for key members of management and the Company's employee benefit plans.

The following is a report submitted by the Compensation Committee members in their capacity as the Board's Compensation Committee, addressing the Company's compensation policy as it related to the named executive officers for fiscal 2005.

## **Performance Measures**

The Compensation Committee's establishment of annual executive compensation is a subjective process in which the Committee considers many factors, including the Company's performance as measured by earnings for the year, each executive's specific responsibilities, the contribution to the Company's profitability by each executive's specific areas of responsibility, the level of compensation believed necessary to motivate and retain qualified executives and the executive's length of time with the Company.

## **Fiscal Compensation**

For fiscal 2005, the Company's executive compensation program consisted of (a) base salary, (b) the bonus plan described below, (c) Company contributions to the Company's 401(k) salary deferral plan which are made up of mandatory contributions of one dollar per week and matching contributions of up to five dollars per week and additional matching contributions of up to four percent of an executive's compensation subject to an overall Company contribution limit of five percent of domestic income before taxes and (d) Company contributions to the Senior Executive Bonus Plan in an amount equal to 33 1/3% of the officer's payroll deduction for purchases of the Company's common stock under the plan, which deductions are limited to 7 1/2% of the officer's base salary, overtime pay and bonuses.

In establishing the fiscal 2005 compensation for Lonnie Bo Pilgrim, the Company's Chairman of the Board, the Compensation Committee adjusted Mr. Pilgrim's annual base salary to \$1,124,902 to reflect changes in the cost of living. Mr. Pilgrim's bonus for fiscal 2005 consisted of a bonus of \$1,917,862. Mr. Pilgrim's bonus for fiscal 2005 consisted of the bonus awarded pursuant to the bonus plan discussed below.

In establishing the fiscal 2005 compensation for O.B. Goolsby, Jr., the Company's President and Chief Executive Officer, the Compensation Committee adjusted Mr. Goolsby's annual base salary to \$598,077 based on the factors described above and to reflect changes in the cost of living. Mr. Goolsby's bonus for fiscal 2005 consisted of a bonus of \$1,022,469. Mr. Goolsby's bonus for fiscal 2005 consisted of the bonus awarded pursuant to the bonus plan discussed below.

The Company's objective is to obtain financial performance that achieves increased return on equity, sales volume, earnings per share and net income. The Compensation Committee believes that linking executive compensation to corporate performance results in a better alignment of compensation with corporate goals and stockholder interests.

The Company's Senior Executive Performance Bonus Plan (the Plan) provides for five percent of the Company's U.S. income before income taxes to be allocated among certain key members of management.

Such amount is allocated among all plan participants based upon the ratio of each participant's eligible salary to the aggregate salaries of all participants and the number of months of the fiscal year the participant was approved for participation. The Plan also provides for a Subcommittee to administer the plan provisions dealing with certain designated Section 162(m) participants, currently Mr. Lonnie Bo Pilgrim, Clifford E. Butler, O.B. Goolsby, Jr., Richard A. Cogdill and J. Clinton Rivers. The Compensation Committee retains the right, in its sole discretion, to reduce, increase or eliminate, prior to payment thereof, the amount of any bonus that would otherwise be due under the Plan to non-Section 162(m) participants, and the Compensation Subcommittee retains these same rights, except for the right to increase bonus amounts, for designated Section 162(m) participants. Participants may generally be added or removed from the plan at the discretion of the Compensation Committee. Participants must continue to be employed by the Company on January 1 following the end of a fiscal year in order to be paid a bonus with respect to that year. Bonuses are typically paid during the January following the fiscal year with respect to which the bonus has been granted.

Compensation Committee

Lonnie Bo Pilgrim

Vance C. Miller, Sr.

Lonnie Ken Pilgrim

James G. Vetter, Jr.

Blake D. Lovette

Compensation Subcommittee

Charles L. Black

Vance C. Miller, Sr.

The Report of the Compensation Committee, the Report of the Audit Committee, the Audit Committee Charter, references to the independence of directors, and the Stock Performance Graph are not deemed to be soliciting material or filed with the Securities and Exchange Commission, are not subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act), and shall not be deemed incorporated by reference into any of the filings previously made or made in the future by our Company under the Exchange Act or the Securities Act of 1933, as amended (except to the extent our Company specifically incorporates any such information into a document that is filed).

**COMPANY PERFORMANCE**

The following graphs compare the performance of the Company with that of the Russell 2000 composite index and a peer group of companies with the investment weighted on market capitalization. The total cumulative return on investment (change in the year-end stock price plus reinvested dividends) for each of the periods for the Company, the Russell 2000 composite index and the peer group is based on the stock price or composite index at the end of fiscal 2000.

The first graph covers the period from September 30, 2000 through November 20, 2003, the last date on which the Company's Class A and Class B shares traded on the New York Stock Exchange prior to reclassification into a single new class of shares of common stock. The second graph covers the period from November 21, 2003 through October 1, 2005 and shows the performance of the Company's single class of common stock.

The third graph covers the five fiscal year period ending October 1, 2005 and shows the performance of the Company's Class A and Class B shares after giving effect to the reclassification into the Company's single class of common stock on November 21, 2003 based on a one to one exchange ratio.

**COMPARISON OF THREE YEAR CUMULATIVE TOTAL RETURN  
AMONG THE COMPANY, THE RUSSELL 2000 INDEX  
AND THE PEER GROUP**

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\* \$100 invested on 9/30/00 in stock or index including reinvestment of dividends.

**COMPARISON OF TWO YEAR CUMULATIVE TOTAL RETURN  
AMONG THE COMPANY, THE RUSSELL 2000 INDEX  
AND THE PEER GROUP**

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\* \$100 invested on 11/21/2003 in stock or index including reinvestment of dividends.

**COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN  
AMONG THE COMPANY, THE RUSSELL 2000 INDEX  
AND THE PEER GROUP**

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\* \$100 invested on 9/30/00 in stock or index including reinvestment of dividends.

(1) On November 21, 2003, each share of the Company's then outstanding Class A common stock and Class B common stock was reclassified into one share of new common stock, which is now the only authorized class of the Company's common stock. The Company's common stock is listed on the New York Stock Exchange under the

symbol PPC.

(2) Companies in the peer group index include Hormel Foods Corporation, Smithfield Foods, Inc., Tyson Foods, Inc., Sanderson Farms, Inc. and Cagle's, Inc.



### CERTAIN TRANSACTIONS

The Company has been and continues to be a party to certain transactions with Lonnie Bo Pilgrim, its Chairman, Clifford E. Butler, its Vice Chairman, O.B. Goolsby, its President and Chief Executive Officer, and a law firm affiliated with James G. Vetter, Jr., one of its Directors. These transactions, along with all other transactions between the Company and affiliated persons, require the prior approval of the Audit Committee of the Board of Directors, and the Audit Committee has approved each of these transactions.

The Company has entered into chicken grower contracts involving farms owned by certain of its officers, providing the placement of the Company s-owned flocks on their farms during the grow-out phase of production. These contracts are on terms substantially the same as contracts entered into by the Company with unaffiliated parties and can be terminated by either party upon completion of the grow-out of each flock. The aggregate amounts paid by the Company to its current officers under these grower contacts during fiscal 2005 were as follows: Lonnie Bo Pilgrim, \$223,889 and Clifford E. Butler, \$314,186.

The Company also employs Clifford E. Butler s son, Shane Butler, our Vice President Prepared Foods, Mt. Pleasant and Waco, who was paid total compensation of \$247,688 in fiscal 2005. In addition, we employ O.B. Goolsby s daughter, Melissa Goolsby-Cooney, Sales Field Representative, who was paid total compensation of \$38,071 in fiscal 2005, son-in-law Scott Cooney, Director HACCP/Regulatory Compliance, who was paid total compensation of \$79,000 in fiscal 2005 and daughter Tennille Goolsby, Consumer Relations Supervisor, who was paid total compensation of \$31,850 in fiscal 2005, and purchased landscape services from Mr. Goolsby s son, Greg Goolsby, who was paid a total amount of \$5,340 in fiscal 2005.

See Nominees for Director Compensation Committee Interlocks and Insider Participation, which is incorporated herein by reference, for a discussion of the Company s transactions with Lonnie Bo Pilgrim and James G. Vetter, Jr.

## SECURITY OWNERSHIP

The following table sets forth, as of November 28, 2005 (except as otherwise noted), certain information with respect to the beneficial ownership of the Company's common stock by (a) each stockholder beneficially owning more than 5% of the Company's outstanding common stock; (b) each Director and Director nominee of the Company who is a stockholder of the Company; (c) each of the executive officers listed in the executive compensation table who is a stockholder of the Company; and (d) all executive officers and Directors of the Company as a group.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership of Common Stock	Percent of Outstanding Common Stock	Percent of Voting Power
Pilgrim Interests, Ltd.(a) 4845 U.S. Highway 271 N. Pittsburg, Texas 75686	22,118,077	33.2%	62.3%
Lonnie Bo Pilgrim(a)(b)(c)(d) 4845 U.S. Highway 271 N. Pittsburg, Texas 75686	25,351,125	38.1%	62.3%
Lonnie Ken Pilgrim(a)(b)(c)(d)(e) 4845 U.S. Highway 271 N. Pittsburg, Texas 75686	22,851,377	34.3%	62.3%
Barclays Global Investors, NA (f) 45 Fremont Street San Francisco, California 94105	6,482,849	10.8%	1.1%
Dimensional Fund Advisors Inc.(g) 1299 Ocean Avenue, 11th Floor Santa Monica, California 90401	2,533,319	3.8%	8.7%
Wellington Management Company LLP(h) 75 State Street Boston, Massachusetts 02109	1,928,850	2.9%	6.6%
Clifford E. Butler(d)	116,799	(i)	(i)
O.B. Goolsby, Jr.(d)	29,346	(i)	(i)
Richard A. Cogdill(d)	45,188	(i)	(i)
J. Clinton Rivers(d)	7,227	(i)	(i)
Charles L. Black	500	(i)	(i)
Linda Chavez S. Key Coker Keith W. Hughes	1,000	(i)	(i)
Blake D. Lovette Vance C. Miller, Sr.	2,000	(i)	(i)
James G. Vetter, Jr.	3,425	(i)	(i)
Donald L. Wass, Ph.D	450	(i)	(i)
All executive officers and Directors as a group (14 persons)(a)	26,108,914	39.2%	63.0%

(a) Pilgrim Interests, Ltd., Lonnie Bo Pilgrim and Lonnie Ken Pilgrim own or control 22,118,077 (33.2%), 25,351,125 (38.1%) and 22,851,377 (34.3%) shares of the Company's common stock, which represents 75.6%, 86.7% and 78.1%, respectively, of the voting power of the Company's common stock. However, pursuant to a Voting Agreement, dated as of November 18, 2003, by and between Pilgrim Interests, Ltd., Pilgrim Family Trust I, Pilgrim Family Trust II, PFCP, Ltd., Lonnie Jagers Pilgrim Minority Trust, Greta Gail Pilgrim Minority Trust, Lonnie A. Pilgrim, Patricia R. Pilgrim, Lonnie K. Pilgrim and Donna G. Pilgrim and the Company, whenever these

stockholders directly or indirectly own or control (of record or beneficially) shares of the Company's common stock that would provide for more than 62.25% of the Company's Total Voting Power they will vote their shares in excess of that percentage of the Total Voting Power in the same proportion as the votes cast by all other holders of the Company's common stock. Total Voting Power means the total number of votes that may be cast in the election of directors in respect of the Company's common stock at any meeting of stockholders if all common stock of the Company entitled to vote thereat was represented and voted to the fullest extent possible at such meeting.

(b) Includes 22,118,077 shares of common stock held of record by Pilgrim Interests, Ltd., a limited partnership formed by Mr. Lonnie Bo Pilgrim s family, 68,013 shares of common stock held of record by PFCP, Ltd., another limited partnership formed by Mr. Lonnie Bo Pilgrim s family, 90,580 shares of common stock held of record by Pilgrim Family Trust I, an irrevocable trust for the benefit of Lonnie Bo Pilgrim s surviving spouse and children, of which Lonnie Ken Pilgrim, an officer and Director of the Company and the son of Lonnie Bo Pilgrim, and Patty R. Pilgrim, Lonnie Bo Pilgrim s wife, are co-trustees, and 90,579 shares of common stock held of record by Pilgrim Family Trust II, an irrevocable trust for the benefit of Lonnie Bo Pilgrim and his children, of which Lonnie Bo Pilgrim and Lonnie Ken Pilgrim are co-trustees. Pilgrim Interests, Ltd. is a limited partnership formed by Mr. Pilgrim s family of which the managing general partner is the Lonnie A. Pilgrim 1998 Revocable Trust and the other general partner is Lonnie Ken Pilgrim and the limited partners are Lonnie Bo Pilgrim, The Lonnie A. Bo Pilgrim Endowment Fund, The Lonnie Ken Pilgrim Issue Trust, The Greta Pilgrim Owens Issue Trust and The Pat Pilgrim Issue Trust. PFCP, Ltd. is a limited partnership formed by Mr. Pilgrim s family of which the managing general partner is the Lonnie A. Pilgrim 1998 Revocable Trust and the other general partner is Lonnie Ken Pilgrim, the class A limited partners are Lonnie Bo Pilgrim and Patty R. Pilgrim and the class B limited partners are Lonnie Bo Pilgrim, Patty R. Pilgrim and Lonnie Ken Pilgrim. The agreement establishing the Lonnie A. Pilgrim 1998 Revocable Trust provides that Lonnie Bo Pilgrim is the sole trustee during his life and, after his death, the trustee shall be a board of trustees currently comprised of Patty R. Pilgrim and Lonnie Ken Pilgrim and S. Key Coker, Charles Black and Donald Wass, all directors of the Company. The agreement establishing the Lonnie A. Pilgrim 1998 Revocable Trust provides that Lonnie Bo Pilgrim as the sole trustee shall have sole voting and dispositive power over the shares of common stock and, after his death, most voting matters require a majority vote of the board of trustees except the direct or indirect sale of the shares of common stock requires a unanimous vote of the board of trustees. Additionally, Pilgrim Interests, Ltd. and PFCP, Ltd. have entered into a Voting Agreement, which may be terminated at any time by the unanimous action of Lonnie Bo Pilgrim, acting in his individual capacity and as trustee of the Lonnie A. Pilgrim 1998 Revocable Trust (acting as managing general partner of Pilgrim Interests, Ltd. and PFCP, Ltd.), Patty R. Pilgrim and Lonnie Ken Pilgrim which provides that Lonnie Ken Pilgrim, Greta Pilgrim Owens, the daughter of Lonnie Bo Pilgrim, S. Key Coker, Charles L. Black and Donald L. Wass (the Voting Representatives ) shall have the sole power to vote the shares of common stock owned by Pilgrim Interests, Ltd. and PFCP, Ltd. All voting decisions require a majority of the Voting Representatives except that (i) the sale of substantially all of the assets of the Company, (ii) the sale or liquidation of the Company, or (iii) the merger of the Company requires a unanimous vote of the Voting Representatives. All other decisions regarding common stock held by Pilgrim Interests, Ltd. and PFCP, Ltd. will be made by the Lonnie A. Pilgrim 1998 Revocable Trust. Each of Lonnie Bo Pilgrim and Lonnie Ken Pilgrim disclaim beneficial ownership of the Company s common stock held, except to the extent of their actual pecuniary interest therein.

(c) Includes 22,118,077 shares of common stock held of record by Pilgrim Interests, Ltd., a partnership formed by Mr. Pilgrim s family of which Lonnie A. Pilgrim and Lonnie Ken Pilgrim are managing partners. Also includes 90,580 shares of common stock held of record by Pilgrim Family Trust I, an irrevocable trust dated June 16, 1987, for the benefit of Lonnie Bo Pilgrim s surviving spouse and children, of which Lonnie Ken Pilgrim and Patty R. Pilgrim, Lonnie Bo Pilgrim s wife, are co-trustees, and 90,579 shares of common stock held of record by Pilgrim Family Trust II, an irrevocable trust dated December 23, 1987, for the benefit of Lonnie Bo Pilgrim and his children, of which Lonnie Bo Pilgrim and Lonnie Ken Pilgrim are co-trustees. Each of Lonnie A. Pilgrim and Lonnie Ken Pilgrim disclaim beneficial ownership of the Company s common stock held by Pilgrim Interests, Ltd., except to the extent of their respective pecuniary interest therein.

(d) Includes shares held in trust by the Company s 401(k) Salary Deferral Plan.

(e) Includes 13,697 shares of common stock held by his wife. Also includes 53,510 shares of common stock held in two irrevocable trusts dated December 15, 1994 and October 31, 1989, of which Lonnie Ken Pilgrim is a co-trustee for the benefit of his children. Lonnie Ken Pilgrim disclaims any beneficial interest in the foregoing shares.

(f) Based on information provided to the Company as of May 10, 2005, from Barclays Global Investors, NA ( Barclays ). Barclays and its affiliated entities have the sole power to direct the vote of 6,482,849 shares.

(g) Based on information provided to the Company as of February 6, 2004, from Dimensional Fund Advisors Inc. ( Dimensional ). Dimensional, an investment advisor registered under Section 203 of the Investment Advisors Act of 1940, furnishes investment advice to four investment companies registered under the Investment Company Act of 1940, and serves as investment manager to certain other commingled group trusts and separate accounts. These investment companies, trusts and accounts are the Funds. In its role as investment advisor or manager, Dimensional possesses voting and/or investment power over the shares of the Company's common stock that are owned by the Funds. All such shares are owned by the Funds. Dimensional disclaims beneficial ownership of such shares.

(h) Based on information provided to the Company as of February 12, 2004, from Wellington Management Company, LLP ( Wellington ). Wellington is an investment advisor registered under Section 203 of the Investment Advisors Act of 1940. In its role as investment advisor, Wellington possesses voting and/or investment power over the shares of the Company's common stock that are owned by its clients.

(i) Less than 1%.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires the Company's officers and Directors, and persons who own more than ten percent of the Company's common stock, to file reports of ownership and changes in ownership with the SEC and the New York Stock Exchange. Officers, Directors and greater than ten-percent stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file. Based on its review of the copies of such forms received by it, the Company believes that all filing requirements applicable to its officers, Directors and greater than ten-percent stockholders for fiscal 2005 were complied with.

**ITEM 2. SHAREHOLDER PROPOSAL**

**The Board of Directors recommends that the shareholders vote AGAINST the following Shareholder Proposal offered by PETA.**

The Company has been notified by the People for the Ethical Treatment of Animals (PETA), 501 Front Street, Norfolk, VA 23510, the beneficial owner of 260 shares of the Company's common stock, that it intends to propose the following resolution at the annual meeting:

Supporting Statement

Chickens and turkeys raised for Pilgrim's Pride are violently abused during gathering and shackling and are forced to endure gruesome, painful deaths by archaic slaughter and stunning methods that often include scalding birds to death or slitting their throats while they are conscious, as other terrified birds look on and struggle to free themselves from their shackles. A recent incident at one of our plants in West Virginia where workers were documented tearing the heads off live birds, spitting tobacco in their eyes, stomping on them, and spray-painting their faces is indicative of the type of unnecessary violence that our company is responsible for.

This is a stark contrast to our company's public claim that it will strictly maintain a program of animal welfare to eliminate unnecessary harm and suffering for animals. While our company did punish the employees who were caught sadistically torturing birds in West Virginia-after millions of Americans learned of the abuse-it has not taken the steps required to ensure that the principles espoused in its own Animal Welfare Policy are actually followed.

The cruelty documented in West Virginia stunned the public, tarnished our company's image, and adversely affected the value of our stock. Other companies are starting to explore a new slaughter technology known as controlled-atmosphere killing (CAK), which drastically reduces the amount of suffering birds endure, since it eliminates live dumping, live shackling, electrical stunning, and the possibility that animals will still be conscious when their throats are slit or they are scalded for feather removal. The CAK system also eliminates worker contact with live birds, thus eliminating any possibility of worker cruelty to animals.

CAK involves removing oxygen from the birds' environment and slowly replacing it with an inert gas, such as argon or nitrogen (which make up about 80 percent of the air we're breathing now), putting the birds to sleep quickly and painlessly. CAK, which is currently being used by some of McDonald's suppliers in the United Kingdom, is a U.S. Department of Agriculture-approved method of slaughter, and it has been described by animal welfare experts as the most stress-free, humane method of killing poultry ever developed. The technology also has positive worker, food-safety, and carcass-quality benefits, including increased meat yield and longer shelf life. It has even been shown that the money saved by switching to a CAK system would recoup the initial investment within a few years.

**Resolved:** Shareholders request that the board of directors issue a report to shareholders by July 2006, prepared at reasonable cost and omitting proprietary information, on the feasibility of Pilgrim's Pride requiring its chicken and turkey suppliers to phase in controlled-atmosphere killing within a reasonable timeframe, with a focus on the animal

welfare and economic benefits that this technology could bring to our company.

**Board Recommendation:**

Pilgrim s Pride has a long-standing commitment to the humane treatment of animals. The Company complies with all government regulations pertaining to the humane treatment of animals and maintains a program of animal welfare that is designed to eliminate unnecessary harm and suffering for animals in the day-to-day operation of our production processes. The Company also supports and has implemented the guidelines for animal welfare issued by the National Chicken Council and National Turkey Federation with



the intent to promote the humane treatment and well-being of poultry through the production process. Employees who violate the Company's animal welfare policy and associated procedures are subject to disciplinary action, up to and including termination of employment. Although the Company was appalled and outraged by the behavior of the referenced West Virginia workers, whose employment was subsequently terminated by the Company, the Company is also appalled by the behavior of the PETA investigator employed at the West Virginia facility. If the PETA investigator had reported the incidents to plant management or the employee hotline, as he had been instructed during the Company's animal welfare training he received, corrective and disciplinary actions would have been taken months earlier and chickens would have been spared from suffering the abuses.

Regardless of the motives of PETA and its investigator, the Company continually reviews and assesses its business processes, not only to improve the quality of its products and enhance shareholder value, but also to improve animal welfare. As part of these efforts, the Company has evaluated, and continues to evaluate, CAK. These evaluations consider a number of factors, including: animal welfare; scientific research and studies; production methods used commercially both in the U.S. and internationally; food safety and product quality; the safety of humans involved in the slaughter process; technical difficulties in operating equipment and procedures; environmental factors and expected costs. The research on CAK is incomplete and inconclusive as to whether it is a better and more humane method than conventional methods.

The Company's commitment, leadership and results with respect to animal welfare matters are well established, and recognized, within the industry. The Company works hard to be a good corporate citizen and believes in good animal handling practices. Its policies are designed to help to achieve the humane treatment of animals, not only because it is the right thing to do, but because it also helps assure high quality, healthful products for consumers. The Company believes that the proposed animal welfare report is unnecessary and would not result in any additional benefit to shareholders. The proposed report would be costly and time-intensive, and is duplicative of existing policies, initiatives and efforts.

**Accordingly, the Board of Directors recommends that the shareholders vote AGAINST this Shareholder Proposal.**

**ITEM 3. RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED  
PUBLIC ACCOUNTING FIRM**

The Board of Directors recommends the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the 2006 fiscal year. This independent registered public accounting firm has audited the Company pursuant to annual appointment since 1969 except for 1982 and 1983.

Representatives of Ernst & Young LLP are expected to be present at the Meeting and to be available to respond to appropriate questions. They will be given the opportunity to make a statement if they wish to do so.

**The Board of Directors recommends a vote FOR the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal year 2006.**

**Financial Statements Available**

**Financial statements for the Company are included in the Annual Report to Stockholders for the fiscal year 2005. Additional copies of these statements, as well as financial statements for prior years and the Annual Report to the Securities and Exchange Commission on Form 10-K, may be obtained upon written request without charge from the Secretary of the Company, 4845 U.S. Highway 271 N., Pittsburg, Texas 75686. Financial statements are also on file with the Securities and Exchange Commission, Washington, D.C. 20549, and the New York Stock Exchange.**

**OTHER BUSINESS**

The Board of Directors is not aware of, and it is not anticipated that there will be presented to the Meeting, any business other than the election of the Directors, the shareholder proposal and the proposal to ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm described above. If other matters properly come before the Meeting, the persons named on the accompanying proxy card will vote the returned proxies as the Board of Directors recommends.

Please date, sign and return the proxy at your earliest convenience. A prompt return of your proxy will be appreciated as it will save the expense of further mailings.

By order of the Board of Directors,

Edgar Filing: PILGRIMS PRIDE CORP - Form DEF 14A

Pittsburg, Texas  
December 29, 2005

RICHARD A. COGDILL  
*Chief Financial Officer,  
Secretary and Treasurer*

**Voting Provisions**

**General.** On November 20, 2003, the stockholders of Pilgrim's Pride Corporation (the Company or the Corporation) approved an amendment (the Amendment) to the Company's Certificate of Incorporation which reclassified each share of the Company's Class A common stock and each share of the Company's Class B common stock into one share of new common stock, par value \$.01 per share (the Common Stock). The Company filed a Certificate of Amendment to its Certificate of Incorporation with the Secretary of State of Delaware affecting the Amendment on November 21, 2003, and the reclassification contemplated thereby (the Reclassification) became effective on such date. Set forth below is a summary of the voting provisions of the Common Stock.

**Record Stockholders.** In general, shares registered in the name of any person that are represented by certificates dated on or prior to November 21, 2003, the date of the Reclassification, are presumed to have 20 votes per share, and all other shares are presumed to have one vote per share. However, the Company's Certificate of Incorporation (the relevant provisions of which are reproduced below) sets forth a list of circumstances in which the foregoing presumption may be refuted. If you believe that the voting information set forth on your proxy card is incorrect or a presumption made with respect to your shares should not apply, please send a letter to the Secretary of the Company, at 4845 U.S. Highway 271 N., Pittsburg, Texas 75686, briefly describing the reasons for your belief. Merely marking the proxy card will not be sufficient notification to the Company that you believe the voting information thereon is incorrect.

**Beneficial Stockholders.** All shares held in street or nominee name or by a broker, clearing agency, voting trustee, bank, trust company or other nominee (including shares so held at the time of the Reclassification) are presumed to have one vote per share. The Company's Certificate of Incorporation sets forth a list of circumstances in which the presumption may be refuted by the person who has held since the Reclassification all of the attributes of beneficial ownership referred to in Section (2)(b) reproduced below. If you believe some or all of your shares are entitled to 20 votes, you may follow one of two procedures. First, you may write a letter to the Secretary of the Company, at 4845 U.S. Highway 271 N., Pittsburg, Texas 75686, describing the reasons for your belief. The letter should contain your name, the name of the brokerage firm, bank or other nominee holding your shares, your account number with such nominee and the number of shares you have beneficially owned continuously since the Reclassification. Alternatively, you may ask your broker, bank or other nominee to write a letter to the Secretary of the Company on your behalf stating your account number and indicating the number of shares that you have beneficially owned continuously since the Reclassification. In either case, your letter should indicate how you wish to have your shares voted.

**Other.** The Company will consider all letters received prior to the date of the Annual Meeting and, when a return address is provided in the letter, will advise the party furnishing such letter of its decision, although in many cases the Company will not have time to inform an owner or nominee of its decision prior to the time the shares are voted. The Company may also require additional information before a determination will be made. If you have any questions about the Company's voting procedures, please call the Company at (903) 434-1000.

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**Excerpts from the Company's Certificate of Incorporation**

Paragraphs 1, 2 and 3 of Section II.A. of Article Fourth of the Company's Certificate of Incorporation provide as follows:

A. Common Stock

(1) Reclassification of Existing Class A and Class B Common Stock.

(a) Upon the filing of this Certificate of Amendment of Certificate of Incorporation, each share of Class A Common Stock, par value \$.01 per share, of the Corporation either issued and outstanding or held by the Corporation as treasury stock, shall be and is automatically reclassified and changed (without any further act) into one share of Common Stock (such reclassification being the Class A Reclassification).

(b) Upon the filing of this Certificate of Amendment of Certificate of Incorporation, each share of Class B Common Stock, par value \$.01 per share, of the Corporation either issued and outstanding or held by the Corporation as treasury stock, shall be and is automatically reclassified and changed (without any further act) into one share of Common Stock (such reclassification being the Class B Reclassification).

(2) Voting Rights of the Common Stock.

(a) The holders of record of Common Stock shall be entitled to one vote per share for all purposes, except that a holder of record of a share of Common Stock shall be entitled to twenty votes per share on each matter submitted to a vote by the stockholders at a meeting of stockholders for each such share held of record by such holder on the record date for such meeting if, with respect to such share:

(i) each and every beneficial owner of such share was the beneficial owner thereof at the effective time of the Class A Reclassification or the Class B Reclassification; and

(ii) there has been no change in the beneficial ownership of the share at any time after the filing of this Certificate of Amendment of Certificate of Incorporation.

(b) A change in beneficial ownership of an outstanding share of Common Stock shall be deemed to have occurred whenever a change occurs in any person or group of persons who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise has or shares (i) voting power, which includes the power to vote or to direct the voting of such share of Common Stock, (ii) investment power, which includes the power to direct the sale or other disposition of such share of Common Stock, (iii) the right to receive or retain the proceeds of any sale or other disposition of such share of Common Stock, or (iv) the right to receive any distributions, including cash dividends, in respect of such share of Common Stock.

(A) In the absence of proof to the contrary provided in accordance with the procedures referred to in subparagraph (d) of this paragraph (2), a change in the beneficial ownership shall be deemed to have occurred whenever a share of Common Stock is transferred of record into the name of any other person.

(B) The beneficial owner of an outstanding share of Common Stock held of record on a record date for determining the holders entitled to vote on any matter submitted to a vote by the shareholders (a Record Date ) in street or

nominee name or by a broker, clearing agency, voting trustee, bank, trust company or other nominee (including any share so held on at the time of filing of this Certificate of Amendment of Certificate of Incorporation) shall be presumed to have acquired the beneficial ownership of such share subsequent to the filing of this Certificate of Amendment of Certificate of Incorporation. Such presumption shall be rebuttable by showing that beneficial ownership of such share with respect to each and every beneficial owner thereof complies with subparagraph (a) of this paragraph (2).

(C) In the case of a share of Common Stock held of record in the name of any person as a trustee, agent, guardian or custodian under the Uniform Transfers to Minors Act in effect in any state, a change in the beneficial ownership shall be deemed to have occurred whenever there is a change in the beneficiary of such trust, the principal of such agent, the ward of such guardian or the minor for whom such custodian is acting or in such trustee, agent, guardian or custodian.

(c) Notwithstanding anything in this paragraph (2) to the contrary, no change in beneficial ownership shall be deemed to have occurred for purposes of clause (i) and (ii) of subparagraph (a) of this paragraph (2) solely as a result of:

(i) any event that occurred prior to the filing of this Certificate of Amendment of Certificate of Incorporation pursuant to the terms of any contract (other than a contract for the purchase and sale of shares of Common Stock contemplating prompt settlement), including contracts providing for options, rights of first refusal and similar arrangements in existence at the time of such filing to which any holder of shares of Common Stock is a party;

(ii) any transfer of any interest in a share of Common Stock pursuant to a bequest or inheritance by operation of law upon the death of any individual, or by any other transfer to or primarily for the benefit of family member(s) of the transferor or any trust, partnership or other entity primarily for the benefit of one or more of such family member(s), or pursuant to an appointment of a successor trustee, general partner or similar fiduciary or the grant of a proxy or other voting rights to one or more individuals with respect to any such trust, partnership or other entity, including a gift;

(iii) any change in the beneficiary of any trust or any distribution of a share of Common Stock from trust, by reason of the birth, death, marriage or divorce of any natural person, the adoption of any natural person prior to age 18 or the passage of a given period of time or the attainment by any natural person of a specific age, or the creation or termination of any guardianship or custodial arrangement;

(iv) any transfer of any interest in a share of Common Stock from one spouse to another by reason of separation or divorce or under or pursuant to community property laws or other similar laws of any jurisdiction;



(v) any appointment of a successor trustee, agent, guardian, custodian or similar fiduciary with respect to a share of Common Stock if neither such successor has nor its predecessor had the power to vote or to dispose of such share of Common Stock without further instructions from others;

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- (vi) any change in the person to whom dividends or other distributions in respect of a share of Common Stock are to be paid pursuant to the issuance or modification of a revocable dividend payment order;
- (vii) any transfer of the beneficial ownership of a share of Common Stock from one employee benefit plan of the Corporation to another employee benefit plan of the Corporation;
- (viii) the grant by any person of the right to vote any shares of which such person is the beneficial owner, provided the agreement, arrangement or understanding to vote such shares arises solely from a revocable proxy or consent given in response to a proxy or consent solicitation made to 10 or more persons; or
- (ix) any event occurring under the Share Voting Agreement, dated as of June 7, 2003, among Lonnie Bo Pilgrim, Lonnie Ken Pilgrim and certain affiliated entities and ConAgra Foods, Inc. or any voting agreement to which any such persons or entities are parties entered into in connection with the New York Stock Exchange's consent to the Class A Reclassification and Class B Reclassification.

As used in paragraph 2(c)(ii) above, family member of a transferor means the transferor's spouse, ancestors, lineal descendants, siblings and their descendants, aunts and uncles, mother-in-law, father-in-law, sons-in-law, daughters-in-law, brothers-in-law, sisters-in-law and first cousins; and a legally adopted child of an individual shall be treated as a child of such individual by blood.

(d) For purposes of this paragraph (2), all determinations concerning changes in beneficial ownership, or the absence of any such change, shall be made by the Corporation or, at any time when a transfer agent is acting with respect to the share of Common Stock, by such transfer agent on the Corporation's behalf. Written procedures designed to facilitate such determinations shall be established by the Corporation and refined from time to time. Such procedures shall provide, among other things, the manner of proof of facts that will be accepted and the frequency with which such proof may be required to be renewed. The Corporation and any transfer agent shall be entitled to rely on all information concerning beneficial ownership of the shares of Common Stock coming to their attention from any source and in any manner reasonably deemed by them to be reliable, but neither the Corporation nor any transfer agent shall be charged with any other knowledge concerning the beneficial ownership of the shares of Common Stock.

(e) A beneficial owner of any share of Common Stock acquired as a direct result of a stock split, stock dividend, reclassification, rights offering or other distribution of shares or rights by the Corporation with respect to existing shares ( dividend shares ) will be deemed to have been the continuous beneficial owner of such share from the date on which the original shares, with respect to which the dividend shares were issued, were acquired.

(f) The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the voting power

of the Common Stock.

(g) No holder of Common Stock shall be entitled to preemptive or subscription rights.

(3) Identical Rights. Each share of Common Stock, whether at any particular time the holder thereof is entitled to exercise twenty votes or one, shall be identical to all other shares of Common Stock in all respects, and together the shares of Common Stock shall constitute a single class of shares of the Corporation.

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**Audit Committee Charter**  
**Charter of the**  
**Audit Committee of**  
**the Board of Directors of**  
**Pilgrim s Pride Corporation**

**Adopted as of November 30, 2005**

**Purpose**

The primary purposes of the committee are to oversee on behalf of the board of directors:

the company s accounting and financial reporting processes and the integrity of its financial statements;

the audits of the company s financial statements and the appointment, compensation, qualifications, independence and performance of the company s independent auditors;

the company s compliance with legal and regulatory requirements; and

the performance of the company s internal audit function and internal control over financial reporting.

The committee also has the purpose of preparing the audit committee report that SEC rules require the company to include in its annual proxy statement.

The committee s function is one of oversight only and does not relieve management of its responsibilities for preparing financial statements that accurately and fairly present the company s financial results and condition, nor the independent auditors of their responsibilities relating to the audit or review of financial statements.

**Organization**

*Number of members.* The committee must consist of at least three directors. The board may designate a committee member as the chairperson of the committee, or if the board does not do so, the committee members will appoint a committee member as chairperson by a majority vote of the authorized number of committee members.

*Independence.* All committee members must have been determined by the board to be independent, as defined and to the extent required in the applicable SEC rules and NYSE listing standards, as they may be amended from time to time (the listing standards ), for purposes of audit committee membership.

*Financial literacy.* Each committee member must be financially literate upon appointment to the committee, as determined by the board in accordance with the listing standards. At all times there must be at least one committee member who, as determined by the board, meets the accounting or related financial management expertise requirement of the listing standards. In addition, the committee must annually evaluate, and report to the company on a timely basis to enable the company to disclose under applicable SEC rules, whether or

not at least one committee member is an audit committee financial expert as defined in the SEC rules.

*Appointment.* Subject to any requirements of the listing standards, the board may appoint and remove committee members in accordance with the company's bylaws. Committee members will serve for such terms as the board may fix, and in any case at the board's will, whether or not a specific term is fixed.

*Service on other audit committees.* The company does not limit the number of public company audit committees on which a committee member serves, but if a member does serve on more than two other public company audit committees, the board must have determined that this simultaneous service would not impair the member's ability to serve on the company's audit committee, and the company must disclose this determination in its proxy statement for its annual meeting.

#### **Independent auditors and their services**

*Overall authority.* The committee has the sole authority and direct responsibility for the appointment, compensation, retention, termination, evaluation and oversight of the work of the independent auditors engaged by the company for the purpose of preparing or issuing an audit report or related work or performing other audit, review or attest services for the company. The independent auditors report directly to the committee. The committee's authority includes resolution of disagreements between management and the auditors regarding financial reporting and the receipt of communications from the auditors as may be required under professional standards applicable to the auditors.

*Terms of audit and non-audit engagements.* The committee must pre-approve all audit, review, attest and permissible non-audit services to be provided to the company or its subsidiaries by the independent auditors. The committee may establish pre-approval policies and procedures in compliance with applicable SEC rules.

*Annual quality control report and review.* The committee must obtain and review, at least annually, a report by the independent auditors describing:

the firm's internal quality-control procedures; and

any material issues raised by the most recent internal quality-control review, or peer review, of the auditing firm or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.

In addition, the committee's annual review of the independent auditors' qualifications must also include the review and evaluation of the lead partner of the independent auditors for the company's account, and evaluation of such other matters as the committee may consider relevant to the engagement of the auditors, including views of company management and internal finance employees, and whether the lead partner or auditing firm itself should be rotated.

*Policy on hiring employees of the auditors.* The committee will from time to time establish hiring policies that will govern the company's hiring of employees or former employees of the independent auditors, taking into account possible pressures on the auditors' personnel who might seek a position with the company and whether such hiring conflicts with Rule 2-01 of Regulation S-X of the Securities and Exchange Commission, and report these policies to the full board.

**Annual financial reporting**

As often and to the extent the committee deems necessary or appropriate, but at least annually in connection

with the audit of each fiscal year's financial statements, the committee will:

1. *Meet to review and discuss financial statements and internal control reports with management.* Meet to review and discuss with appropriate members of management, the independent auditors and, if appropriate, internal auditors:

the audited financial statements;

related accounting and auditing principles and practices; and

management's assessment of internal control over financial reporting and the related report and attestation on internal control over financial reporting to be included in the company's annual report on Form 10-K (as and when these reports are required under SEC rules).

2. *Critical accounting policy report.* Timely request and receive from the independent auditors (before the filing of any audit report) the report or update required pursuant to applicable SEC rules, concerning:

all critical accounting policies and practices to be used;

all alternative treatments within generally accepted accounting principles for policies and practices relating to material items that have been discussed with company management, including ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent auditors; and

other material written communications between the independent auditors and company management, such as any management letter or schedule of unadjusted differences.

3. *SAS 61 review.* Discuss with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, including such matters as:

the quality and acceptability of the accounting principles applied in the financial statements;



new or changed accounting policies, the effect of regulatory and accounting initiatives, and significant estimates, judgments, uncertainties or unusual transactions;

the selection, application and effects of critical accounting policies and estimates applied by the company;

issues raised by any management or internal control letter from the auditors, problems or difficulties encountered in the audit (including any restrictions on the scope of the work or on access to requested information) and management's response to such problems or difficulties, significant disagreements with management, or other significant aspects of the audit; and

any off balance sheet transactions, and relationships with any unconsolidated entities or any other persons, which have or are reasonably likely to have a material current or future effect on the registrant's financial condition or results of the company and are required to be reported under SEC rules.

4. *MD&A.* Meet and review with appropriate members of management and the independent auditors the specific intended disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations to be included in the company's annual report on Form 10-K.
5. *ISB 1 disclosure.* Receive from the independent auditors a formal written statement of all relationships between the auditors and the company consistent with Independence Standards Board Standard No. 1.
6. *Auditor independence.* Actively discuss with the independent auditors any disclosed relationships or services that may impact their objectivity and independence, and take any other appropriate action to oversee their independence.
7. *Material issues.* To the extent the committee deems necessary or appropriate, discuss with the independent auditors material issues on which the company's audit team consulted the independent auditors' national office.
8. *Recommend filing of audited financial statements.* Recommend whether the company's annual report on Form 10-K to be filed with the SEC should include the audited financial statements.

#### **Quarterly financial reporting**

The committee's quarterly review will normally include:

1. *Quarterly review.* Meeting to review and discuss the quarterly financial statements of the company and the results of the independent auditors' review of these financial statements with appropriate members of management and the independent auditors.
2. *Discussion of significant matters with management.* Review and discuss with company management and, if appropriate, the independent auditors, significant matters relating to:

the quality and acceptability of the accounting principles applied in the financial statements;

new or changed accounting policies, and significant estimates, judgments, uncertainties or unusual transactions;

the selection, application and effects of critical accounting policies and estimates applied by the company; and

any off balance sheet transactions, and relationships with any unconsolidated entities or any other persons, which have or are reasonably likely to have a material current or future effect on the registrant's financial condition or results of the company and are required to be reported under SEC rules.

3. *MD&A*. Meeting to review and discuss the company's specific intended disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations to be included in the company's quarterly report on Form 10-Q with appropriate members of management and the independent auditors.

**Other functions**

*Annual review of this charter.* The committee will review and assess the adequacy of this charter annually and

recommend any proposed changes to the full board.

*Annual review of performance.* The committee will evaluate its performance as the audit committee on an annual basis.

*Earnings releases and other financial guidance.* The committee will discuss with management earnings press releases and other published financial information or guidance provided to analysts and rating agencies. This may be conducted generally as to types of information and presentations, and need not include advance review of each release, other information or guidance.

*Compliance.* The committee, to the extent it deems necessary or appropriate, will periodically review with management the company's disclosure controls and procedures, internal control over financial reporting and systems and procedures to promote compliance with laws.

*Risk assessment.* The committee will periodically:

inquire of management, the internal auditors or members of the internal audit department and the independent auditors about the company's major financial risks or exposures;

discuss the steps management has taken to monitor and control such exposures; and

discuss guidelines and policies with respect to risk assessment and risk management.

*Conduct codes.* The committee will conduct any activities relating to the company's code(s) of conduct and ethics as may be delegated from time to time to the committee by the board.

*Complaints and anonymous submissions.* The committee will establish and maintain procedures for:

the receipt, retention and treatment of complaints received by the company regarding accounting, internal accounting controls or auditing matters; and

the confidential, anonymous submission by employees of the company of concerns regarding questionable accounting or auditing matters.

If the committee or the board so determines, the submission procedures may also include a method for interested parties to communicate directly with the board's presiding director or with the non-management directors as a group.

*Internal audit.* The committee will monitor that the company maintains an internal audit function (which may be outsourced to a firm other than the company's independent auditors). The committee will oversee the internal auditors (or other personnel responsible for the internal audit function), who will report directly to the committee.

*Related party transactions.* It is the company's policy that the company will not enter into transactions required to be disclosed under item 404 of the SEC's Regulation S-K unless the committee or another independent body of the board first reviews and approves the transactions. In accordance with this policy, on a timely basis review and, if appropriate, the committee will approve all related party transactions subject to the policy and not already approved by another independent body of the board. Any committee member who is not independent with respect to a related party transaction under review should disclose his or her lack of independence to the remaining committee members and abstain from the review and approval of that transaction

*Internal control over financial reporting.* The committee will periodically discuss and review, as appropriate, with the internal auditor, management and the independent auditors:

the design and effectiveness of the company's internal control over financial reporting; and

any significant deficiencies or material weaknesses in that internal control, any change that has materially affected or is reasonably likely to materially affect that internal control (including special steps adopted in light of such a deficiency or weakness), and any fraud (whether or not material) that involves management or other employees who have a significant role in that internal control, that have been reported to the committee.

*Reports from legal counsel.* The committee will review and take appropriate action with respect to any reports to the committee from legal counsel engaged by the company concerning any material violation of securities law or breach of fiduciary duty or similar violation by the company, its subsidiaries or any person acting on their behalf.

*Other reviews and functions.* The committee, as it may consider appropriate, may consider and review with the full board of directors, company management, internal or outside legal counsel, the independent auditors or any other appropriate person any other topics relating to the purposes of the committee that may come to the committee's attention. The committee may perform any other activities consistent with this charter, the company's corporate governance documents and applicable listing standards, laws and regulations as the committee or the board of directors considers appropriate.

#### **Meetings, reports and resources**

*Meetings.* The committee will meet as often as it determines is necessary, but not less than quarterly. The committee may also act by unanimous written consent in lieu of a meeting. The committee will meet separately and periodically with management (including the chief financial officer), internal auditors (or other personnel responsible for the internal audit function) and independent auditors. To the extent the committee deems necessary or appropriate, it will also discuss with the company's counsel any legal matters that may materially impact the company's financial statements, internal control over financial reporting or compliance policies. In addition, the committee may meet from time to time with any other persons, as it deems necessary or appropriate.

*Procedures.* The committee may establish its own procedures, including the formation and delegation of authority to subcommittees, in a manner not inconsistent with this charter, the bylaws or the listing standards and SEC rules. The chairperson or a majority of the committee members may call meetings of the committee. A majority of the authorized number of committee members constitutes a quorum for the transaction of committee business, and the vote of a

majority of the committee members present at a meeting at which a quorum is present will be the act of the committee, unless in either case a greater number is required by this charter, the bylaws or the listing standards. The committee will keep written minutes of its meetings and deliver copies of the minutes to the corporate secretary for inclusion in the corporate records.

*Reports.* The committee will timely prepare the audit committee report required to be included in the company's annual meeting proxy statement, and report to the board on the other matters relating to the committee or its purposes, as required by the listing standards or SEC rules. The committee will also report to the board annually the overall results of its annual review of the independent auditors' qualifications, performance and independence and the annual review by the committee of its own performance. The committee also will report to the board on the major items covered by the committee at each committee meeting, and provide additional reports to the board as the committee may determine to be appropriate, including review with the full board of any issues that arise from time to time with respect to the quality or

integrity of the company's financial statements, the company's compliance with legal or regulatory requirements, the performance and independence of the independent auditors or the performance of the internal audit function.

*Committee access and investigations.* The committee is at all times authorized to have direct, independent and confidential access to the independent auditors and to the company's other directors, management and personnel to carry out the committee's purposes. The committee is authorized to conduct or authorize investigations into any matters relating to the purposes, duties or responsibilities of the committee.

*Committee advisers and funding.* As the committee deems necessary to carry out its duties, it is authorized to select, engage (including approval of the fees and terms of engagement), oversee, terminate and obtain advice and assistance from outside legal, accounting or other advisers or consultants. The company will provide for appropriate funding, as determined by the committee, for payment of:

compensation to the independent auditors for their audit and audit-related, review and attest services;

compensation to any advisers engaged by the committee; and

ordinary administrative expenses of the committee that are necessary or appropriate in carrying out its duties.

*Reliance on others.* Nothing in this charter is intended to preclude or impair the protection provided in Section 141(e) of the Delaware General Corporation Law for good faith reliance by members of the committee on reports or other information provided by others.

*Interpretation.* For the avoidance of doubt, while the committee has the responsibilities and powers set forth in this charter, nothing in this charter should be interpreted as creating any duty or obligation on the part of the committee to plan or conduct audits or to determine that the company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. Also, nothing herein should be construed as imposing on the committee responsibility to ensure compliance with laws and regulations and the company's code of business conduct and ethics, or to set or determine the adequacy of the company's reserves. All such matters are the responsibility of management and the independent auditor, as appropriate.



**Annex C**

**Independence Standards**

A director shall be independent if the director meets each of the following standards and otherwise has no material relationship with the company, either directly, or as a partner, stockholder, or officer of an organization that has a relationship with the company. For purposes of these standards, company means Pilgrim s Pride Corporation and its consolidated subsidiaries, collectively.

1. the director is not, and in the past three years has not been, an employee of the company;
2. an immediate family member of the director is not, and in the past three years has not been, employed as an executive officer of the company;
3. neither the director nor an immediate family member of the director is a current partner of a firm that is the company s internal or external auditor ( affiliated auditing firm );
4. the director is not a current employee of an affiliated auditing firm;
5. the director does not have an immediate family member who is a current employee of an affiliated auditing firm and who participates in the firm s audit, assurance or tax compliance practice;
6. neither the director nor an immediate family member of the director has within the last three years been a partner or employee of an affiliated auditing firm and personally worked on the company s audit within that time;
7. neither the director nor an immediate family member of the director is, or in the past three years has been, part of an interlocking directorate in which a current executive officer of the company served on the compensation committee of another public company where the director or the director s immediate family member served as an executive officer;

8. neither the director nor an immediate family member of the director receives or has in the past three years received any direct compensation payments from the company in excess of \$100,000 per year, other than compensation for board service, compensation received by the director's immediate family member for service as a non-executive employee of the company, and pension or other forms of deferred compensation for prior service;

9. the director is not a current employee, and no immediate family member of the director is a current executive officer, of another company that makes payments to or receives payments from the company, or during any of the last three fiscal years has made payments to or received payments from the company, for property or services in an amount that, in any single fiscal year, exceeded the greater of \$1 million or 2% of the other company's consolidated gross revenues;

10. the director is not an executive officer of a tax exempt organization to which the company makes or in the past three years has made, contributions that, in any single fiscal year, exceeded the greater of \$.5 million or 1% of the tax exempt organization's consolidated gross revenues; or

11. the director is not, and during the last fiscal year has not been, a partner in, or a controlling

shareholder or executive officer of, a business corporation, non-profit organization, or other entity to which the company was indebted at the end of the company's last full fiscal year in an aggregate amount in excess of the lesser \$5 million or .5% of the company's total consolidated assets at the end of such fiscal year.

The board may determine that a director or nominee is independent even if the director or nominee does not meet each of the standards set forth in paragraphs (7) and (8) above as long as the board determines that such person is independent of management and free from any relationship that in the judgment of the board would interfere with such person's independent judgment as a member of the board and the basis for such determination is disclosed in the company's annual proxy statement.

In addition, a director is not considered independent for purposes of serving on the audit committee, and may not serve on that committee, if the director: (1) receives, either directly or indirectly, any consulting, advisory or other compensatory fee from the company or any of its subsidiaries other than: (a) fees for service as a director, and (b) fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the company; or (2) is an affiliated person of the company or any of its subsidiaries; each as determined in accordance with Securities and Exchange Commission regulations.

For purposes of this Annex C, the following definitions apply:

(a) immediate family member means a person's spouse, parents, children, siblings, mother and father-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person's home.

(b) executive officer of a company means the company's chairman, vice chairman, chief executive officer, president, chief operating officer, principal financial officer, principal accounting officer (or, if there is no such accounting officer, the controller), any vice-president of the company in charge of a principal business unit, division or function (such as sales, administration or finance), any other officer who performs a policy-making function, or any other person who performs similar policy-making functions for the company. Executive officers of the company's parent(s) or subsidiaries will be deemed executive officers of the company if they perform policy-making functions for the company.

**Proxy - Pilgrim s Pride Corporation**

**4845 US Highway 271 North**

**Pittsburg, Texas 75686**

**This Proxy is Solicited on Behalf of the Board of Directors.**

The undersigned hereby appoints Lonnie Bo Pilgrim and Clifford E. Butler, and each of them, as proxies, each with the power to appoint his substitute, and hereby authorizes them, and each of them, to represent and to vote, as designated on the reverse side, all the shares of common stock of Pilgrim s Pride Corporation held of record by the undersigned on November 28, 2005, at the Annual Meeting of Stockholders to be held on Wednesday, January 25, 2006, or any adjournment thereof.

**PLEASE EXECUTE THIS PROXY AND RETURN PROMPTLY IN THE ENCLOSED SELF-ADDRESSED STAMPED ENVELOPE.**

(Continued and to be signed on reverse side.)

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Mark this box with an X if you have made changes to your name or address details above.

**Annual Meeting Proxy Card**

Use a black pen. Mark with an X inside the grey areas as shown in this example. y

**A Election of Directors**

1. The Board of Directors recommends a vote **FOR** the listed nominees.

	<b>For</b>	<b>Withhold</b>		<b>For</b>	<b>Withhold</b>		<b>For</b>	<b>Withhold</b>
01 - Lonnie Bo Pilgrim	<input type="radio"/>	<input type="radio"/>	05 - Lonnie Ken Pilgrim	<input type="radio"/>	<input type="radio"/>	09 - Donald L. Wass, PhD.	<input type="radio"/>	<input type="radio"/>
02 - Clifford E. Buller	<input type="radio"/>	<input type="radio"/>	06 - James G. Vetter, Jr.	<input type="radio"/>	<input type="radio"/>	10 - Charles L. Black	<input type="radio"/>	<input type="radio"/>
03 - O. B. Goolsby, Jr.	<input type="radio"/>	<input type="radio"/>	07 - S. Key Coker	<input type="radio"/>	<input type="radio"/>	11 - Blake D. Lovette	<input type="radio"/>	<input type="radio"/>
04 - Richard A. Cogdill	<input type="radio"/>	<input type="radio"/>	08 - Vance C. Miller, Sr.	<input type="radio"/>	<input type="radio"/>	12 - Linda Chavez	<input type="radio"/>	<input type="radio"/>
						13 - Keith W. Hughes	<input type="radio"/>	<input type="radio"/>

**B Issues**

The Board of Directors recommends a vote **AGAINST** the following proposal.

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
2. Shareholder proposal, if properly presented, on controlled-atmosphere killing of chickens.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

The Board of Directors recommends a vote **FOR** the following proposals.

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
3. The ratification of the appointment of Ernst & Young LLP as independent registered public accounting firm for the Company for the fiscal year ending September 30, 2006.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

4. In their discretion such other business as may properly come before the Annual Meeting.

**C Authorized Signatures - Sign Here - This section must be completed for your instructions to be executed.**

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**UNLESS OTHERWISE SPECIFIED ON THIS PROXY, THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL MANAGEMENT S NOMINEES FOR DIRECTORS, AGAINST PROPOSAL 2 AND FOR PROPOSAL 3 ABOVE. DISCRETION WILL BE USED WITH RESPECT TO SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING OR ANY ADJOURNMENT THEREOF.**

Please date this proxy and sign your name exactly as it appears hereon. Persons signing in a representative capacity should indicate their capacity. A proxy for shares held in joint ownership should be signed by each owner.

Signature 1 - Please keep signature within the box

Signature 2 - Please keep signature within the box

Date (mm/dd/yyyy)  
/ /

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