MModal Inc.
Form SC TO-T/A
August 13, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE TO

TENDER OFFER STATEMENT

UNDER SECTION 14(d)(1) OR SECTION 13(e)(1)

OF THE SECURITIES EXCHANGE ACT OF 1934

(Amendment No. 7)

MMODAL INC.

(Name of Subject Company)

LEGEND ACQUISITION SUB, INC.

(Name of Filing Person (Offeror))

a wholly-owned subsidiary of

LEGEND PARENT, INC.

(Name of Filing Person (Parent of Offeror))

ONE EQUITY PARTNERS V, L.P.

(Name of Filing Person (Other Person))

COMMON STOCK, $0.10 PAR VALUE PER SHARE

(Title of Class of Securities)

60689B107

(CUSIP Number of Class of Securities)

Gregory A. Belinfanti

Christian Ahrens

Legend Acquisition Sub, Inc.

c/o One Equity Partners V, L.P.

320 Park Avenue

New York, New York 10022

Telephone: (212) 277-1500

(Name, address and telephone number of person authorized to receive notices and communications on behalf of filing persons)

with copies to:

Derek Winokur, Esq.

Dechert LLP

1095 Avenue of the Americas

New York, New York 10036

Tel: (212) 698-3500 Fax: (212) 698-3599

CALCULATION OF FILING FEE

Transaction Valuation(1)	Amount Of Filing Fee(2)
$831,315,758	$95,268.78

(1) Estimated for purposes of calculating the filing fee only. The transaction valuation was calculated by adding the sum of (i) 57,067,956 shares of common stock, par value $0.10, of MModal Inc. outstanding (including shares of restricted common stock) multiplied by the offer price of $14.00 per share, (ii) 1,776,421 shares of common stock, par value $0.10, of MModal Inc., issuable pursuant to outstanding options multiplied by the offer price of $14.00 per share, and (iii) 535,320 outstanding restricted stock units multiplied by the offer price of $14.00 per share. The calculation of the filing fee is based on information provided by MModal Inc. as of July 12, 2012.

(2) The filing fee was calculated in accordance with Rule 0-11 under the Securities Exchange Act of 1934 by multiplying the transaction value by 0.00011460.

x Check the box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid: $95,268.78	Filing Party: Legend Acquisition Sub, Inc.
Form or Registration No.: SC TO-T	Date Filed: July 17, 2012

¨ Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

Check the appropriate boxes below to designate any transactions to which the statement relates:

x third-party tender offer subject to Rule 14d-1.
¨ issuer tender offer subject to Rule 13e-4.
¨ going-private transaction subject to Rule 13e-3.
¨ amendment to Schedule 13D under Rule 13d-2.

Check the following box if the filing is a final amendment reporting the results of the tender offer: ¨

This Amendment No. 7 (this Amendment) amends and supplements the Tender Offer Statement on Schedule TO filed with the Securities and Exchange Commission on July 17, 2012 (which, together with this Amendment, Amendment No. 1, filed on July 24, 2012, Amendment No. 2, filed on July 25, 2012, Amendment No. 3, filed on July 27, 2012, Amendment No. 4, filed on August 2, 2012, Amendment No. 5, filed on August 9, 2012, Amendment No. 6, filed on August 10, 2012 and any subsequent amendments and supplements thereto, collectively constitute this Schedule TO). This Schedule TO relates to the tender offer by Legend Acquisition Sub, Inc., a Delaware corporation (the Purchaser) and a wholly owned direct subsidiary of Legend Parent, Inc., a Delaware corporation (the Parent), for all of the outstanding common stock, par value $0.10 per share (Shares), of MModal Inc., a Delaware corporation (MModal), at a price of $14.00 per share net to the seller thereof in cash, without interest thereon and less any applicable withholding taxes, upon the terms and conditions set forth in the offer to purchase dated July 17, 2012 (as it may be amended or supplemented from time to time, the Offer to Purchase), a copy of which is attached as Exhibit (a)(1)(A), and the related letter of transmittal (as it may be amended or supplemented from time to time, the Letter of Transmittal), a copy of which is attached as Exhibit (a)(1)(B), which collectively constitute the Offer.

All the information set forth in the Offer to Purchase is incorporated by reference herein in response to Items 1 through 9 and Item 11 of this Schedule TO, and is supplemented by the information specifically provided in this Schedule TO.

This Amendment is being filed to amend and supplement Items 1, 5, 7 and 12 as reflected below.

Item 1. *Summary Term Sheet*.

Regulation M-A Item 1001

Item 1 of this Schedule TO is hereby amended and supplemented as follows by amending and supplementing the information set forth in the Summary Term Sheet of the Offer to Purchase by replacing the third sentence under the heading Will you have the financial resources to make payment? with the following:

The Parent has obtained commitments from Bank of America, N.A., Royal Bank of Canada, and SunTrust Bank to provide the full amount of a $505 million senior secured credit facility (consisting of a $440 million term loan facility and a $65 million revolving credit facility) (which we refer to as the Senior Secured Facility).

Item 5. *Past Contacts, Transactions, Negotiations and Agreement*

Regulation M-A Item 1005

The following is hereby added after the third to last paragraph of Section 10 of the Offer to Purchase entitled Background of the Offer; Past Contacts or Negotiations with MModal under the heading Background of the Offer :

On July 26, 2012, the Parent and the lenders party thereto entered into the Debt Commitment Letter.

The following is hereby added after the last paragraph of Section 10 of the Offer to Purchase entitled Background of the Offer; Past Contacts or Negotiations with MModal under the heading Background of the Offer :

On August 10, 2012, the Parent and the lenders party thereto entered into Amendment No. 1 to the Debt Commitment Letter.

Item 7. ***Sources and Amount of Funds or Other Consideration***

Regulation M-A Item 1007

Item 7 of this Schedule TO is hereby amended and supplemented as follows by amending and supplementing the information set forth in Section 9 of the Offer to Purchase entitled Source and Amount of Funds by replacing the second sentence of the first paragraph in the Section with the following:

The Parent has received a commitment from its lenders to provide it with a senior secured credit facility in an aggregate amount of $505,000,000 (consisting of a $440,000,000 term loan facility and a $65,000,000 revolving credit facility) (which we refer to as the Senior Secured Facility).

Item 7 of this Schedule TO is hereby amended and supplemented as follows by amending and supplementing the information set forth in Section 9 of the Offer to Purchase entitled Source and Amount of Funds by replacing the first sentence of the sixth paragraph in the Section with the following:

The following summary of certain financing arrangements in connection with the Offer and the Merger is qualified in its entirety by reference to the applicable commitment letters described below, copies of which are filed as Exhibits (b)(2), (b)(3) and (d)(4) to the Schedule TO filed with the SEC and are incorporated by reference herein.

Item 7 of this Schedule TO is hereby amended and supplemented as follows by amending and supplementing the information set forth in Section 9 of the Offer to Purchase entitled Source and Amount of Funds by replacing the first paragraph under the heading Debt Financing with the following:

The Parent has received an amended and restated debt commitment letter, dated as of July 26, 2012, as amended by Amendment No. 1 thereto on August 10, 2012 (which we refer to as the Debt Commitment Letter), among Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Royal Bank of Canada, SunTrust Bank and SunTrust Robinson Humphrey, Inc. and the Parent, pursuant to which the Purchaser (i) obtained (A) $440,000,000 in commitments under a senior secured term loan facility (the Term Loan Facility) and (B) $65,000,000 in commitments under a senior secured revolving credit facility (the Revolving Credit Facility), in each case as described in the Debt Commitment Letter (the Senior Credit Facility), and (ii) will either (x) issue an aggregate principal amount of its senior unsecured notes (the Senior Notes) generating up to $250,000,000 in gross proceeds in a Rule 144A or other private placement, or (y) if and to the extent the Purchaser does not, or is unable to issue Senior Notes yielding at least $250,000,000 aggregate principal amount on or prior to the consummation of the Offer, obtain up to $250,000,000 in loans under a new senior unsecured bridge facility (which we refer to as the Bridge Facility) less the amount of Senior Notes, if any, issued on or prior to the consummation of the Offer.

Item 7 of this Schedule TO is hereby amended and supplemented as follows by amending and supplementing the information set forth in Section 9 of the Offer to Purchase entitled Source and Amount of Funds by replacing the third sentence of the final paragraph under the heading Debt Financing with the following:

We have filed copies of the Debt Commitment Letter as Exhibit (b)(2) to the Schedule TO and Amendment No. 1 thereto as Exhibit (b)(3) to the Schedule TO, which are incorporated by reference.

Item 12. ***Exhibits.***

Regulation M-A Item 1016

Item 12 of this Schedule TO is hereby amended and supplemented by adding thereto the following exhibit:

Exhibit No.	Description
(b)(3)	Amendment No. 1 to Amended and Restated Debt Commitment Letter, dated as of August 10, 2012, among Legend Parent, Inc., Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Royal Bank of Canada, SunTrust Bank and SunTrust Robinson Humphrey, Inc.

SIGNATURES

After due inquiry and to the best of their knowledge and belief, each of the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: August 13, 2012

LEGEND ACQUISITION SUB, INC.

By: /s/ Matthew P. Hughes
Name: Matthew P. Hughes
Title: Secretary

LEGEND PARENT, INC.

By: /s/ Matthew P. Hughes
Name: Matthew P. Hughes
Title: Secretary

ONE EQUITY PARTNERS V, L.P.

By: OEP General Partner V, L.P.,
as General Partner

By: OEP Parent LLC,
as General Partner

By: /s/ Matthew P. Hughes
Name: Matthew P. Hughes
Title: Vice President

EXHIBIT INDEX

Exhibit No.	Description
(a)(1)(A)	Offer to Purchase, dated July 17, 2012.*
(a)(1)(B)	Letter of Transmittal.*
(a)(1)(C)	Notice of Guaranteed Delivery.*
(a)(1)(D)	Letter from the Information Agent to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.*
(a)(1)(E)	Letter to Clients for Use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.*
(a)(1)(F)	Joint Press Release issued by One Equity Partners and MModal Inc. on July 2, 2012 (incorporated by reference to Exhibit 99.1 to the Form 8-K filed by MModal Inc. with the Securities and Exchange Commission on July 3, 2012).*
(a)(1)(G)	Summary Advertisement as published in the Wall Street Journal on July 17, 2012.*
(a)(1)(H)	Joint Press Release issued by One Equity Partners and MModal Inc. on July 17, 2012.*
(a)(1)(I)	Joint Press Release issued by One Equity Partners and MModal Inc. on July 24, 2012.*
(a)(1)(J)	Joint Press Release issued by One Equity Partners and MModal Inc. on August 8, 2012.*
(a)(5)(A)	Complaint filed by Alan Kahn, on behalf of himself and all other similarly situated, on July 6, 2012, Court of Chancery of the State of Delaware.*
(a)(5)(B)	Complaint filed by Edward Forstein, on behalf of himself and all other similarly situated, on July 9, 2012, Court of Chancery of the State of Delaware.*
(a)(5)(C)	Complaint filed by Scott Phillips, on behalf of himself and all other similarly situated, on July 10, 2012, Court of Chancery of the State of Delaware.*
(a)(5)(D)	Amended Consolidated Verified Class Action Complaint (In re MModal Inc. Shareholder Litigation) filed on July 24, 2012, Court of Chancery of the State of Delaware.*
(a)(5)(E)	Memorandum of Understanding, dated as of August 8, 2012.*
(b)(1)	Debt Commitment Letter, dated as of July 2, 2012, among Legend Parent, Inc., Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Royal Bank of Canada.*
(b)(2)	Amended and Restated Debt Commitment Letter, dated as of July 26, 2012, among Legend Parent, Inc., Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Royal Bank of Canada, SunTrust Bank and SunTrust Robinson Humphrey, Inc. *
(b)(3)	Amendment No. 1 to Amended and Restated Debt Commitment Letter, dated as of August 10, 2012, among Legend Parent, Inc., Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Royal Bank of Canada, SunTrust Bank and SunTrust Robinson Humphrey, Inc. **
(d)(1)	Agreement and Plan of Merger, dated as of July 2, 2012, by and among Legend Parent, Inc., Legend Acquisition Sub, Inc. and MModal Inc. (incorporated by reference to Exhibit 2.1 to the Form 8-K filed by MModal Inc. with the Securities and Exchange Commission on July 3, 2012).*
(d)(2)	Limited Guaranty, dated as of July 2, 2012, by and between One Equity Partners V, L.P. and MModal Inc.*

(d)(3)	Confidentiality Agreement, dated as of April 11, 2012, by and between One Equity Partners IV, L.P. and MModal Inc.*
(d)(4)	Equity Commitment Letter, dated as of July 2, 2012, among One Equity Partners V, L.P., Legend Parent, Inc. and Legend Acquisition Sub, Inc.*
(d)(5)	Support Agreement, dated as of July 2, 2012, by and among Legend Parent, Inc., Legend Acquisition Sub, Inc. and each of S.A.C. PEI CB Investment, L.P., S.A.C. PEI CB Investment II, LLC. International Equities (S.A.C. Asia) Limited and S.A.C. Multiquant Fund, LLC.*
(d)(6)	Amendment No. 1 to Agreement and Plan of Merger, dated August 2, 2012, by and among Legend Parent, Inc., Legend Acquisition Sub, Inc. and MModal Inc. (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed by MModal Inc. with the Securities and Exchange Commission on August 2, 2012).*
(d)(7)	Waiver of certain Merger Agreement obligations dated August 8, 2012, by Legend Parent, Inc. and Legend Acquisition Sub, Inc.*
(d)(8)	Waiver of certain Support Agreement obligations, dated August 8, 2012, by Legend Parent, Inc. and Legend Acquisition Sub, Inc.*
(d)(9)	Amendment No. 2 to Agreement and Plan of Merger, dated August 10, 2012, by and among Legend Parent, Inc., Legend Acquisition Sub, Inc. and MModal Inc.*
(g)	None.
(h)	None.

* Previously filed.
** Filed herewith.

10pt; FONT-FAMILY: times new roman">1.43
%

(1,146,161
)

1.32
%

Total Operating Expense

(2,643,208
)

2.97
%

(3,731,216
)

4.31
%

Operating Income / (Loss)

10,018,850

11.25
%

9,777,555

11.29
%

Other Income (Expense)

28,348

0.03

%

383,119

0.44

%

Earnings Before Tax

1,722,052

1.93

%

10,088,553

11.65

%

(Income Tax Expense) / Deferred Tax Benefit

(755,186

)

0.85

%

(232,368

)

0.27

%

Net Income

$

966,866

1.09

%

$

9,856,185

11.38

%

Earnings Per Share

Basic

$

0.056

$	
	0.571
Diluted	
	0.046
	0.465
Weighted Average Shares Outstanding	
Basic	
	17,272,756
	17,272,756
Diluted	
	21,136,392
	21,182,756

Sales. Our sales include revenues from sales of our fresh pork, frozen pork, and processed food products. During the first half year of 2009, we had sales of $89,031,594 as compared to sales of $86,583,622 for the first half year of 2008, an increase of approximately 2.83%. Our sales for our various product categories in the first half year of 2009 are summarized as follows:

Sales by product category, in dollars:	Six Months Ended June 30, 2009 (amount)	% of Total Sales	Six Months Ended June 30, 2008 (amount)	% of Total Sales	% of increase from 2008 to 2009
Fresh Pork	$ 67,849,003	76.21%	$ 71,746,282	82.86%	-5.43%
Frozen Pork	8,441,401	9.48%	4,692,323	5.42%	79.90%
Processed Food Products	12,741,190	14.31%	10,145,017	11.72%	25.59%
Total Sales	$ 89,031,594	100%	86,583,622	100%	2.83%

Sales by product category, by weight of product (metric tons):	Six Months Ended June 30,2009 (Weight in tons)	% of Total Sales	Six Months Ended June 30,2008 (Weight in tons)	% of Total Sales	% of change from 2008 to 2009
Fresh Pork	36,149	78.23%	29,442	80.54%	22.78%
Frozen Pork	5,567	12.05%	2,259	6.18%	146.44%
Processed Food Products	4,493	9.72%	4,856	13.28%	-7.48%
Total Sales	46,209	100%	36,557	100%	26.40%

In the first half year of 2009, we raised our average per-kilogram sale price for processed food products and decreased our average per-kilogram sale prices for fresh pork and frozen pork to our customers. These changes were inline with changes in the market price for these products. In the first half year of 2009, our sales volume of fresh pork and frozen pork (by weight) increased, with the frozen pork category continuing experiencing the highest growth in sales volume both by weight and in terms of sales revenue. We also increased our sales of fresh pork by weight, in the first half year of 2009 as compared with the same period in the prior year. Our sales revenue for fresh pork decreased due to a reduction in the average per-kilogram price. For processed food products, our sales by weight decreased by 7.48%, but because of higher per-kilogram prices, our sales revenue for this product category increased by 25.59%. Management attributes the increases in sales revenue in our product categories to the continuing strength in consumer demand for our products in the periods presented.

The following table shows the change in the average price per kilogram for our product to consumers in the first half year of 2009, as compared to the same period last year:

	Average Per-Kilogram Price to Customers (in $US)			
	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008	% change	Change in Price
Fresh Pork	$ 1.88	$ 2.44	-0.23%	$ -0.56
Frozen Pork	$ 1.52	$ 2.08	-0.27%	$ -0.56
Processed Food Products	$ 2.84	$ 2.09	0.36%	$ 0.75

Cost of Sales. Cost of sales for the first half year of 2009 increased by $3,294,684 or approximately 4.51%, from $73,074,852 for the first half year of 2008 to $76,369,536 for the first half year of 2009. The increase was principally attributable to the concession on the sales price of the products to sales agents on a condition that sales agent assumes marketing expenses in selling our products, starting in the third quarter of 2008. Our cost of sales for our various product categories in the first half year of each of 2009 and 2008 is summarized and shown as a percentage of overall cost of sales in the following chart:

Product Category	Six Months Ended June 30, 2009	% of Overall Cost of Sales	Six Months Ended June 30, 2008	% of Overall Cost of Sales	% of increase from 2008 to 2009
Fresh Pork	$ 59,685,172.07	78.15%	$ 61,814,148	84.59%	-3.44%
Frozen Pork	7,311,653.76	9.57%	3,755,302	5.14%	94.70%
Processed Food Products	9,372,711.16	12.27%	7,505,402	10.27%	24.88%
Total Cost of Sales	$ 76,369,536.00	100%	$ 73,074,852	100%	4.51%

43

The following table shows our cost of sales in the first half year of 2009 and 2008 as a percentage of sales within each product group.

Product Category:	Cost of Sales Six Months Ended June 30, 2009	% of Product Group Sales	Cost of Sales Six Months Ended June 30, 2008	% of Product Group Sales	% Change Product Group Sales
Fresh Pork	$ 59,685,172.07	87.97%	$ 61,814,148	86.16%	1.81%
Frozen Pork	7,311,653.76	86.62%	3,755,302	80.03%	6.56%
Processed Food Products	9,372,711.16	73.56%	7,505,402	73.98%	-0.42%
Total Cost of Sales	$ 76,369,537.00	85.78%	$ 73,074,852	84.40%	1.38%

Our cost of sales of fresh pork products decreased by 3.44% and increased by 1.81% as a percentage of sales of fresh pork products, in each case as compared to the first half year of 2008. This change resulted principally from the concession on the sales price of the products to our sales agents on the condition that the sales agents assume marketing expenses in selling our products starting in the third quarter of 2008. Our cost of sales of frozen pork products increased by 94.70% and by 6.56% as a percentage of sales of frozen pork products, in each case as compared to the first half year of 2008, because production and sales of this product increased over the respective periods. During the first half year of 2009, the cost of sales of processed food products increased by 24.88% and decreased by 0.42% as a percentage of sales of processed food products, in each case as compared to the same period last year. A contributing factor to this increase was the higher transportation and delivery cost associated with an expanded sales range of this product period over period.

Gross Profit. Gross profit was $12,662,058 for the first half year of 2009 as compared to $13,508,771 for the same period in 2008, representing a decrease of $846,713, or approximately 6.27%. Management attributes the decrease in gross profit to lower pricing to customers of our fresh and frozen pork products. We were able to partially offset this effect through the lower cost of live pigs, increased sales volume of fresh and frozen pork products, and increased pricing on processed pork products. Our gross profit as a percentage of sales was 14.22% in the first half year of 2009 as compared to 15.60% for the same period in 2008.

The following table presents our gross profit for the first half year of 2009 and 2008. The table below also shows the percentage of gross profit for each of our product groups, as a percentage of sales for that product group.

Product Group	Gross Profit Six Months Ended June 30, 2009	% of Product Group Sales	Gross Profit Six Months Ended June 30, 2008	% of Product Group Sales	% of Change from 2008 to 2009
Fresh Pork	$ 8,163,831	12.03%	$ 9,932,134	13.84%	-17.80%
Frozen Pork	1,129,747	13.38%	937,021	19.97%	20.57%
Processed Food Products	3,368,479	26.44%	2,639,615	26.02%	27.61%
Total Gross Profit	$ 12,662,057	14.22%	$ 13,508,770	15.60%	-6.27%

In the first half year of 2009, the gross profit of the fresh pork segment fell by 17.80% as compared to the same period last year principally due to lower average-per-kilogram price to customers which offset sales volume increases in this segment. The gross profit of the frozen port products increased by 20.57% as compared to the same period last year primarily due to the dramatically increase of sales volume despite the lower average per-kilogram price to customers. The processed food products segment continued to yield period over period a gross profit amount that was the highest among all the product groups as a percentage of product group sales. Because of the high margins and increased prices to consumers of this product, we were able to maintain a stable amount of gross profit in dollar terms for this product period over period despite a decrease in sales volume.

44

Selling Expenses. Selling expenses totaled $1,372,363 for the first half year of 2009, as compared to $2,585,055 for the same period in 2008, a decrease of $1,212,692 or 46.91%. This decease is due to a reduction in our advertising expenses. We continued to increase sales made through sales agents, who assumed certain marketing expenses in selling our fresh pork products.

General and Administrative Expenses. General and administrative expenses totaled $1,270,845 for the first half year of 2009 as compared to $1,146,161 for the same period in 2008, an increase of $124,684 or 10.88%. This change is primarily attributable to increased outside legal fees and audit fees, and increased staff.

Other income (Expense). Our other income (expense) consists of interest income, other expenses, and interest expense. In the first half year of 2009, we had total other income of $28,348 and we did have income of $141,820 from a government subsidy. Our total other income in the first half year of 2009 decreased by $354,771, or 92.60% as compared to the same period in 2008. This decrease in total other income is primarily attributable to the decrease of rental income from our frozen storage facility and the exclusion of the government subsidy that was part of other income in prior periods.

Net Income. Net income for the first half year of 2009 was $966,866 as compared to $9,856,185 for the same period in 2008, a decrease of $8,889,319 or 90.19%. This decrease in net income is attributable to a compensatory expense arising from the expected release of 965,910 of our shares from an escrow arrangement entered into as part of a private equity financing consummated by us in December 2007. See note 18 of the consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Six Months Ended June 30, 2009

As of June 30, 2009, we had cash and cash equivalents of $22,946,069, other current assets of $37,956,808 and current liabilities of $27,827,610. At June 30. 2008, we had $11,270,730 in cash and cash equivalents. We presently finance our operations primarily with cash flows from our operations, and we anticipate that this will continue to be our primary source of funds to finance our short-term cash needs. If we require additional capital to expand or enhance our existing facilities, we will consider debt or equity offerings or institutional borrowings as potential means of financing.

Net cash sourced in operating activities was $14,955,043 for the first half year of 2009, while net cash flow used in operating activities was $1,738,923 in the same period of 2008. This is primarily attributable to the fact that of 2008, in order to expand our sales, we began offering payment terms to accommodate our best customers. Beginning in the first quarter of 2008, we revised our customer credit policy and began offering extended payment terms to some of our quality long term clients with good credit (up to two months), where previously we required payment within 1-2 days of delivery of goods. This practice caused a decrease in, and some delay in collection of, our incoming cash.

Net cash used in investing activities was $3,799,233 for the first half year of 2009, compared to cash sourced from investing activities of $1,312,211 in the same period of 2008. This change is primarily due to amounts used for improvements for one of our fresh food plants in the first half year of 2009.

Net cash sourced from financing activities was $4,391,705 for the first half year of 2009, as compared to net cash used from financing activities of $980,115 in the same period of 2008. This increase resulted principally from an increase in our borrowings from banks during the first half year of 2009 as compared to the same period of 2008.

45

Capital Commitments

In the first quarter of 2008, we relaxed our credit policy for certain of our major customers, permitting them up to a two-month grace period for payment for goods, where previously no such grace period was provided. Management expects that in the short term, this revised credit policy will result in an increase in accounts receivable, and a corresponding reduction in our cash position. Management does not anticipate that this change in our credit policy will result in any deficiency of working capital.

Uses of Liquidity

Our cash requirements through the end of fiscal 2009 will be primarily to fund daily operations for the growth of our business. Management will consider acquiring additional manufacturing capacity for processed foods in the future to strengthen and stabilize our manufacturing base.

Sources of Liquidity

Our primary sources of liquidity for our short-term cash needs are expected to be from cash flows generated from operations and cash and cash equivalents currently on hand. We believe that we will be able to borrow additional funds if needed.

We believe our cash flow from operations together with our cash and cash equivalents currently on hand will be sufficient to meet our needs for working capital, capital expenditure and other commitments through the end of 2009. For our long-term cash needs, we may consider a number of alternative financing opportunities, which may include debt and equity financing. No assurance can be made that such financing will be available to us, and adequate funds may not be available on terms acceptable to us. If additional funds are raised through the issuance of equity securities, dilution to existing shareholders may result. If funding is insufficient at any time in the future, we will develop or enhance our products or services and expand our business through our own cash flows from operations.

As of June 30, 2009, we had outstanding $6,428,238 in aggregate borrowings from the Bank of China under two loans, in the principal amounts of $4,382,889 and $2,045,349, and on which we pay interest at rates of 6.1586% and 7.3260% per annum respectively. As of June 30, 2009, we also had outstanding one loan from the Bank of Huaxie in the principal amount of $4,382,889 and on which we pay interest at a rate of 6.3720% per annum. As of June 30, 2009, we did not have any standby letters of credit or standby repurchase obligations.

Foreign Currency Translation Risk

Our operations are, for the most part, located in the PRC, and we earn our revenue in Chinese RMB. However, we report our financial results in U.S. Dollars using the closing rate method. As a result, fluctuations in the exchange rates between Chinese RMB and the U.S. Dollar will affect our reported financial results. The balance sheet items are translated into U.S. dollars using the exchange rates at the respective balance sheet dates. The capital and various reserves are translated at historical exchange rates prevailing at the time of the transactions while income and expenses items are translated at the average exchange rate for the period. All exchange differences are recorded within equity. The foreign currency translation adjustment for the first half year of 2009 was $1,702,756, which was a gain; and for the first half year of 2008, $1,354,295 as a loss.

During 2003 and 2004 the exchange rate of RMB to the dollar remained constant at 8.26 RMB to the dollar. On July 21, 2005, the Chinese government adjusted the exchange rate from 8.26 to 8.09 RMB to the dollar. In 2008, the RMB continued to appreciate against the U.S. dollar. As of June 30, 2009, the market foreign exchanges rate was increased to 6.8448 RMB to one U.S. dollar. As a result, the ongoing appreciation of RMB to U.S. dollar negatively impacted our gross margins for the first half year of 2009.

46

Contractual Obligations and Off-Balance Sheet Arrangements

Contractual Obligations

We have certain fixed contractual obligations and commitments that include future estimated payments. Changes in our business needs, cancellation provisions, changing interest rates, and other factors may result in actual payments differing from the estimates. We cannot provide certainty regarding the timing and amounts of payments. We have presented below a summary of the most significant assumptions used in our determination of amounts presented in the tables in order to assist in the review of this information within the context of our consolidated financial position, results of operations, and cash flows.

The following tables summarize our contractual obligations as of June 30, 2009, and the effect these obligations are expected to have on our liquidity and cash flows in future periods.

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	5 Years +
Contractual Obligations:					
Bank Indebtedness	$ 10,811,127	$ 10,811,127	$ _	$ _	$ _
Other Indebtedness	$ _	$ _	$ _	$ _	$ _
Capital Lease Obligations	$ _	$ _	$ _	$ _	$ _
Operating Leases	$ _	$ _	$ _	$ _	$ _
Purchase Obligations	$ 262,505,178	$ 97,830,441	$ 164,674,737	$ _	$ _
Total Contractual Obligations:	$ 273,316,305	$ 108,741,568	$ 164,674,737	$ _	$ _

As indicated in the table, as of June 30, 2009 we had $262,505,178 in purchase obligations, which relates to our agreement for the purchase and sale of hogs. On December 19, 2007, the Company entered into a hog purchase agreement whereby the Dalian Chuming Group Co., Ltd will provide at fair market price a minimum number of hogs to the Company. At June 30, 2009, the Company expects minimum quantities of hogs detailed in the following table:

Year	Hogs	Price Per Hog	Amount
2009 (July to December)	522,794	$ 187.13	$ 97,830,441
2010	800,000	$ 205.84	164,674,737
			$ 262,505,178

The Company believes that the fair market price of the hogs will increase by 10% each year. The assumption of 10% reflects the Company's expectations in regards to inflation, and the rising costs of inputs in breeding livestock.

Off-balance Sheet Arrangements

We have not entered into any other financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We do not use derivative financial instruments in our investment portfolio and have no foreign exchange contracts. Our financial instruments consist of cash and cash equivalents, trade accounts receivable, accounts payable and long-term obligations. We consider investments in highly liquid instruments purchased with a remaining maturity of 90 days or less at the date of purchase to be cash equivalents. However, in order to manage the foreign exchange risks, we may engage in hedging activities to manage our financial exposure related to currency exchange fluctuation. In these hedging activities, we might use fixed-price, forward, futures, financial swaps and option contracts traded in the over-the-counter markets or on exchanges, as well as long-term structured transactions when feasible.

Interest Rates. Our exposure to market risk for changes in interest rates relates primarily to our short-term investments and short-term obligations; thus, fluctuations in interest rates would not have a material impact on the fair value of these securities. At June 30, 2009, we had approximately $22,946,069 in cash and cash equivalents. A hypothetical 10% increase or decrease in interest rates would not have a material impact on our earnings or loss, or the fair market value or cash flows of these instruments.

Foreign Exchange Rates. All of our sales and inputs are transacted in Renminbi (“RMB”). As a result, changes in the relative values of U.S. dollars and RMB affect our reported levels of revenues and profitability as the results are translated into U.S. dollars for reporting purposes. However, since we conduct our sales and purchase inputs in RMB, fluctuations in exchange rates are not expected to significantly affect our financial stability or gross and net profit margins. We do not currently expect to incur significant foreign exchange gains or losses, or gains or losses associated with any foreign operations.

Our exposure to foreign exchange risk primarily relates to currency gains or losses resulting from timing differences between the signing of sales contracts and the settling of these contracts. Furthermore, we translate monetary assets and liabilities denominated in other currencies into RMB, the functional currency of our operating business. Our results of operations and cash flow are translated at average exchange rates during the period, and assets and liabilities are translated at the unified exchange rate as quoted by the People’s Bank of China at the end of the period. Translation adjustments resulting from this process are included in accumulated other comprehensive income in our statement of stockholders’ equity. We recorded net foreign currency gains of $1,701,699 and $3,097,786 in the second quarter of 2009 and 2008, respectively. We have not used any forward contracts, currency options or borrowings to hedge our exposure to foreign currency exchange risk. We cannot predict the impact of future exchange rate fluctuations on our results of operations and may incur net foreign currency losses in the future. As our sales denominated in foreign currencies, such as RMB, continue to grow, we may consider using arrangements to hedge our exposure to foreign currency exchange risk.

Our financial statements are expressed in U.S. dollars, but the functional currency of our operating subsidiaries is RMB. The value of an investment in our stock will be affected by the foreign exchange rate between U.S. dollars and RMB. A decline in the value of RMB against the U.S. dollar could reduce the U.S. dollar equivalent amounts of our financial results, the value of an investment in our company and the dividends we may pay in the future, if any, all of which may have a material adverse effect on the price of our stock.

ITEM 4T. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including its chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of June 30, 2009, we carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) were effective at the reasonable assurance level.

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) during the quarter ended June 30, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not aware of any material existing or pending legal proceedings against us, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of our current directors, officers or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to us.

ITEM 1A. RISK FACTORS

The risk factors included in our annual report on Form 10-K for the fiscal year ended December 31, 2008 have not materially changed as of June 30, 2009.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The following exhibits are included in this report or incorporated by reference into this report:

Exhibit Number	Description
2.1	Share Exchange Agreement by and among the Energroup Holdings Corporation, PSI and PSI and Energroup Shareholders dated December 31, 2007 (1)

49

2.2	Articles and Plan of Merger (change in domicile from Utah to Nevada) (2)
3.1	Articles of Incorporation of Great Lakes Funding, Inc. (Utah) (1)
3.2	Bylaws of Great Lakes Funding, Inc. (1)
3.3	Articles of Amendment to Articles of Incorporation of Great Lakes Funding, Inc. (Name Change) (1)
3.4	Articles of Amendment to Articles of Incorporation of Energroup Technologies, Inc. (Reverse Split) (2)
3.5	Articles of Incorporation of Energroup Holdings Corporation (Nevada) (2)
3.6	Bylaws of Energroup Holdings Corporation (2)
3.7	Certificate of Amendment to Articles of Incorporation of Energroup Holdings Corporation (3)
4.1	Registration Rights Agreement dated December 2007 among Energroup and the investors signatory thereto (1)
4.2	Common Stock Purchase Warrant issued to Placement Agent (December 2007) (2)
31.1	Rule 13a-14(a) / 15d-14(a)(4) Certification by the Company's Chief Executive Officer.*
31.2	Rule 13a-14(a) / 15d-14(a)(4) Certification by the Company's Chief Financial Officer.*
32.1	Section 1350 Certification by the Company's Chief Executive Officer.*
32.2	Section 1350 Certification by the Company's Chief Financial Officer.*

* Filed herewith.
(1) Previously filed with our Current Report on Form 8-K on January 7, 2008 and incorporated herein by reference.
(2) Previously filed with our Current Report on Form 8-K on August 22, 2007 and incorporated herein by reference.
(3) Previously filed with our Current Report on Form 8-K on December 14, 2007 and incorporated herein by reference.

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.

ENERGROUP HOLDINGS CORPORATION

Dated: August 14, 2009 By: /s/ Shi Huashan
Shi Huashan
President and Chief Executive Officer
(Principal Executive Officer)

Dated: August 14, 2009	By:	/s/ Wang Shu Wang Shu Chief Financial Officer (Principal Financial and Accounting Officer)

50