SEAGATE TECHNOLOGY
Form 8-K
October 16, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

Date of report (date of earliest event reported): October 16, 2007

SEAGATE TECHNOLOGY

(Exact Name of Registrant as Specified in its Charter)

Cayman Islands	**001-31560**	**98-0355609**
(State or Other Jurisdiction of Incorporation)	**(Commission File Number)**	**(IRS Employer Identification Number)**

P.O. Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands	**NA**
(Address of Principal Executive Office)	**(Zip Code)**

Registrant s telephone number, including area code: (345) 949-8066

NA

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition

On October 16, 2007, we issued a press release to report our financial results for the fiscal quarter ended September 28, 2007. A copy of this press release is attached to this Current Report on Form 8-K as Exhibit 99.1.

The information contained in this report and the attached press release is furnished but not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

Use of Non-GAAP Financial Measures

Our results of operations have undergone significant change in the past year, most significantly in connection with our acquisition of Maxtor. To help the readers of our condensed consolidated financial statements prepared on a GAAP basis better understand our past financial performance and our expectations of our future results, in Exhibit 99.1 hereto, we supplementally disclosed, after making certain non-GAAP adjustments, non-GAAP net income and non-GAAP diluted net income per share on a historical basis, as well as forecasts of these non-GAAP financial measures for future periods. These non-GAAP financial measures are not prepared or presented in accordance with, or an alternative for, GAAP measures, and are not based on any comprehensive set of accounting rules or principles. The GAAP measure most directly comparable to (i) non-GAAP net income is net income and (ii) non-GAAP diluted net income per share is diluted net income per share. Reconciliations of each of these non-GAAP financial measures to GAAP information are included in Exhibit 99.1 hereto. This additional non-GAAP financial information is not meant to be considered in isolation or as a substitute for net income or diluted net income per share prepared in accordance with GAAP. You should not compare our non-GAAP net income or non-GAAP net income per share results with those of other companies, as the adjustments made to our GAAP results are unique to Seagate.

These non-GAAP financial measures are among the primary factors management uses in internal planning, budgeting, calculating bonus payments and forecasting future periods. An explanation of the ways in which our board of directors and management use these non-GAAP financial measures to evaluate the business, the substance behind our management s decision to use these non-GAAP financial measures, the material limitations associated with the use of these non-GAAP financial measures, the manner in which Seagate management compensates for those limitations, and the substantive reasons why we believe that these non-GAAP financial measures provide useful information to investors are set forth below.

Use and Economic Substance of Non-GAAP Financial Measures Used by Seagate

Non-GAAP net income and non-GAAP diluted net income per share consist of net income or diluted net income per share, excluding charges relating to the acquisitions of Maxtor and EVault, which include: amortization of purchased intangible assets; stock-based compensation expense related to the acquisition of Maxtor; and the tax impact, where applicable, associated with the excluded adjustments. Our management uses these non-GAAP financial measures for purposes of evaluating our historical and prospective financial performance, as well as our performance relative to our competitors. We believe that excluding those items mentioned above in these non-GAAP financial measures allows our board of directors, management, investors, analysts and other interested parties to better understand Seagate s consolidated financial performance in relationship to the operating results, as management does not believe that the excluded items are reflective of our ongoing core operating results and business outlook and that excluding these items allows us to better understand and analyze trends in our business. These reasons provide the basis for management s belief that the measures are useful. More specifically, our management excludes each of those items mentioned above for the following reasons:

Charges relating to acquisitions. We have adjusted our GAAP net income and diluted net income per share to exclude the impacts of the acquisition of Maxtor, and to a lesser extent, certain impacts associated with the acquisition of EVault, which impacts we expect will disappear within a finite period:

Amortization of purchased intangible assets. Charges relating to the amortization of intangibles acquired in the Maxtor and EVault acquisitions are non-cash in nature, are inconsistent in amount and frequency, and have no direct correlation to Seagate s ongoing operating results. We exclude these charges for purposes of calculating these non-GAAP financial measures to facilitate a more meaningful evaluation of our current operating results and comparisons to our past operating performance; and

Stock-based compensation expense. These non-cash charges relate to the amortization of unearned compensation as a result of assuming unvested Maxtor employee stock options and nonvested shares and are not reflective of our ongoing operating results.

Income tax effect of non-GAAP adjustments. This amount represents the tax effects, where applicable, associated with the excluded non-GAAP adjustments.

Material Limitations Associated with Use of Non-GAAP Financial Measures

The non-GAAP financial measures that we present may have limitations as analytical tools, and these measures should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. Some of the limitations in relying on these non-GAAP financial measures are:

Items such as amortization of intangible assets, though not directly affecting our cash position, represent the loss in value of intangible assets over time. The expense associated with this loss in value is not included in non-GAAP net income and non-GAAP diluted net income per share and therefore does not reflect the full economic effect of the loss in value of those intangible assets.

While we make adjustments to net income and diluted net income per share for items that we believe are not reflective of our operating performance and that we believe are non-recurring in nature, no assurance may be given that we will not incur similar costs in the future.

Other companies may calculate non-GAAP net income and non-GAAP diluted net income per share differently than we do, limiting the usefulness of those measures for comparative purposes.

Compensation for Limitations Associated with Use of Non-GAAP Financial Measures

We compensate for the limitations on our use of non-GAAP net income and non-GAAP diluted net income per share by preparing our financial statements on a GAAP basis to gain a complete picture of our business. Our non-GAAP financial measures focus only upon our core business that management believes it can directly effect or exercise influence over. Thus, these non-GAAP financial measures only represent a limited reflection of a subset, albeit a critical one, of the business that the management considers it can control and change from period to period. Additionally, we provide detailed reconciliations to the most directly comparable GAAP measures within this press release at Exhibit 99.1 hereto and in other written materials that include these non-GAAP measures. We encourage investors to carefully review those reconciliations. This additional non-GAAP financial information is not meant to be considered in isolation or as a substitute for net income or diluted net income per share prepared in accordance with GAAP. You should not compare our non-GAAP net income or non-GAAP diluted net income per share results with those of other companies, as the adjustments made to our GAAP results are unique to Seagate.

The Substantive Reasons why Management Believes the Non-GAAP Financial Measures Provide Useful Information to Investors

We believe that providing non-GAAP net income and non-GAAP diluted net income per share to investors in addition to the related GAAP measures provides investors with greater transparency to the information used by our management in our financial and operational decision-making and allows investors to see our results through the eyes of management. We further believe that providing this information better enables our investors to understand our operating performance and to evaluate the efficacy of the methodology and information used by management to evaluate and measure such performance. Investors are encouraged to review the reconciliation of our non-GAAP financial measures to the comparable GAAP results, which is attached to our quarterly earnings release and which can be found, along with other financial information, on the investor relations page of our Web site at http://www.seagate.com/www/en-us/about/investor_relations/.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

Exhibit No.	**Description**
99.1	Press Release, dated October 16, 2007, of Seagate Technology

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SEAGATE TECHNOLOGY

Date: October 16, 2007

By: /s/ WILLIAM L. HUDSON
Name: William L. Hudson
Title: Executive Vice President, General Counsel and Secretary

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(In thousands, except percent data)

United States

$
41,682

$
(1,912
)

(4.4
)%
(a)
Mexico

7,838

2,598

49.6
 %
(b)
Total SG&A expense

$
49,520

$
686

1.4
%

Sources of administrative restructuring charges

Thirteen
Weeks Ended
June 26, 2016

Change from
Thirteen Weeks Ended
June 28, 2015

Amount

Percent

(In thousands, except percent data)

United States

$
—

$
(4,813
)

(100.0
)%
(c)
Mexico

—

—

—

%

Total administrative restructuring charges

$
—

$
(4,813
)

(100.0
)%

(a) SG&A expense incurred by the U.S. operations during the thirteen weeks ended June 26, 2016 decreased $1.9 million, or 4.4%, from SG&A expense incurred by the U.S. operations during the thirteen weeks ended June 28, 2015, primarily because of a $2.3 million decrease in brokerage expenses and a $0.5 million decrease in outside services expenses. These decreases were partially offset by a $1.2 million increase in professional fees and a $0.5 million increase in advertising and promotion expense. Other factors affecting SG&A expense were individually immaterial.

(b) SG&A expense incurred by the Mexico operations during the thirteen weeks ended June 26, 2016 increased $2.6 million, or 49.6%, from SG&A expense incurred by the Mexico operations during the thirteen weeks ended June 28, 2015 primarily because of a $1.0 million increase in employee relations, a $0.6 million increase in wages and benefits, a $0.5 million increase in contract labor and a $0.4 million loss on asset disposal.Other factors affecting SG&A expense were individually immaterial.

(c) Administrative restructuring charges incurred by the U.S. operations during the thirteen weeks ended June 28, 2015 represented impairment costs of $4.8 million related to assets held for sale in Louisiana and Texas.

Net interest expense. Net interest expense increased 6.1% to $10.9 million recognized in the thirteen weeks ended June 26, 2016 from $10.2 million recognized in the thirteen weeks ended June 28, 2015 primarily because of an increase in average borrowings compared to the same period in the prior year. Average borrowings increased from $1.0 billion in the thirteen weeks ended June 28, 2015 to $1.1 billion in the thirteen weeks ended June 26, 2016 due to increased borrowings related to our Senior Notes and U.S. Credit Facility term notes. The weighted average interest rate was 3.7% in the thirteen weeks ended June 28, 2015 and June 26, 2016.

Income taxes. Income tax expense decreased to $78.4 million, a 33.9% effective tax rate, for the thirteen weeks ended June 26, 2016 compared to income tax expense of $129.1 million, a 34.8% effective tax rate, for the thirteen weeks ended June 28, 2015. The decrease in income tax expense in 2016 resulted primarily from a decrease in pre-tax income.

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Twenty-Six Weeks Ended June 26, 2016 Compared to Twenty-Six Weeks Ended June 28, 2015

Net sales. Net sales generated in the twenty-six weeks ended June 26, 2016 decreased $115.5 million, or 2.8%, from net sales generated in the twenty-six weeks ended June 28, 2015. The following table provides net sales information:

Sources of net sales	Twenty-Six Weeks Ended June 26, 2016	Change from Twenty-Six Weeks Ended June 28, 2015 Amount	Percent	
	(In thousands, except percent data)			
United States	$3,347,726	$(333,891)	(9.1)%	(a)
Mexico	643,526	218,348	51.4 %	(b)
Total net sales	$3,991,252	$(115,543)	(2.8)%	

(a) U.S. net sales generated in the twenty-six weeks ended June 26, 2016 decreased $333.9 million, or 9.1%, from U.S. net sales generated in the twenty-six weeks ended June 28, 2015 primarily because of decrease in sales volume and a decrease net sales per pound. The decrease in sales volume contributed $170.3 million, or 4.6 percentage points, to the decrease in net sales. The decrease in sales volume was partially due to production limitations caused by operational improvements in one of our prepared foods facilities during the period. Lower net sales per pound, which reflects a slight shift in product mix toward lower-priced fresh chicken products when compared to the same period in the prior year, contributed $163.6 million, or 4.4 percentage points, to the net sales decrease. Included in U.S. net sales generated during the twenty-six weeks ended June 26, 2016 and June 28, 2015 were net sales to JBS USA Food Company totaling $7.4 million and $12.2 million, respectively.

(b) Mexico net sales generated in the twenty-six weeks ended June 26, 2016 increased $218.3 million, or 51.4%, from Mexico net sales generated in the twenty-six weeks ended June 28, 2015 primarily because of an increase in sales volume and an increase in net sales per pound partially offset by the impact of foreign currency translation. The increase in sales volume contributed $336.7 million, or 79.2 percentage points, to the increase in net sales. The increase in net sales per pound contributed $4.5 million, or 1.0 percentage points, to the increase in net sales. The impact of foreign currency translation contributed $122.8 million, or 28.9 percentage points, to the decrease in net sales. Other factors affecting the increase in Mexico net sales were immaterial.

Gross profit. Gross profit decreased by $285.4 million, or 35.3%, from $809.1 million generated in the twenty-six weeks ended June 28, 2015 to $523.7 million generated in the twenty-six weeks ended June 26, 2016. The following tables provide information regarding gross profit and cost of sales information:

Components of gross profit	Twenty-Six Weeks Ended June 26, 2016	Change from Twenty-Six Weeks Ended June 28, 2015 Amount	Percent	Percent of Net Sales Twenty-Six Weeks Ended June 26, 2016	June 28, 2015	
	In thousands, except percent data					
Net sales	$3,991,252	$(115,543)	(2.8)%	100.0 %	100.0 %	
Cost of sales	3,467,559	169,904	5.2 %	86.9 %	80.3 %	(a)(b)
Gross profit	$523,693	$(285,447)	(35.3)%	13.1 %	19.7 %	

Sources of gross profit	Twenty-Six Weeks Ended June 26, 2016	Change from Twenty-Six Weeks Ended June 28, 2015 Amount	Percent	
	(In thousands, except percent data)			
United States	$422,502	$(300,240)	(41.5)%	(a)

Mexico	101,143	14,793	17.1	% (b)
Elimination	48	—	—	%
Total gross profit	$523,693	$(285,447)	(35.3)	%

Sources of cost of sales	Twenty-Six Weeks Ended June 26, 2016	Change from Twenty-Six Weeks Ended June 28, 2015 Amount	Percent	
	(In thousands, except percent data)			
United States	$2,925,224	$(33,652)	(1.1)	% (a)
Mexico	542,383	203,556	60.1	% (b)
Elimination	(48)	—	—	%
Total cost of sales	$3,467,559	$169,904	5.2	%

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(a) Cost of sales incurred by the U.S. operations during twenty-six weeks ended June 26, 2016 decreased $33.7 million, or 1.1%, from cost of sales incurred by the U.S. operations during the twenty-six weeks weeks ended June 28, 2015. Cost of sales decreased primarily because of a $88.7 million decrease in feed ingredients costs, a $11.5 million decrease in freight and storage costs, a $4.2 million decrease in vehicle costs, and a $2.4 million decrease in utilities costs. These decreases in cost of sales were primarily offset by derivative gains of $5.9 million recognized in the twenty-six weeks ended June 26, 2016 as compared to derivative gains of $28.7 million recognized in the twenty-six weeks ended June 28, 2015, a $18.6 million increase in wage and benefits costs, a $14.9 million increase in contract labor costs, a $7.9 million increase in supplies and equipment cost, a $7.0 million increase in contract grower costs, and a $6.3 million increase in repairs and maintenance costs. Other factors affecting cost of sales were individually immaterial.

(b) Cost of sales incurred by the Mexico operations during the twenty-six weeks ended June 26, 2016 increased $203.6 million, or 60.1%, from cost of sales incurred by the Mexico operations during the twenty-six weeks ended June 28, 2015. Cost of sales primarily increased because of increased sales and feed ingredients costs. Cost of sales increased because of a $27.6 million increase in wages and benefits, a $11.4 million increase in depreciation and amortization costs, a $12.7 million increase in freight and storage, a $7.5 million increase in contract grower costs, and a $7.2 million increase in utilities. Increases to cost of sales were primarily offset because of the impact of foreign currency translation, which contributed $103.5 million, or 16.8 percentage points to the decrease in cost of sales. Other factors affecting cost of sales were individually immaterial.

Operating income. Operating income decreased by $280.6 million, or 39.7%, from $706.0 million generated in the twenty-six weeks ended June 28, 2015 to $425.4 million generated in the twenty-six weeks ended June 26, 2016. The following tables provide information regarding operating income, SG&A expense and administrative restructuring charges:

Components of operating income	Twenty-Six Weeks Ended June 26, 2016	Change from Twenty-Six Weeks Ended June 28, 2015 Amount	Change from Twenty-Six Weeks Ended June 28, 2015 Percent	Percent of Net Sales Twenty-Six Weeks Ended June 26, 2016	Percent of Net Sales Twenty-Six Weeks Ended June 28, 2015	
	(In thousands, except percent data)					
Gross profit	$523,693	$(285,447)	(35.3)%	13.1%	19.7%	
SG&A expense	98,308	(33)	—%	2.5%	2.4%	(a)(b)
Administrative restructuring charges	—	(4,813)	(100.0)%	—%	0.1%	(c)
Operating income	$425,385	$(280,601)	(39.7)%	10.6%	17.2%	

Sources of operating income	Twenty-Six Weeks Ended June 26, 2016	Change from Twenty-Six Weeks Ended June 28, 2015 Amount	Change from Twenty-Six Weeks Ended June 28, 2015 Percent
	(In thousands, except percent data)		
United States	$339,084	$(290,353)	(46.1)%
Mexico	86,253	9,752	12.7%
Elimination	48	—	—%
Total operating income	$425,385	$(280,601)	(39.7)%

Sources of SG&A expense	Twenty-Six Weeks Ended June 26, 2016	Change from Twenty-Six Weeks Ended June 28, 2015 Amount	Change from Twenty-Six Weeks Ended June 28, 2015 Percent

	(In thousands, except percent data)			
United States	$ 83,418	$ (5,074)	(5.7)%	(a)
Mexico	14,890	5,041	51.2 %	(b)
Total SG&A expense	$ 98,308	$ (33)	— %	

Sources of administrative restructuring charges	Twenty-Six Weeks Ended June 26, 2016	Change from Twenty-Six Weeks Ended June 28, 2015 Amount	Percent	
	(In thousands, except percent data)			
United States	$ —	$ (4,813)	(100.0)%	(c)
Mexico	—	—	— %	
Total administrative restructuring charges	$ —	$ (4,813)	(100.0)%	

(a) SG&A expense incurred by the U.S. operations during the twenty-six weeks ended June 26, 2016 decreased $5.1 million, or 5.7%, from SG&A expense incurred by the U.S. operations during the twenty-six weeks ended June 28, 2015 primarily because of a $3.7 million decrease in brokerage expenses, a $1.1 million decrease in wages and benefits, and $1.1 million decrease in outside services expense. Theses decreases were partially offset by an increase in advertising and promotion expenses. Other factors affecting SG&A expense were individually immaterial.

(b) SG&A expense incurred by the Mexico operations during the twenty-six weeks ended June 26, 2016 increased $5.0 million, or 51.2%, from SG&A expense incurred by the Mexico operations during the twenty-six weeks ended June 28, 2015 primarily because of a $2.9 million increase in wages

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and benefits, a $1.6 million increase in employee relations expense, and a $0.5 million increase in contract labor expense. Other factors affecting SG&A expense were individually immaterial.

(c) Administrative restructuring charges incurred by the U.S. operations during the twenty-six weeks ended June 28, 2015 represented impairment costs of $4.8 million related to assets held for sale in Louisiana and Texas.

Net interest expense. Net interest expense increased 6.1% to $22.2 million recognized in the twenty-six weeks ended June 26, 2016 from $13.6 million recognized in the twenty-six weeks ended June 28, 2015 primarily because of an increase in average borrowings compared to the same period in the prior year. Average borrowings increased from $861.3 million in the twenty-six weeks ended June 28, 2015 to $1.0 billion in the twenty-six weeks ended June 26, 2016 due to increased borrowings related to our Senior Notes and U.S. Credit Facility term notes. The increase in higher average borrowings was partially offset by a decrease in the weighted average interest rate. The weighted average interest rate decreased from 4.3% in the twenty-six weeks ended June 28, 2015 to 3.7% in the twenty-six weeks ended June 26, 2016.

Income taxes. Income tax expense decreased to $141.0 million, a 34.2% effective tax rate, for the twenty-six weeks ended June 26, 2016 compared to income tax expense of $240.6 million, a 35.1% effective tax rate, for the twenty-six weeks ended June 28, 2015. The decrease in income tax expense in 2016 resulted primarily from a decrease in pre-tax income.

Liquidity and Capital Resources

The following table presents our available sources of liquidity as of June 26, 2016:

Source of Liquidity	Facility Amount	Amount Outstanding	Amount Available	
	(In millions)			
Cash and cash equivalents			$ 41.0	
Borrowing arrangements:				
U.S. Credit Facility	$700.0	$ 52.1	571.0	(a)
Mexico Credit Facility	79.2	79.2	—	(b)

(a) Actual borrowings under our U.S. Credit Facility (as described below) are subject to a borrowing base, which is a formula based on certain eligible inventory and eligible receivables. The borrowing base in effect at June 26, 2016 was $665.8 million. Availability under the U.S. Credit Facility is also reduced by our outstanding standby letters of credit. Standby letters of credit outstanding at June 26, 2016 totaled $42.7 million.

(b) As of June 26, 2016, the U.S. dollar-equivalent amount available under the Mexico Credit Facility (as described below) was $79.2 million. The Mexico Credit Facility provides for a loan commitment of 1.5 billion Mexican pesos.

Long-Term Debt and Other Borrowing Arrangements

Senior Notes

On March 11, 2015, the Company completed a sale of $500.0 million aggregate principal amount of its 5.75% senior notes due 2025 (the “Senior Notes”). The Company used the net proceeds from the sale of the Senior Notes to repay $350.0 million and $150.0 million of the term loan indebtedness under the U.S. Credit Facility (defined below) on March 12, 2015 and April 22, 2015, respectively. The Notes were sold to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”), and outside the United States to non-U.S. persons pursuant to Regulation S under the Securities Act.

The Senior Notes are governed by, and were issued pursuant to, an indenture dated as of March 11, 2015 by and among the Company, its guarantor subsidiary and Wells Fargo Bank, National Association, as trustee (the “Indenture”). The Indenture provides, among other things, that the Senior Notes bear interest at a rate of 5.75% per annum from the date of issuance until maturity, payable semi-annually in cash in arrears, beginning on September 15, 2015. The Senior Notes are guaranteed on a senior unsecured basis by the Company’s guarantor subsidiary. In addition, any of the Company’s other existing or future domestic restricted subsidiaries that incur or guarantee any other indebtedness (with limited exceptions) must also guarantee the Senior Notes. The Senior Notes and related guarantees are unsecured senior obligations of the Company and its guarantor subsidiary and rank equally with all of the Company’s and its guarantor subsidiary’s other unsubordinated indebtedness. The Senior Notes and the Indenture also contain customary covenants and events of default, including failure to pay principal or interest on the Senior Notes when due,

among others.
U.S. Credit Facility
On February 11, 2015, the Company and its subsidiaries, To-Ricos, Ltd. and To-Ricos Distribution, Ltd., entered into a Second Amended and Restated Credit Agreement (the “U.S. Credit Facility”) with Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Rabobank Nederland, New York Branch (“Rabobank”), as administrative agent, and the other lenders party thereto. The U.S. Credit Facility provides for a revolving loan commitment of up to $700.0 million and a term loan

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commitment of up to $1.0 billion (the “Term Loans”). The U.S. Credit Facility also includes an accordion feature that allows the Company, at any time, to increase the aggregate revolving loan and term loan commitments by up to an additional $1.0 billion, subject to the satisfaction of certain conditions, including obtaining the lenders’ agreement to participate in the increase.

The revolving loan commitment under the U.S. Credit Facility matures on February 10, 2020. All principal on the Term Loans is due at maturity on February 10, 2020. No installments of principal are required to be made prior to the maturity date of the Term Loans. Covenants in the U.S. Credit Facility also require the Company to use the proceeds it receives from certain asset sales and specified debt or equity issuances and upon the occurrence of other events to repay outstanding borrowings under the U.S. Credit Facility. The Company had Term Loans outstanding totaling $500.0 million as of June 26, 2016.

The U.S. Credit Facility includes a $75.0 million sub-limit for swingline loans and a $125.0 million sub-limit for letters of credit. Outstanding borrowings under the revolving loan commitment and the Term Loans bear interest at a per annum rate equal to (i) in the case of LIBOR loans, LIBOR plus 1.50% through June 26, 2016 and, based on the Company’s net senior secured leverage ratio, between LIBOR plus 1.25% and LIBOR plus 2.75% and (ii) in the case of alternate base rate loans, the base rate plus 0.50% through June 26, 2016 and, based on the Company’s net senior secured leverage ratio, between the base rate plus 0.25% and base rate plus 1.75% thereafter.

Actual borrowings by the Company under the revolving loan commitment of the U.S. Credit Facility are subject to a borrowing base, which is a formula based on certain eligible inventory, eligible receivables and restricted cash under the control of Rabobank, in its capacity as administrative agent. The borrowing base formula will be reduced by the sum of (i) inventory reserves, (ii) rent and collateral access reserves, and (iii) any amount more than 15 days past due that is owed by the Company or its subsidiaries to any person on account of the purchase price of agricultural products or services (including poultry and livestock) if that person is entitled to any grower’s or producer’s lien or other security arrangement. As of June 26, 2016, the applicable borrowing base was $665.8 million and the amount available for borrowing under the revolving loan commitment was $571.0 million. The Company had letters of credit of $42.7 million and $52.1 million outstanding borrowings under the revolving loan commitment as of June 26, 2016.

The U.S. Credit Facility contains financial covenants and various other covenants that may adversely affect the Company’s ability to, among other things, incur additional indebtedness, incur liens, pay dividends or make certain restricted payments, consummate certain assets sales, enter into certain transactions with JBS and the Company’s other affiliates, merge, consolidate and/or sell or dispose of all or substantially all of our assets. The U.S. Credit Facility requires the Company to comply with a minimum level of tangible net worth covenant. The U.S. Credit Facility also provides that we may not incur capital expenditures in excess of $500.0 million in any fiscal year. The Company is currently in compliance with the covenants under the U.S. Credit Facility.

All obligations under the U.S. Credit Facility continue to be unconditionally guaranteed by certain of the Company’s subsidiaries and continue to be secured by a first priority lien on (i) the accounts receivable and inventory of our company and its non-Mexico subsidiaries, (ii) 100% of the equity interests in our domestic subsidiaries, To-Ricos, Ltd. and To-Ricos Distribution, Ltd., and 65% of the equity interests in our direct foreign subsidiaries and (iii) substantially all of the assets of the Company and the guarantors under the U.S. Credit Facility.

Mexico Credit Facility

On July 23, 2014, certain of our Mexican subsidiaries entered into an unsecured credit agreement (the “Mexico Credit Facility”) with BBVA Bancomer, S.A. Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, as lender. The loan commitment under the Mexico Credit Facility is $1.5 billion Mexican pesos. Outstanding borrowings under the Mexico Credit Facility will accrue interest at a rate equal to the Interbank Equilibrium Interest Rate plus 0.90%. The Mexico Credit Facility will mature on July 23, 2017. As of June 26, 2016, the U.S. dollar-equivalent loan commitment under the Mexico Credit Facility was $79.2 million, and there were $79.2 million outstanding borrowings under the Mexico Credit Facility that bear interest at a per annum rate of 4.99%. As of June 26, 2016, there was no borrowing availability.

Off-Balance Sheet Arrangements
We maintain operating leases for various types of equipment, some of which contain residual value guarantees for the market value of assets at the end of the term of the lease. The terms of the lease maturities range from one to ten years. We estimate the maximum potential amount of the residual value guarantees is approximately $6.5 million; however, the actual amount would be offset by any recoverable amount based on the fair market value of the underlying leased assets. No liability has been recorded related to this contingency as the likelihood of payments under these guarantees is not considered to be probable, and the fair value of the guarantees is immaterial. We historically have not experienced significant payments under similar residual guarantees.
We are a party to many routine contracts in which we provide general indemnities in the normal course of business to third parties for various risks. Among other considerations, we have not recorded a liability for any of these indemnities as, based upon the likelihood of payment, the fair value of such indemnities would not have a material impact on our financial condition, results of operations and cash flows.
Historical Flow of Funds
Cash provided by operating activities was $289.0 million and $588.1 million for the twenty-six weeks ended June 26, 2016 and June 28, 2015, respectively. The decrease in cash flows provided by operating activities was primarily a result of decreased net income for the twenty-six weeks ended June 26, 2016 as compared to the twenty-six weeks ended June 28, 2015 and an increase in net operating assets for the twenty-six weeks ended June 26, 2016 as compared to a decrease in net operating assets for the twenty-six weeks ended June 28, 2015. The impact of net income and net operating assets on cash provided by operating activities was partially offset by increased net noncash expenses for the twenty-six weeks ended June 26, 2016 as compared to the twenty six weeks ended June 28, 2015.
Trade accounts and other receivables, including accounts receivable from related parties, decreased $6.6 million, or 1.9%, to $345.1 million at June 26, 2016 from $351.7 million at December 27, 2015. The change resulted primarily from a decrease in sales generated in the two weeks ended June 26, 2016 as compared to sales generated in the two weeks ended December 27, 2015. Trade accounts and other receivables, including accounts receivable from related parties, decreased $35.0 million, or 9.1%, to $349.1 million at June 28, 2015 from $384.1 million at December 28, 2014. The change resulted primarily from a decrease in sales generated in the two weeks ended June 28, 2015 as compared to sales generated in the two weeks ended December 28, 2014.
Inventories increased $31.2 million, or 3.9%, to $832.6 million at June 26, 2016 from $801.4 million at December 27, 2015. This change resulted primarily from increased costs for feed grains and their impact on the value of our live chicken inventories. Inventories decreased $3.2 million, or 0.4%, to $787.1 million at June 28, 2015 from $790.3 million at December 28, 2014. This change resulted primarily from decreased costs for feed grains and their impact on the value of our live chicken inventories.
Prepaid expenses and other current assets increased $19.8 million, or 26.2%, to $95.4 million at June 26, 2016 from $75.6 million at December 27, 2015. This change resulted primarily from a $23.2 million increase in open derivative positions and a $2.5 million increase in value-added tax receivables partially offset by a $7.8 million decrease in prepaid insurance premiums. Prepaid expenses and other current assets decreased $7.2 million, or 7.6%, to $88.2 million at June 28, 2015 from $95.4 million at December 28, 2014. This change resulted primarily from a $7.6 million decrease in open derivative positions and margin cash on deposit with our derivatives traders.
Accounts payable, including accounts payable to related parties, decreased $19.1 million, or 3.9%, to $470.8 million at June 26, 2016 from $490.0 million at December 27, 2015. This change resulted primarily from an $16.2 million decrease in trade payables and a $2.9 million decrease in the payable to related parties. Accounts payable, including accounts payable to related parties, increased $69.2 million, or 17.1%, to $473.5 million at June 28, 2015 from $404.3 million at December 28, 2014. This change resulted primarily from a shift in our supply chain finance structure.
Accrued expenses and other current liabilities of $314.9 million at June 26, 2016 were relatively unchanged from accrued expenses and other current liabilities of $315.0 million at December 27, 2015. Accrued expenses and other current liabilities decreased $15.2 million, or 4.9%, to $296.7 million at June 28, 2015 from $311.9 million at December 28, 2014. This change resulted primarily from a $22.6 million decrease in accrued compensation and benefits costs, and a $1.5 million decrease in derivative liabilities that was partially offset by an $ 8.9 million increase in accrued interest.

Income taxes, which includes income taxes receivable, income taxes payable, deferred tax assets, deferred tax liabilities reserves for uncertain tax positions, and the tax components within accumulated other comprehensive income (loss), increased by $26.7 million, or 33.7%, to a net liability position of $105.9 million at June 26, 2016 from a net liability position of

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$79.2 million at December 27, 2015. This change resulted primarily from tax expense recorded on our year-to-date income and the timing of estimated tax payments. Income taxes changed from a net liability position of $84.3 million at December 28, 2014 to a net liability position of $47.8 million at June 28, 2015. This change resulted primarily from tax expense recorded on our year-to-date income and timing of estimated tax payments.

Net noncash expenses totaled $83.1 million and $75.0 million for the twenty-six weeks ended June 26, 2016 and June 28, 2015, respectively. Net noncash expenses for the twenty-six weeks ended June 26, 2016 included depreciation and amortization expense of $88.7 million, a net gain on property disposals of $6.8 million and other net noncash expenses totaling $1.2 million. Net noncash expenses for the twenty-six weeks ended June 28, 2015 included depreciation and amortization expense of $75.1 million and other net noncash income totaling $0.1 million.

Cash used in investing activities was $85.9 million and $85.6 million for the twenty-six weeks ended June 26, 2016 and June 28, 2015, respectively. Capital expenditures totaled $94.0 million and $87.7 million in the twenty-six weeks ended June 26, 2016 and June 28, 2015, respectively. Capital expenditures increased by $6.3 million primarily because of the number of projects that were active during the twenty-six weeks ended June 26, 2016 as compared to the twenty-six weeks ended June 28, 2015. Capital expenditures for 2016 cannot exceed $500.0 million under the U.S. Credit Facility. Cash proceeds from property disposals in the twenty-six weeks ended June 26, 2016 and June 28, 2015 were $8.1 million and $2.1 million, respectively.

Cash used in financing activities was $601.7 million and $504.5 million in the twenty-six weeks ended June 26, 2016 and June 28, 2015, respectively. During the twenty-six weeks ended June 26, 2016, cash of $699.9 million was used to fund a special cash dividend, cash of $219.8 million was used for payments on our revolving lines of credit and capital lease obligations, cash of $65.6 million was used for payments on a current note payable to bank, cash of $7.3 million was used to purchase common stock under the share repurchase program and cash of $0.7 million was used to pay capitalized loan costs. During the twenty-six weeks ended June 26, 2016, cash of $351.1 million was provided through our revolving lines of credit and cash of $36.8 million was provided through a current note payable to bank. During the twenty-six weeks ended June 28, 2015, cash of $1.5 billion was used to fund special cash dividends, cash of $683.7 million was used to repay revolving line of credit obligations, long-term borrowings and capital lease obligations, and cash of $10.1 million was used to pay capitalized loan costs. During the twenty-six weeks ended June 28, 2015, cash of $1.7 billion was provided from borrowings under our revolving line of credit and long-term borrowings and cash of $7.8 million was provided through a tax benefit related to share-based compensation.

Contractual Obligations

Contractual obligations at June 26, 2016 were as follows:

Contractual Obligations[(a)]	Total	Less than One Year	One to Three Years	Three to Five Years	Greater than Five Years
	(In thousands)				
Long-term debt[(b)]	$1,131,319	$—	$ 79,248	$552,071	$ 500,000
Interest[(c)]	299,991	21,502	80,381	68,733	129,375
Capital leases	500	61	244	195	—
Operating leases	97,127	14,135	41,695	26,709	14,588
Derivative liabilities	20,038	20,038	—	—	—
Purchase obligations[(d)]	270,051	269,351	700	—	—
Total	$1,819,026	$325,087	$ 202,268	$647,708	$ 643,963

(a) The total amount of unrecognized tax benefits at June 26, 2016 was $16.8 million. We did not include this amount in the contractual obligations table above as reasonable estimates cannot be made at this time of the amounts or timing of future cash outflows.

(b) Long-term debt is presented at face value and excludes $42.7 million in letters of credit outstanding related to normal business transactions.

(c) Interest expense in the table above assumes the continuation of interest rates and outstanding borrowings as of June 26, 2016.

(d) Includes agreements to purchase goods or services that are enforceable and legally binding on us and that specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transaction.

We expect cash flows from operations, combined with availability under the U.S. Credit Facility, to provide sufficient liquidity to fund current obligations, projected working capital requirements, maturities of long-term debt and capital spending for at least the next twelve months.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued new accounting guidance on revenue recognition, which provides for a single five-step model to be applied to all revenue contracts with customers.

In July 2015, the FASB issued new accounting guidance on the subsequent measurement of inventory, which, in an effort to simplify unnecessarily complicated accounting guidance that can result in several potential outcomes, requires an entity to measure inventory at the lower of cost or net realizable value.

In February 2016, the FASB issued new accounting guidance on lease arrangements, which requires an entity that is a lessee to recognize the assets and liabilities arising from leases on the balance sheet.

In March 2016, the FASB issued new accounting guidance on employee share-based payments, which requires an entity to amend accounting and reporting methodology for areas such as the income tax consequences of share-based payments, classification of share-based awards as either equity or liabilities, and classification of share-based payment transactions in the statement of cash flows.

`In June 2016, the FASB issued new accounting guidance on the measurement of credit losses on financial instruments, which replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

See “Note 1. Description of Business and Basis of Presentation” of our Condensed Consolidated Financial Statements included in this quarterly report for additional information relating to these new accounting pronouncements.

Critical Accounting Policies

During the thirteen weeks ended June 26, 2016, (i) we did not change any of our existing critical accounting policies, (ii) no existing accounting policies became critical accounting policies because of an increase in the materiality of associated transactions or changes in the circumstances to which associated judgments and estimates relate and (iii) there were no significant changes in the manner in which critical accounting policies were applied or in which related judgments and estimates were developed.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Market Risk-Sensitive Instruments and Positions

The risk inherent in our market risk-sensitive instruments and positions is primarily the potential loss arising from adverse changes in commodity prices, foreign currency exchange rates, interest rates and the credit quality of investments as discussed below. The sensitivity analyses presented do not consider the effects that such adverse changes may have on overall economic activity, nor do they consider additional actions our management may take to mitigate our exposure to such changes. Actual results may differ.

Commodity Prices

We purchase certain commodities, primarily corn, soybean meal and sorghum, for use as ingredients in the feed we either sell commercially or consume in our live operations. As a result, our earnings are affected by changes in the price and availability of such feed ingredients. In the past, we have from time to time attempted to minimize our exposure to the changing price and availability of such feed ingredients using various techniques, including, but not limited to, (i) executing purchase agreements with suppliers for future physical delivery of feed ingredients at established prices and (ii) purchasing or selling derivative financial instruments such as futures and options.

For this sensitivity analysis, market risk is estimated as a hypothetical 10.0% change in the weighted-average cost of our

primary feed ingredients as of June 26, 2016. However, fluctuations greater than 10.0% could occur. Based on our feed consumption during the thirteen weeks ended June 26, 2016, such a change would have resulted in a change to cost of sales of approximately $61.7 million, excluding the impact of any feed ingredients derivative financial instruments in that period. A 10.0% change in ending feed ingredient inventories at June 26, 2016 would be $11.5 million, excluding any potential impact on the production costs of our chicken inventories.

The Company purchases commodity derivative financial instruments, specifically exchange-traded futures and options, in an attempt to mitigate price risk related to its anticipated consumption of commodity inputs for the next 12 months. A 10.0% change in corn, soybean meal and soybean oil prices on June 26, 2016 would have resulted in a change of approximately $0.3 million in the fair value of our net commodity derivative asset position, including margin cash, as of that date.

Interest Rates

Our variable-rate debt instruments represent approximately 55.7% of our total debt at June 26, 2016. Holding other variables constant, including levels of indebtedness, an increase in interest rates of 25 basis points would have increased our interest expense by $0.4 million for the thirteen weeks ended June 26, 2016.

Market risk for fixed-rate debt is estimated as the potential increase in fair value resulting from a hypothetical decrease in interest rates of 10.0%. Using a discounted cash flow analysis, a hypothetical 10.0% decrease in interest rates would have decreased the fair value of our fixed-rate debt by approximately $8.6 million as of June 26, 2016.

Foreign Currency

Our earnings are also affected by foreign exchange rate fluctuations related to the Mexican peso net monetary position of our Mexico subsidiaries. We manage this exposure primarily by attempting to minimize our Mexican peso net monetary position. We are also exposed to the effect of potential currency exchange rate fluctuations to the extent that amounts are repatriated from Mexico to the U.S. We currently anticipate that the future cash flows of our Mexico subsidiaries will be reinvested in our Mexico operations.

The Mexican peso exchange rate can directly and indirectly impact our financial condition and results of operations in several ways, including potential economic recession in Mexico because of devaluation of their currency. Foreign currency exchange gains, representing the change in the U.S. dollar value of the net monetary assets of our Mexican subsidiaries denominated in Mexican pesos, were a gain of $4.7 million and a loss of $2.1 million in the thirteen weeks ended June 26, 2016 and June 28, 2015, respectively. Foreign currency exchange gains, representing the change in the U.S. dollar value of the net monetary assets of our Mexican subsidiaries denominated in Mexican pesos, were a gain of $5.0 million and a loss of $11.0 million in the twenty-six weeks ended June 26, 2016 and June 28, 2015, respectively. The average exchange rates for the thirteen weeks ended June 26, 2016 and June 28, 2015 were 18.04 Mexican pesos to 1 U.S. dollar and 15.32 Mexican pesos to 1 U.S. dollar, respectively. For this sensitivity analysis, market risk is estimated as a hypothetical 10.0% deterioration in the current exchange rate used to convert Mexican pesos to U.S. dollars as of June 26, 2016 and June 28, 2015. However, fluctuations greater than 10.0% could occur. Based on the net monetary asset position of our Mexico operations at June 26, 2016, such a change would have resulted in a decrease in foreign currency transaction gains recognized in the thirteen weeks ended June 26, 2016 of approximately $1.2 million. Based on the net monetary asset position of our Mexico operations at June 28, 2015, such a change would have resulted in an increase in foreign currency transaction losses recognized in the thirteen weeks ended June 28, 2015 of approximately $38.0 million. No assurance can be given as to how future movements in the Mexican peso could affect our future financial condition or results of operations.

Quality of Investments

Certain retirement plans that we sponsor invest in a variety of financial instruments. We have analyzed our portfolios of investments and, to the best of our knowledge, none of our investments, including money market funds units, commercial paper and municipal securities, have been downgraded, and neither we nor any fund in which we participate hold significant amounts of structured investment vehicles, auction rate securities, collateralized debt obligations, credit derivatives, hedge funds investments, fund of funds investments or perpetual preferred securities. Certain postretirement funds in which we participate hold significant amounts of mortgage-backed securities. However, none of the mortgages collateralizing these securities are considered subprime.

Impact of Inflation

Due to low to moderate inflation in the U.S. and Mexico and our rapid inventory turnover rate, the results of operations have not been significantly affected by inflation during the past three-year period.

Forward Looking Statements

Certain written and oral statements made by our Company and subsidiaries of our Company may constitute “forward-looking statements” as defined under the Private Securities Litigation Reform Act of 1995. This includes statements made herein, in our other filings with the SEC, in press releases, and in certain other oral and written presentations. Statements of our intentions, beliefs, expectations or predictions for the future, denoted by the words “anticipate,” “believe,” “estimate,” “expect,” “project,” “plan,” “imply,” “intend,” “should,” “foresee” and similar expressions, forward-looking statements that reflect our current views about future events and are subject to risks, uncertainties and assumptions. Such risks, uncertainties and assumptions include the following:

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Matters affecting the chicken industry generally, including fluctuations in the commodity prices of feed ingredients and chicken;

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- Our ability to obtain and maintain commercially reasonable terms with vendors and service providers;
- Our ability to maintain contracts that are critical to our operations;
- Our ability to retain management and other key individuals;
- Outbreaks of avian influenza or other diseases, either in our own flocks or elsewhere, affecting our ability to conduct our operations and/or demand for our poultry products;
- Contamination of our products, which has previously and can in the future lead to product liability claims and product recalls;
- Exposure to risks related to product liability, product recalls, property damage and injuries to persons, for which insurance coverage is expensive, limited and potentially inadequate;
- Changes in laws or regulations affecting our operations or the application thereof;
- New immigration legislation or increased enforcement efforts in connection with existing immigration legislation that cause our costs of business to increase, cause us to change the way in which we do business or otherwise disrupt our operations;
- Competitive factors and pricing pressures or the loss of one or more of our largest customers;
- Inability to consummate, or effectively integrate, any acquisition, including the acquisition of Tyson Mexico, or to realize the associated anticipated cost savings and operating synergies;
- Currency exchange rate fluctuations, trade barriers, exchange controls, expropriation and other risks associated with foreign operations;
- Disruptions in international markets and distribution channels;
- Our ability to maintain favorable labor relations with our employees and our compliance with labor laws;
- Extreme weather or natural disasters;
- The impact of uncertainties in litigation; and
- Other risks described herein and under “Risk Factors” in our annual report on Form 10-K for the year ended December 27, 2015 as filed with the SEC.

Actual results could differ materially from those projected in these forward-looking statements as a result of these factors, among others, many of which are beyond our control.

In making these statements, we are not undertaking, and specifically decline to undertake, any obligation to address or update each or any factor in future filings or communications regarding our business or results, and we are not undertaking to address how any of these factors may have caused changes to information contained in previous filings or communications. Although we have attempted to list comprehensively these important cautionary risk factors, we must caution investors and others that other factors may in the future prove to be important and affect our business or results of operations.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the “Exchange Act”), “disclosure controls and procedures” means controls and other procedures that are designed to ensure that information required to be disclosed by the Company in the reports that it files with the U.S. Securities and Exchange Commission (“SEC”) is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by our company in the reports that it files with the SEC is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

As of June 26, 2016, an evaluation was performed under the supervision and with the participation of the Company’s management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures. Based on that evaluation, the Company’s management, including the Chief

Executive Officer and Chief Financial Officer, concluded the Company’s disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that information we are required to disclose in our reports filed with the SEC is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

In connection with the evaluation described above, the Company’s management, including the Chief Executive Officer and Chief Financial Officer, identified no change in the Company’s internal control over financial reporting that occurred during the thirteen weeks ended June 26, 2016 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

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PART II. OTHER INFORMATION
ITEM 1. LEGAL PROCEEDINGS
Tax Claims and Proceedings
In 2009, the IRS asserted claims against us totaling $74.7 million. Following a series of objections, motions and opposition filed by both parties in the federal court system, we worked with the IRS through the normal processes and procedures that are available to resolve the IRS' claims. On December 12, 2012, we entered into two Stipulation of Settled Issues agreements with the IRS. The first Stipulation related to our 2003, 2005, and 2007 tax years and resolved all of the material issues in the case. The second Stipulation related to us as the successor in interest to Gold Kist for the tax years ended June 30, 2005 and September 30, 2005, and resolved all substantive issues in the case. These Stipulations accounted for approximately $29.3 million of the claims and should result in no additional tax due.

In connection with the remaining $45.4 million claimed by the IRS, we filed a petition in Tax Court on May 26, 2010 in response to a Notice of Deficiency that was issued to us as the successor in interest to Gold Kist. The Notice of Deficiency and the Tax Court proceeding related to an ordinary loss that Gold Kist claimed for its tax year ended June 26, 2004. On December 11, 2013, the Tax Court issued its opinion in the Tax Court case holding the loss that Gold Kist claimed for its tax year ended June 26, 2004 was capital in nature. On April 14, 2014, we appealed the Tax Court's findings of fact and conclusions of law to the Fifth Circuit. On February 25, 2015, the Fifth Circuit issued its opinion, which reversed the Tax Court's judgment and rendered judgment in our favor. The IRS did not appeal the Fifth Circuit's decision, which has become final, and no additional tax should be due in connection with this matter.

ERISA Claims and Proceedings
On December 17, 2008, Kenneth Patterson filed suit in the Marshall Court against Lonnie "Bo" Pilgrim, Lonnie Ken Pilgrim, Clifford E. Butler, J. Clinton Rivers, Richard A. Cogdill, Renee N. DeBar, our Compensation Committee and other unnamed defendants (the "Patterson action"). On January 2, 2009, a nearly identical suit was filed by Denise M. Smalls in the same court against the same defendants (the "Smalls action"). The complaints in both actions, brought pursuant to section 502 of the Employee Retirement Income Security Act of 1974 ("ERISA"), 29 U.S.C. §1132, alleged that the individual defendants breached fiduciary duties to participants and beneficiaries of the Pilgrim's Pride Stock Investment Plan (the "Stock Plan"), as administered through the Pilgrim's Pride Retirement Savings Plan (the "RSP"), and the To-Ricos, Inc. Employee Savings and Retirement Plan (the "To-Ricos Plan") (collectively, the "Plans") by failing to sell the common stock held by the Plans before it declined in value in late 2008. Patterson and Smalls further alleged that they purported to represent a class of all persons or entities who were participants in or beneficiaries of the Plans at any time between May 5, 2008 through the present and whose accounts held our common stock or units in our common stock. Both complaints sought actual damages in the amount of any losses the Plans suffered, to be allocated among the participants' individual accounts as benefits due in proportion to the accounts' diminution in value, attorneys' fees, an order for equitable restitution and the imposition of constructive trust, and a declaration that each of the defendants have breached their fiduciary duties to the Plans' participants.

On July 20, 2009, the Marshall Court entered an order consolidating the Smalls and Patterson actions. On August 12, 2009, the Marshall Court ordered that the consolidated case will proceed under the caption "In re Pilgrim's Pride Stock Investment Plan ERISA Litigation, No. 2:08-cv-472-TJW."

Patterson and Smalls filed a consolidated amended complaint ("Amended Complaint") on March 2, 2010. The Amended Complaint names as defendants the Pilgrim's Pride Board of Directors, Lonnie "Bo" Pilgrim, Lonnie Ken Pilgrim, Charles L. Black, Linda Chavez, S. Key Coker, Keith W. Hughes, Blake D. Lovette, Vance C. Miller, James G. Vetter, Jr., Donald L. Wass, J. Clinton Rivers, Richard A. Cogdill, the Pilgrim's Pride Pension Committee, Robert A. Wright, Jane Brookshire, Renee N. DeBar, the Pilgrim's Pride Administrative Committee, Gerry Evenwel, Stacey Evans, Evelyn Boyden, and "John Does 1-10." The Amended Complaint purports to assert claims on behalf of persons who were participants in or beneficiaries of the RSP or the To-Ricos Plan at any time between January 29, 2008 through December 1, 2008 ("the alleged class period"), and whose accounts included investments in the Company's common stock.

Like the original Patterson and Smalls complaints, the Amended Complaint alleges that the defendants breached ERISA fiduciary duties to participants and beneficiaries of the RSP and To-Ricos Plan by permitting both Plans to continue investing in the Company’s common stock during the alleged class period. The Amended Complaint also alleges that certain defendants were “appointing” fiduciaries who failed to monitor the performance of the defendant-fiduciaries they appointed. Further, the Amended Complaint alleges that all defendants are liable as co-fiduciaries for one another’s alleged breaches. Plaintiffs seek actual damages in the amount of any losses the RSP and To-Ricos Plan attributable to the decline in the value of the common stock held by the Plans, to be allocated among the participants’ individual accounts as benefits due in proportion to the accounts’ alleged diminution

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in value, costs and attorneys' fees, an order for equitable restitution and the imposition of constructive trust, and a declaration that each of the defendants have breached their ERISA fiduciary duties to the RSP and To-Ricos Plan's participants.

The Defendants filed a motion to dismiss the Amended Complaint on May 3, 2010. On August 29, 2012, the Magistrate judge issued a Report and Recommendation to deny the Defendants' motion to dismiss the complaint on grounds that the complaint included too many exhibits. Defendants filed objections with the Marshall Court, and on October 29, 2012, the Marshall Court adopted the Recommendation of the Magistrate Judge and entered an order denying Defendants' motion to dismiss. On November 11, 2012, Plaintiffs filed a motion for class certification. The motion is fully briefed and was argued to the Marshall Court on February 28, 2013. The parties are awaiting a decision on the motion.

Other Claims and Proceedings

We are subject to various other legal proceedings and claims, which arise in the ordinary course of our business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect our financial condition, results of operations or cash flows.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this quarterly report, you should carefully consider the risks discussed in our annual report on Form 10-K for the year ended December 27, 2015, including under the heading "Item 1A. Risk Factors", which, along with risks disclosed in this report, are risks we believe could materially affect the Company's business, financial condition or future results. These risks are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company or that it currently deems to be immaterial also may materially adversely affect the Company's business, financial condition or future results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On July 28, 2015, our Board of Directors approved a $150.0 million share repurchase authorization. We plan to repurchase shares through various means, which may include but are not limited to open market purchases, privately negotiated transactions, the use of derivative instruments and/or accelerated share repurchase programs. The share repurchase program was originally scheduled to expire on July 27, 2016. On February 10, 2016, the Company's Board of Directors approved an increase of the share repurchase authorization to $300.0 million and an extension of the expiration to February 9, 2017. The extent to which we repurchase our shares and the timing of such repurchases will vary and depend upon market conditions and other corporate considerations, as determined by our management team. We reserve the right to limit or terminate the repurchase program at any time without notice. As of June 26, 2016, we had repurchased 5,170,458 shares under this program with a market value of approximately $106.6 million. Set forth below is information regarding our stock repurchases for the thirteen weeks ended June 26, 2016.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of the Shares That May Yet Be Purchased Under the Plans or Programs
March 28, 2016 through April 24, 2016	78,418	$ 23.92	78,418	$ 196,234,248
April 25, 2016 through May 29, 2016	117,600	23.77	117,600	193,438,871
May 30, 2016 through June 26, 2016	—	—	—	193,438,871
Total	196,018	$ 23.83	196,018	$ 193,438,871

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ITEM 6. EXHIBITS

2.1	Agreement and Plan of Reorganization dated September 15, 1986, by and among Pilgrim's Pride Corporation, a Texas corporation; Pilgrim's Pride Corporation, a Delaware corporation; and Doris Pilgrim Julian, Aubrey Hal Pilgrim, Paulette Pilgrim Rolston, Evanne Pilgrim, Lonnie "Bo" Pilgrim, Lonnie Ken Pilgrim, Greta Pilgrim Owens and Patrick Wayne Pilgrim (incorporated by reference from Exhibit 2.1 to the Company's Registration Statement on Form S-1 (No. 33-8805) effective November 14, 1986).
2.2	Agreement and Plan of Merger dated September 27, 2000 (incorporated by reference from Exhibit 2 of WLR Foods, Inc.'s current report on Form 8-K (No. 000-17060) dated September 28, 2000).
2.3	Agreement and Plan of Merger dated as of December 3, 2006, by and among the Company, Protein Acquisition Corporation, a wholly owned subsidiary of the Company, and Gold Kist Inc. (incorporated by reference from Exhibit 99.(D)(1) to Amendment No. 11 to the Company's Tender Offer Statement on Schedule TO (No. 005-81998) filed on December 5, 2006).
2.4	Stock Purchase Agreement by and between the Company and JBS USA Holding Lux, S.à.r.l., formerly known as JBS USA Holdings, LLC, dated September 16, 2009 (incorporated by reference from Exhibit 2.1 of the Company's current report on Form 8-K (No. 001-09273) filed September 18, 2009).
2.5	Amendment No.1 to the Stock Purchase Agreement by and between the Company and JBS USA Holding Lux, S.à.r.l., formerly known as JBS USA Holdings, LLC, dated December 28, 2009 (incorporated by reference from Exhibit 2.5 of the Company's annual report on Form 10-K/A (No. 001-09273) filed January 22, 2010).
3.1	Amended and Restated Certificate of Incorporation of the Company (incorporated by reference from Exhibit 3.1 of the Company's Form 8-A (No. 001-09273) filed on December 27, 2012).
3.2	Amended and Restated Corporate Bylaws of the Company (incorporated by reference from Exhibit 3.2 of the Company's Form 8-A (No. 001-09273) filed on December 27, 2012).
4.1	Amended and Restated Certificate of Incorporation of the Company (included as Exhibit 3.1).
4.2	Amended and Restated Corporate Bylaws of the Company (included as Exhibit 3.2).
4.3	Stockholders Agreement dated December 28, 2009 between the Company and JBS USA Holding Lux, S.à.r.l., formerly known as JBS USA Holdings, LLC, as amended (incorporated by reference from Exhibit 4.1 to the Company's Form 8-A (No. 001-09273) filed on December 27, 2012).
4.4	Form of Common Stock Certificate (incorporated by reference from Exhibit 4.1 to the Company's current report on Form 8-K (No. 001-09273) filed on December 29, 2009).
4.5	Indenture dated as of March 11, 2015 among the Company, Pilgrim's Pride Corporation of West Virginia, Inc. and Wells Fargo Bank, National Association, as Trustee, Form of Senior 5.750% Note due 2025, and Form of Guarantee attached (incorporated by reference from Exhibit 4.1 of the Company's current report on Form 8-K (No. 001-09273) filed on March 11, 2015).
10.1	First Amendment to the Second Amended and Restated Credit Agreement dated April 27, 2016 among Pilgrim's Pride Corporation, To-Ricos, Ltd. and To-Ricos Distribution, Ltd., Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Rabobank Nederland, New York Branch, as administrative agent, and the lenders party thereto.*
10.2	Checking Account Loan Opening Contract dated July 23, 2014 among Avícola Pilgrim's Pride de Mexico, S.A. de C.V., as borrower, Pilgrim's Pride S. de R.L. de C.V. and Comercializadora de Carnes de Mexico, S. de R.L. de C.V., as guarantors, and BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, as borrower.*
10.3	Agreement to Modify Checking Account Loan Opening Contract dated November 3, 2015 among Avícola Pilgrim's Pride de Mexico, S.A. de C.V., as borrower, Pilgrim's Pride S. de R.L. de C.V. and Comercializadora de Carnes de Mexico, S. de R.L. de C.V., as guarantors, and BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, as borrower.*
12	Ratio of Earnings to Fixed Charges for the twenty-six weeks ended June 26, 2016 and June 28, 2015.*
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*

32.1	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
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101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation
101.DEF	XBRL Taxonomy Extension Definition
101.LAB	XBRL Taxonomy Extension Label
101.PRE	XBRL Taxonomy Extension Presentation

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* Filed herewith.
** Furnished herewith.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	PILGRIM'S PRIDE CORPORATION
Date: July 27, 2016	/s/ Fabio Sandri
	Fabio Sandri
	Chief Financial Officer
	(Principal Financial Officer, Chief Accounting Officer and Duly Authorized Officer)

EXHIBIT INDEX

2.1	Agreement and Plan of Reorganization dated September 15, 1986, by and among Pilgrim’s Pride Corporation, a Texas corporation; Pilgrim’s Pride Corporation, a Delaware corporation; and Doris Pilgrim Julian, Aubrey Hal Pilgrim, Paulette Pilgrim Rolston, Evanne Pilgrim, Lonnie “Bo” Pilgrim, Lonnie Ken Pilgrim, Greta Pilgrim Owens and Patrick Wayne Pilgrim (incorporated by reference from Exhibit 2.1 to the Company’s Registration Statement on Form S-1 (No. 33-8805) effective November 14, 1986).
2.2	Agreement and Plan of Merger dated September 27, 2000 (incorporated by reference from Exhibit 2 of WLR Foods, Inc.’s current report on Form 8-K (No. 000-17060) dated September 28, 2000).
2.3	Agreement and Plan of Merger dated as of December 3, 2006, by and among the Company, Protein Acquisition Corporation, a wholly owned subsidiary of the Company, and Gold Kist Inc. (incorporated by reference from Exhibit 99.(D)(1) to Amendment No. 11 to the Company’s Tender Offer Statement on Schedule TO (No. 005-81998) filed on December 5, 2006).
2.4	Stock Purchase Agreement by and between the Company and JBS USA Holding Lux, S.à.r.l., formerly known as JBS USA Holdings, LLC, dated September 16, 2009 (incorporated by reference from Exhibit 2.1 of the Company’s current report on Form 8-K (No. 001-09273) filed September 18, 2009).
2.5	Amendment No.1 to the Stock Purchase Agreement by and between the Company and JBS USA Holding Lux, S.à.r.l., formerly known as JBS USA Holdings, LLC, dated December 28, 2009 (incorporated by reference from Exhibit 2.5 of the Company’s annual report on Form 10-K/A (No. 001-09273) filed January 22, 2010).
3.1	Amended and Restated Certificate of Incorporation of the Company (incorporated by reference from Exhibit 3.1 of the Company’s Form 8-A (No. 001-09273) filed on December 27, 2012).
3.2	Amended and Restated Corporate Bylaws of the Company (incorporated by reference from Exhibit 3.2 of the Company’s Form 8-A (No. 001-09273) filed on December 27, 2012).
4.1	Amended and Restated Certificate of Incorporation of the Company (included as Exhibit 3.1).
4.2	Amended and Restated Corporate Bylaws of the Company (included as Exhibit 3.2).
4.3	Stockholders Agreement dated December 28, 2009 between the Company and JBS USA Holding Lux, S.à.r.l., formerly known as JBS USA Holdings, LLC, as amended (incorporated by reference from Exhibit 4.1 to the Company’s Form 8-A (No. 001-09273) filed on December 27, 2012).
4.4	Form of Common Stock Certificate (incorporated by reference from Exhibit 4.1 to the Company’s current report on Form 8-K (No. 001-09273) filed on December 29, 2009).
4.5	Indenture dated as of March 11, 2015 among the Company, Pilgrim’s Pride Corporation of West Virginia, Inc. and Wells Fargo Bank, National Association, as Trustee, Form of Senior 5.750% Note due 2025, and Form of Guarantee attached (incorporated by reference from Exhibit 4.1 of the Company’s current report on Form 8-K (No. 001-09273) filed on March 11, 2015).
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