MedQuist Holdings Inc.
Form 424B4
February 07, 2011

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Filed pursuant to Rule 424(b)(4)
Registration No. 333-169997

FINAL PROSPECTUS

4,500,000 Shares

MEDQUIST HOLDINGS INC.
(formerly CBaySystems Holdings Limited)

Common Stock

This is the initial public offering of our shares in the United States. We are offering 3,000,000 shares of our common stock, and the selling stockholders named in this prospectus are offering 1,500,000 shares of our common stock. We will not receive any proceeds from the sale of the shares by the selling stockholders.

Our common stock has been approved for listing on The NASDAQ Global Market under the symbol MEDH.

Our shares were formerly listed on the Alternative Investment Market of the London Stock Exchange, or AIM. However, we have delisted from AIM and January 27, 2011 was the last day on which our shares traded on AIM.

Investing in our shares involves significant risks. See Risk Factors beginning on page 17.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	PER SHARE	TOTAL
Public offering price	$ 8.00	$ 36,000,000
Underwriting discount	$ 0.56	$ 2,520,000
Proceeds to MedQuist Holdings Inc. (before expenses)	$ 7.44	$ 22,320,000
Proceeds to selling stockholders (before expenses)	$ 7.44	$ 11,160,000

See Underwriting for a discussion of the underwriting compensation. Delivery of the shares of common stock is expected to be made on or about February 9, 2011. The selling stockholders have granted the underwriters an option for a period of 30 days to purchase on the same terms and conditions set forth above, up to an additional 675,000 shares of our common stock to cover overallotments.

Lazard Capital Markets **Macquarie Capital** **RBC Capital Markets**

Loop Capital Markets

Prospectus dated February 4, 2011.

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We have not authorized anyone to give any information or to make any representations other than those contained in this prospectus or in any free-writing prospectus that we may specifically authorize to be delivered or made available to you. We and the underwriters have not authorized anyone to provide you with additional or different information. We and the selling stockholders are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where such offers and sales are permitted. The information in this prospectus or any free-writing prospectus is accurate only as of its date, regardless of its time of delivery or of any sale of shares of our common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

References in this prospectus to dollars or $ are to the currency of the United States and references to pounds, £, p or p are to the currency of the United Kingdom. There are 100 pence to each pound.

Except where otherwise indicated, reference in this prospectus to volume or volumes are to lines of text edited or transcribed by our medical transcriptionists, or MTs, and medical editors, or MEs.

On January 27, 2011, we changed our name from CBaySystems Holdings Limited to MedQuist Holdings Inc. and redomiciled from a British Virgin Islands company to a Delaware corporation. In connection with our redomiciliation, we adjusted the number of our shares outstanding through a reverse share split pursuant to which every 4.5 shares of our common stock outstanding prior to our redomiciliation were converted into one share of our common stock upon our redomiciliation. We refer to this herein as the conversion. Our redomiciliation and the conversion resulted in no change to our stockholders relative ownership interests in us. Unless otherwise noted, all information regarding our shares of our common stock and all per share information presented herein give effect to the conversion.

The industry and market data and other statistical information used throughout this prospectus are based on independent industry publications, government publications, reports by market research firms or other published independent sources that we believe to be reliable.

Prospectus Summary

This summary highlights certain information contained elsewhere in this prospectus and may not contain all of the information you should consider before investing in our shares. You should read this summary together with the entire prospectus, including the information presented under the heading Risk Factors, the consolidated financial statements and related notes and the unaudited pro forma condensed combined financial information and related notes appearing elsewhere in this prospectus.

Except where the context otherwise requires, or where otherwise indicated, references in this prospectus to we, us, or our are to MedQuist Holdings Inc. (formerly CBaySystems Holdings Limited) and its subsidiaries, references to MedQuist Inc. are to MedQuist Inc. and its subsidiaries and references to Spheris are to Spheris Inc. and its subsidiaries for the period prior to April 22, 2010 and to the business we acquired from Spheris Inc. for the period after such date. For purposes of our consolidated financial statements and references to us contained therein, we have not reflected our anticipated name change to MedQuist Holdings Inc.

Overview

We are a leading provider of integrated clinical documentation solutions for the U.S. healthcare system. Our end-to-end solutions convert physicians dictation of patient interactions, or the physician narrative, into a high quality and customized electronic record. These solutions integrate technologies and services for voice capture and transmission, automated speech recognition, or ASR, medical transcription and editing, workflow automation, and document management and distribution to deliver a complete managed service for our customers. Our solutions enable hospitals, clinics, and physician practices to improve the quality of clinical data as well as accelerate and automate the documentation process, and we believe our solutions improve physician productivity and satisfaction, enhance revenue cycle performance, and facilitate the adoption and use of electronic health records.

We are the largest provider by revenue of clinical documentation solutions based on the physician narrative in the United States. During the three months ended September 30, 2010, we processed, on an annualized run rate basis, more than 3.4 billion lines of clinical documentation on our platform. The significant majority of lines we process are edited or transcribed by our approximately 14,000 MTs and MEs. Of this volume, for the three months ended September 30, 2010, 67% was processed using ASR technology and 42% was produced offshore. Our size allows us to handle the clinical documentation requirements of many of the largest and most complex healthcare delivery networks in the United States, provides us with economies of scale, and enables us to devote significantly more resources to enhancing our solutions through research and development than most of our competitors.

We serve more than 2,400 hospitals, clinics, and physician practices throughout the United States, including 40% of hospitals with more than 500 licensed beds. As of September 30, 2010, the average tenure of our top 50 customers was over five years, and approximately 98% of our revenue was from recurring services. Insights gained from our broad, long-standing customer relationships allow us to optimize our integrated solutions, and we believe that this positions us for future growth as we target new customers.

We have realized significant increases in both revenue and profitability as the result of two large acquisitions, MedQuist Inc., in which we acquired a majority interest in August 2008, and Spheris, which we acquired in April 2010. From 2007 to 2009, our net revenues increased from $57.7 million to $371.8 million. Over this same period, our Adjusted EBITDA, which is a non-GAAP financial measure, increased from $0.7 million to $59.7 million, and our Adjusted EBITDA margins expanded from 1.1% to 16.1%. For a reconciliation of our net income (loss) attributable to MedQuist Holdings Inc. to Adjusted EBITDA, see Summary Historical and Unaudited Pro Forma Consolidated

Financial Data.

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Our industry

Over the past several decades, our industry has evolved from almost exclusively in-house production to outsourced services and from labor-intensive services to technologically-enabled solutions. The market opportunity for our solutions is driven by overall healthcare utilization and cost containment efforts in the United States. Numerous factors are driving increases in the demand for healthcare services including population growth, longer life expectancy, the increasing prevalence of chronic illnesses, and expanded coverage from healthcare reform. According to a September 2010 report by the U.S. Centers for Medicare and Medicaid Services, spending on healthcare grew from $1.2 trillion in 1998 to $2.3 trillion in 2008, representing a compound annual growth rate of 7.0%. It also projects that healthcare spending will grow to reach $4.2 trillion, or 19.3% of U.S. gross domestic product, by 2018, representing a compound annual growth rate of 6.3%. At the same time, U.S. healthcare providers remain under substantial pressure to reduce costs while maintaining or improving the quality of care.

Accurate and timely clinical documentation has become a critical requirement of the growing U.S. healthcare system. Medicare, Medicaid, and insurance companies demand extensive patient care documentation. The 2009 Health Information Technology for Economic and Clinical Health Act, or the HITECH Act, includes numerous incentives to promote the adoption and meaningful use of electronic health records, or EHRs, across the healthcare industry. Consequently, healthcare providers are increasingly using EHRs to input, store, and manage their clinical data in a digital format. Healthcare providers that use EHRs require accurate, easy-to-use, and cost-effective means to input clinical data that are not disruptive to the physician workflow.

The market for outsourced clinical documentation solutions based on the physician narrative is substantial. Key components of this market include voice capture and transmission technologies, ASR software, medical transcription and editing services, and document workflow and management software. ValueNotes Database Pvt. Ltd., or ValueNotes, a market research firm, estimates that the market for outsourced medical transcription services was $5.4 billion in 2009 and is expected to grow 8.2% per annum over the next five years to $8.0 billion in 2014.

Healthcare providers are increasingly choosing to outsource their clinical documentation processes. The benefits of outsourcing include reduced costs, access to leading technologies, accelerated turn-around times, improved data accuracy, greater physician productivity, and satisfaction of security and compliance requirements. We believe that the majority of clinical documentation is still produced in-house by U.S. hospitals and physician practices today. ValueNotes estimates that the in-house medical transcription market was 67% of the overall market in 2009, and projects the percentage of outsourced production of medical transcription will grow from 33% in 2009 to 38% in 2014.

While outsourcing provides many benefits, the landscape for outsourced service providers is highly fragmented, with hundreds of providers offering varying degrees of technological automation and offshore capabilities. Technological automation and a rise in offshore capabilities have substantially decreased the cost of production and have further differentiated outsourcing providers. We believe that participants in our industry must expand their technology platform and offshore production capabilities to remain competitive.

Our competitive strengths

Our competitive strengths include:

- **Leader in a large, fragmented market** We are the largest provider by revenue of clinical documentation solutions based on the physician narrative in the United States. Our size enables us to meet the needs of large, sophisticated healthcare customers, provides economies of scale, and enables us to devote significantly more resources to research and development and quality assurance than many other providers.

- **Integrated solutions delivered as a complete managed service** We offer fully-integrated end-to-end managed services that capture and convert the physician narrative into a high quality customized electronic record. We integrate technologies and services for voice capture and transmission, ASR, medical transcription and editing, workflow automation, and document management and distribution. The end result is value-added clinical documentation with high accuracy and quick turn-around times.

- **Large and diversified customer base with long-term relationships** We serve more than 2,400 hospitals, clinics and physician practices throughout the United States, including 40% of hospitals with more than 500 licensed beds. We have a long-standing history with our customers and, as of September 30, 2010, approximately 98% of our revenue was from recurring services.
- **Highly-efficient operating model** Over the past two years, we have driven down our cost structure through the use of technology automation, standardized processes, and offshore resources. Our use of ASR, which has grown from 39% of our volume in the fourth quarter of 2008 to 67% in the third quarter of 2010, has increased our productivity. Additionally, our expanding footprint in India has enabled us to increase our offshore production from 28% of our volume to 42% over this same period. The financial impact of these measures has been an improvement in gross margins during this timeframe from 33.8% to 38.5%. We have grown our volume, excluding volume provided by the Spheris Acquisition, by 2.3% over this same period while sharing cost savings with our customers in the form of lower prices.
- **Proven management team** We have assembled an outstanding senior leadership team with significant industry experience and domain expertise in both domestic and offshore operations. Our management team has delivered substantial results and brings an entrepreneurial spirit with proven experience in managing growth, driving operational improvements, and successfully integrating acquisitions.

Our strategy

Key elements of our strategy include:

- **Expand our customer base and increase existing customer penetration** We intend to grow our customer base by targeting three market segments: large healthcare providers still using in-house services, large healthcare providers currently using competing outsourced alternatives, and small-to-medium medical practices. Given our market leadership, strong solution offerings, and low cost structure, we believe we are well positioned to both replace in-house solutions as well as displace competing outsourced alternatives for large healthcare providers. For small-to-medium sized physician practices, we offer an easy-to-use web-based clinical documentation platform, CBayScribe, to expand our market share in this segment, which we believe to be underpenetrated. In order to increase penetration within our existing customer base, we intend to continue targeting additional healthcare clinical areas and facilities of our current customers. Additionally, as healthcare providers centralize their purchasing decisions, we believe that our ability to deliver outstanding services for large, complex requirements provides us with increasing access to new sales opportunities within our existing customer base and through existing customer relationships.
- **Continue to develop and enhance our integrated solutions** We seek to differentiate our integrated solutions through sophisticated technology and process improvement. We have over 100 employees dedicated to research and development. Over the last year, we launched numerous enhancements, including a front end speech platform for general medicine, additional EHR system integration, and advanced performance monitoring.
- **Enhance profitability through technical and operational expertise** We have made significant improvements in productivity through business process and infrastructure improvements. Notwithstanding reductions in customer pricing, our gross margins have expanded from 33.8% in the fourth quarter of 2008, our first fiscal quarter after we acquired MedQuist Inc., to 38.5% in the third quarter of 2010, and our Adjusted EBITDA margins have expanded from 9.5% to 21.4% for the same periods. Our management team has proven its ability to implement continuous process improvements and we intend to

further increase offshore production and our use of technological automation, including ASR, to lower costs and enhance our profitability.

- **Facilitate the adoption and promote meaningful use of EHR systems** Our integrated solutions provide a comprehensive, accurate and effective method to incorporate physician narrative into an EHR system. We interface with substantially all of the leading EHR vendors to integrate our clinical documentation solutions and to help our customers realize the full potential of their EHR systems through the use of the physician narrative. In our experience, when EHR is adopted, customers tend to consolidate their purchase decisions, which benefits us as a leading provider of clinical documentation solutions.
- **Pursue strategic acquisitions** We believe that there are significant opportunities available to create value through strategic acquisitions. We intend to seek appropriate opportunities to grow our customer base, enhance our solutions, consolidate costs, and expand our value proposition to our customers.

Risks associated with our business

Our business is subject to a number of risks which you should be aware of before making an investment decision. Those risks are discussed more fully in Risk Factors beginning on page 16. For example:

- We compete with many others in the market for clinical documentation solutions which may result in lower prices for our services, reduced operating margins and an inability to maintain or increase our market share.
- Our business is dependent on the continued demand for transcription services, and, if electronic health records companies produce solutions acceptable to large hospital systems for the creation of electronic clinical documentation, the overall demand for medical transcription services could be reduced.
- Our ability to sustain and grow profitable operations is dependent on the willingness of new customers to outsource and adopt new technology platforms, as well as our ability to retain customers.
- Our success will depend on our ability to support existing technologies, as well as adopt and integrate new technology into our workflow platforms.

Our history

We began operation in 1998 with the goal of providing high-quality outsourced clinical documentation solutions to U.S. healthcare providers at a low cost. We combined U.S. sales, marketing, and customer service with offshore operations, primarily in India, and have grown our scale through strategic acquisitions.

Acquisitions

MedQuist Inc.

In August 2008, an affiliate of S.A.C. Private Capital Group, LLC, or SAC PCG, invested $124.0 million to acquire a majority interest in us. Concurrent with this investment, we acquired a 69.5% interest in MedQuist Inc., or the MedQuist Inc. Acquisition. At the time of the acquisition, MedQuist Inc. was the largest U.S. medical transcription service provider by revenue, but had been adversely impacted by inefficient operations, litigation and customer disputes. Net revenues for MedQuist Inc. had fallen from $483.9 million for the year ended December 31, 2002 to $340.3 million for the year ended December 31, 2007.

We believed that MedQuist Inc., despite its operational challenges and substantial overhead, had strong underlying technology, deep healthcare domain expertise, and a long-tenured customer base. Following our acquisition of MedQuist Inc., we embarked upon a strategy to enhance the management team, streamline operations, improve relationships with customers, leverage our offshore resources, increase the utilization of ASR technology, and resolve all outstanding litigation. This strategy resulted in a stabilization of volume trends starting in the second quarter of 2009. The following table shows the percentage change in MedQuist Inc. s volume for

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the nine quarters ended March 31, 2010, the last quarter prior to our acquisition of Spheris, or the Spheris Acquisition.

MedQuist Inc.	2008 Prior to the MedQuist Inc. Acquisition				2009				2010
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Volume % Change over Previous Year	(3.3)%	(4.7)%	(0.1)%	(0.4)%	(2.2)%	0.8%	2.5%	2.8%	4.0%

Spheris

In April 2010, we acquired certain assets, principally customer contracts, from Spheris in a transaction conducted under Section 363 of the Bankruptcy Code. Spheris was the second largest U.S. medical transcription service provider by revenue at the time. Spheris had experienced declines in volumes from customer attrition, which we believed was attributable to quality issues and underinvestment in product development caused by financial constraints leading up to its bankruptcy. Some volume declines continued after the date of the Spheris Acquisition as the result of notices of termination given prior to that date. The following table shows the percentage change in Spheris volume for the nine quarters ended March 31, 2010, the last quarter prior to the Spheris Acquisition.

Spheris	2008				2009				2010
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Volume % Change over Previous Year	(4.8)%	(4.7)%	(5.9)%	(11.6)%	(13.3)%	(10.9)%	(7.9)%	(6.5)%	(5.5)%

We considered the negative volume trend for Spheris in our acquisition valuation. Net revenues for Spheris were $156.6 million and $35.2 million for the year ended December 31, 2009 and the three months ended March 31, 2010, respectively. Customers who submitted notices of termination prior to the acquisition generated revenues of $24.6 million and $1.7 million during the year ended December 31, 2009 and the three months ended March 31, 2010, respectively. Therefore, net revenues for the year ended December 31, 2009 and the three months ended March 31, 2010, less revenues attributable to customers who submitted notices of termination prior to the Spheris Acquisition, were $132.0 million and $33.5 million, respectively.

Our Spheris integration efforts have focused on merging the new customer base acquired, integrating systems and eliminating cost redundancies. We expect the measures we have implemented since the Spheris Acquisition to yield $7.0 million of cost savings in the fourth quarter of 2010, representing an annualized impact of $28.0 million. Our results for the nine months ended September 30, 2010 reflect $4.9 million of such cost savings. We expect that the integration of Spheris will be fully completed by the first half of 2011.

Pricing

We base our pricing on various factors, principally, market forces, the extent to which we can utilize our offshore production facilities, the extent to which customers utilize the ASR technology available in our solutions, the scope of services provided and turn-around times requested by a particular customer. We work with our customers to evaluate how different solutions affect pricing and to determine an optimal mix of service level and price for that customer. Higher utilization of offshore production and ASR leads to lower costs for us, which permits us to offer better pricing to our customers while at the same time contributing to margin growth. We have successfully migrated a significant portion of MedQuist Inc. s volume offshore and we will continue these efforts in relation to our combined businesses.

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Recent developments

Recapitalization transactions

On October 14, 2010, MedQuist Inc. incurred $85.0 million of indebtedness through the issuance of 13% senior subordinated notes due 2016, or the Senior Subordinated Notes, under a note purchase agreement, or the Note Purchase Agreement, and incurred $200.0 million of indebtedness under a term loan, or the Term Loan, under a $225.0 million credit facility, or the Senior Secured Credit Facility. We are a guarantor of both the Senior Subordinated Notes and the Senior Secured Credit Facility. MedQuist Inc. used the proceeds to repay $80.0 million of indebtedness under its prior credit facility, or the Acquisition Credit Facility, to repay $13.6 million of indebtedness under a subordinated promissory note, or the Acquisition Subordinated Promissory Notes, each issued in connection with the Spheris Acquisition, and to pay a $176.5 million special dividend to its stockholders. We received $122.6 million of this special dividend and used $104.1 million to extinguish our 6% Convertible Notes issued to Royal Philips Electronics, in connection with the MedQuist Inc. Acquisition and $3.7 million to extinguish certain other lines of credit. We refer to these transactions as the Recapitalization Transactions.

Exchange transactions

Certain of MedQuist Inc. s noncontrolling stockholders entered into an exchange agreement with us, the Exchange Agreement, whereby we agreed to issue 4.8 million shares of our common stock in exchange for their 4.8 million shares of MedQuist Inc. common stock. We refer to this transaction as the Private Exchange. The Private Exchange is contingent upon, among other conditions, our completion of this offering and listing our shares on The NASDAQ Global Market and would increase our ownership in MedQuist Inc. from 69.5% to 82.2%.

On October 18, 2010, we filed with the Securities and Exchange Commission, or the SEC, a registration statement on Form S-4 in order to offer those noncontrolling MedQuist Inc. stockholders who did not participate in the Private Exchange shares of our common stock in exchange for their MedQuist Inc. shares. We refer to that offer as the Registered Exchange Offer. Assuming the Private Exchange is consummated, a full exchange in the Registered Exchange Offer would increase our ownership in MedQuist Inc. from 82.2% to 100.0%. We can give no assurance regarding the level of participation in the Registered Exchange Offer.

For a more detailed description of the Recapitalization Transactions, the Private Exchange and the Registered Exchange Offer, collectively with the common stock offered hereby, the Corporate Reorganization, see Corporate Reorganization.

Sale of A-Life Investment

During the three months ended December 31, 2010, we sold our approximately 32% interest in A-Life Medical, Inc., or A-Life, an equity method investment. The consideration to us for the sale of our A-Life investment was $23.6 million, of which $19.5 million was paid to us in cash and $4.1 million was paid into escrow, to be released in March 2012, subject to the satisfaction of indemnification obligations under the related merger agreement. Our presentation of Adjusted EBITDA contained herein does not include earnings attributable to our investment in A-Life. See Summary Historical and Unaudited Pro Forma Consolidated Financial Data.

Sale of PFS

On December 31, 2010, we completed the sale of our non-strategic Patient Financial Services, or PFS, business. The consideration to us was $14.8 million, of which $13.5 million was paid to us in cash and the balance was in the form of a note. Our unaudited pro forma condensed financial information contained herein gives effect to the reclassification of the PFS business into discontinued operations. See Unaudited Pro Forma Condensed Combined Financial Information.

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Preliminary Unaudited Results for the three months ended December 31, 2010

The following information is based on our preliminary unaudited results for the three months ended December 31, 2010. This information is derived from preliminary internal financial reports and is subject to revision based on the completion of the year-end accounting and financial reporting processes necessary to finalize our consolidated financial statements as of and for the year ended December 31, 2010. We cannot assure you that, upon completion of the audit of our consolidated financial statements as of and for the year ended December 31, 2010, we will not report results materially different than those set forth below. We do not expect to file our audited consolidated financial statements as of and for the year ended December 31, 2010 with the SEC until after this offering is completed.

We currently estimate that for the three months ended December 31, 2010, our net revenues were approximately $110.5 million, our income from continuing operations before income taxes and noncontrolling interests was approximately $3.7 million and our Adjusted EBITDA was approximately $27.6 million. Our estimate for Adjusted EBITDA is based on our estimates for income from continuing operations before income taxes and noncontrolling interests of approximately $3.7 million, plus interest expense, net of approximately $7.3 million, depreciation and amortization of approximately $8.9 million (including approximately $3.9 million of amortization related to acquired intangibles), cost of legal proceedings and settlements of approximately $800,000, acquisition-related charges of approximately $500,000, restructuring charges of approximately $1.8 million, the loss on early extinguishment of debt of approximately $13.5 million and less equity in income of affiliated companies (principally the gain on the sale of A-Life) of $8.9 million. See page 16 in Summary Historical and Unaudited Pro Forma Consolidated Financial Data for a description of Adjusted EBITDA. Cash taxes paid during the three months ended December 31, 2010 were approximately $300,000. As of December 31, 2010 we had approximately $66.8 million of cash and approximately $294.5 million of total debt outstanding. On January 3, 2011, we made a $25.0 million cash payment, of which $20 million was an optional payment, to reduce the principal amount of our outstanding Term Loan.

Net revenues for the three months ended December 31, 2010 increased approximately $24.7 million, or approximately 28.8%, to approximately $110.5 million, compared with $85.8 million for the three months ended December 31, 2009 (excluding for both periods the revenues associated with the PFS business, which was sold in December 2010). The Spheris Acquisition contributed approximately $29.9 million in incremental revenue for the three months ended December 31, 2010, which was partially offset by a decrease in legacy maintenance service revenues and lower average pricing realized for our transcription services.

Our income from continuing operations before income taxes and noncontrolling interests was approximately $3.7 million and $2.6 million for the three months ended December 31, 2010 and 2009, respectively. Our income from continuing operations before income taxes and noncontrolling interests for the three months ended December 31, 2010 as compared to December 31, 2009 reflects an increase in operating income of approximately $10.4 million and an increase in equity in income of affiliated companies of approximately $8.9 million, representing primarily the gain on the sale of A-Life during the 2010 quarter. These increases were offset by higher interest expense, net of approximately $5.1 million during the 2010 quarter, as compared to 2009, reflecting higher borrowing levels during the 2010 quarter and the loss on early extinguishment of debt of approximately $13.5 million during the 2010 quarter. Amounts for both periods exclude amounts attributable to the PFS business.

The improvement in gross profit and operating income during the three months ended December 31, 2010 was attributable to cost reductions associated with increased utilization of ASR and increased offshore production, as well as overhead savings realized as a result of the Spheris integration efforts. Our use of ASR increased to approximately 71% of volume during the three months ended December 31, 2010 compared with approximately 53% of volume in the three months ended December 31, 2009. Additionally, our expanding footprint in India enabled us to increase our offshore production to approximately 42% of volume for the three months ended December 31, 2010 compared with 39% of volume for the three months ended December 31, 2009. The cost savings and synergies resulting from the

Spheris Acquisition contributed approximately $7 million of cost savings for the three months ended December 31, 2010.

Adjusted EBITDA for the three months ended December 31, 2010 increased approximately $10.9 million, or approximately 65%, to approximately $27.6 million, compared with $16.7 million for the three months ended

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December 31, 2009. Adjusted EBITDA as a percentage of net revenues increased to 25.0% for the three months ended December 31, 2010, compared with 19.3% for the three months ended December 31, 2009. The improvement in Adjusted EBITDA was attributable to the factors described above.

Corporate information

Our principal executive offices are located at 9009 Carothers Parkway, Franklin, TN 37067. The telephone number of our principal executive offices is (615) 261-1740.

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The Offering

Common stock offered by us	3,000,000 shares
Common stock offered by the selling stockholders	1,500,000 shares
Common stock to be outstanding immediately after this offering [1]	50,947,467 shares
Over-allotment option	The selling stockholders have granted the underwriters a 30-day option to purchase up to 675,000 additional shares.

Use of proceeds

Our net proceeds from this offering, after deducting the underwriting discounts and commissions and offering expenses, are expected to be approximately $15.0 million. We intend to use the net proceeds from this offering for working capital and other general corporate purposes. We may also use a portion of the net proceeds for the acquisition of complementary companies or businesses, although we currently do not have any acquisition or investment planned. We will not receive any proceeds from the sale of shares by the selling stockholders.

Dividend policy

We currently expect to retain future earnings, if any, for use in the operation and expansion of our business and do not anticipate paying any cash dividends in the foreseeable future. Payments of future dividends, if any, will be at the sole discretion of our board of directors after taking into account various factors, including our business, operating results and financial condition, current and anticipated cash needs, plans for expansion and any legal or contractual limitations on our ability to pay dividends. Our ability to pay dividends on our common stock is limited by the covenants of the agreements governing our indebtedness and may be further restricted by the terms of any future debt or preferred securities.

The NASDAQ Global Market listing

Our common stock has been approved for listing on The NASDAQ Global Market under the symbol MEDH.

Assumptions in this prospectus

Unless we indicate otherwise, all information in this prospectus:

- n assumes our redomiciliation under the laws of the state of Delaware and gives effect to the conversion;
- n assumes consummation of the Private Exchange based on an exchange ratio of one share of our common stock for each MedQuist Inc. share of common stock;
- n assumes a full exchange in the Registered Exchange Offer; and
- n assumes no exercise by the underwriters of their over-allotment option;

[1] The number of shares of common stock to be outstanding after this offering consists of (i) 3.0 million shares issued by us in this offering; (ii) 35.2 million shares held by our existing stockholders, (iii) 4.8 million shares of common stock to be issued in the Private Exchange, (iv) 6.7 million shares of our common stock to be issued in the Registered

Exchange Offer, assuming a full exchange, and (v) 1.3 million shares of our common stock issuable pursuant to an agreement, or the Consulting Services Agreement, we entered into at the time of the MedQuist Inc. Acquisition, and excludes (i) approximately 3.5 million shares of common stock reserved for issuance under our equity incentive plans, of which options to purchase approximately 2.7 million shares with a weighted average exercise price of $5.66 were outstanding as of September 30, 2010 and (ii) 81,488 shares of our common stock issuable pursuant to a warrant agreement, exercisable at a price of £3.15 per share, between us and Oosterveld International BV, dated March 19, 2009. See Certain Relationships and Related Party Transactions.

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Summary Historical and Unaudited Pro Forma Consolidated Financial Data

The following table sets forth our summary historical consolidated financial data for the years ended December 31, 2007, 2008 and 2009 and as of September 30, 2010 and for the nine months ended September 30, 2009 and 2010. The summary historical consolidated financial data for the years ended December 31, 2007, 2008 and 2009 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The summary historical consolidated financial data as of September 30, 2010 and for the nine months ended September 30, 2009 and 2010 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. We prepared the unaudited historical information on a basis consistent with that used in preparing our audited consolidated financial statements, which reflect all adjustments, consisting of only normal recurring adjustments, that we consider necessary to present fairly our financial position and results of operations for the unaudited periods.

Our summary historical consolidated statements of operations and other operating data reflect the consolidation of the results of operations of MedQuist Inc. since August 6, 2008 and Spheris since April 22, 2010, the respective dates of their acquisition. Our summary historical consolidated statements of operations and other operating data do not give effect to the reclassification for discontinued operations for the sale of our PFS business, which was sold on December 31, 2010.

The summary consolidated financial data also sets forth our unaudited pro forma condensed combined statements of operations for the year ended December 31, 2009 and the nine months ended September 30, 2010 and our unaudited pro forma condensed consolidated balance sheet as of September 30, 2010. The unaudited pro forma condensed combined statements of operations and the unaudited pro forma condensed consolidated balance sheet have been derived from the historical consolidated financial information of us and Spheris, which are included elsewhere in this prospectus. The unaudited pro forma condensed combined statements of operations and the unaudited pro forma consolidated balance sheet give effect to the reclassification for discontinued operations. See Unaudited Pro Forma Condensed Consolidated Financial Information Discontinued Operations.

The pro forma combined statements of operations and other operating data for the year ended December 31, 2009 and the nine months ended September 30, 2010 give effect to the following transactions as if they had occurred on January 1, 2009:

- the Spheris Acquisition and the incurrence by MedQuist Inc. of $113.6 million of debt to finance the Spheris Acquisition;
- the incurrence by MedQuist Inc. of $285.0 million of indebtedness under the Senior Secured Credit Facility and Senior Subordinated Notes, the simultaneous repayment of $80.0 million of indebtedness under the Acquisition Credit Facility, the repayment of $13.6 million of indebtedness under the Acquisition Subordinated Promissory Notes, the payment of a $176.5 million special dividend to MedQuist Inc. s stockholders, of which we received $122.6 million and the noncontrolling stockholders of MedQuist Inc. received $53.9 million, and the repayment by us, using the proceeds of such dividend of $104.1 million to extinguish our 6% Convertible Notes including a $7.7 million premium on early prepayment, and $3.7 million under certain other lines of credit;
- the issuance of 4.8 million shares of our common stock in exchange for 4.8 million shares of MedQuist Inc. common stock pursuant to the terms of the Exchange Agreement with certain noncontrolling stockholders of MedQuist Inc., which will increase our ownership in MedQuist Inc. from 69.5% to 82.2%;
- the issuance of 1.3 million shares of our common stock pursuant to the Consulting Services Agreement; and
- the issuance of 6.7 million shares of our common stock to be issued in exchange for 6.7 million shares of MedQuist Inc. common stock in the Registered Exchange Offer, assuming a full exchange. This would increase our ownership in MedQuist Inc. from 82.2% to 100%.

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The pro forma combined statements of operations and other operating data for the year ended December 31, 2009 and the nine months ended September 30, 2010 do not give effect to the following:

- the impact on net revenues from volume declines resulting from Spheris customer terminations prior to the Spheris Acquisition. The pro forma net revenues for the year ended December 31, 2009 and for the nine months ended September 30, 2010 include $24.6 million and $2.4 million, respectively, of net revenues associated with such terminations; and
- the full impact on Adjusted EBITDA of cost savings and synergies resulting from the Spheris Acquisition, which we have implemented since the Spheris Acquisition and expect to yield $7.0 million of cost savings in the fourth quarter of 2010, representing an annualized benefit of $28.0 million. Our results for the nine months ended September 30, 2010 reflect $4.9 million of such cost savings.

The pro forma balance sheet data as of September 30, 2010 gives effect to the Recapitalization Transactions, the Private Exchange, the Registered Exchange Offer, the reclassification for discontinued operations and the shares of our common stock issuable pursuant to the Consulting Services Agreement, as if they occurred as of September 30, 2010.

The pro forma as adjusted balance sheet data as of September 30, 2010 also gives effect to the issuance of 3.0 million shares of common stock in this offering at the initial public offering price of $8.00 per share, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us as if such transaction occurred as of September 30, 2010.

Our historical consolidated financial information has been adjusted in the unaudited pro forma condensed combined financial information to give effect to pro forma events that are (1) directly attributable to the Spheris Acquisition, the Corporate Reorganization, the shares of our common stock issuable pursuant to the Consulting Services Agreement (2) factually supportable and (3) with respect to the statements of operations, expected to have a continuing impact on the combined results. The pro forma information does not reflect revenue opportunities and cost savings that may be realized after the Spheris Acquisition. The pro forma financial information also does not reflect expenses related to integration activity that may be incurred by us in connection with the Spheris Acquisition.

The pro forma data is based upon available information and certain assumptions that we believe are reasonable. The pro forma data is for informational purposes only and does not purport to represent what our results of operations or financial position actually would have been if such events had occurred on the dates specified above and does not purport to project the results of operations or financial position for any future period or date. The pro forma data should be read in conjunction with our historical consolidated financial statements, and related notes included elsewhere in this prospectus as adjusted for the acquisition of Spheris using the acquisition method of accounting.

You should read the following summary financial and other data together with our consolidated financial statements and related notes included elsewhere in this prospectus and the information under the sections entitled Capitalization, Unaudited Pro Forma Condensed Combined Financial Information, Selected Consolidated Financial and Other Data and Management s Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere in this prospectus.

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	Historical					Pro forma	
	Years ended December 31,			Nine months ended September 30,		Year ended December 31,	Nine months ended September 30,
	2007	2008	2009	2009	2010	2009	2010
				(Unaudited)		(Unaudited)	
				(In thousands)			
Statement of Operations Data							
Net revenues	$ 57,694	$ 193,673	$ 371,768	$ 281,828	$ 316,977	$ 510,528	$ 350,163
Cost of revenues	30,209	125,074	239,549	182,924	200,234	338,760	226,229
Gross profit	27,485	68,599	132,219	98,904	116,743	171,768	123,934
Operating expenses							
Selling, general and administrative	25,137	51,243	60,632	46,594	49,374	72,182	51,828
Research and development		6,099	9,604	7,235	8,945	9,604	9,137
Depreciation and amortization	2,915	14,906	26,977	20,329	24,377	39,126	27,587
Cost of legal proceedings and settlements		5,311	14,943	13,540	2,785	16,189	2,785
Acquisition related charges			1,246		6,895		
Goodwill impairment charge		98,972					
Restructuring charges		2,106	2,727	481	1,951	3,502	1,912
Total operating expenses	28,052	178,637	116,129	88,179	94,327	140,603	93,249
Operating income (loss)	(567)	(110,038)	16,090	10,725	22,416	31,165	30,685
Interest expense, net	(2,108)	(3,954)	(9,132)	(6,945)	(12,031)	(31,490)	(24,238)
Equity in income (loss) of affiliated companies	(105)	66	1,933	2,534	616	1,933	616
Other income	14	9	11		589	2,138	511
Income (loss) from continuing operations before income taxes and noncontrolling interests	(2,766)	(113,917)	8,902	6,314	11,590	3,746	7,574
Income tax provision (benefit)	(113)	(5,398)	1,082	1,253	(69)	372	(31)
Net income (loss) from continuing operations	(2,653)	(108,519)	7,820	5,061	11,659	3,374	7,605
Discontinued operations							

Income (loss) from discontinued Patient Financial Services business						(1,281)	426
Income tax provision (benefit)						70	(23)
Income (loss) from discontinued operations						(1,351)	449
Net income (loss)	(2,653)	(108,519)	7,820	5,061	11,659	2,023	8,054
Less: Net (income) loss attributable to noncontrolling interests	57	(5,154)	(7,085)	(5,291)	(5,234)		11
Net income (loss) attributable to MedQuist Holdings Inc.	$ (2,596)	$ (113,673)	$ 735	$ (230)	$ 6,425	$ 2,023	$ 8,065
Net income per common share from continuing operations							
Basic						$ 0.03	$ 0.16
Diluted						$ 0.03	$ 0.16
Net income (loss) per common share from discontinued operations							
Basic						$ (0.03)	$ 0.01
Diluted						$ (0.03)	$ 0.01
Net income (loss) per common share attributable to MedQuist Holdings Inc.							
Basic	$ (0.20)	$ (5.08)	$ (0.06)	$ (0.07)	$ 0.12	$ 0.00	$ 0.17
Diluted	$ (0.20)	$ (5.08)	$ (0.06)	$ (0.07)	$ 0.12	$ 0.00	$ 0.17

	Historical					Pro forma	
	Years ended December 31,			Nine months ended September 30,		Year ended December 31,	Nine months ended September 30,
	2007	2008	2009	2009	2010	2009	2010
				(Unaudited) (In thousands)		(Unaudited)	
Weighted average shares outstanding:							
Basic	12,873	22,593	34,692	34,586	35,083	47,482	47,873
Diluted	12,873	22,593	34,692	34,586	35,893	47,482	48,683
Adjusted EBITDA [1][2]	$ 641	$ 16,914	$ 59,687	$ 42,991	$ 57,855	$ 91,074	$ 63,480

(1) See below for reconciliations of net income (loss) attributable to MedQuist Holdings Inc. to Adjusted EBITDA. Adjusted EBITDA does not include earnings attributable to our investment in A-Life, which was sold in October 2010.

(2) Pro forma amounts do not give effect to (i) the impact on net revenues from volume declines, resulting from pre-acquisition customer terminations at Spheris, of $24.6 million and $2.4 million in net revenues for the year ended December 31, 2009 and the nine months ended September 30, 2010, respectively, and (ii) the full impact of cost savings and synergies resulting from the Spheris Acquisition, which we have implemented since the Spheris Acquisition and expect to yield $7.0 million of cost savings in the fourth quarter of 2010, representing an annualized benefit of $28.0 million. Our results for the nine months ended September 30, 2010 reflect $4.9 million of such cost savings. See Unaudited Pro Forma Condensed Combined Financial Information.

The following table sets forth certain historical financial and operating data for us, MedQuist Inc. and Spheris.

	Historical					Pro forma	
	Years ended December 31,			Nine months ended September 30,		Year ended December 31,	Nine months ended September 30,
	2007	2008	2009	2009	2010	2009	2010
				(Unaudited) (In thousands)		(Unaudited)	
Other Data							
Net Revenues:							
Consolidated [1][2]	$ 57,694	$ 193,673	$ 371,768	$ 281,828	$ 316,977	$ 510,528	$ 350,163
MedQuist Inc.	340,342	326,853	307,200				
Spheris	200,392	182,843	156,596				
Adjusted EBITDA [3]							
Consolidated [1]	$ 641	$ 16,914	$ 59,687	$ 42,991	$ 57,855	$ 91,074	$ 63,480
MedQuist Inc.	3,480	32,337	55,636				
Spheris	28,227	26,317	30,569				

(1) Pro forma amounts do not give effect to (i) the impact on net revenues from volume declines, resulting from pre-acquisition customer terminations at Spheris, of $24.6 million and $2.4 million in net revenues for the year

ended December 31, 2009 and the nine months ended September 30, 2010, respectively, and (ii) the full impact of cost savings and synergies resulting from the Spheris Acquisition, which we have implemented since the Spheris Acquisition and expect to yield $7.0 million of cost savings in the fourth quarter of 2010, representing an annualized benefit of $28.0 million. Our results for the nine months ended September 30, 2010 reflect $4.9 million of such cost savings. See Unaudited Pro Forma Condensed Combined Financial Information.

(2) Includes revenues of the PFS business, which was sold on December 31, 2010. PFS business contributed revenues of $15.5 million, $22.3 million and $17.8 million for the years ended December 31, 2007, 2008 and 2009 respectively, and $13.7 million and $10.2 million for the nine months ended September 30, 2009 and 2010, respectively.

(3) See below for reconciliations of net income (loss) attributable to MedQuist Holdings Inc. to Adjusted EBITDA. Adjusted EBITDA does not include earnings attributable to our investment in A-Life, which was sold in October 2010.

	As of September 30, 2010		
Balance Sheet Data	**Actual**	**Pro forma (Unaudited) (In thousands)**	**Pro forma as adjusted**
Cash and cash equivalents [a]	$ 24,025	$ 35,253	$ 50,273
Working capital [b]	11,618	26,450	26,450
Total assets	379,304	397,882	412,902
Long term debt, including current portion of debt	204,172	294,848	294,848
Total equity	83,568	16,112	31,132

(a) Pro forma as adjusted amount gives effect to $2.5 million of a total $5.0 million payment to SAC PCG in connection with the Corporate Reorganization and does not reflect $19.5 million in proceeds received from the sale of our investment in A-Life in October 2010 and $13.5 million in proceeds received from the sale of the PFS business in December 2010 and does not reflect our $25.0 million repayment of a portion of our Term loan borrowings in January 2011.

(b) Working capital is defined as total current assets, excluding cash and cash equivalents, minus total current liabilities, excluding current portion of debt.

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The following table presents a reconciliation of net income (loss) attributable to MedQuist Holdings Inc. to Adjusted EBITDA:

	Historical					Pro forma	
	Years ended December 31,			Nine months ended September 30,		Year ended December 31,	Nine months ended September 30,
	2007	2008	2009	2009	2010	2009	2010
				(Unaudited) (In thousands)		(Unaudited)	
Net income (loss) attributable to MedQuist Holdings Inc.	$ (2,596)	$ (113,673)	$ 735	$ (230)	$ 6,425	$ 2,023	$ 8,065
Net income (loss) attributable to noncontrolling interests	(57)	5,154	7,085	5,291	5,234		(11)
Income tax provision (benefit) [(a)]	(113)	(5,398)	1,082	1,253	(69)	372	(31)
Interest expense, net	2,108	3,954	9,132	6,945	12,031	31,490	24,238
Depreciation and amortization[(b)]	2,915	14,906	26,977	20,329	24,377	39,126	27,587
Cost of legal proceedings and settlements		5,311	14,943	13,540	2,785	16,189	2,785
Acquisition-related charges		5,620	1,246		6,895		
Goodwill impairment charge		98,972					
Restructuring charges		2,106	2,727	481	1,951	3,502	1,912
Equity in (income) loss of affiliated companies	105	(66)	(1,933)	(2,534)	(616)	(1,933)	(616)
(Income) loss from discontinued operations						1,351	(449)
Receivable write-offs, asset impairment charges, severance charges and accrual reversals [(c)]		2,000	(1,864)	(1,864)		(1,046)	
PFS business [(d)]	(1,721)	(1,972)	(443)	(220)	(1,158)		
Adjusted EBITDA [(e)]	$ 641	$ 16,914	$ 59,687	$ 42,991	$ 57,855	$ 91,074	$ 63,480

(a) We had $130.0 million of federal net operating loss carry forwards as of December 31, 2009 and will record approximately $30.0 million of annual tax amortization related to intangible assets, including goodwill, that will reduce future taxable income. Due to the existence of federal net operating loss carry forwards and the impact of tax amortization related to intangible assets, including goodwill, cash taxes paid were $84,000, $160,000, $796,000 for the years ended December 31, 2007, 2008 and 2009, respectively, and $667,000 and $30,000 for the nine months ended September 30, 2009 and 2010, respectively.

(b)

Includes amortization of acquired intangibles of $698,000, $7.1 million, $12.8 million for the years ended December 31, 2007, 2008 and 2009, respectively, $9.8 million and $11.7 million for the nine months ended September 30, 2009 and 2010, respectively and $19.2 million and $16.5 million on a pro forma basis for the year ended December 31, 2009 and the nine months ended September 30, 2010, respectively.

(c) Includes the write-off of amounts due from an unconsolidated affiliate of Spheris, an impairment charge to write-off the balance of an investment and the reversal of certain accruals, related to litigation claims, as a result of the expiration of the applicable statute of limitations.

(d) Includes the effect of the PFS business, which was sold on December 31, 2010.

(e) Pro forma amounts do not give effect to (i) the impact on net revenues from volume declines, resulting from pre-acquisition customer terminations at Spheris prior to the Spheris Acquisition, of $24.6 million and $2.4 million in net revenues for the year ended December 31, 2009 and the nine months ended September 30, 2010, respectively, and (ii) the full impact of cost savings and synergies resulting from the Spheris Acquisition, which we have implemented since the Spheris Acquisition and expect to yield $7.0 million of cost savings in the fourth quarter of 2010, representing an annualized benefit of $28.0 million. Our results for the nine months ended September 30, 2010 reflect $4.9 million of such cost savings. Adjusted EBITDA does not include earnings attributable to our investment in A-Life, which was sold in October 2010.

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The following table presents a reconciliation of net income (loss) to Adjusted EBITDA for MedQuist Inc.:

	Years ended December 31,		
	2007	2008	2009
	(In thousands)		
Net income (loss)	$ (15,206)	$ (68,795)	$ 23,291
Income tax provision (benefit)	2,339	(16,513)	1,975
Interest (income) expense, net	(8,366)	(2,438)	134
Depreciation and amortization	16,499	17,504	15,672
Restructuring and acquisition-related charges	2,756	2,055	2,727
Acquisition-related charges			1,263
Cost of legal proceedings and settlements, net	6,083	19,738	14,843
Goodwill impairment charge		82,233	
Equity in income of affiliated companies [a]	(625)	(236)	(2,015)
Other income and accrual reversals [b]		(1,211)	(2,254)
Adjusted EBITDA	$ 3,480	$ 32,337	$ 55,636

(a) Represents proportionate share of earnings from our equity method investment in A-Life, which was sold in October 2010.

(b) Represents the reversal of certain accruals relating to certain litigation claims as a result of the expiration of the applicable statute of limitations.

The following table presents a reconciliation of net loss to Adjusted EBITDA for Spheris:

	Years ended December 31,		
	2007	2008	2009
	(In thousands)		
Net loss	$ (11,361)	$ (19,179)	$ (187,383)
Income tax provision (benefit)	(5,856)	3,870	(14,571)
Interest expense, net	21,171	19,104	17,439
Depreciation and amortization	24,273	21,613	7,230
Operational restructuring charges		484	775
Transaction charge			6,961
Cost of legal proceedings and settlements		425	1,246
Goodwill impairment charge			198,872
Adjusted EBITDA	$ 28,227	$ 26,317	$ 30,569

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Adjusted EBITDA is a metric used by management to measure operating performance. Adjusted EBITDA is defined as net income (loss) attributable to MedQuist Holdings Inc., MedQuist Inc. or Spheris, as applicable, plus net income (loss) attributable to noncontrolling interests, income taxes, interest expense, depreciation and amortization, cost of legal proceedings and settlements, acquisition related charges, goodwill impairment charge, restructuring charges, equity in income (loss) of affiliated company, asset impairment charges, severance costs, certain unusual or nonrecurring items and the effect of our PFS business. We present Adjusted EBITDA as a supplemental performance measure because we believe it facilitates operating performance comparisons from period to period and company to company by backing out the following:

- potential differences caused by variations in capital structures (affecting interest expense, net), tax positions (such as the impact on periods or companies for changes in effective tax rates), the age and book depreciation of fixed assets (affecting depreciation expense);
- the impact of non-cash charges, such as goodwill impairment charges and asset impairment charges; and
- the impact of unusual expenses or events, such as acquisition related charges, restructuring charges, severance costs and certain unusual or nonrecurring items.

Because Adjusted EBITDA facilitates internal comparisons of operating performance on a more consistent basis, we also use Adjusted EBITDA in measuring our performance relative to that of our competitors. Adjusted EBITDA is not a measurement of our financial performance under GAAP and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with GAAP or as an alternative to cash flow from operating activities as measures of our profitability or liquidity. We understand that although Adjusted EBITDA is frequently used by securities analysts, lenders and others in their evaluation of companies, Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- although depreciation is a non-cash charge, the assets being depreciated will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements; and
- other companies in our industry may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

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Risk Factors

Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors, as well as other information in this prospectus, before deciding whether to invest in shares of our common stock. The occurrence of any of the following risks, or other risks that are currently unknown or unforeseen by us, could harm our business, financial condition, results of operations or growth prospects. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.

Risks related to our business

We compete with many others in the market for clinical documentation solutions which may result in lower prices for our services, reduced operating margins and an inability to maintain or increase our market share.

We compete with other outsourced clinical documentation solutions companies in a highly fragmented market that includes national, regional and local service providers, as well as service providers with global operations. These companies have services that are similar to ours, and certain of these companies have substantially larger or have significantly greater financial resources than we do. We also compete with the in-house medical transcription staffs of our customers and potential customers. There can be no assurance that we will be able to compete effectively against our competitors or timely implement new products and services. Many of our competitors attempt to differentiate themselves by offering lower priced alternatives to our outsourced medical transcription services and customers could elect to utilize less comprehensive solutions than the ones we offer due to the lower costs of those competitive products. Some competition may even be willing to accept less profitable business in order to grow revenue. Increased competition and cost pressures affecting the healthcare markets in general may result in lower prices for our services, reduced operating margins and the inability to maintain or increase our market share.

Our business is dependent upon the continued demand for transcription services. If EHR companies produce alternatives to medical transcription that reduce the need for transcription, the demand for our solutions could be reduced.

EHR companies solutions for the collection of clinical data typically require physicians to directly enter and organize patient information through point-and-click templates which attempt to reduce or eliminate the need for transcription. A second alternative to conventional transcription involves a physician dictating a record of patient encounters and receiving a speech-recognized draft of their dictation, which the physician can self-edit. There is significant uncertainty and risk as to the demand for, and market acceptance of, these solutions for the creation of electronic clinical documentation. In the event that these and other solutions are successful and gain wide acceptance, the demand for our solutions could be reduced and our business, financial condition and results of operations could be adversely affected.

Our growth is dependent on the willingness of new customers to outsource and adopt our technology platforms.

We plan to grow, in part, by capitalizing on perceived market opportunities to provide our services to new customers. These new customers must be willing to outsource functions which may otherwise have been performed within their organizations, adopt new technologies and incur the time and expense needed to integrate those technologies into their existing systems. For example, the up-front cost and time involved in changing medical transcription providers or in converting from an in-house medical transcription department to an outsourced provider may be significant. Many customers may prefer to remain with their current provider or keep their transcription in-house rather than invest the time and resources required for the implementation of a new system. Also, as the maintenance of accurate medical records is a critical element of a healthcare provider s ability to deliver quality care to its patients and to receive proper and timely reimbursement for the services it renders, potential customers may be reluctant to outsource or change providers of such an important function.

Our success will depend on our ability to support existing technologies as well as to adopt and integrate new technology into our workflow platforms.

Our ability to remain competitive in the clinical documentation industry is based, in part, on our ability to develop, utilize and support technology in the services and solutions that we provide to our customers. As our customers advance technologically, we must be able to effectively integrate our solutions with their systems and provide advanced data collection technology. We also may need to develop technologies to provide service systems comparable to those of our competitors as they develop new technology. If we are unable to effectively develop and integrate new technologies, we may not be able to compete effectively with our competitors. In addition, if the cost of developing and integrating new technologies is high, we may not realize our expected return on investment.

Technology innovations in the markets that we serve may create alternatives to our products and result in reduced sales.

Technology innovations to which our current and potential customers might have access could reduce or eliminate their need for our products. A new or other disruptive technology that reduces or eliminates the use of one or more of our products could negatively impact the sale of these products. Our failure to develop, introduce or enhance products able to compete with new technologies in a timely manner could have an adverse effect on our business, results of operation and financial condition.

Many of our customer contracts are terminable at will by our customers, and our ability to sustain and grow profitable operations is dependent upon the ability to retain customers.

Many of our contracts can be terminated at will by our customers. If a significant number of our customers were to cancel or materially change their commitments with us, we could have significantly decreased revenue, which would harm our business, operating results and financial condition. We must, therefore, engage in continual operational support and sales efforts to maintain revenue stability and future growth with these customers. If a significant number of our customers terminate or fail to renew their contracts with us, our business could be negatively impacted if additional business is not obtained to replace the business which was lost.

Customer retention is largely dependent on providing quality service at competitive prices. Customer retention may be impacted by events outside of our control, such as changes in customer ownership, management, financial condition and competitors sales efforts. If we experience a higher than expected rate of customer attrition the resulting loss of business could adversely affect results of operations and financial condition.

Our indebtedness could adversely affect our ability to raise additional capital to fund our operations and limit our ability to pursue our growth strategy or to react to changes in the economy or our industry, and our debt obligations include restrictive covenants which may restrict our operations or otherwise adversely affect us.

After the consummation of the Corporate Reorganization, we will have approximately $269.8 million of indebtedness outstanding, consisting of $175.0 million of Term Loan debt under our Senior Secured Credit Facility, $85.0 million of Senior Subordinated Notes and other indebtedness consisting of capital leases and borrowings under other credit facilities, and we may incur additional indebtedness in the future. For the years 2010 through 2014, assuming no change in our indebtedness following this offering, we will have average, annual payment obligations of approximately $20.0 million for the principal amount of our indebtedness. Our net interest expense for the year ended December 31, 2009 and the nine months ended September 30, 2010 was $9.1 million and $12.0 million, respectively. Our variable rate indebtedness bears interest at LIBOR plus 5.50% with a LIBOR floor of 1.75%. Because the LIBOR floor is currently in effect, a 1.25% increase in LIBOR above current LIBOR levels would not increase our effective interest rate. A 1.0% increase in the interest rate above this floor would impact our interest expense by approximately

$2.0 million. This indebtedness could have important negative consequences to our business, including:

- increasing the difficulty of our ability to make payments on our outstanding debt;

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- increasing our vulnerability to general economic and industry conditions because our debt payment obligations may limit our ability to use our cash to respond to or defend against changes in the industry or the economy;
- requiring a substantial portion of our cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities;
- limiting our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes;
- limiting our ability to pursue our growth strategy; and
- placing us at a disadvantage compared to our competitors who are less leveraged and may be better able to use their cash flow to fund competitive responses to changing industry, market or economic conditions.

In addition, under our debt financing agreements, we must abide by certain financial and other restrictive covenants that, among other things, require us to maintain a minimum consolidated interest coverage ratio, a maximum total leverage ratio and a maximum consolidated senior leverage ratio. Upon a breach of any of the covenants in our debt financing agreements, the lenders could declare us to be in default and could further require any outstanding borrowings to be immediately due and payable, and terminate all commitments to extend further credit.

We are dependent on third party speech recognition software incorporated in certain of our technologies, and the inability to maintain, support or enhance such third party software over time could harm our business.

We license speech recognition software from third parties, both of which are competitors, that we incorporate into several of our key products and solutions. Our ability to continue to sell and support these products and solutions depends on continued support from these licensors. If we were to experience the loss of one of these licenses, the portion of our business that relies on this software would be adversely affected while we transitioned it to the software provided under our other license. If we were to experience the loss of both of these licenses at any one time, our business would be adversely affected until we identify, license and integrate, or develop and integrate equivalent software, which we may be unable to do. There can be no assurance that such third party licensors will continue to invest the appropriate levels of resources in the software to maintain and enhance the capabilities of the software and if such third party licensors do not continue to develop their products, the development of our solutions to meet the requirements of our customers and potential customers could be adversely affected.

Our use of open source and third-party software could impose unanticipated conditions or restrictions on our ability to commercialize our solutions.

We incorporate open source software into our workflow solutions platforms and other software solutions. Open source software is accessible, usable and modifiable by anyone, provided that users and modifiers abide by certain licensing requirements. Under certain conditions, the use of some open source code to create derivative code may obligate us to make the resulting derivative code available to others at no cost. The circumstances under which our use of open source code would compel us to offer derivative code at no cost are subject to varying judicial interpretations, and we cannot guarantee that a court would not require certain of our core technology be made available as open source code. The use of such open source code may also ultimately require us to take remedial action, such as replacing certain code used in our products, paying a royalty to use some open source code, making certain proprietary source code available to others or discontinuing certain products, any of which may divert resources away from our development efforts.

We may also find that we need to incorporate certain proprietary third-party technologies, including software programs, into our products in the future. Licenses to relevant third-party technologies may not be available to us on commercially reasonable terms, or at all. Therefore, we could face delays in product releases until equivalent technology can be identified, licensed or developed and integrated into our current products. Such delays could materially adversely affect our business, operating results and financial condition.

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Our ability to expand our business depends on our ability to effectively manage our domestic and offshore production capacity, which we may not be able to do.

Our success depends, in part, upon our ability to effectively manage our domestic and offshore production capacity, including our ability to attract and retain qualified MTs and MEs who can provide accurate medical transcription. We must also effectively manage our offshore transcription labor pool, which is currently located in India. If the productivity of our Indian employees does not outpace any increase in wages, our profits could suffer. Because medical transcription is a skilled position in which experience is valuable, we require that our MTs and MEs have substantial experience or receive substantial training before being hired. Competition may force us to increase the compensation and benefits paid to our MTs and MEs, which could reduce our operating margins and profitability.

If we fail to comply with contractual obligations and applicable laws and regulations governing the handling of patient identifiable medical information, we could suffer material losses or be adversely affected by exposure to material penalties and liabilities.

As part of the operation of our business, our customers provide us with certain patient identifiable medical information. Although many regulatory and governmental requirements do not directly apply to our operations, we and our hospital and other healthcare provider customers must comply with a variety of requirements related to the handling of patient information, including laws and regulations protecting the privacy, confidentiality and security of protected health information, or PHI. Most of our customers are covered entities under the Health Insurance Portability and Accountability Act of 1996, or HIPAA, and, in many of our relationships, we function as a business associate. The provisions of HIPAA, require our customers to have business associate agreements with us under which we are required to appropriately safeguard the PHI we create or receive on their behalf. Further, we and our customers are required to comply with HIPAA security regulations that require us and them to implement certain administrative, physical and technical safeguards to ensure the confidentiality, integrity and availability of electronic PHI, or EPHI. We are required by regulation and contract to protect the security of EPHI that we create, receive, maintain or transmit for our customers consistent with these regulations. To comply with our regulatory and contractual obligations, we may have to reorganize processes and invest in new technologies. We also are required to train personnel regarding HIPAA requirements. If we, or any of our MTs, MEs or subcontractors, are unable to maintain the privacy, confidentiality and security of the PHI that is entrusted to us, we and/or our customers could be subject to civil and criminal fines and sanctions and we could be found to have breached our contracts with our customers.

We are bound by business associate agreements with covered entities that require us to use and disclose PHI in a manner consistent with HIPAA in providing services to those covered entities. The HITECH Act, which was enacted into law on February 17, 2009 as part of the American Recovery and Reinvestment Act of 2009, or ARRA, enhances and strengthens the HIPAA privacy and security standards and makes certain provisions applicable to business associates of covered entities. As of February 17, 2010, some provisions of HIPAA apply directly to us. In addition, the HITECH Act creates new security breach notification requirements. The direct applicability of the new HIPAA Privacy and Security provisions will require us to incur additional costs and may restrict our business operations. In addition, these new provisions will result in additional regulations and guidance issued by the United States Department of Health and Human Services and will be subject to interpretation by various courts and other governmental authorities, thus creating potentially complex compliance issues for us and our customers.

As of February 17, 2010, we are directly subject to HIPAA s criminal and civil penalties for breaches of our privacy and security obligations.

Security and privacy breaches in our systems may damage customer relations and inhibit our growth.

The uninterrupted operation of our hosted solutions and the confidentiality and security of third-party information is critical to our business. Any failures or perceived failures in our security and privacy measures could have a material adverse effect on our financial position and results of operations. If we are unable to protect, or our customers perceive that we are unable to protect, the security and privacy of our electronic information, our growth could be materially adversely affected. A security or privacy breach may:

- cause our customers to lose confidence in our solutions;

- harm our reputation;
- expose us to liability; and
- increase our expenses from potential remediation costs.

While we believe that we use proven applications designed for data security and integrity to process electronic transactions, there can be no assurance that our use of these applications will be sufficient to address changing market conditions or the security and privacy concerns of existing and potential customers.

Our business depends on the reliable and secure operation of our computer hardware, software, Internet applications and data centers.

A substantial portion of our business involves the transfer of large amounts of data to and from our workflow platforms. These workflow platforms, and their underlying technologies, are designed to operate and to be accessible by our customers 24 hours a day, seven days a week. Network and information systems, the Internet and other technologies are critical to our business activities. We have periodically experienced short term outages with our workflow platforms that have not significantly disrupted our business. However, a long term outage could adversely affect our ability to provide service to our customers.

We also perform data center and/or hosting services for certain customers, including the storage of critical patient and administrative data. Failure of public power and backup generators, impairment of telecommunications lines, a concerted denial of service cyber attack, damage (environmental, accidental, intentional or pandemic) to the buildings, the equipment inside the buildings housing our data centers, the customer data contained therein and/or the personnel trained to operate such facilities could cause a disruption in operations and negatively impact customers who depend on us for data center and system support services. Any interruption in operations at our data centers and/or customer support facilities could damage our reputation, cause us to lose existing clients, hurt our ability to obtain new customers, result in revenue loss, create potential liabilities for our customers and us and increase insurance and other operating costs.

Recent and proposed legislation and possible negative publicity may impede our ability to utilize offshore production capabilities.

Certain state laws that have recently been enacted and bills introduced in recent sessions of the U.S. Congress seek to restrict the transmission of personally identifiable information regarding a U.S. resident to any foreign affiliate, subcontractor or unaffiliated third party without adequate privacy protections or without providing notice of the transmission and an opportunity to opt out. Some of the proposals would require patient consent. If enacted, these proposed laws would impose liability on healthcare businesses arising from the improper sharing or other misuse of personally identifiable information. Some proposals would create a private civil cause of action that would allow an injured party to recover damages sustained as a result of a violation of the new law. A number of states have also considered, or are in the process of considering, prohibitions or limitations on the disclosure of medical or other information to individuals or entities located outside of the U.S. Further, as a result of concerns regarding the possible misuse of personally identifiable information, some of our customers have contractually limited our ability to use MTs and MEs located outside of the U.S. The effect of these proposals would be to limit our ability to utilize our lower-cost offshore production facilities for affected customers, which could adversely affect our operating margins.

Any change in legislation, regulation or market practices in the United States affecting healthcare or healthcare insurance may materially adversely affect our business and results of operations.

Over the past twenty years the U.S. healthcare industry has experienced a variety of regulatory and market driven changes to how it is operated and funded. Further changes, whether by government policy shift, insurance company changes or otherwise, may happen, and any such changes may adversely affect the U.S. healthcare information and services market. As business process outsourcing and off-shoring have grown in recent years, concerns have also grown about the impact of these phenomena on jobs in the United States. These concerns could drive government policy in a way which is disadvantageous to us. Further, if government regulation or market practices leads to fewer individuals seeking medical treatment, we could experience a decline in our processed volumes.

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Our business, financial condition and results of operations could be adversely affected by the political and economic conditions in India.

A significant portion of our operations is located in India. Multiple factors relating to our Indian operations could have a material adverse effect on our business, financial condition and results of operations. These factors include:

- changes in political, regulatory, legal or economic conditions;
- governmental actions, such as restrictions on the transfer or repatriation of funds and foreign investments;
- civil disturbances, including terrorism or war;
- political instability;
- public health emergencies;
- changes in employment practices and labor standards;
- local business and cultural factors that differ from our customary standards and practices; and
- changes in tax laws.

In addition, the Indian economy may differ favorably or unfavorably from other economies in several respects, including the growth rate of GDP, the rate of inflation, resource self-sufficiency and balance of payments position. The Indian government has traditionally exercised and continues to exercise a significant influence over many aspects of the Indian economy. Further actions or changes in policy, including taxation, of the Indian central government or the respective Indian state governments could have a significant effect on the Indian economy, which could adversely affect private sector companies, market conditions and the success of our operations.

U.S. and Indian transfer pricing regulations require that any international transactions involving associated enterprises are undertaken at an arm s length price. Applicable income tax authorities review our tax returns and if they determine that the transfer prices we have applied are not appropriate, we may incur increased tax liabilities, including accrued interest and penalties, which would cause our tax expense to increase, possibly materially, thereby materially reducing our profitability and cash flows. Indian tax authorities reviewed our transfer pricing practices at Spheris India Pvt. Ltd. for tax years ended March 2004 and 2005, prior to our ownership of Spheris, and concluded that the transfer price was not at arms length. They assessed additional taxes for these years, which we have paid or fully reserved. However, we continue to dispute this assessment and the matter is currently under appeal.

We are exposed to fluctuations of the value of the Indian rupee against the U.S. dollar, which could adversely affect our operations.

Although our accounts are prepared in U.S. dollars, much of our operations are carried out in India with payments to staff and suppliers made in Indian Rupees. The exchange rate between the Indian Rupee and the U.S. dollar has changed substantially and could fluctuate in the future. Movements in the rate of exchange between the Indian Rupee and the U.S. dollar could result in increases or decreases in our costs and earnings, and may also affect the book value of our assets located outside the United States and the amount of our equity.

We are highly dependent on certain key personnel, and the loss of any or all of these key personnel may have an adverse impact upon future performance.

Our operations and future success are dependent upon the existence and expertise in this sector of certain key personnel. The loss of services of any of these individuals for any reason or our inability to attract suitable replacements would have a material adverse effect on the financial condition of our business and operations.

We have grown, and may continue to grow, through acquisitions, which could dilute existing stockholders and could involve substantial integration risks.

As part of our business strategy, we have in the past acquired, and expect to continue to acquire, other businesses and technologies. We may issue equity securities for future acquisitions, which would dilute existing stockholders,

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perhaps significantly depending on the terms of the acquisition. We may also incur additional debt in connection with future acquisitions, which may place additional restrictions on the ability to operate the business. Furthermore, prior acquisitions have required substantial integration and management efforts. Acquisitions involve a number of risks, including:

- difficulty in integrating the operations and personnel of the acquired businesses, including different and complex accounting and financial reporting systems;
- potential disruption of ongoing business and distraction of management;
- potential difficulty in successfully implementing, upgrading and deploying in a timely and effective manner new operational information systems and upgrades of finance and accounting systems;
- difficulty in incorporating acquired technology and rights into products and technology;
- unanticipated expenses and delays in completing acquired development projects and technology integration;
- management of geographically remote offices and operations;
- impairment of relationships with partners and customers;
- customers delaying purchases or seeking concessions pending resolution of integration between existing and newly acquired services or technology platforms;
- entering markets or types of businesses in which management has limited experience; and
- potential loss of customers or key employees of the acquired company.

As a result of these and other risks, we may not realize anticipated benefits from acquisitions. Any failure to achieve these benefits or failure to successfully integrate acquired businesses and technologies could materially and adversely affect our business and results of operations.

We will be subject to additional regulatory compliance requirements, including section 404 of the Sarbanes-Oxley Act of 2002, as a result of this offering. If we fail to maintain an effective system of internal controls, our reputation and our business could be harmed.

As a U.S. public company, our ongoing compliance with various rules and regulations, including the Sarbanes-Oxley Act of 2002, will increase our legal and finance compliance costs and will make some activities more time-consuming and costly. These rules and requirements may be modified, supplemented or amended from time to time. Implementing these changes may take a significant amount of time and may require specific compliance training of our personnel. For example, Section 404 of the Sarbanes-Oxley Act requires that our management report on, and our independent auditors attest to, the effectiveness of our internal control over financial reporting in our annual reports filed with the SEC. Section 404 compliance may divert internal resources and will take a significant amount of time and effort to complete. We may not be able to successfully complete the procedures and certification and attestation requirements of Section 404 by the time we will be required to do so. If we fail to do so, or if in the future our Chief Executive Officer, Chief Financial Officer or independent registered public accounting firm determines that our internal controls over financial reporting are not effective as defined under Section 404, we could be subject to sanctions or investigations by The NASDAQ Global Market, the SEC, or other regulatory authorities. As a result, investor perceptions of our company may suffer, and this could cause a decline in the market price of our common stock. Irrespective of compliance with these rules and regulations, including the requirements under the Sarbanes-Oxley Act, any failure of our internal controls could have a material adverse effect on our stated results of operations and harm our business and reputation. If we are unable to implement these changes effectively or efficiently, it could harm our operations, financial reporting or financial results and could result in an adverse opinion on internal controls from our independent auditors.

The historical and unaudited pro forma financial information included elsewhere in this prospectus may not be representative of our results as a combined company after the Spheris Acquisition, and accordingly, you have limited financial information on which to evaluate the combined company and your investment decision.

We and Spheris operated as separate companies prior to the Spheris Acquisition. We have had no prior history as a combined company and our operations have not previously been managed on a combined basis. The pro forma financial information included elsewhere in this prospectus, which was prepared in accordance with Article 11 of the SEC s Regulation S-X, is presented for informational purposes only and is not necessarily indicative of the financial position or results of operations that would have actually occurred had the Spheris Acquisition been completed at or as of the dates indicated, nor is it indicative of the future operating results or financial position of the combined company. The unaudited pro forma condensed combined consolidated statement of operations does not reflect future events that may occur after the Spheris Acquisition, including the potential realization of operating cost savings (synergies) or restructuring activities or other costs related to the planned integration of Spheris, and do not consider potential impacts of current market conditions on revenues, expense efficiencies or asset dispositions. The pro forma financial information presented in this prospectus is based in part on certain assumptions regarding the Spheris Acquisition that we believe are reasonable under the circumstances. We cannot assure you that our assumptions will prove to be accurate over time.

Our ability to use our net operating loss carryforwards may be limited.

As of December 31, 2009, we had approximately $130.0 million of federal net operating loss, or NOL, carryforwards to offset future taxable income, which will begin to expire in 2026 if not utilized, and approximately $250.0 million of state NOLs. Under the relevant federal and state tax provisions currently in effect, certain substantial cumulative changes in our ownership may further limit the amount of NOL carryforwards that can be utilized annually in the future to offset taxable income. Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, imposes limitations on a company s ability to use NOL carryforwards if such company experiences a more-than-50-percent ownership change, or an ownership change, over a three-year testing period. We believe that, as a result of this offering or as a result of future issuances of capital stock, it is possible that such an ownership change may occur. Although we do not currently anticipate a significant limitation as a result of an ownership change in connection with this offering, if we experience an ownership change in connection with or subsequent to this offering, our ability to use our United States federal NOL carryforwards in any future periods may be restricted. If we are limited in our ability to use our NOL carryforwards, we will pay more taxes than if we were able to utilize such NOL carryforwards fully. As a result, any inability to use our NOL carryforwards could adversely affect our financial condition and results of operations.

We may not own 100% of the stock of certain of our subsidiaries.

Unless the Private Exchange closes and the Registered Exchange Offer is completed at the highest acceptance level, we will not wholly own MedQuist Inc., and our ability to gain 100% ownership of MedQuist Inc. could be adversely affected by provisions of New Jersey corporate law described below, that limit certain business combinations between corporations such as MedQuist Inc. organized in New Jersey and their significant stockholders. If we do not wholly own MedQuist Inc., our interests in MedQuist Inc. could conflict with the interests of MedQuist Inc. s remaining noncontrolling stockholders. Also, MedQuist Inc. may need to seek the consent of its noncontrolling stockholders and/or independent members of its board of directors in order to take certain actions, and those consents may not be forthcoming. Our costs could also be adversely affected by our inability to fully integrate MedQuist Inc. into our consolidated operations and management structure.

Section 14A:10A of the New Jersey Business Corporation Act, or the NJBCA, prohibits certain business combinations involving New Jersey corporations and an interested stockholder. An interested stockholder is defined generally as a stockholder who is the beneficial owner, directly or indirectly, of 10% or more of the voting power of the outstanding stock of the corporation. The NJBCA prohibits business combinations subject to the NJBCA for a period of five years after the date the interested stockholder acquired its stock, unless the transaction was approved by the corporation s board of directors prior to the time the interested stockholder acquired its shares. After the five year period expires, the prohibition on business combinations with an interested stockholder continues unless: (i) the business combination is approved by the board of directors of the target corporation; (ii) the business combination is approved by a vote of two-thirds of the voting stock not owned by the interested stockholder; or (iii) the stockholders of the corporation receive a price in accordance with a fair price formula set forth in the NJBCA.

In August 2008, we, through our subsidiary, CBay Inc., acquired over 10% of the outstanding shares of MedQuist, Inc., a New Jersey corporation, from Royal Philips Electronics. The board of directors of MedQuist Inc. did not approve future business combinations with us or CBay Inc. prior to that acquisition for purposes of the provisions of NJBCA Section 14A:10A and, accordingly, we believe that these provisions of the NJBCA apply to CBay Inc. and us.

CBay Inc. and we are Delaware corporations. If CBay Inc. or we own at least 90% of MedQuist Inc. following the Registered Exchange Offer, we may be able to utilize a short-form back-end merger through Section 267 of the Delaware General Corporation Law, or the DGCL. Under Section 267 of the DGCL, if (i) at least 90% of the outstanding shares of each class of stock of a corporation is owned by an entity, (ii) one of the entities is a Delaware corporation and (ii) the entity that is not a Delaware corporation is an entity of a state, the laws of which do not forbid such merger, the entity having such stock ownership may either merge the entity into itself and assume all of its obligations, or merge itself into the other entity. If the required 90% threshold is reached, Section 267 of the DGCL would permit us to merge MedQuist Inc. into us or CBay Inc. without MedQuist Inc. shareholder approval if such merger is not forbidden by the laws of New Jersey.

Section 14A:10-7(4) of the NJBCA governs short-form mergers between a New Jersey corporation and a foreign corporation. This provision allows a non-New Jersey corporation owning at least 90% of the outstanding shares of each class and series of a New Jersey corporation to merge the other corporation into itself, or merge itself into any subsidiary corporation, without approval of the shareholders of either corporation, though the board of the parent corporation must approve a plan of merger. However, the New Jersey courts have not interpreted Section 14A:10-7(4) in the context of Section 14A:10A since the adoption of New Jersey s Shareholder Protection Act.

We have made no determination whether, if the conditions of Section 267 of the DGCL and Section 14A:10-7(4) of the NJBCA are met in relation to MedQuist Inc., we will engage in a merger with MedQuist Inc. No assurance can be given regarding whether or when, if ever, we will acquire 100% ownership of MedQuist Inc.

Risks related to our common stock

Our stock price may fluctuate significantly.

An active U.S. public market for our common stock may not develop or be sustained after the completion of this offering. While our common stock was formerly listed on AIM, we have delisted from AIM and January 27, 2011 was the last day on which our shares traded on AIM. In connection with this offering, our common stock has been approved for listing on the NASDAQ Global Market under the symbol MEDH. We will negotiate and determine the offering price of the shares offered hereby with the underwriters based on several factors. This price may vary from the market price of our common stock after this offering. You may be unable to sell your shares of common stock at or above the initial offering price. The stock market, particularly in recent years, has experienced significant volatility, and the volatility of stocks often does not relate to the operating performance of the companies represented by the stock. Factors that could cause volatility in the market price of our common stock include:

n market conditions affecting our customers businesses, including the level of mergers and acquisitions activity;
n the loss of any major customers or the acquisition of new customers for our services;
n announcements of new services or functions by us or our competitors;
n actual and anticipated fluctuations in our quarterly operating results;
n rumors relating to us or our competitors;
n actions of stockholders, including sales of shares by our directors and executive officers;
n additions or departures of key personnel; and
n developments concerning current or future strategic alliances or acquisitions.

These and other factors may cause the market price and demand for our common stock to fluctuate substantially, which may limit or prevent investors from readily selling their shares of common stock and may otherwise negatively affect the liquidity of our common stock. In addition, in the past, when the market price of a stock has been volatile, holders of that stock have instituted securities class action litigation against the company that issued the stock. If any of our stockholders brought a lawsuit against us, we could incur substantial costs defending the lawsuit. Such a lawsuit could also divert the time and attention of our management.

Our largest stockholder will exercise significant control over our company.

After the Corporate Reorganization, affiliates of SAC PCG will beneficially own in the aggregate shares representing approximately 34.5% of our outstanding capital stock (assuming the over allotment option is not exercised). Furthermore, we have entered into a Stockholders Agreement with affiliates of SAC PCG pursuant to which they will have the right to nominate to our board three, two or one directors for so long as they hold at least 20%, 10% or 5% of our voting power, respectively. This concentration of ownership of our shares and the Stockholders Agreement could delay or prevent proxy contests, mergers, tender offers, open-market purchase programs or other purchases of shares of our common stock that might otherwise give you the opportunity to realize a premium over the then-prevailing market price of our common stock. This concentration of ownership may also adversely affect our stock price.

Our certificate of incorporation contains a provision renouncing our interest and expectancy in certain corporate opportunities, which could adversely affect our business or prospects.

Our certificate of incorporation provides that we will renounce any interest or expectancy in, or in being offered an opportunity to participate in, any business opportunity that may be from time to time presented to (i) members of our board of directors who are not our employees, (ii) their respective employers and (iii) affiliates of the foregoing (other than us and our subsidiaries), other than opportunities expressly presented to such directors solely in their capacity as our director. This provision will apply even if the opportunity is one that we might reasonably have pursued or had the ability or desire to pursue if granted the opportunity to do so. Furthermore, no such person will be liable to us for breach of any fiduciary duty, as a director or otherwise, by reason of the fact that such person pursues or acquires any such business opportunity, directs any such business opportunity to another person or fails to present any such business opportunity, or information regarding any such business opportunity. None of such persons or entities will have any duty to refrain from engaging directly or indirectly in the same or similar business activities or lines of business as us or any of our subsidiaries. See Description of Capital Stock.

For example, affiliates of our non-employee directors may become aware, from time to time, of certain business opportunities such as acquisition opportunities and may direct such opportunities to other businesses in which they have invested or advise, in which case we may not become aware of or otherwise have the ability to pursue such opportunities. Further, such businesses may choose to compete with us for these opportunities. As a result, our renouncing our interest and expectancy in any business opportunity that may be from time to time presented to such persons or entities could adversely impact our business or prospects if attractive business opportunities are procured by such persons or entities for their own benefit rather than for ours.

Future sales of our shares by our existing stockholders could cause our stock price to decline.

Upon the completion of this offering, and, after giving effect to (i) the Private Exchange, (ii) the Registered Exchange Offer, assuming a full exchange and (iii) the issuance of 1.3 million shares of our common stock pursuant to the Consulting Services Agreement, we will have outstanding 50.9 million shares of common stock, assuming no exercise of outstanding options. If our existing stockholders sell, or indicate an intent to sell, substantial amounts of our common stock in the public market after the consummation of this offering, the trading price of our common stock could decline significantly.

Of the 50.9 million shares of our common stock outstanding upon the completion of the Corporate Reorganization, (i) 26.3 million shares will be subject to a 180-day contractual lock-up, (ii) 3.8 million shares will be subject to a 90-day contractual lock-up, (iii) 3.8 million shares will be subject to a 45-day contractual lock-up and (iv) 17.0 million shares, including the 4.5 million shares being sold in this offering and the 6.7 million shares being issued in the Registered Exchange Offer, assuming a full exchange will not be subject to any contractual lock-up. If our existing stockholders sell, or indicate an intent to sell, substantial amounts of our common stock in the public market after the applicable contractual lock-up and other applicable legal restrictions on resale discussed in this prospectus lapse, the trading price of our common stock could decline significantly. Lazard Capital Markets LLC and Macquarie Capital (USA) Inc. may, in their sole discretion, permit our officers, directors, employees and other stockholders to sell shares prior to the expiration of the lock-up agreements. We cannot predict the effect, if any, that public sales of these shares or the availability of these shares for sale will have on the market price of our common stock.

In addition, the shares subject to outstanding options under our equity incentive plans and the shares reserved for future issuance under our equity incentive plans will become eligible for sale in the public market in the future, subject to certain legal and contractual limitations. Moreover, 180 days after the completion of this offering, holders of approximately 22.7 million shares of our common stock will have the right to require us to register these shares under the Securities Act of 1933, as amended, or the Securities Act, pursuant to registration rights (17.5 million under demand registration rights and 5.2 million under piggyback registration rights). If our existing stockholders sell substantial amounts of our common stock in the public market, or if the public perceives that such sales could occur, this could have an adverse impact on the market price of our common stock, even if there is no relationship between such sales and the performance of our business.

Provisions of Delaware law and our charter documents could delay or prevent an acquisition of our company, even if the acquisition would be beneficial to our stockholders, and could make it more difficult for you to change management.

Provisions of Delaware law and our certificate of incorporation and by-laws may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. These provisions may also prevent or delay attempts by stockholders to replace or remove our current management or members of our board of directors. These provisions include:

- a classified board of directors;
- limitations on the removal of directors;
- advance notice requirements for stockholder proposals and nominations;
- the inability of stockholders to act by written consent or to call special meetings;
- the ability of our board of directors to make, alter or repeal our by-laws; and
- the authority of our board of directors to issue preferred stock with such terms as our board of directors may determine.

In addition, we are subject to Section 203 of the Delaware General Corporation Law, which limits business combination transactions with stockholders of 15% or more of our outstanding voting stock that our board of directors has not approved. These provisions and other similar provisions make it more difficult for stockholders or potential acquirers to acquire us without negotiation. These provisions may apply even if some stockholders may consider the transaction beneficial to them.

As a result, these provisions could limit the price that investors are willing to pay in the future for shares of our common stock. These provisions might also discourage a potential acquisition proposal or tender offer, even if the acquisition proposal or tender offer is at a premium over the then current market price for our common stock.

If equity research analysts do not publish research or reports about our business or if they issue unfavorable commentary or downgrade our common stock, the price of our common stock could decline.

The trading market for our common stock will rely in part on the research and reports, that equity research analysts publish about us and our business. The price of our common stock could decline if one or more securities analysts downgrade our common stock or if those analysts issue other unfavorable commentary or cease publishing reports about us or our business.

We do not currently intend to pay dividends on our common stock and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

We do not intend to pay any cash dividends on our common stock for the foreseeable future. We currently intend to invest our future earnings, if any, to fund our growth, including growth through acquisitions. The payment of any future dividends will be determined by the board of directors in light of conditions then existing, including our earnings, financial condition and capital requirements, business conditions, corporate law requirements and other factors. See Dividend Policy.

We may apply the proceeds of this offering to uses that do not improve our operating results or increase the value of your investment.

We currently intend to use a substantial portion of the net proceeds from this offering for general corporate purposes, including working capital and other general corporate purposes. We may also use a portion of the net proceeds for the execution of our strategic plans, either through the acquisition of companies or by other means that we believe will complement our business. However, we do not have more specific plans for the net proceeds from this offering. Our board of directors and management will have broad discretion in how we use the net proceeds of this offering and may spend the proceeds in a manner that our stockholders do not deem desirable. These proceeds could be applied in ways that do not improve our operating results or increase the value of your investment.

Special Note Regarding Forward-Looking Statements

This prospectus contains forward-looking statements within the meaning of the federal securities laws. All statements other than statements of historical facts included in this prospectus, including statements regarding our future financial position, economic performance and results of operations, as well as our business strategy, and projected costs and plans and objectives of management for future operations, and the information referred to under Management s Discussion and Analysis of Financial Condition and Results of Operations, are forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology, such as may, will, expect, intend, estimate, anticipate, believe or continue or similar terminology.

Such forward-looking statements include but are not limited to statements regarding:

- potential synergies from the acquisition of Spheris;
- our ability to adopt and integrate new technologies;
- our expectation as to the future growth of the healthcare industry;
- increases in the productivity of MTs and MEs in order to outpace the decline in prices for medical transcription;
- customer retention;
- potential benefits of our size and scale;
- our ability to develop and adopt new technologies;
- our ability to gain new customers;
- our ability to increase sales;
- our intended use of proceeds from this offering; and
- our ability to consummate the Private Exchange and the Registered Exchange Offer.

The preceding list is not intended to be an exhaustive list of all of our forward-looking statements. Forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about our industry, management s beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. Accordingly, you are cautioned that any forward-looking statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Although we believe that the expectations reflected in our forward-looking statements are reasonable as of the date made, expectations may prove to have been materially different from the results expressed or implied by such forward-looking statements. Unless otherwise required by law, we also disclaim any obligation to update our view of any such risks or uncertainties or to announce publicly the result of any revisions to the forward-looking statements made in this prospectus.

All written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by these cautionary statements. You should evaluate all forward-looking statements made in this prospectus in the context of these risks and uncertainties.

Corporate Reorganization

Recapitalization Transactions

On October 1, 2010, MedQuist Inc., as borrower, and our subsidiaries, MedQuist Transcriptions, Ltd. and CBay Inc., as co-borrowers and guarantors, and we and certain of our other subsidiaries, as guarantors, entered into the Senior Secured Credit Facility with General Electric Capital Corporation, as administrative agent, and the lenders party thereto, providing for (i) a $200.0 million Term Loan and (ii) a $25.0 million revolving credit facility. On September 30, 2010, MedQuist Inc., as issuer, and our subsidiaries, MedQuist Transcriptions, Ltd. and CBay Inc., as co-issuers and guarantors, and we and certain of our other subsidiaries, as guarantors, entered into a Note Purchase Agreement with BlackRock Kelso Capital Corporation, PennantPark Investment Corporation, Citibank, N.A., and THL Credit, Inc. providing for the issuance of $85.0 million aggregate principal amount of 13% Senior Subordinated Notes due 2016. Interest on the Senior Subordinated Notes is payable in quarterly installments at the issuers option at either (i) 13% in cash or (ii) 12% in cash plus 2% in the form of additional Senior Subordinated Notes. See Description of Indebtedness for a more detailed description of the Senior Secured Credit Facility and the Senior Subordinated Notes.

The closing and funding of the Term Loan and the Senior Subordinated Notes occurred on October 14, 2010. MedQuist Inc. used the proceeds to repay $80.0 million of indebtedness under its Acquisition Credit Facility, to repay $13.6 million of indebtedness under the Acquisition Subordinated Promissory Note it issued in connection with the Spheris Acquisition and to pay a $176.5 million special dividend to its stockholders. We received $122.6 million of this special dividend and used $104.1 million to redeem our 6% Convertible Notes, and $3.7 million to extinguish certain other lines of credit.

Private Exchange

We have entered into an Exchange Agreement with certain of MedQuist Inc. s noncontrolling stockholders that currently hold in the aggregate approximately 12.7% of MedQuist Inc. s outstanding shares. Pursuant to the Exchange Agreement, those MedQuist Inc. stockholders will receive one share of our common stock for each MedQuist Inc. share and will enter into a stockholders agreement with us that, among other things, provides them with registration rights and contains provisions regarding their voting in the election of our directors. The closing under the Exchange Agreement is conditioned upon, among other conditions, our completion of this initial public offering and the listing of our shares on The NASDAQ Global Market and would increase our ownership in MedQuist Inc. from 69.5% to 82.2%.

Registered Exchange Offer

On October 18, 2010, we filed with the SEC a registration statement on Form S-4 in order to offer those noncontrolling MedQuist Inc. stockholders that did not participate in the Private Exchange shares of our common stock in exchange for their MedQuist Inc. shares. Assuming the Private Exchange is consummated, a full exchange in the Registered Exchange Offer would increase our ownership in MedQuist Inc. from 82.2% to 100.0%. We can give no assurance regarding the level of participation in the Registered Exchange Offer.

Redomiciliation and share conversion

On January 27, 2011, we changed our name from CBaySystems Holdings Limited to MedQuist Holdings Inc. and redomiciled from a British Virgin Islands company to a Delaware corporation. In connection with our redomiciliation, we adjusted the number of our shares outstanding through a reverse share split, pursuant to which every 4.5 shares of our common stock outstanding prior to our redomiciliation was converted into one share of our common stock upon our redomiciliation. Our redomiciliation and the conversion resulted in no change to our stockholders relative ownership interests in us. Unless otherwise noted, all information regarding our shares of common stock and all per share information presented herein gives effect to the conversion.

Use of Proceeds

Our net proceeds from this offering, after deducting the underwriting discounts and commissions and offering expenses, are expected to be approximately $15.0 million. We intend to use the net proceeds from this offering for working capital and other general corporate purposes. We may also use a portion of the net proceeds for the acquisition of complementary companies or businesses, although we currently do not have any acquisition or investment planned. We will not receive any proceeds from the sale of shares of common stock by the selling stockholders.

The primary purposes of this offering are to raise additional capital and create a U.S. public market for our common stock, which we hope will provide for greater liquidity than the trading market on AIM and, in turn, allow potential future access to the U.S. public markets should we need more capital in the future. In addition, other purposes of the offering are to increase the profile and prestige of our company with existing and possible future customers, vendors and strategic partners and make our stock more valuable and attractive to our employees and potential employees for compensation purposes.

Dividend Policy

We currently expect to retain future earnings, if any, for use in the operation and expansion of our business and do not anticipate paying any cash dividends in the foreseeable future. Payments of future dividends, if any, will be at the sole discretion of our board of directors after taking into account various factors, including our business, operating results and financial condition, current and anticipated cash needs, plans for expansion and any legal or contractual limitations on our ability to pay dividends. Our ability to pay dividends on our common stock is limited by the covenants of the agreements governing our indebtedness and may be further restricted by any future debt or preferred securities. See Description of Indebtedness.

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Capitalization

The following table sets forth our capitalization as of September 30, 2010:

- on an actual basis;
- on a pro forma basis to give effect to the Corporate Reorganization (but excluding the common stock offered hereby), the reclassification for discontinued operations and the issuance of stock pursuant to the Consulting Services Agreement; and
- on a pro forma as adjusted basis to give effect to the completion of this offering.

You should read this table together with the information contained in this prospectus, including Corporate Reorganization, Use of Proceeds, Unaudited Pro Forma Condensed Combined Financial Information, Selected Consolidated Financial and Other Data and Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the related notes thereto included elsewhere in this prospectus.

	As of September 30, 2010		
	Actual	Pro forma (4)	Pro forma as adjusted
		($ in thousands)	
Cash and cash equivalents (1)	$ 24,025	$ 35,253	$ 50,273
Short-term debt (2)	36,224	22,949	22,949
Long-term debt			
Term loans	1,075	343	343
Senior Secured Credit Facility	55,000	185,000	185,000
Senior Subordinated Notes	13,898	85,000	85,000
6% Convertible Notes	96,419		
Other debt (3)	1,556	1,556	1,556
Total debt	204,172	294,848	294,848
Equity			
Stockholders equity:			
Preferred stock: 25 million shares authorized, none issued or outstanding			
Common stock: 300 million shares authorized, 35.2 million shares issued and outstanding (actual); 47.9 million shares issued and outstanding (pro forma); 50.9 million shares issued and outstanding (pro forma as adjusted)	3,516	4,795	5,095
Additional paid in capital	149,100	134,451	149,171
Accumulated deficit	(109,261)	(123,154)	(123,154)
Accumulated other comprehensive loss	(385)	(385)	(385)
Total stockholders equity	42,970	15,707	30,727
Noncontrolling interests	40,598	405	405
Total equity	83,568	16,112	31,132
Total capitalization	$ 287,740	$ 310,960	$ 325,980

(1) Pro forma as adjusted gives effect to $2.5 million of a total $5.0 million payment to SAC PCG in connection with the Corporate Reorganization, does not reflect $19.5 million in proceeds received from our sale of our investment in A-Life, which was sold in October 2010 and $13.5 million in proceeds received from the sale of the PFS business in December 2010, and does not reflect our $25.0 million repayment of a portion of our Term Loan borrowings in January 2011.

(2) Short-term debt includes amount outstanding under our short-term credit facilities, the current portion of long-term borrowings and the current portion of capital lease obligations.

(3) Other debt includes capital lease obligations and indebtedness outstanding under our credit agreement with ICICI Bank and with IndusInd Bank.

(4) Pro forma basis reflects (i) the $200.0 million borrowings under the Term Loan, (ii) the issuance of $85.0 million of Senior Subordinated Notes, (iii) our repayment of the 6% Convertible Notes, (iv) the issuance of 4.8 million shares of our common stock in the Private Exchange, (v) the issuance of 6.7 million shares of our common stock in the Registered Exchange Offer, assuming a full exchange and (vi) the issuance of 1.3 million shares of our common stock pursuant to the Consulting Services Agreement.

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Unaudited Pro Forma Condensed Combined Financial Information

The following unaudited pro forma condensed consolidated financial information includes our unaudited pro forma condensed combined statements of operations for the year ended December 31, 2009 and the nine months ended September 30, 2010 and our unaudited pro forma condensed consolidated balance sheet as of September 30, 2010. The unaudited pro forma condensed combined statements of operations and the unaudited pro forma condensed consolidated balance sheet have been derived from the historical consolidated financial information of us and Spheris, which are included elsewhere in this prospectus. The unaudited pro forma condensed combined statements of operations and the unaudited pro forma consolidated balance sheet gives effect to the reclassification for discontinued operations. See Unaudited Pro Forma Condensed Consolidated Financial Information Discontinued Operations.

The pro forma combined statements of operations and other operating data for the year ended December 31, 2009 and the nine months ended September 30, 2010 give effect to the following transactions as if they had occurred on January 1, 2009:

- n the Spheris Acquisition and the incurrence by MedQuist Inc. of $113.6 million of debt to finance the Spheris Acquisition;
- n the incurrence by MedQuist Inc. of $285.0 million of indebtedness under the Senior Secured Credit Facility and Senior Subordinated Notes, the simultaneous repayment of $80.0 million of indebtedness under the Acquisition Credit Facility, the repayment of $13.6 million of indebtedness under the Acquisition Subordinated Promissory Notes, the payment of a $176.5 million special dividend to MedQuist Inc. s stockholders, of which we received $122.6 million and the noncontrolling stockholders of MedQuist Inc. received $53.9 million, and the repayment by us, using the proceeds of such dividend, of $104.1 million to extinguish our 6% Convertible Notes including a $7.7 million premium on early prepayment and $3.7 million under certain of our other lines of credit;
- n the issuance of 4.8 million shares of our common stock in exchange for 4.8 million shares of MedQuist Inc. common stock pursuant to the terms of the Exchange Agreement with certain noncontrolling stockholders of MedQuist Inc., which will increase our ownership in MedQuist Inc. from 69.5% to 82.2%;
- n the issuance of 1.3 million shares of our common stock pursuant to the Consulting Services Agreement; and
- n the issuance of 6.7 million shares of our common stock in exchange for 6.7 million shares of MedQuist Inc. common stock, assuming a full exchange. This would increase our ownership in MedQuist Inc. from 82.2% to 100%.

The pro forma combined statements of operations and other operating data for the year ended December 31, 2009 and the nine months ended September 30, 2010 do not give effect to the following:

- n the impact on net revenues from volume declines resulting from Spheris customer terminations prior to the Spheris Acquisition. The pro forma net revenues for the year ended December 31, 2009 and for the nine months ended September 30, 2010 include $24.6 million and $2.4 million, respectively, of net revenues associated with such terminations; and
- n the full impact on Adjusted EBITDA of cost savings and synergies resulting from the Spheris Acquisition, which we have implemented since the Spheris Acquisition and expect to yield $7.0 million of cost savings in the fourth quarter of 2010, representing an annualized benefit of $28.0 million. Our results for the nine months ended September 30, 2010 reflect $4.9 million of such cost savings.

The pro forma balance sheet data as of September 30, 2010 gives effect to the Recapitalization Transactions, the Private Exchange, the Registered Exchange Offer, the reclassification for discontinued operations and the shares of our common stock issuable pursuant to the Consulting Services Agreement, as if they occurred as of September 30, 2010.

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The pro forma as adjusted balance sheet data as of September 30, 2010 also gives effect to the issuance of 3.0 million shares of common stock in this offering at the initial public offering price of $8.00 per share, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us as if such transaction occurred as of September 30, 2010.

Our historical consolidated financial information has been adjusted in the unaudited pro forma condensed combined financial information to give effect to pro forma events that are (1) directly attributable to the Spheris Acquisition, the Corporate Reorganization the shares of our common stock issuable pursuant to the Consulting Services Agreement, (2) factually supportable and (3) with respect to the statements of operations, expected to have a continuing impact on the combined results. The pro forma information does not reflect revenue opportunities and cost savings that may be realized after the Spheris Acquisition. The pro forma financial information also does not reflect expenses related to integration activity that may be incurred by us in connection with the Spheris Acquisition.

The pro forma data is based upon available information and certain assumptions that we believe are reasonable. The pro forma data is for informational purposes only and does not purport to represent what our results of operations or financial position actually would have been if such events had occurred on the dates specified above and does not purport to project the results of operations or financial position for any future period or date. The unaudited pro forma condensed combined statements of operations and the unaudited pro forma condensed consolidated balance sheet should be read in conjunction with the accompanying notes, our historical consolidated financial statements, and related notes included elsewhere in this prospectus as adjusted for the acquisition of Spheris using the acquisition method of accounting.

You should read the following unaudited pro forma condensed consolidated financial information with our consolidated financial statements and related notes included elsewhere in this prospectus and the information under the section Capitalization, Selected Consolidated Financial and Other Data and Management s Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere in this prospectus.

MedQuist Holdings Inc. (formerly CBaySystems Holdings Limited) and Subsidiaries
Unaudited Pro Forma Condensed Combined Statement of Operations
For the year ended December 31, 2009

	Historical MedQuist Holdings Inc.[1]	Spheris	Spheris Acquisition pro forma adjustments	Spheris Acquisition pro forma combined	Recapitalization Transactions and Private Exchange pro forma adjustments	Pro forma before Registered Exchange Offer	Registered Exchange Offer pro forma adjustments	Pro fo
	(In thousands, except per share amounts)							
evenues	$ 353,932	$ 156,596		$ 510,528		$ 510,528		$ 510
f revenues	229,701	109,059		338,760		338,760		338
profit	124,231	47,537		171,768		171,768		171
ating expenses								
g, general and istrative	53,089	19,093		72,182		72,182		72
rch and development	9,604			9,604		9,604		9
ciation and zation	25,366	7,230	6,530 (a)	39,126		39,126		39
f legal proceedings ttlements	14,943	1,246		16,189		16,189		16
sition and uptcy related charges	1,246	6,961	(8,207) (d)					
vill impairment e		198,872	(198,872) (c)					
cturing charges	2,727	775		3,502		3,502		3
operating expenses	106,975	234,177	(200,549)	140,603		140,603		140
ating income	17,256	(186,640)	200,549	31,165		31,165		31
st expense, net	(9,019)	(17,439)	6,611 (b)	(19,847)	(11,643) (g)	(31,490)		(31
in income of ted companies	1,933			1,933		1,933		1
income	13	2,125		2,138		2,138		2
ne (loss) from nuing operations e income taxes and ntrolling interests	10,183	(201,954)	207,160	15,389	(11,643)	3,746		3
	1,012	(14,571)	15,204 (e)	1,645	(1,273) (i)	372		

e tax provision fit)								
come (loss) from nuing operations	9,171	(187,383)	191,956	13,744	(10,370)	3,374		3
ntinued operations								
rom discontinued Financial Services ess	(1,281)			(1,281)		(1,281)		(1
e tax provision	70			70		70		
ne (loss) from ntinued operations	(1,351)			(1,351)		(1,351)		(1
come (loss)	7,820	(187,383)	191,956	12,393	(10,370)	2,023		2
Net income table to ntrolling interests	(7,085)		(347) [f]	(7,432)	6,017 [h]	(1,415)	1,415 [k]	
come (loss) utable to MedQuist ngs Inc.	$ 735	$ (187,383)	$ 191,609	$ 4,961	$ (4,353)	$ 608	$ 1,415	$ 2
come (loss) per non share from nuing operations								
	$ (0.02)			$ 0.10		$ 0.00		$
d	$ (0.02)			$ 0.10		$ 0.00		$
ss per common from discontinued tions								
	$ (0.04)			$ (0.04)		$ (0.03)		$ (
d	$ (0.04)			$ (0.04)		$ (0.03)		$ (
come (loss) per non share utable to MedQuist ngs Inc.								
	$ (0.06)			$ 0.06		$ (0.03)		$
d	$ (0.06)			$ 0.06		$ (0.03)		$
ted average shares nding:								
	34,692			34,692	6,096 [h,j]	40,788	6,694 [k]	47
d	34,692			34,692	6,096 [h,j]	40,788	6,694 [k]	47

(1) Our historical financial information gives effect to the reclassification for discontinued operations. See Unaudited Pro Forma Condensed Consolidated Financial Information Discontinued Operations.

The accompanying notes are an integral part of the unaudited pro forma condensed combined financial statements.

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MedQuist Holdings Inc. (formerly CBaySystems Holdings Limited) and Subsidiaries
Unaudited Pro Forma Condensed Combined Statement of Operations
For the nine months ended September 30, 2010

	Historical MedQuist Holdings Inc.(1)	Spheris	Spheris Acquisition pro forma adjustments	Spheris Acquisition pro forma combined	Recapitalization Transactions and Private Exchange pro forma adjustments	Pro forma before Registered Exchange Offer	Registered Exchange Offer pro forma adjustments	Pro form
	(In thousands, except per share amounts)							
t revenues	$ 306,792	$ 43,371		$ 350,163		$ 350,163		$ 350,16
st of revenues	194,886	31,343		226,229		226,229		226,22
oss profit	111,906	12,028		123,934		123,934		123,93
erating expenses								
ling, general and ministrative	45,665	6,163		51,828		51,828		51,82
earch and development	8,945	192		9,137		9,137		9,13
preciation and ortization	23,745	1,850	1,992 (l)	27,587		27,587		27,58
st of legal proceedings settlements	2,785			2,785		2,785		2,78
quisition and kruptcy related charges	6,895	1,730	(8,625) (n)					
structuring charges	1,912			1,912		1,912		1,91
tal operating expenses	89,947	9,935	(6,633)	93,249		93,249		93,24
erating income	21,959	2,093	6,633	30,685		30,685		30,68
erest expense, net	(11,970)	(3,459)	139 (m)	(15,290)	(8,948) (q)	(24,238)		(24,23
uity in income of liated companies	616			616		616		61
er income (expense)	559	(48)		511		511		51
ome (loss) from tinuing operations ore reorganization ns and income taxes	11,164	(1,414)	6,772	16,522	(8,948)	7,754		7,57
organization items		(5,762)	5,762 (n)					
	11,164	(7,176)	12,534	16,522	(8,948)	7,574		7,57

ome from continuing erations before income es and noncontrolling erests								
ome tax provision nefit)	(46)	(2,822)	2,800 (o)	(68)	37 (t)	(31)		(3
t income (loss) from tinuing operations	11,210	(4,354)	9,734	16,590	(8,985)	7,605		7,60
continued operations								
ome from discontinued ient Financial Services iness	426			426		426		42
ome tax (benefit)	(23)			(23)		(23)		(2
ome (loss) from continued operations	449			449		449		44
t income (loss)	11,659	(4,354)	9,734	17,039	(8,985)	8,054		8,05
s: Net (income) loss ibutable to controlling interests	(5,234)		(1,143) (p)	(6,377)	4,799 (r)	(1,578)	1,589 (u)	1
t income attributable MedQuist Holdings .	$ 6,425	$ (4,354)	$ 8,591	$ 10,662	$ (4,186)	$ 6,476	$ 1,589	$ 8,06
t income per common re from continuing erations								
sic	$ 0.11			$ 0.23		$ 0.15		$ 0.1
uted	$ 0.11			$ 0.23		$ 0.14		$ 0.1
t income per common re from discontinued erations								
sic	$ 0.01			$ 0.02		$ 0.01		$ 0.0
uted	$ 0.01			$ 0.01		$ 0.02		$ 0.0
t income per common re attributable to dQuist Holdings Inc.								
sic	$ 0.12			$ 0.25		$ 0.16		$ 0.1
uted	$ 0.12			$ 0.24		$ 0.16		$ 0.1
ighted average shares standing:								
sic	35,083			35,083	6,096 (r,s)	41,179	6,694 (u)	47,87
uted	35,893			35,893	6,096 (r,s)	41,989	6,694 (u)	48,68

(1) Our historical financial information gives effect to the reclassification for discontinued operations. See Unaudited Pro Forma Condensed Consolidated Financial Information Discontinued Operations.

The accompanying notes are an integral part of the unaudited pro forma condensed combined financial statements.

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MedQuist Holdings Inc. (formerly CBaySystems Holdings Limited) and Subsidiaries
Unaudited Pro Forma Condensed Consolidated Balance Sheet
As of September 30, 2010

	Historical MedQuist Holdings Inc. (1)	Recapitalization Transactions and Private Exchange pro forma adjustments	Pro forma before Registered Exchange Offer	Registered Exchange Offer pro forma adjustments	Pro forma
		(In thousands)			
ASSETS					
Current assets					
Cash and cash equivalents	$ 23,235	$ 12,018 (v,w,x,y)	$ 35,253		$ 35,253
Accounts receivable, net	72,482		72,482		72,482
Other current assets	19,544	927 (v)	20,471		20,471
Assets held for sale	14,645		14,645		14,645
Total current assets	129,906	12,945	142,851		142,851
Property and equipment, net	23,572		23,572		23,572
Goodwill	90,254		90,254		90,254
Other intangible assets, net	111,754		111,754		111,754
Deferred income taxes	3,873		3,873		3,873
Other assets	19,945	5,633 (v)	25,578		25,578
Total assets	$ 379,304	$ 18,578	$ 397,882		$ 397,882
LIABILITIES AND EQUITY					
Current liabilities					
Current portion of debt	$ 35,951	$ (13,002) (w)	$ 22,949		$ 22,949
Accounts payable	11,879		11,879		11,879
Accrued expenses and other current liabilities	33,635	(2,065) (v)	31,570		31,570
Accrued compensation	24,035		24,035		24,035
Deferred revenue	10,287		10,287		10,287
Liabilities held for sale	3,377		3,377		3,377
Total current liabilities	119,164	(15,067)	104,097		104,097
Due to related parties	2,850	(2,850) (z)			
Long term portion of debt	167,948	103,951 (w)	271,899		271,899
Deferred income taxes	3,972		3,972		3,972

Other non-current liabilities	1,802		1,802		1,802
Total liabilities	295,736	86,034	381,770		381,770
Equity					
MedQuist Holdings Inc. stockholders equity					
Common stock	3,516	610 (y,z)	4,126	669 (aa)	4,795
Additional paid-in capital	149,100	(5,982) (y,z)	143,118	(8,667) (aa)	134,451
Accumulated deficit	(109,261)	(13,893) (v,w)	(123,154)		(123,154)
Accumulated other comprehensive loss	(385)		(385)		(385)
Total MedQuist Holdings Inc. stockholders equity	42,970	(19,265)	23,705	(7,998)	15,707
Noncontrolling interests	40,598	(48,191) (x,y)	(7,593)	7,998 (aa)	405
Total equity	83,568	(67,456)	16,112		16,112
Total liabilities and equity	$ 379,304	$ 18,578	$ 397,882		$ 397,882

(1) Our historical financial information gives effect to the reclassification for discontinued operations. See Unaudited Pro Forma Condensed Consolidated Financial Information Discontinued Operations.

The accompanying notes are an integral part of the unaudited pro forma condensed consolidated balance sheet.

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MedQuist Holdings Inc. (formerly CBaySystems Holdings Limited) and Subsidiaries

Notes to Unaudited Pro Forma Condensed Combined Financial Information

1. Basis of presentation

The unaudited pro forma condensed combined financial information is based on our and Spheris historical financial information, and it is prepared and presented pursuant to the regulations of the SEC regarding pro forma financial information. The 2009 unaudited pro forma condensed combined financial information includes our audited consolidated statement of operations for the year ended December 31, 2009. Spheris historical financial information includes its audited consolidated statement of operations for the year ended December 31, 2009. The 2010 presentation includes our unaudited historical consolidated statement of operations for the nine months ended September 30, 2010. Spheris historical information includes its unaudited historical consolidated statement of operations for the period January 1, 2010 through April 21, 2010, the date prior to the date of the Spheris Acquisition. The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2009 and for the nine months ended September 30, 2010 also include the effects of the Corporate Reorganization and the shares of our common stock issuable under the Consulting Services Agreement. The unaudited pro forma condensed consolidated balance sheet as of September 30, 2010 is our historical unaudited consolidated balance sheet as of September 30, 2010 and is adjusted as if the Corporate Reorganization and the shares of our common stock issuable under the Consulting Services Agreement had occurred as of September 30, 2010.

The unaudited pro forma condensed combined financial information was prepared using the acquisition method of accounting under Financial Accounting Standards Board Accounting Standards Codification, or ASC, Topic 805, Business Combinations. ASC Topic 805 requires, among other things, that identifiable assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date, which is presumed to be the closing date of the Spheris Acquisition. Accordingly, the pro forma adjustments reflected in the accompanying unaudited pro forma condensed combined financial information may be materially different from the actual acquisition accounting adjustments required as of the acquisition date.

Under ASC Topic 820, Fair Value Measurements and Disclosures, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 specifies a hierarchy of valuation techniques based on the nature of the inputs used to develop the fair value measures. This is an exit price concept for the valuation of the asset or liability. In addition, market participants are assumed to be unrelated buyers and sellers in the principal or the most advantageous market for the asset or liability. Fair value measurements for an asset assume the highest and best use by these market participants. Many of these fair value measurements can be highly subjective, and it is also possible that other professionals, applying reasonable judgment to the same facts and circumstances, could develop and support a range of alternative estimated amounts.

Total acquisition-related transaction costs incurred by us are expensed in the periods in which the costs are incurred. Under ASC Topic 805, acquisition-related transaction costs (such as advisory, legal, valuation and other professional fees) are not included as components of consideration transferred but are accounted for as expenses in the periods in which the costs are incurred.

Reorganization items for Spheris directly relate to the process of reorganizing Spheris under voluntary Chapter 11 Bankruptcy petitions filed by Spheris and certain subsidiaries on February 3, 2010.

The historical consolidated financial information has been adjusted in the unaudited pro forma condensed combined financial information to give effect to pro forma events that are (1) directly attributable to the Corporate

Reorganization and the shares of our common stock issuable under the Consulting Services Agreement, (2) factually supportable, and (3) with respect to the statement of operations, expected to have a continuing impact on the combined results. The pro forma financial information does not reflect revenue opportunities and cost savings that we may realize after the Spheris Acquisition. No assurance can be given with respect to the estimated revenue opportunities and operating cost savings that may be realized as a result of the Spheris Acquisition. The pro forma financial information also does not reflect expenses related to integration activity or exit costs that may be incurred by us in connection with integrating the businesses.

MedQuist Holdings Inc. (formerly CBaySystems Holdings Limited) and Subsidiaries

Notes to Unaudited Pro Forma Condensed Combined Financial Information (Continued)

Certain Spheris amounts have been reclassified to conform to our presentation. These reclassifications had no effect on previously reported net income (loss). There were no material transactions between us and Spheris during the periods presented in the unaudited pro forma condensed combined financial information that would need to be eliminated.

2. Description of the Spheris Acquisition

On April 22, 2010, we, together with our MedQuist Inc. subsidiary, completed the acquisition of substantially all of the domestic assets of Spheris and the stock of certain of its foreign affiliates, pursuant to the terms of the Stock and Asset Purchase Agreement entered into on April 15, 2010. The purchase price consisted of approximately $98.8 million of cash and MedQuist Inc. s issuance of a promissory note, net of discount, totaling $13.6 million, or the Acquisition Subordinated Promissory Note. We had no prior material relationship with Spheris other than the agreements related to the Spheris Acquisition described elsewhere in this prospectus.

In connection with the Spheris Acquisition, MedQuist Transcriptions, Ltd., a subsidiary of MedQuist Inc., and certain other subsidiaries of MedQuist Inc., or collectively, the Loan Parties, entered into a credit agreement, or the Acquisition Credit Facility, with General Electric Capital Corporation, CapitalSource Bank, and Fifth Third Bank. The Acquisition Credit Facility provided for up to $100.0 million in senior secured credit facilities, consisting of a $50.0 million term loan, and a revolving credit facility of up to $50.0 million. The credit facilities were secured by a first priority lien on substantially all of the property of the Loan Parties. Borrowings under the revolving credit facility were able to be made from time to time, subject to availability under such facility, until the fourth anniversary of the closing date. Amounts borrowed under the Acquisition Credit Facility bore interest at a rate selected by MedQuist Transcriptions, Ltd. equal to the Base Rate or the Eurodollar Rate (each as defined in the Acquisition Credit Facility agreement) plus a margin. At September 30, 2010, the revolving credit facility and the term loan had interest rates of 6.25% and 6.75%, respectively. The Acquisition Credit Facility was repaid in full in October 2010 in connection with the Recapitalization Transactions.

In connection with the Spheris Acquisition, MedQuist Inc. also entered into the Acquisition Subordinated Promissory Note, with Spheris Inc. The note was to mature in five years from the date of the Spheris Acquisition. The face amount of the Acquisition Subordinated Promissory Note was $17.5 million with provisions for prepayment at discounted amounts, ranging from 77.5% of the principal if paid within six months, 87.5% from six to nine months, 97.5% from nine to twelve months, 102.0% between the first and second year, 101.0% between the second and third year and 100.0% thereafter. For purposes of the purchase price allocation, the note was discounted at 77.5% of the principal, or $13.6 million. The Acquisition Subordinated Promissory Note bore interest at 8.0% for the first six months. The Acquisition Subordinated Promissory Note was repaid at 77.5% of the face amount on October 14, 2010 in connection with the Recapitalization Transactions.

On April 22, 2010, we transferred the following consideration for the purchase of Spheris:

	(In thousands)
Cash consideration paid	$ 98,834

Fair value of unsecured Acquisition Subordinated Promissory Note		13,570
Total consideration transferred	$	112,404

The Acquisition Subordinated Promissory Note would have matured in five years from the date of closing, and it had provisions for prepayment at discounted amounts. We estimated the fair value of the Acquisition Subordinated Promissory Note to be $13.6 million. The fair value was determined using a Monte Carlo simulation valuation model with the following key assumptions: volatility of 3.9% and cost of debt of 10.5%. The fair value of the Acquisition Subordinated Promissory Note is included in the total purchase price.

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MedQuist Holdings Inc. (formerly CBaySystems Holdings Limited) and Subsidiaries

Notes to Unaudited Pro Forma Condensed Combined Financial Information (Continued)

The following table summarizes the consideration the amounts of identified assets acquired and liabilities assumed at the acquisition date. The total amount assigned to identified intangible assets and the related amortization period is shown below:

		(In thousands)
Fair value of Spheris net assets acquired		
Cash	$	797
Trade receivables		22,407
Other current assets		4,142
Property, plant and equipment		9,133
Deposits		1,036
Developed technology (included in intangibles)		11,390
Customer relationships (included in intangibles)		37,210
Trademarks and trade name (included in intangibles)		1,640
Goodwill		44,917
Trade and other payables		(20,268)
Identifiable assets acquired and liabilities assumed	$	112,404

The total assigned to identified intangible assets and the related amortization period is as follows:

		Fair value (In thousands)	Amortization period
Developed technology	$	11,390	9 years
Customer relationships	$	37,210	7-9 years
Trademarks and Tradenames	$	1,640	4 years
Goodwill	$	44,917	Indefinite

The amounts and lives of the identified intangibles other than goodwill were valued at fair value. The analysis included a combination of the cost approach and an income approach. We used discount rates from 15% to 17%. The goodwill is attributable to the workforce and synergies expected to occur after the Spheris Acquisition. The goodwill and intangible assets are deductible for tax purposes.

We have performed a review of Spheris s accounting policies and procedures. As a result of that review, we did not identify any differences between the accounting policies and procedures of the two companies that, when conformed, would have a material impact on the future operating results.

3. The Recapitalization Transactions

On September 30, 2010, MedQuist Inc., as issuer, and our subsidiaries MedQuist Transcription Ltd., and CBay Inc., as co-issuers and guarantors, and we and certain of our other subsidiaries, as guarantors, entered into the Note Purchase Agreement for the issuance of $85.0 million aggregate principal amount of 13% Senior Subordinated Notes due 2016 to BlackRock Kelso Capital Corporation, PennantPark Investment Corporation, Citibank, N.A., and THL Credit, Inc. Interest on the notes is payable in quarterly installments at the issuers option at either (i) 13% in cash or (ii) 12% in cash plus 2% in the form of additional Senior Subordinated Notes. Closing and funding of the Senior Subordinated Notes occurred on October 14, 2010.

On October 1, 2010, MedQuist Inc., as borrower, and our subsidiaries MedQuist Transcriptions, Ltd., and CBay Inc., as co-borrowers and guarantors, and we and certain of our other subsidiaries, as guarantors, entered into the

MedQuist Holdings Inc. (formerly CBaySystems Holdings Limited) and Subsidiaries

Notes to Unaudited Pro Forma Condensed Combined Financial Information (Continued)

Senior Secured Credit Facility with General Electric Capital Corporation, as administrative agent, and the parties thereto, consisting of (i) a $200.0 million Term Loan and (ii) a $25.0 million Revolving Credit Facility. Closing and funding under the Term Loan occurred on October 14, 2010. The Senior Secured Credit Facility bears an interest rate of LIBOR plus 5.50% and a LIBOR floor of 1.75%. In addition, the Revolving Credit Facility bears a fee of 50 basis points on undrawn amounts.

The proceeds from the borrowings from the Term Loan and the Senior Subordinated Notes were used as follows:

- Repayment of the then outstanding indebtedness under the Acquisition Credit Facility of $80.0 million as of September 30, 2010. With the repayment on October 14, 2010, the Acquisition Credit Facility was terminated.
- Repayment of the Acquisition Subordinated Promissory Note on October 14, 2010. The amount paid to satisfy and extinguish the principal amount of the Acquisition Subordinated Promissory Note was $13.6 million.
- Declaration and payment of a special dividend on October 18, 2010 by MedQuist Inc. of $4.70 per share. The total amount of the MedQuist Inc. dividend was $176.5 million, of which $122.6 million was paid to us.
- Repayment on October 14, 2010 of our 6% Convertible Notes due to Philips. The 6% Convertible Notes were settled at $104.1 million including $7.7 million as a negotiated prepayment premium to the outstanding balance at the time of the repayment.
- Repayment of $3.7 million on certain of our other lines of credit.

The sources and uses of funds related to the Recapitalization Transactions are shown as if they had occurred as of September 30, 2010 (in millions):

Sources			Uses		
Term Loan	$	200.0	Extinguishment of Acquisition Credit Facility	$	80.0
Senior Subordinated Notes		85.0	Extinguishment of Acquisition Subordinated Promissory Note		13.6
			Extinguishment of 6% Convertible Notes (includes premium on early prepayment)		104.1
			Extinguishment of other debt agreements		3.7
			Dividend distribution to noncontrolling stockholders		53.9
			Cash to working capital		11.7
			Expenses (Private Exchange)		2.5
			Fees and expenses (Recapitalization Transactions)		15.5
Total Sources	$	285.0	Total Uses	$	285.0

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MedQuist Holdings Inc. (formerly CBaySystems Holdings Limited) and Subsidiaries

Notes to Unaudited Pro Forma Condensed Combined Financial Information (Continued)

4. Private Exchange

On September 30, 2010, we entered into the Exchange Agreement with certain MedQuist Inc. stockholders that hold in the aggregate approximately 12.7% of MedQuist Inc. s outstanding shares. The Private Exchange would increase our ownership in MedQuist Inc. from 69.5% to 82.2%. Pursuant to the Exchange Agreement, those MedQuist Inc. stockholders will receive one share of our common stock for each MedQuist Inc. share and will enter into a stockholders agreement with us that, among other things, provides them with registration rights and contains provisions regarding their voting in the election of our directors. The closing under the Exchange Agreement is conditioned upon, among other conditions, our completion of the initial public offering, listing our shares on The NASDAQ Global Market and our redomiciliation in Delaware.

5. Registered Exchange Offer

On October 18, 2010, we filed with the SEC a registration statement on Form S-4 in order to offer those noncontrolling MedQuist Inc. stockholders who did not participate in the Private Exchange shares of our common stock in exchange for their MedQuist Inc. shares. The terms of the Registered Exchange Offer are described in such registration statement. Assuming the Private Exchange is consummated, a full exchange in the Registered Exchange Offer would increase our ownership in MedQuist Inc. from 82.2% to 100.0%.

6. Pro forma adjustments related to the unaudited pro forma condensed combined statement of operations for the year ended December 31, 2009

Spheris Acquisition pro forma adjustments:

a. Adjustment to reflect increased amortization of acquired intangibles as shown in the table below:

	Amount (In thousands)	Estimated life	Annual amortization
Trademarks and Tradenames	$ 1,640	4 years	$ 410
Developed technology	11,390	9 years	1,266
Customer relationships	37,210	7-9 years	4,651
	$ 50,240		$ 6,327

Additional depreciation of approximately $203,000 would be incurred related to fair value adjustments for certain tangible assets, primarily equipment and leasehold improvements.

b. Adjustment to reflect interest expense related to the Spheris Acquisition, as shown in the table below:

	(In thousands)	
Acquisition Credit Facility interest	$	6,177
Interest on the Acquisition Subordinated Promissory Note		2,678
Amortization of deferred financing costs		1,973
		10,828
Less: Spheris historical interest expense		17,439
Adjustment to interest expense	$	(6,611)

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MedQuist Holdings Inc. (formerly CBaySystems Holdings Limited) and Subsidiaries

Notes to Unaudited Pro Forma Condensed Combined Financial Information (Continued)

The Acquisition Credit Facility and the Acquisition Subordinated Promissory Note were repaid in connection with the Recapitalization Transactions.

c. Adjustment to eliminate the 2009 Spheris goodwill impairment charge.

d. Adjustment to eliminate the direct incremental acquisition related costs incurred by us and Spheris for bankruptcy related and reorganization costs.

e. Adjustment to eliminate the historical income tax benefit of Spheris and to record the income tax provision of the combined entities at our historical effective tax rate in effect for the respective period. However, the effective tax rate of the combined company could be different depending on post-acquisition activities.

f. Adjustment to recognize noncontrolling interest in MedQuist Inc.

Recapitalization Transactions and the Private Exchange pro forma adjustments:

g. Adjustment to reflect interest expense as shown below:

		(In thousands)
Interest on Term Loan	$	14,500
Interest on Senior Subordinated Notes		11,050
Amortization of related deferred financing fees		3,044
Total		28,594
Less: Interest that would not have been incurred under the prior debt agreements, as follows:		
Acquisition Credit Facility		6,177
Acquisition Subordinated Promissory Note		2,678
6% Convertible Notes		5,447
Other debt agreements		676
Amortization of previous deferred financing fees		1,973
Adjustment to interest expense	$	11,643

The Term Loan bears a variable interest rate. Each 1/8% increase in the base rate (prime or LIBOR) would result in a $0.3 million increase in annual interest expense.

In connection with the Recapitalization Transactions and our repayment and termination of the Acquisition Credit Facility, Acquisition Subordinated Promissory Note and 6% Convertible Notes, we expensed $6.2 million of financing fees and recorded a loss of $7.7 million on the repayment of the 6% Convertible Notes. As these amounts are non recurring and resulted directly from the Recapitalization Transactions they have not been reflected in the pro forma adjustments.

h. In connection with the Private Exchange, noncontrolling stockholders holding 4.8 million shares of MedQuist Inc. have agreed to exchange their MedQuist Inc. shares for shares of our common stock whereby they will receive one share of our common stock for each share of MedQuist Inc., which will result in 4.8 million additional shares outstanding. After the Private Exchange, we will own approximately 82.2% of MedQuist Inc., and the noncontrolling interest will decrease from approximately 30.5% to 17.8%. As we hold a controlling interest in MedQuist Inc. before and after the Private Exchange, the exchange is recorded as an equity transaction. Additionally, we agreed to pay up to $2.5 million of expenses incurred by certain stockholders who are party to the Exchange Agreement. We will account for the payment as a capital transaction.

MedQuist Holdings Inc. (formerly CBaySystems Holdings Limited) and Subsidiaries

Notes to Unaudited Pro Forma Condensed Combined Financial Information (Continued)

Basic and diluted weighted average shares outstanding and net income (loss) per share amounts have been adjusted to reflect the issuance of 4.8 million shares of our common stock in exchange for MedQuist Inc. shares as if the shares had been outstanding from January 1, 2009.

i. Adjustment to record the income tax provision of the Recapitalization Transactions at our historical effective tax rate in effect for the respective period. However, the effective tax rate after the Recapitalization Transactions could be different.

j. Adjustment to satisfy our obligations under the Consulting Services Agreement. Based upon an $8.00 per share price for shares issuable, the number of shares of our common stock issuable would be 1.3 million shares. Basic and diluted weighted average shares outstanding and net income (loss) per share amounts have been adjusted to reflect the issuance of 1.3 million shares of our common stock.

Registered Exchange Offer pro forma adjustments:

k. Adjustments to eliminate the net income attributable to noncontrolling interests assuming 100% of the MedQuist Inc. stockholders participate in the Registered Exchange Offer.

Basic and diluted weighted average shares outstanding and net income (loss) per share amounts have been adjusted to reflect the issuance of 6.7 million of our shares issued in exchange for MedQuist Inc. shares as if the shares had been outstanding from January 1, 2009.

7. Pro forma adjustments related to the unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2010

Spheris Acquisition pro forma adjustments:

l. Adjustment to reflect increased amortization of acquired intangibles as shown in the table below:

	Amount	Estimated life	Annual amortization
		(In thousands)	
Trademarks and Tradenames	$ 1,640	4 years	$ 410
Developed technology	11,390	9 years	1,266
Customer relationships	37,210	7-9 years	4,651
	$ 50,240		$ 6,327
Amortization for the period January 1, 2010 to April 21, 2010			$ 1,924

Additional depreciation of $68,000 would be incurred related to fair value adjustments for certain tangible assets, primarily equipment and leasehold improvements.

MedQuist Holdings Inc. (formerly CBaySystems Holdings Limited) and Subsidiaries

Notes to Unaudited Pro Forma Condensed Combined Financial Information (Continued)

m. Adjustment to reflect interest expense related to the Spheris Acquisition, as shown in the table below:

		(In thousands)
Acquisition Credit Facility interest January 1, 2010 to April 21, 2010	$	1,894
Interest on Acquisition Subordinated Promissory Note January 1, 2010 to April 21, 2010		821
Amortization of deferred financing costs		605
		3,320
Less: Spheris historical interest expense		3,459
Adjustment to interest expense	$	(139)

n. Adjustment to eliminate direct incremental acquisition related costs incurred by us and Spheris for bankruptcy related and reorganization costs.

o. Adjustment to eliminate the historical income tax benefit of Spheris and to record the income tax provision of the combined entities at our historical effective tax rate in effect for the respective period. However, the effective tax rate of the combined company could be different depending on post-acquisition activities.

p. Adjustment to reflect the noncontrolling interest in MedQuist Inc.

Recapitalization Transactions and Private Exchange pro forma adjustments

q. Adjustment to reflect interest expense as shown below:

		(In thousands)
Interest on Term Loan for nine months	$	10,875
Interest on Senior Subordinated Notes for nine months		8,288
Amortization of related deferred financing fees		2,283
Total		21,446
Less: Interest that would not have been incurred under the prior debt agreements as follows:		
Acquisition Credit Facility		4,633
Acquisition Subordinated Promissory Note		2,008
6% Convertible Notes		4,085
Other debt agreements		1,480
Amortization of previous deferred financing fees		292

Adjustment to interest expense	$	8,948

The Term Loan bears a variable interest rate. Each 1/8% increase in the base rate (prime or LIBOR) would result in a $0.3 million increase in annual interest expense.

In connection with the Recapitalization Transactions and our repayment and termination of the Acquisition Credit Facility, Acquisition Subordinated Promissory Note and 6% Convertible Notes, we expensed $6.2 million of financing fees and recorded a loss of $7.7 million on the repayment of the 6% Convertible Notes. As these amounts are nonrecurring and resulted directly from the Recapitalization Transactions, they have not been reflected in the pro forma adjustment.

r. In connection with the Private Exchange, noncontrolling stockholders holding 4.8 million shares of MedQuist Inc. have agreed to exchange their MedQuist Inc. shares for shares of our common stock whereby they will

MedQuist Holdings Inc. (formerly CBaySystems Holdings Limited) and Subsidiaries

Notes to Unaudited Pro Forma Condensed Combined Financial Information (Continued)

receive one share of our common stock for each share of MedQuist Inc., which will result in 4.8 million additional shares outstanding. After the Private Exchange, we will own approximately 82.2% of MedQuist Inc., and the noncontrolling interest will decrease from approximately 30.5% to 17.8%. As we hold a controlling interest in MedQuist Inc. before and after the Private Exchange, the exchange is recorded as an equity transaction. Additionally, we agreed to pay up to $2.5 million of expenses incurred by certain stockholders who are party to the Exchange Agreement. We will account for the payment as a capital transaction.

Basic and diluted weighted average shares outstanding and net income (loss) per share amounts have been adjusted to reflect the issuance of 4.8 million shares of our common stock in exchange for MedQuist Inc. shares as if the shares had been outstanding from January 1, 2009.

s. Adjustment to satisfy our obligations under the Consulting Services Agreement. Based upon an $8.00 per share price, the number of shares of our common stock issuable would be 1.3 million shares. Basic and diluted weighted average shares outstanding and net income loss per share amounts have been adjusted to reflect the issuance of 1.3 million shares of our common stock.

t. Adjustment to record the tax provision of the Recapitalization Transactions at our historical effective tax rate in effect for the respective period. However, the effective tax rate after the Recapitalization Transactions could be different.

Registered Exchange Offer pro forma adjustments:

u. Adjustment to eliminate the net income attributable to noncontrolling interests assuming 100% of the MedQuist Inc. noncontrolling stockholders participate in the Registered Exchange Offer.

Basic and diluted weighted average shares outstanding and net income (loss) per share amounts have been adjusted to reflect the issuance of 6.7 million shares of our common stock in exchange for MedQuist Inc. shares as if the shares had been outstanding from January 1, 2009.

8. Pro forma adjustments related to the unaudited pro forma condensed consolidated balance sheet as of September 30, 2010

Recapitalization Transactions and Private Exchange pro forma adjustments

v. We incurred debt issuance costs of $15.5 million, of which $2.1 million was accrued and $700,000 of which was paid as of September 30, 2010, in connection with the Term Loan and Senior Subordinated Notes. Of the $15.5 million, $6.2 million was expensed and the balance was capitalized. These amounts will be capitalized as other assets. This adjustment reflects the incremental debt issuance costs to be capitalized.

w. The proceeds of the Term Loan and Senior Subordinated Notes were used to repay debt consisting of the Acquisition Credit Facility, the Acquisition Subordinated Promissory Note and other term loans and credit facilities maintained by us at the parent company level. We recorded a loss of $7.7 million on the

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MedQuist Holdings Inc. (formerly CBaySystems Holdings Limited) and Subsidiaries

Notes to Unaudited Pro Forma Condensed Combined Financial Information (Continued)

extinguishment of our 6% Convertible Notes related to an early redemption premium. The adjustment is as follows:

	Current	Classification Non-current (In thousands)	Total
New Debt			
Term Loan	$ 15,000	$ 185,000	$ 200,000
Senior Subordinated Notes		85,000	85,000
Debt Repayment			
Acquisition Credit Facility	25,000	55,000	80,000
Acquisition Subordinated Promissory Notes		13,898	13,898
6% Convertible Notes		96,419	96,419
Other debt repayment	3,002	732	3,734
Net Adjustment	$ (13,002)	$ 103,951	$ 90,949

x. Adjustment reflects the dividend paid to noncontrolling stockholders of MedQuist Inc. totaling $53.9 million which reduces our noncontrolling interest.

y. Reflects the issuance of 4.8 million shares of our common stock in exchange for 4.8 million shares of MedQuist Inc. common stock. The impact of the Private Exchange is a reclassification of $5.7 million between noncontrolling interest and additional paid in capital. Additionally, we agreed to pay up to $2.5 million of expenses incurred by certain stockholders who are party to the Exchange Agreement. We will account for the payment as a capital transaction.

z. Reflects the issuance of 1.3 million shares of our common stock issuable pursuant to the Consulting Services Agreement, assuming a share issuance at $8.00 per share.

Registered Exchange Offer pro forma adjustments

aa. Adjustment to reduce noncontrolling interest assuming 100% of the MedQuist Inc. noncontrolling stockholders participate in the Registered Exchange Offer. Reflects the issuance of 6.7 million shares of our common stock in exchange for 6.7 million shares of MedQuist Inc. common stock. The impact of the Registered Exchange Offer is a reclassification of $8.0 million between noncontrolling interest and additional paid in capital.

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Unaudited Pro Forma Condensed Consolidated Financial Information Discontinued Operations

The following unaudited pro forma condensed consolidated financial information includes our unaudited pro forma condensed consolidated statements of operations for the years ended December 31, 2007, 2008 and 2009 and the nine months ended September 30, 2009 and 2010 and our unaudited pro forma condensed consolidated balance sheet as of September 30, 2010. The unaudited pro forma condensed consolidated statements of operations and the unaudited pro forma condensed consolidated balance sheet have been derived from our historical consolidated financial information, which are included elsewhere in this prospectus.

The pro forma consolidated statements of operations data for the years ended December 31, 2007, 2008 and 2009 and the nine months ended September 30, 2009 and 2010 give effect to the reclassification of the operating results of our PFS business into discontinued operations. On December 30, 2010, we entered into an agreement to sell the assets and liabilities of our PFS reporting unit, a non-strategic asset, which closed December 31, 2010.

The pro forma consolidated balance sheet data as of September 30, 2010 gives effect to the reclassification of assets and liabilities related to the PFS business, as held for sale as of September 30, 2010.

MedQuist Holdings Inc. (formerly CBaySystems Holdings Limited) and Subsidiaries

Unaudited Pro Forma Condensed Consolidated Statements of Operations Discontinued Operations
For the years ended December 31, 2007, 2008 and 2009

	2007			2008			200	
	Historical	Adjustments[a]	Pro forma	Historical	Adjustments[a]	Pro forma	Historical	Adjustm
	(In thousands, except per share amounts)							
	$ 57,694	$ (15,503)	$ 42,191	$ 193,673	$ (22,260)	$ 171,413	$ 371,768	$ (17,
	30,209	(8,101)	22,108	125,074	(11,947)	113,127	239 549	(9,
	27,485	(7,402)	20,083	68,599	(10,313)	58,286	132 219	(7,
s:								
	25,137	(5,681)	19,456	51,243	(8,341)	42,902	60,632	(7,
opment				6,099		6,099	9,604	
	2,915	(778)	2,137	14,906	(1,418)	13,488	26,977	(1,
edings				5,311		5,311	14,943	
charges							1,246	
nt				98,972	(9,339)	89,633		
es				2,106		2,106	2,727	
penses	28,052	(6,459)	21,593	178,637	(19,098)	159,539	116,129	(9,
loss)	(567)	(943)	(1,510)	(110,038)	8,785	(101,253)	16,090	1,
t	(2,108)	451	(1,657)	(3,954)	141	(3,813)	(9,132)	
s	(105)		(105)	66		66	1,933	
	14	14	28	9		9	11	
ons es and erests	(2,766)	(478)	(3,244)	(113,917)	8,926	(104,991)	8,902	1,
on	(113)	(71)	(184)	(5,398)	(133)	(5,531)	1,082	
rom ons rations	(2,653)	(407)	(3,060)	(108,519)	9,059	(99,460)	7,820	1,
		478	478		(8,926)	(8,926)		(1,

t ousiness n	71		71	133	133		
ations	407		407	(9,059)		11/13 @ 100	10,656,800
		31,858,807					

	Tennessee 1.5%		
20,825	Knox Cnty. Hlth. Edl. & Hsg. Facs. Brd., Hosp. Facs. RB, Ser. A, Zero Coupon, 1/01/20, FSA	01/13 @ 67.474	9,943,313

See Notes to Financial Statements.

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BlackRock Municipal Income Trust (BFK) (continued)

Rating[1]	Principal Amount (000)	Description	Option Call Provisions[2]	Value
		Texas 16.5%		
		Affordable Hsg. Corp., Multi-Fam. Hsg. RB,		
NR	$ 4,435[6]	Amer. Oppty. Hsg. Portfolio, Ser. B, 8.00%, 3/01/32	09/12 @ 102	$ 665,250
BB-	6,375[6]	So. Texas Pptys. Corp., Ser. B, 8.00%, 3/01/32	09/12 @ 102	5,641,684
BBB	3,400	Alliance Arpt. Auth., Inc. Spl. Fac. RB, Fedex Corp. Proj., 4.85%, 4/01/21	04/16 @ 100	3,367,836
Baa2	4,230	Brazos River Auth. PCRB, 5.00%, 3/01/41	03/11 @ 100	4,206,650
AAA	3,805	Dallas Area Rapid Trans. RB, 5.00%, 12/01/31, AMBAC	12/11 @ 100	3,877,105
		Harris Cnty. Houston Sports Auth. RB,		
AAA	12,580	Ser. A, Zero Coupon, 11/15/38, MBIA	11/30 @ 61.166	2,086,896
AAA	26,120	Ser. A-3, Zero Coupon, 11/15/37, MBIA	11/24 @ 46.545	4,661,375
AAA	5,000	Ser. H, Zero Coupon, 11/15/35, MBIA	11/31 @ 78.178	987,900
AAA	2,400	Lower Co. River Auth. RB, 5.00%, 5/15/31, MBIA	05/13 @ 100	2,459,976
		North Texas Mun. Wtr. Dist. RB,		
AAA	7,850	5.00%, 9/01/31, MBIA	09/16 @ 100	8,097,275
AAA	18,690	5.00%, 9/01/35, MBIA	09/16 @ 100	19,247,896
AAA	9,085	North Texas Tollway Auth. RB, 5.00%, 1/01/40, FSA	01/15 @ 100	9,270,061
		Tpke. Auth. RB, Central Sys.,		
AAA	35,000	Zero Coupon, 8/15/32, AMBAC	08/12 @ 30.846	7,975,800
AAA	62,325	Zero Coupon, 8/15/33, AMBAC	08/12 @ 28.997	13,342,536
AAA	65,040	Zero Coupon, 8/15/34, AMBAC	08/12 @ 27.31	13,103,609
		Transp. Commn St. Hwy. RB,		
AAA	4,225	5.00%, 4/01/25	04/16 @ 100	4,388,846
AAA	4,225	5.00%, 4/01/26	04/16 @ 100	4,388,846
				107,769,541
		Virginia 0.3%		
AAA	8,105	Transp. Brd. Trust RB, Zero Coupon, 4/01/32, MBIA	04/12 @ 34.99	2,053,240
		Washington 0.3%		
A-	2,190	Energy Northwest Wind Proj. RB, Ser. B, 6.00%, 1/01/07	N/A	2,285,856
		West Virginia 1.0%		
AAA	2,070	Econ. Dev. Auth. RB, Correctional Juvenile Safety, Ser. A, 5.00%, 6/01/29, MBIA	06/14 @ 100	2,137,958
AAA	4,085	St. Wtr. Dev. Auth. RB, Ser. A, 5.00%, 11/01/35, FSA	11/15 @ 100	4,193,743
				6,331,701
		Wisconsin 6.2%		
		Hlth. & Edl. Facs. Auth. RB,		
A-	7,500	Aurora Hlth. Care Proj., 6.40%, 4/15/33	04/13 @ 100	8,192,550
AA-	13,750	Froedert & Cmnty. Hlth. Oblig., 5.375%, 10/01/30	10/11 @ 101	14,089,762
A	15,000[3]	Wheaton Franciscan Svcs., 5.75%, 8/15/30	N/A	15,753,600
AAA	2,110	Pub. Pwr, Inc. Sys. RB, Ser. A, 5.00%, 7/01/37, AMBAC	07/15 @ 100	2,162,877
				40,198,789
		Total Long-Term Investments (cost $1,001,362,128)		1,043,403,649
		SHORT-TERM INVESTMENTS 2.0%		
		California 0.5%		
A-1+	3,000[7]	Met. Wtr. Dist. So. Ca. RB, Ser. C-3, 3.72%, 5/04/06, FRWD	N/A	3,000,000

		Illinois 0.1%		
A-1+	390[7]	Fin. Auth. RB, Resurrection Hlth Proj., Ser. B, 3.81%, 5/01/06, FRDD	N/A	390,000
		New York 0.8%		
A-1+	2,000[7]	New York St. Loc. Gov t. Assist. RB, 3.74%, 5/03/06, FSA, FRWD	N/A	2,000,000
A-1+	3,500[7]	Triborough Brdg. & Tunl. Auth. RB, 3.79%, 5/04/06, FRWD		3,500,000
				5,500,000
		Pennsylvania 0.6%		
A-1	3,900[7]	Higher Edl. Fac. Auth. RB, 3.80%, 5/04/06, FRWD	N/A	3,900,000
		Puerto Rico 0.0%		
A-1	100[7]	Gov t. Dev. Bank RB, 3.65%, 5/03/06, MBIA, FRWD	N/A	100,000

See Notes to Financial Statements.

BlackRock Municipal Income Trust (BFK) (continued)

Rating[1]	Principal Amount (000)	Description	Value
		Texas 0.0%	
A-1+	$ 50[7]	Wtr. Dev. Board RB, 3.75%, 5/01/06, FRDD	$ 50,000
		Total Short-Term Investments (cost $12,940,000)	12,940,000
		Total Investments 161.9% (cost $1,014,302,128[8])	$ 1,056,343,649
		Liabilities in excess of other assets (4.4)%	(28,569,117)
		Preferred shares at redemption value, including dividends payable (57.5)%	(375,307,688)
		Net Assets Applicable to Common Shareholders 100%	$ 652,466,844

1 Using the higher of S&P s, Moody s or Fitch s rating.
2 Date (month/year) and price of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates.
3 This bond is prerefunded. U.S. government securities, held in escrow, are used to pay interest on this security, as well as retire the bond in full at the date indicated, typically at a premium to par.
4 Security is not registered under the Securities Act of 1933. These securities may be resold in transactions in accordance with Rule 144A under that Act, to qualified institutional buyers. As of April 30, 2006, the Trust held 7.8% of its net assets, with a current market value of $50,662,418, in securities restricted as to resale.
5 Security pledged as collateral.
6 Illiquid security. As of April 30, 2006, the Trust held 1.0% of net assets, with a current market value of $6,306,934.
7 For purposes of amortized cost valuation, the maturity date of this instrument is considered to be the earlier of the next date on which the security can be redeemed at par, or the next date on which the rate of interest is adjusted. Rate shown is rate as of April 30, 2006.
8 Cost for Federal income tax purposes is $1,014,116,006. The net unrealized appreciation on a tax basis is $42,227,643, consisting of $49,833,679 gross unrealized appreciation and $7,606,036 gross unrealized depreciation.

KEY TO ABBREVIATIONS

ACA	American Capital Access
AMBAC	American Municipal Bond Assurance Corp.
FGIC	Financial Guaranty Insurance Co.
FRDD	Floating Rate Daily Demand
FRWD	Floating Rate Weekly Demand
FSA	Financial Security Assurance
GO	General Obligation
MBIA	Municipal Bond Insurance Assoc.
PCRB	Pollution Control Revenue Bond
RB	Revenue Bond
SA	Special Assessment
SO	Special Obligation
ST	Special Tax

See Notes to Financial Statements.

PORTFOLIO OF INVESTMENTS (unaudited)
APRIL 30, 2006

BlackRock California Investment Quality Municipal Trust (RAA)

Rating[1]	Principal Amount (000)	Description	Option Call Provisions[2]	Value
		LONG-TERM INVESTMENTS 145.0%		
		California 130.2%		
		California GO,		
A	$ 700	4.75%, 3/01/34	03/16 @ 100	$ 688,380
A	40	5.75%, 3/01/19	09/06 @ 100.5	40,456
A+	595	Chula Vista Indl. Dev. RB, 5.00%, 12/01/27	12/15 @ 102	605,984
		Edl. Facs. Auth. RB,		
AAA	760[3]	Santa Clara Univ., 5.00%, 9/01/06, MBIA	N/A	778,521
AAA	75	Student Loan Prog., Ser. A, 6.00%, 3/01/16, MBIA	03/07 @ 102	77,400
		Golden St. Tobacco Sec. Corp. RB,		
AAA	1,015	5.00%, 6/01/45, AMBAC	06/15 @ 100	1,030,499
AAA	600[3]	Ser. B, 5.50%, 6/01/13	N/A	655,368
AAA	400[3]	Ser. B, 5.625%, 6/01/13	N/A	439,968
A3	1,040	Hlth. Facs. Fin. Auth. RB, Cedars Sinai Med. Ctr. Proj., 5.00%, 11/15/34	11/15 @ 100	1,049,402
AAA	1,000[3]	Infrastructure & Econ. Dev. RB, Bay Area Toll Brdgs., Ser. A, 5.00%, 1/01/28, AMBAC	N/A	1,070,110
		Los Angeles Cnty.,		
AAA	1,000[3]	RB Met. Trans. Auth. Sales Tax, 6.00%, 7/01/06, MBIA	N/A	1,013,840
AAA	1,000	ST Cmnty. Facs., Ser. A, 5.50%, 9/01/14, FSA	09/07 @ 102	1,043,710
AAA	500	Los Angeles Dept. of Wtr. & Pwr. Sys. RB, 5.00%, 7/01/35, FSA	07/15 @ 100	515,160
AA	1,150	Los Angeles Harbor Dept. RB, Ser. B, 6.00%, 8/01/13	08/06 @ 101	1,167,790
B-	945	Los Angeles Regl. Arpt. Impvt., Corp. Lease RB, Amer. Airlines, Inc. Proj., Ser. B, 7.50%, 12/01/24	12/12 @ 102	1,003,959
NR	1,000	Poway Unified Sch. Dist. ST, Cmnty. Facs. Dist. No. 6 Proj., 5.60%, 9/01/33	09/10 @ 102	1,012,570
A2	1,000	Pub. Wks. Brd. Lease RB, St. Univ. Proj., Ser. A, 6.10%, 10/01/06	05/06 @ 101	1,010,870
BBB+	1,000[3]	Sacramento Pwr. Auth. RB, Cogeneration Proj., 6.50%, 7/01/06	N/A	1,024,490
NR	1,000	San Bernardino Cnty. ST, Cmnty. Facs., 5.90%, 9/01/33	09/12 @ 102	1,049,070
AAA	750	San Carlos Sch. Dist. Election 2005 GO, Ser. A, 5.00%, 10/01/30, MBIA	10/16 @ 100	775,770
AAA	500	San Diego Ind. Dev. RB, Ser. A, 5.90%, 6/01/18, AMBAC	05/06 @ 100	500,715
AAA	150	San Francisco City & Cnty. Arpt. Comm., Intl. Arpt. RB, Ser. 12-A, 5.90%, 5/01/26, MBIA	05/06 @ 101	151,500
AAA	40	So. California Pub. Pwr. Auth. RB, Transm. Proj., 5.50%, 7/01/20, MBIA	05/06 @ 100	40,050
AAA	500[3]	Temecula Valley Unified Sch. Dist. GO, Ser. G, 5.75%, 8/01/07, FGIC	N/A	522,815
BBB	900	Tobacco Sec. Auth. So. California, Tobacco Settlement RB, Ser. A, 5.625%, 6/01/43	06/12 @ 100	919,017
AAA	370	West Basin Mun. Wtr. Dist. COP, Ser. A, 5.50%, 8/01/22, AMBAC	08/07 @ 101	381,355
				18,568,769
		Puerto Rico 14.8%		
AAA	85	Hwy. & Trans. Auth. RB, Ser. L, 5.25%, 7/01/38, AMBAC	No Opt. Call	94,223
Aaa	745[3]	Pub. Fin. Corp. RB, Ser. E, 5.50%, 2/01/12	N/A	808,564
BBB	500	Pub. Impvt. GO, Ser. A, 5.00%, 7/01/34	07/14 @ 100	504,300
BBB-	700	Puerto Rico Indl. Tourist Edl. RB, Ana G. Mendez Univ. Sys. Proj., 5.00%, 3/01/26	03/16 @ 100	702,652
				2,109,739
		Total Long-Term Investments (cost $19,912,649)		20,678,508

See Notes to Financial Statements.

BlackRock California Investment Quality Municipal Trust (RAA) (continued)

Rating[1]	Principal Amount (000)		Description		Value
			SHORT-TERM INVESTMENTS 9.2%		
			California 5.0%		
VMIG1	$	318[4]	Irvine Impvt. Bond Act 1915, SA Dist. No 00-18, Ser. A, 3.75%, 5/01/06, FRDD	$	318,000
A-1+		400[4]	Orange Cnty. San. Dist. COP, Ser. B, 3.75%, 5/01/06, FRDD	.	400,000
					718,000
			Puerto Rico 4.2%		
A-1		600[4]	Hwy. & Transp. Auth. RB, Ser. A, 3.75%, 5/03/06, AMBAC, FRWD		600,000
			Total Short-Term Investments (cost $1,318,000)		1,318,000
			Total Investments 154.2% (cost $21,230,645[5])		21,996,508
			Liabilities in excess of other assets (1.6)%		(232,736)
			Preferred shares at redemption value, including dividends payable (52.6)%		(7,502,960)
			Net Assets Applicable to Common Shareholders 100%		14,260,812

1 Using the higher of S&P s, Moody s or Fitch s rating.

2 Date (month/year) and price of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates.

3 This bond is prerefunded. U.S. government securities, held in escrow, are used to pay interest on this security, as well as retire the bond in full at the date indicated, typically at a premium to par.

4 For purposes of amortized cost valuation, the maturity date of this instrument is considered to be the earlier of the next date on which the security can be redeemed at par, or the next date on which the rate of interest is adjusted. Rate shown is rate as of April 30, 2006.

5 Cost for Federal income tax purposes is $21,226,539. The net unrealized appreciation on a tax basis is $769,969, consisting of $821,356 gross unrealized appreciation and $51,387 gross unrealized depreciation.

KEY TO ABBREVIATIONS

AMBAC	American Municipal Bond Assurance Corp.	GO	General Obligation
COP	Certificate of Participation	MBIA	Municipal Bond Insurance Assoc.
FGIC	Financial Guaranty Insurance Co.	RB	Revenue Bond
FRDD	Floating Rate Daily Demand	SA	Special Assesment
FRWD	Floating Rate Weekly Demand	SO	Special Obligation
FSA	Financial Security Assurance	ST	Special Tax

See Notes to Financial Statements.

PORTFOLIO OF INVESTMENTS (unaudited)
APRIL 30, 2006

BlackRock California Municipal Income Trust (BFZ)

Rating[1]	Principal Amount (000)	Description	Option Call Provisions[2]	Value
		LONG-TERM INVESTMENTS 156.3%		
		California 135.0%		
		Anaheim Pub. Fin. Auth. RB, Pub. Impvt. Proj.,		
AAA	$ 24,500	Ser. C, Zero Coupon, 9/01/31, FSA	No Opt. Call	$ 6,927,620
AAA	6,070	Ser. C, Zero Coupon, 9/01/32, FSA	No Opt. Call	1,628,642
		California GO,		
A	10,000	5.50%, 11/01/33	11/13 @ 100	10,702,400
AAA	5,500	Ser. BZ, 5.35%, 12/01/21, MBIA	06/07 @ 101	5,645,750
AAA	5,000	Ser. BZ, 5.375%, 12/01/24, MBIA	06/07 @ 101	5,128,650
		Chula Vista Indl. Dev. RB,		
A+	4,395	5.00%, 12/01/27	12/15 @ 102	4,476,132
A+	5,065	5.00%, 12/01/27	12/15 @ 102	5,158,500
BBB	5,000	Cnty. Tobacco Sec. Agcy. RB, Stanislaus Fdg., Ser. A, 5.875%, 6/01/43	06/12 @ 100	5,170,100
A	10,000[3,4]	Dept. of Wtr. Res., Pwr. Sply. RB, Ser. A, 5.375%, 5/01/12	N/A	10,928,300
AAA	4,000	East Bay Mun. Util. Dist. Wtr. Sys. Sub. RB, Ser. A, 5.00%, 6/01/35, MBIA	06/15 @ 100	4,123,480
AAA	10,000	Edl. Facs. Auth. RB, Stanford Univ., Ser. Q, 5.25%, 12/01/32	06/11 @ 101	10,497,600
AAA	6,000	El Monte Sr. Dept. of Pub. Svcs., Fac. Phase II, COP, 5.25%, 1/01/34, AMBAC	01/11 @ 100	6,217,560
		Elk Grove Unified Sch. Dist., Cmnty. Facs. Dist. 1 ST,		
AAA	7,485	Zero Coupon, 12/01/29, AMBAC	12/11 @ 37.373	2,086,893
AAA	7,485	Zero Coupon, 12/01/30, AMBAC	12/11 @ 35.365	1,970,950
AAA	7,485	Zero Coupon, 12/01/31, AMBAC	12/11 @ 33.465	1,863,840
		Foothill/Eastn. Transp. Corridor Agcy. RB,		
BBB	5,000	Toll Road, Zero Coupon, 1/15/33	01/10 @ 25.78	1,031,200
BBB	5,000	Toll Road, Zero Coupon, 1/15/34	01/10 @ 24.228	969,000
BBB	13,445	Toll Road, Zero Coupon, 1/15/35	01/10 @ 22.819	2,453,309
BBB	1,000	Toll Road, Zero Coupon, 1/15/38	01/10 @ 19.014	151,820
BBB	5,000	Toll Road, Zero Coupon, 1/15/26	01/14 @ 101	4,335,750
BBB	10,030	Toll Road, 5.75%, 1/15/40	01/10 @ 101	10,154,673
		Golden St. Tobacco Sec. Corp. RB,		
AAA	13,145	5.00%, 6/01/45, AMBAC	06/15 @ 100	13,345,724
BBB	2,000	Ser. A-1, 6.625%, 6/01/40	06/13 @ 100	2,210,460
BBB	1,000	Ser. A-1, 6.75%, 6/01/39	06/13 @ 100	1,112,650
AAA	10,200[3]	Ser. B, 5.50%, 6/01/13	N/A	11,141,256
AAA	5,800[3]	Ser. B, 5.625%, 6/01/13	N/A	6,379,536
		Hlth. Facs. Fin. Auth. RB,		
A	3,000	Insured Hlth. Facs. Valleycare, Ser. A, 5.375%, 5/01/27	05/12 @ 100	3,128,580
AAA	4,890[5]	Kaiser Proj., Ser. A, 5.40%, 5/01/28	ETM	4,997,238
		Infrastructure & Econ. Dev. RB,		
A	15,250	J. David Gladstone Inst. Proj., 5.25%, 10/01/34	10/11 @ 101	15,472,955
A+	13,500	Kaiser Hosp. Asst. LLC Proj., Ser. A, 5.55%, 8/01/31	08/11 @ 102	14,129,100
AAA	22,435[3]	Bay Area Toll Brdgs., Ser. A, 5.00%, 1/01/28, AMBAC	N/A	24,007,918
NR	4,965	Irvine Mobile Home Park RB, Meadows Mobile Home Park Proj., Ser. A, 5.70%, 3/01/28	03/08 @ 102	4,903,235
A3	7,700	Kaweah Delta Hlth. Care Dist. RB, 6.00%, 8/01/34	08/12 @ 102	8,246,546
		Lathrop Fin. Auth. RB, Wtr. Sply. Proj.,		
NR	2,855	5.90%, 6/01/27	06/13 @ 100	2,986,130
NR	5,140	6.00%, 6/01/35	06/13 @ 100	5,404,761
		Live Oak Unified Sch. Dist. GO, Cap. Apprec. Election 2004,		
AAA	985	Zero Coupon, 8/01/35, XLCA	08/18 @ 39.952	205,432
AAA	1,030	Zero Coupon, 8/01/36, XLCA	08/18 @ 37.743	202,694
AAA	1,080	Zero Coupon, 8/01/37, XLCA	08/18 @ 35.649	201,895
AAA	1,125	Zero Coupon, 8/01/38, XLCA	08/18 @ 33.665	196,301
AAA	1,175	Zero Coupon, 8/01/39, XLCA	08/18 @ 31.785	193,570

AAA	1,230	Zero Coupon, 8/01/40, XLCA	08/18 @ 30.004	191,056
AAA	1,285	Zero Coupon, 8/01/41, XLCA	08/18 @ 28.317	188,368
AAA	1,340	Zero Coupon, 8/01/42, XLCA	08/18 @ 26.72	185,349
AAA	1,400	Zero Coupon, 8/01/43, XLCA	08/18 @ 25.208	182,042
AAA	1,465	Zero Coupon, 8/01/44, XLCA	08/18 @ 23.777	179,682
AAA	4,000	Los Angeles Dept. of Wtr. & Pwr. Sys. RB, 5.00%, 7/01/35, FSA	07/15 @ 100	4,121,280
B-	4,110	Los Angeles Regl. Arpt. Impvt., Corp. Lease RB, Amer. Airlines, Inc. Proj., Ser. C, 7.50%, 12/01/24	12/12 @ 102	4,393,384
AAA	4,000	Los Angeles Unified Sch. Dist. GO, Election of 2004, Ser. F, 5.00%, 7/01/30, FGIC	07/16 @ 100	4,148,200
BBB+	1,000	Palm Springs Mobile Home Park RB, Sahara Mobile Home Park Proj., 5.625%, 5/15/26	05/12 @ 102	1,032,230
BBB	2,290	Poll. Ctrl. Sld. Wst., Wst. Mgmt. RB, Inc. Proj., Ser. A-2, 5.40%, 4/01/25	04/15 @ 101	2,369,852

See Notes to Financial Statements.

BlackRock California Municipal Income Trust (BFZ) (continued)

Rating[1]	Principal Amount (000)	Description	Option Call Provisions[2]	Value
		California (cont d)		
NR	$ 4,000	Rancho Cucamonga Cmnty. Facs. Dist. ST, Ser. A, 6.50%, 9/01/33	09/13 @ 100	$ 4,168,400
AAA	15,500	Rancho Cucamonga Redev. Agcy. TA, Rancho Redev. Proj., 5.125%, 9/01/30, MBIA	09/11 @ 100	15,850,300
AAA	1,905	Richmond Wst. & Wtr. RB, Zero Coupon, 8/01/31, FGIC	No Opt. Call	540,887
AAA	2,020	San Carlos Sch. Dist. Election 2005 GO, Ser. A, 5.00%, 10/01/30, MBIA	10/16 @ 100	2,089,407
AAA	1,000	San Diego Cmnty. Coll. GO, 5.00%, 5/01/30, FSA	05/15 @ 100	1,033,660
AAA	6,500	San Francisco City & Cnty. Arpt. Comm., Intl. Arpt. RB, Ser. 27-A, 5.25%, 5/01/31, MBIA	05/11 @ 100	6,701,240
		San Francisco City & Cnty. Redev. Agcy. ST,		
NR	1,775	Cmnty. Facs. Dist., Mission Bay South Proj., 6.125%, 8/01/31	08/09 @ 102	1,841,616
NR	7,500	Cmnty. Facs. Dist., Mission Bay South Proj., 6.25%, 8/01/33	08/11 @ 101	7,895,250
		San Jose Multi-Fam. Hsg. RB,		
AAA	2,880	Lenzen Hsg., Ser. B, 5.45%, 2/20/43	08/11 @ 102	2,942,294
AAA	3,595	Vlgs. Pkwy. Sr. Apts. Proj., Ser. D, 5.50%, 4/01/34	04/11 @ 100	3,659,710
		Santa Clara Cnty. Hsg. Auth., Multi-Fam. Hsg. RB,		
A3	1,715	John Burns Gardens Apts. Proj., Ser. A, 5.85%, 8/01/31	02/12 @ 101	1,737,672
A3	1,235	River Town Apts. Proj., Ser. A, 6.00%, 8/01/41	02/12 @ 101	1,258,761
NR	3,075	Santa Clarita Facs. Dist. ST, Valencia Town Ctr. Proj., 5.85%, 11/15/32	11/10 @ 102	3,134,102
		Statewide Cmnty. Dev. Auth. RB,		
BBB+	4,000	Daughters of Charity Hlth. Proj., Ser. A, 5.25%, 7/01/30	07/15 @ 100	4,066,600
AA-	10,000	Sutter Hlth., Oblig. Grp. Proj., Ser. B, 5.625%, 8/15/42	08/12 @ 100	10,381,700
AAA	2,000	Upland Unified Sch. Dist. GO, Ser. B, 5.125%, 8/01/25, FSA	08/13 @ 100	2,088,980
NR	2,245	Val Verde Unified Sch. Dist. Fin. Auth. ST, 6.25%, 10/01/28	10/13 @ 102	2,333,206
AAA	2,000[3]	Vernon Elec. Sys. RB, Malburg Generating Station Proj., 5.50%, 4/01/08	N/A	2,071,380
				310,874,758
		Multi-State 9.6%		
		Charter Mac Equity Issuer Trust,		
A3	7,000[6]	Ser. A-2, 6.30%, 6/30/49	06/09 @ 100	7,368,690
Baa1	4,000[6]	Ser. B-1, 6.80%, 11/30/50	11/10 @ 100	4,265,760
		MuniMae TE Bond Subsidiary, LLC,		
A3	7,000[6]	Ser. A-1, 6.30%, 6/30/49	06/09 @ 100	7,368,690
Baa1	3,000[6]	Ser. B-1, 6.80%, 6/30/50	11/10 @ 100	3,219,960
				22,223,100
		Puerto Rico 11.7%		
A3	10,000	Elec. Pwr. Auth. RB, Ser. 2, 5.25%, 7/01/31	07/12 @ 101	10,342,800
		Pub. Fin. Corp. RB,		
Aaa	10,000[3]	Ser. E, 5.70%, 2/01/10	N/A	10,692,700
Aaa	5,750[3]	Ser. E, 5.75%, 2/01/07	N/A	5,839,643
				26,875,143
		Total Investments 156.3% (cost $342,321,070)		$ 359,973,001
		Other assets in excess of liabilities 1.0%		2,387,715
		Preferred shares at redemption value, including dividends payable (57.3)%		(132,002,565)
		Net Assets Applicable to Common Shareholders 100%		$ 230,358,151

1 Using the higher of S&P s, Moody s or Fitch s rating.
2 Date (month/year) and price of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates.
3 This bond is prerefunded. U.S. government securities, held in escrow, are used to pay interest on this security, as well as retire the bond in full at the date indicated, typically at a premium to par.
4 Security pledged as collateral.
5 Security is collateralized by Municipal or U.S. Treasury obligations.
6 Security is not registered under the Securities Act of 1933. These securities may be resold in transactions in accordance with Rule 144A under that Act, to qualified institutional buyers. As of April 30, 2006, the Trust held 9.6% of its net assets, with a current market value of $22,223,100, in securities restricted as to resale.
7 Cost for Federal income tax purposes is $344,518,884. The net unrealized appreciation on a tax basis is $15,454,117, consisting of $15,927,101 gross unrealized appreciation and $472,984 gross unrealized depreciation.

KEY TO ABBREVIATIONS

AMBAC	American Municipal Bond Assurance Corp.	GO	General Obligation
COP	Certificate of Participation	MBIA	Municipal Bond Insurance Assoc.
ETM	Escrowed to Maturity	RB	Revenue Bond
FGIC	Financial Guaranty Insurance Co.	ST	Special Tax
FSA	Financial Security Assurance	XLCA	XL Capital Assurance

See Notes to Financial Statements.

PORTFOLIO OF INVESTMENTS
APRIL 30, 2006

BlackRock Florida Investment Quality Municipal Trust (RFA)

Rating[1]	Principal Amount (000)	Description	Option Call Provisions[2]	Value
		LONG-TERM INVESTMENTS 103.1%		
		Florida 90.1%		
AAA	$ 170[3]	Boynton Beach, Util. Sys. RB, 6.25%, 11/01/20, FGIC	ETM	$ 198,722
AAA	1,000[4]	Brevard Cnty. Sch. Brd. COP, Ser. B, 5.50%, 7/01/06, AMBAC	N/A	1,022,990
Baa2	1,000[4]	Capital Trust Agcy. Multi-Fam. RB, American Oppty. Proj., Ser. A, 5.875%, 6/01/38	N/A	951,080
AAA	1,000[4]	Dade Cnty. RB, Ser. B,, Zero Coupon, 10/01/08, AMBAC	N/A	656,520
AAA	1,000[4]	First Florida Govtl. Fin. Com. RB, 5.75%, 7/01/06, AMBAC	N/A	1,013,440
NR	740	Live Oak Cmnty. Dev. Dist. No. 2 SA, Ser. A, 5.85%, 5/01/35	05/12 @ 101	745,750
NR	285	Madison Cnty. RB, First Mtg. Twin Oaks Proj., Ser. A, 6.00%, 7/01/25	07/15 @ 100	290,828
BB+	500	Miami Beach Hlth. Facs. Auth. RB, Mt. Sinai Med. Ctr. Proj., 6.75%, 11/15/21	11/14 @ 100	557,810
AAA	5,000	Miami Dade Cnty. RB, Spec. Oblig., Ser. B, Zero Coupon, 10/01/31, MBIA	04/08 @ 28.079	1,256,500
A+	750	Miami Hlth. Facs. Auth. RB, Catholic Hlth. East, Ser. C, 5.125%, 11/15/24	11/13 @ 100	769,538
		Orange Cnty. Hlth. Facs. Auth. RB,		
NR	105	Hlth. Care Orlando Lutheran Proj., 5.375%, 7/01/20	07/15 @ 100	102,550
NR	95	Hlth. Care Orlando Lutheran Proj., 5.70%, 7/01/26	07/15 @ 100	94,315
AAA	1,000	Palm Beach Cnty. Wtr. & Swr. RB, Ser. A, 5.00%, 10/01/36	10/16 @ 100	1,036,110
AA-	1,000[4]	Pinellas Cnty. Hlth. Fac. Auth. RB, Baycare Hlth. Sys. Proj., 5.50%, 5/15/13	N/A	1,091,800
NR	660	Stevens Plantation Impvt. Proj. RB, 6.375%, 5/01/13	No Opt. Call	673,259
NR	1,000	Sumter Landing Cmnty. Dev. Dist. SA, 6.95%, 5/01/33	05/06 @ 100	1,000,000
AAA	1,000[4,5]	Sunrise Util. Sys. RB, Ser. A, 5.75%, 10/01/06, AMBAC	N/A	1,018,700
AAA	750	Vlg. Ctr. Cmnty. Dev. Dist. RB, Ser. A, 5.00%, 11/01/32, MBIA	11/13 @ 101	766,665
BBB+	1,000[4]	Volusia Cnty. Edl. Fac. Auth. RB, 6.125%, 10/15/06	N/A	1,030,580
				14,277,157
		Puerto Rico 13.0%		
AAA	85	Hwy. & Trans. Auth. RB, Ser. L, 5.25%, 7/01/38, AMBAC	No Opt. Call	94,223
Aaa	745[4]	Pub. Fin. Corp. RB, Ser. E, 5.50%, 2/01/12	N/A	808,563
BBB	500	Pub. Impvt. GO, Ser. A, 5.00%, 7/01/34	07/14 @ 100	504,300
BBB-	650	Puerto Rico Indl. Tourist Edl. RB, Ana G. Mendez Univ. Sys. Proj., 5.00%, 3/01/26	03/16 @ 100	652,464
				2,059,550
		Total Long-Term Investments (cost $15,779,692)		16,336,707
		SHORT-TERM INVESTMENTS 46.3%		
		Florida 34.6%		
A-1+	1,300[6]	Highlands Cnty. Hlth. Facs. Auth. RB, Adventist Hlth. Sys. Proj., Ser. B, 3.80%, 5/04/06, FGIC, FRWD	N/A	1,300,000
A-1	500[6]	Jacksonville PCRB, Pwr. & Lt. Co. Proj., 3.80%, 5/01/06, FRDD	N/A	500,000
VMIG1	780[6]	Orange Cnty. Sch. Brd. COP, Ser. B, 3.80%, 5/01/06, AMBAC, FRDD	N/A	780,000
A-1	600[6]	Orlando & Orange Cnty. Expwy. Auth. RB, Ser. D, 3.78%, 5/04/06, FSA, FRWD	N/A	600,000
A-1+	800[6]	Palm Beach Cnty. Sch. Brd. COP, Ser. B, 3.77%, 5/04/06, AMBAC, FRWD	N/A	800,000
A-1+	700[6]	Pinellas Cnty. Hlth. Fac. Auth. RB, 3.78%, 5/01/06, AMBAC, FRDD	N/A	700,000
A-1	800[6]	Putnam Cnty. Dev. PCRB, Pwr. & Lt. Co., 3.80%, 5/01/06, FRDD	N/A	800,000

				5,480,000
		Puerto Rico 10.7%		
A-1	700[6]	Gov t. Dev. Bank RB, 3.65%, 5/03/06, MBIA, FRWD	N/A	700,000
A-1	1,000[6]	Hwy. & Transp. Auth. RB, Ser. A, 3.75%, 5/03/06, AMBAC, FRWD	N/A	1,000,000
				1,700,000

See Notes to Financial Statements.

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BlackRock Florida Investment Quality Municipal Trust (RFA) (continued)

Shares (000)	Description	Value
	Money Market Fund 1.0%	
150	AIM Tax Free Investment Co. Cash Reserve Portfolio	$ 150,000
	Total Short-Term Investments (cost $7,330,000)	7,330,000
	Total Investments 149.4% (cost $23,109,692)	$ 23,666,707
	Other assets in excess of liabilities 4.3%	680,024
	Preferred shares at redemption value, including dividends payable (53.7)%	(8,502,585)
	Net Assets Applicable to Common Shareholders 100%	$ 15,844,146

1 Using the higher of S&P s, Moody s or Fitch s rating.
2 Date (month/year) and price of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates.
3 Security is collateralized by Municipal or U.S. Treasury obligations.
4 This bond is prefunded. U.S. government securities, held in escrow, are used to pay interest on this security, as well as retire the bond in full at the date indicated, typically at a premium to par.
5 Security pledged as collateral.
6 For purposes of amortized cost valuation, the maturity date of this instrument is considered to be the earlier of the next date on which the security can be redeemed at par, or the next date on which the rate of interest is adjusted. Rate shown is rate as of April 30, 2006.
7 Cost for Federal income tax purposes is $23,100,159. The net unrealized appreciation on a tax basis is $566,548, consisting of $623,232 gross unrealized appreciation and $56,684 gross unrealized depreciation.

KEY TO ABBREVIATIONS

AMBAC	American Municipal Bond Assurance Corp.	FSA	Financial Security Assurance
COP	Certificate of Participation	GO	General Obligation
ETM	Escrowed to Maturity	MBIA	Municipal Bond Insurance Assoc.
FGIC	Financial Guaranty Insurance Co.	PCRB	Pollution Control Revenue Bond
FRDD	Floating Rate Daily Demand	RB	Revenue Bond
FRWD	Floating Rate Weekly Demand	SA	Special Assessment

See Notes to Financial Statements.

PORTFOLIO OF INVESTMENTS (unaudited)
APRIL 30, 2006

BlackRock Florida Municipal Income Trust (BBF)

Rating[1]	Principal Amount (000)	Description	Option Call Provisions[2]	Value
		LONG-TERM INVESTMENTS 150.3%		
		Florida 129.8%		
AA	$ 7,715	Beacon Tradeport Cmnty. Dev. Dist. RB, Ser. A, 5.625%, 5/01/32, RAA	05/12 @ 102	$ 8,322,865
A	2,000	Boynton Beach Multi.-Fam. Hsg. RB, Clipper Cove Apts. Proj., 5.45%, 1/01/33, ACA	01/13 @ 100	2,036,700
		Brd. of Ed. GO,		
AAA	5,550[3]	Ser. A, 5.125%, 6/01/10	N/A	5,894,433
AAA	1,000[4]	Ser. J, 5.00%, 6/01/24, AMBAC	06/13 @ 101	1,036,940
AAA	2,800	Cap. Projs. Fin. Auth. Student Hsg. RB, Cap. Projs. Loan Prog., Ser. F-1, 5.00%, 10/01/31, MBIA	08/11 @ 102	2,824,024
Baa2	1,000[3]	Capital Trust Agcy. Multi-Fam. RB, American Oppty. Proj., Ser. A, 5.875%, 6/01/38	N/A	951,080
AAA	799	Escambia Cnty. Hlth. Facs. Auth. RB, 5.95%, 7/01/20, AMBAC	No Opt. Call	858,624
NR	1,475	Gateway Svcs. Cmnty. Dev. Dist. SA, Stoneybrook Proj., 5.50%, 7/01/08	No Opt. Call	1,479,425
NR	1,665	Heritage Harbour So. Cmnty. Cap. Impvt. SA, Ser. A, 6.50%, 5/01/34	05/13 @ 101	1,744,321
A+	6,500[3]	Highlands Cnty. Hlth. Facs. Auth. RB, Hosp. Adventist/Sunbelt Proj., Ser. A, 6.00%, 11/15/11	N/A	7,249,905
BBB+	1,450	Hillsborough Cnty. Ind. Dev. Auth. PCRB, Tampa Elec. Co. Proj., 5.50%, 10/01/23	10/12 @ 100	1,501,330
AA	7,500	Jacksonville Econ. Dev. Comm. Hlth. Facs. RB, Mayo Clinic Proj., Ser. B, 5.50%, 11/15/36	11/11 @ 101	7,979,100
AAA	4,000	Jacksonville Transp. RB, 5.00%, 10/01/26, MBIA	10/11 @ 100	4,114,280
		JEA RB,		
Aa2	5,000[3]	Elec. Sys., Ser. A, 5.50%, 10/01/07	N/A	5,129,400
AA	7,500[3]	Wtr. & Swr. Sys., Ser. C, 5.25%, 10/01/06	N/A	7,551,150
NR[5]	1,625	Laguna Lakes Cmnty. RB, Ser. A, 6.40%, 5/01/33	05/13 @ 101	1,689,984
NR	1,795	Madison Cnty. RB, First Mtg. Twin Oaks Proj., Ser. A, 6.00%, 7/01/25	07/15 @ 100	1,831,708
AAA	2,770[6]	Melbourne Wtr. & Swr. RB, Zero Coupon, 10/01/21, FGIC	ETM	1,370,208
BB+	3,000	Miami Beach Hlth. Facs. Auth. RB, Mt. Sinai Med. Ctr. Proj., 6.75%, 11/15/21	11/14 @ 100	3,346,860
AAA	1,000	Miami Dade Cnty., Expwy. Auth. Toll Sys. RB, 5.125%, 7/01/25, FGIC	07/11 @ 101	1,043,630
		Miami Dade Cnty., Spec. Oblig. RB,		
AAA	2,595	Ser. A, Zero Coupon, 10/01/19, MBIA	04/08 @ 55.413	1,299,368
AAA	9,700	Ser. B, Zero Coupon, 10/01/33, MBIA	04/08 @ 25.056	2,170,569
AAA	25,000	Ser. C, Zero Coupon, 10/01/28, MBIA	04/08 @ 32.99	7,334,500
		No. Palm Beach Cnty. Impvt. Dist. RB, Wtr. Ctrl. & Impvt. Unit Dev. 43 Proj.,		
NR	1,575	6.10%, 8/01/21	08/11 @ 101	1,626,156
NR	3,500	6.125%, 8/01/31	08/11 @ 101	3,599,610
		Orange Cnty. Hlth. Facs. Auth. RB,		
NR	655	Hlth. Care Orlando Lutheran Proj., 5.375%, 7/01/20	07/15 @ 100	639,719
NR	600	Hlth. Care Orlando Lutheran Proj., 5.70%, 7/01/26	07/15 @ 100	595,674
		Palm Beach Cnty.,		
AAA	2,500	Sch. Brd. COP, Ser. B, 5.00%, 8/01/25, AMBAC	08/11 @ 101	2,586,475
AAA	3,600	Wtr. & Swr. RB, Ser. A, 5.00%, 10/01/31	10/16 @ 100	3,742,092
AAA	3,000	Wtr. & Swr. RB, Ser. A, 5.00%, 10/01/36	10/16 @ 100	3,108,330
AA-	12,000	So. Miami Hlth. Facs. Auth. RB, Baptist Hlth. Proj., 5.25%, 11/15/33	02/13 @ 100	12,307,080
AAA	1,500	St. Petersburg Pub. Util. RB, Ser. A, 5.00%, 10/01/28, FSA	10/09 @ 101	1,535,670
NR	2,780	Sumter Cnty. Indl. Dev. Auth. RB, No. Sumter Util. Co. LLC Proj., 6.80%, 10/01/32	10/09 @ 100	2,888,476
NR	2,000	Sumter Landing Cmnty. Dev. Dist. SA, 6.95%, 5/01/33	05/06 @ 100	2,000,000
AA	5,500	Tampa RB, Univ. of Tampa Proj., 5.625%, 4/01/32, RAA	04/12 @ 100	5,873,615
AA	4,000	Tampa Wtr. & Swr. RB, Ser. A, 5.00%, 10/01/26	10/11 @ 101	4,112,400

		Vlg. Cmnty. Dev. Dist. Assmt., No. 5, SA,		
NR	3,480	Ser. A, 6.00%, 5/01/22	05/13 @ 101	3,614,571
NR[4]	1,610	Ser. A, 6.50%, 5/01/33	05/13 @ 101	1,709,739
AAA	3,295	Vlg. Ctr. Cmnty. Dev. Dist. RB, Ser. A, 5.00%, 11/01/32, MBIA	11/13 @ 101	3,368,215
BBB+	2,000	Volusia Cnty. Edl. Fac. Auth. RB, Embry Riddle Aero. Univ. Proj.,		
		Ser. A, 5.75%, 10/15/29	10/09 @ 101	2,067,980
				134,136,206
		Puerto Rico 20.5%		
BBB	6,000	Children s Trust Fund Tobacco Settlement RB, 5.625%, 5/15/43	05/12 @ 100	6,163,620
		Pub. Fin. Corp. RB,		
Aaa	4,000[3]	Ser. E, 5.70%, 2/01/10	N/A	4,277,080
Aaa	3,000[3]	Ser. E, 5.75%, 2/01/07	N/A	3,046,770
		Pub. Impvt. GO,		
AAA	2,520[3]	Ser. A, 5.125%, 7/01/11	N/A	2,689,621
BBB	4,980	Ser. A, 5.125%, 7/01/31	07/11 @ 100	5,055,149
				21,232,240
		Total Long-Term Investments (cost $148,497,537)		155,368,446

See Notes to Financial Statements.

BlackRock Florida Municipal Income Trust (BBF) (continued)

Shares (000)	Description		Value
	MONEY MARKET FUND 2.6%		
2,650	AIM Tax Free Investment Co. Cash Reserve Portfolio (cost $2,650,000)	$	2,650,000
	Total Investments 152.9% (cost $151,147,537[7])	$	158,018,446
	Other assets in excess of liabilities 2.8%		2,921,613
	Preferred shares at redemption value, including dividends payable (55.7)%		(57,578,381)
	Net Assets Applicable to Common Shareholders 100%	$	103,361,678

1 Using the higher of S&P s, Moody s or Fitch s rating.
2 Date (month/year) and price of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates.
3 This bond is prefunded. U.S. government securities, held in escrow, are used to pay interest on this security, as well as retire the bond in full at the date indicated, typically at a premium to par.
4 Security pledged as collateral.
5 Security is deemed to be of investment grade quality by the investment advisor.
6 Security is collateralized by Municipal or U.S. Treasury obligations.
7 Cost for Federal income tax purposes is $151,147,385. The net unrealized appreciation on a tax basis is $6,871,061, consisting of $6,974,711 gross unrealized appreciation and $103,650 gross unrealized depreciation.

KEY TO ABBREVIATIONS

ACA	American Capital Access	MBIA	Municipal Bond Insurance Assoc.
AMBAC	American Municipal Bond Assurance Corp.	PCRB	Pollution Control Revenue Bond
COP	Certificate of Participation	RAA	Radian Asset Assurance
ETM	Escrowed to Maturity	RB	Revenue Bond
FGIC	Financial Guaranty Insurance Co.	SA	Special Assessment
FSA	Financial Security Assurance	SO	Special Obligation
GO	General Obligation	ST	Special Tax

See Notes to Financial Statements.

PORTFOLIO OF INVESTMENTS (unaudited)
APRIL 30, 2006

BlackRock New Jersey Investment Quality Municipal Trust (RNJ)

Rating[1]	Principal Amount (000)	Description	Option Call Provisions[2]	Value
		LONG-TERM INVESTMENTS 107.8%		
		Multi-State 7.4%		
A3	$ 1,000[3]	Charter Mac Equity Issuer Trust, Ser. A, 6.625%, 6/30/49	06/09 @ 100	$ 1,062,140
		New Jersey 88.6%		
AAA	1,000	Delaware River Port. Auth. of PA & NJ RB, 5.75%, 1/01/26, FSA	01/10 @ 100	1,063,540
		Econ. Dev. Auth. RB,		
BBB	1,000	Cigarette Tax, 5.75%, 6/15/34	06/14 @ 100	1,053,680
B	925	Continental Airlines, Inc. Proj., 7.00%, 11/15/30	11/10 @ 101	923,492
NR	60	First Mtg. Lions Gate Proj., Ser. A, 5.75%, 1/01/25	01/13 @ 102	61,116
NR	110	First Mtg. Lions Gate Proj., Ser. A, 5.875%, 1/01/37	01/13 @ 102	112,049
BBB	500	Sld. Wst., Disp. Wst. Mgmt. Proj., Ser. A, 5.30%, 6/01/15	No Opt. Call	522,345
AAA	900	Transp. Proj., Ser. A, 5.75%, 5/01/10, FSA	No Opt. Call	963,783
AAA	1,000[4]	Edl. Fac. Auth. RB, Rowan Coll., Ser. E, 5.875%, 7/01/06, AMBAC	N/A	1,013,640
		Hlth. Care Fac. Fin. Auth. RB,		
A	1,000	Hackensack Univ. Med. Ctr., 6.00%, 1/01/25	01/10 @ 101	1,058,540
AAA	1,000	St. Joseph s Hosp. & Med. Ctr., 5.75%, 7/01/16, CONNIE LEE	07/06 @ 102	1,022,900
		Middlesex Cnty. Impvt. Auth. RB,		
NR	750	Heldrich Ctr. Hotel Proj., Ser. B, 6.25%, 1/01/37	01/15 @ 100	760,065
Baa1	1,000	Student Hsg. Proj., Ser. A, 5.00%, 8/15/35	08/14 @ 100	998,770
AAA	1,000	Passaic Valley Sewage Com., Swr. Sys. GO, Ser. E, 5.75%, 12/01/21, AMBAC	12/09 @ 101	1,073,710
BBB	1,000	Tobacco Settlement Fin. Corp. RB, 6.125%, 6/01/42	06/12 @ 100	1,049,560
		Tpke. Auth. RB,		
AAA	840[5]	Ser. C, 6.50%, 1/01/16, AMBAC	ETM	968,587
AAA	160	Ser. C, 6.50%, 1/01/16, AMBAC	No Opt. Call	184,048
				12,829,825
		Puerto Rico 11.8%		
AAA	80	Hwy. & Trans. Auth. RB, Ser. L, 5.25%, 7/01/38, AMBAC	No Opt. Call	88,681
BBB-	600	Indl. Tourist Edl. RB, Ana G. Mendez Univ. Sys. Proj., 5.00%, 3/01/26	03/16 @ 100	602,274
AAA	1,000[4,6]	Puerto Rico GO, 5.40%, 7/01/06, FSA	N/A	1,017,860
				1,708,815
		Total Long-Term Investments (cost $14,733,417)		15,600,780

See Notes to Financial Statements.

BlackRock New Jersey Investment Quality Municipal Trust (RNJ) (continued)

Rating[1]	Principal Amount (000)	Description	Value
		SHORT-TERM INVESTMENTS 39.6%	
		New Jersey 30.0%	
VMIG1	$ 700[7]	Econ. Dev. Auth. RB, Lawrence Sch. Proj., Ser. B, 3.25%, 5/01/06, FRDD	$ 700,000
A-1+	285[7]	Edl. Fac. Auth. RB, Princeton Univ. Proj., Ser. B, 3.43%, 5/01/06, FRDD	285,000
VMIG1	200[7]	Essex Cnty. Impvt. Auth. RB, Aces Pooled Gov t. Loan Prog., 3.78%, 5/03/06, FRWD	200,000
A-1+	500[7]	Gloucester Cnty. Ind. PCRB, ExxonMobil Proj., 3.28%, 5/01/06, FRDD	500,000
A-1+	700[7]	Mercer Cnty. Impvt. Auth. RB, Atlantic Fndtn. & Johnson, 3.75%, 5/04/06, MBIA, FRWD	700,000
A-1+	700[7]	New Jersey St. Edl. Facs Auth. RB, Princeton Univ., Ser. F, 3.59%, 5/01/06, FRDD	700,000
A-1+	555[7]	Sports & Expo. Auth. RB, Ser. B-2, 3.76%, 5/03/06, MBIA, FRWD	555,000
A-1+	700[7]	Union Cnty. Indl. PCRB Auth., Exxon Proj., 3.59%, 5/01/06, FRDD	700,000
			4,340,000
		Puerto Rico 9.6%	
A-1	700[7]	Gov t. Dev. Bank RB, 3.65%, 5/03/06, MBIA, FRWD	700,000
A-1	700[7]	Hwy. & Transp. Auth. RB, Ser. A, 3.75%, 5/03/06, AMBAC, FRWD	700,000
			1,400,000
		Total Short-Term Investments (cost $5,740,000)	5,740,000
		Total Investments 147.4% (cost $20,473,419[8])	$ 21,340,780
		Other assets in excess of liabilities 4.4%	638,921
		Preferred shares at redemption value, including dividends payable (51.8)%	(7,503,287)
		Net Assets Applicable to Common Shareholders 100%	$ 14,476,414

1 Using the higher of S&P s, Moody s or Fitch s rating.
2 Date (month/year) and price of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates.
3 Security is not registered under the Securities Act of 1933. These securities may be resold in transactions in accordance with Rule 144A under that Act, to qualified institutional buyers. As of April 30, 2006, the Trust held 7.3% of its net assets, with a current market value of $1,062,140, in securities restricted as to resale.
4 This bond is prerefunded. U.S. government securities, held in escrow, are used to pay interest on this security, as well as retire the bond in full at the date indicated, typically at a premium to par.
5 Security is collateralized by Municipal or U.S. Treasury obligations.
6 Security pledged as collateral.
7 For purposes of amortized cost valuation, the maturity date of this instrument is considered to be the earlier of the next date on which the security can be redeemed at par, or the next date on which the rate of interest is adjusted. Rate shown is rate as of April 30, 2006.
8 Cost for Federal income tax purposes is $20,462,743. The net unrealized appreciation on a tax basis is $878,037, consisting of $882,064 gross unrealized appreciation and $4,027 gross unrealized depreciation.

KEY TO ABBREVIATIONS

AMBAC	American Municipal Bond Assurance Corp.	GO	General Obligation
CONNIE LEE	College Construction Loan Insurance Assoc.	MBIA	Municipal Bond Insurance Assoc.
ETM	Escrowed to Maturity	PCRB	Pollution Control Revenue Bond
FRDD	Floating Rate Daily Demand	RB	Revenue Bond
FRWD	Floating Rate Weekly Demand	ST	Special Tax
FSA	Financial Security Assurance		

See Notes to Financial Statements.

PORTFOLIO OF INVESTMENTS (unaudited)
APRIL 30, 2006

BlackRock New Jersey Municipal Income Trust (BNJ)

Rating[1]	Principal Amount (000)	Description	Option Call Provisions[2]	Value
		LONG-TERM INVESTMENTS 149.3%		
		Multi-State 12.8%		
		Charter Mac Equity Issuer Trust,		
A3	$ 7,000[3]	Ser. A-2, 6.30%, 6/30/49	06/09 @ 100	$ 7,368,690
Baa1	2,500[3]	Ser. B-1, 6.80%, 11/30/50	11/10 @ 100	2,666,100
		MuniMae TE Bond Subsidiary, LLC,		
A3	3,000[3]	Ser. A-1, 6.30%, 6/30/49	06/09 @ 100	3,158,010
Baa1	2,000[3]	Ser. B-1, 6.80%, 6/30/50	11/10 @ 100	2,146,640
				15,339,440
		New Jersey 103.4%		
A+	8,340[4]	Cherry Hill Twnshp., GO, 5.00%, 7/15/11	N/A	8,795,698
		Econ. Dev. Auth. RB,		
BBB	5,000	Cigarette Tax, 5.75%, 6/15/34	06/14 @ 100	5,268,400
B	3,450	Continental Airlines, Inc. Proj., 7.00%, 11/15/30	11/10 @ 101	3,444,377
NR	500	First Mtg. Lions Gate Proj., Ser. A, 5.75%, 1/01/25	01/13 @ 102	509,300
NR	855	First Mtg. Lions Gate Proj., Ser. A, 5.875%, 1/01/37	01/13 @ 102	870,929
BBB	2,000	Sld. Wst., Disp. Wst. Mgmt. Proj., Ser. A, 5.30%, 6/01/15	No Opt. Call	2,089,380
		Econ. Dev. Auth.,		
B	2,000	RB Continental Airlines, Inc. Proj., 7.20%, 11/15/30	11/10 @ 101	2,014,840
BBB-	2,630	RB First Mtg. Fellowship Vlg. Proj., Ser. C., 5.50%, 1/01/18	01/09 @ 102	2,653,354
BBB-	4,050	RB First Mtg. Winchester Proj., Ser. A, 5.75%, 11/01/24	11/14 @ 100	4,317,341
Baa3	5,000	RB Kapkowski Rd. Landfill Proj., 6.50%, 4/01/31	No Opt. Call	5,717,450
A+	2,000	RB Masonic Charity Fndtn. Proj., 5.50%, 6/01/31	06/11 @ 102	2,127,360
Aaa	1,930	RB Victoria Hlth. Proj., Ser. A, 5.20%, 12/20/36	12/11 @ 103	2,034,104
Baa3	2,500	SA Kapkowski Rd. Landfill Proj., 6.50%, 4/01/28	No Opt. Call	2,940,025
		Edl. Facs. Auth. RB,		
BBB-	1,000	Fairleigh Dickinson Univ. Proj., Ser. C, 5.50%, 7/01/23	07/14 @ 100	1,059,490
BBB-	2,000	Fairleigh Dickinson Univ. Proj., Ser. C, 6.00%, 7/01/20	07/14 @ 100	2,193,580
BBB-	3,000	Fairleigh Dickinson Univ. Proj., Ser. D, 6.00%, 7/01/25	07/13 @ 100	3,246,060
BBB+	2,120	Georgian Court Coll. Proj., Ser. C, 6.50%, 7/01/33	07/13 @ 100	2,336,049
AAA	12,600	Garden St. Presvtn. Trust RB, Open Space & Farmland Presvtn. Proj., Ser. B, Zero Coupon, 11/01/26, FSA	No Opt. Call	4,728,402
		Hlth. Care Fac. Fin. Auth. RB,		
A	4,500	Atlantic City Med. Ctr. Proj., 5.75%, 7/01/25	07/12 @ 100	4,715,595
A+	3,000	Catholic Hlth. East. Proj., Ser. A, 5.375%, 11/15/33	11/12 @ 100	3,109,320
A2	10,000[5]	Kennedy Hlth. Sys. Proj., 5.625%, 7/01/31	07/11 @ 100	10,465,500
Baa1	1,960	So. Jersey Hosp. Proj., 6.00%, 7/01/26	07/12 @ 100	2,054,217
Baa1	5,500	So. Jersey Hosp. Proj., 6.00%, 7/01/32	07/12 @ 100	5,761,415
BBB+	1,540	So. Ocean Cnty. Hosp. Proj., Ser. A, 6.25%, 7/01/23	05/06 @ 100	1,543,865
		Middlesex Cnty. Impvt. Auth. RB,		
AAA	1,400	Admin. Bldg. Res. Proj., 5.35%, 7/01/34	07/11 @ 100	1,457,442
NR	5,000	Heldrich Ctr. Hotel Proj., Ser. B, 6.25%, 1/01/37	01/15 @ 100	5,067,100
AAA	4,470	New Brunswick Apts. Rental Hsg. Proj., 5.30%, 8/01/35	08/12 @ 100	4,548,001
BBB-	2,500	Middlesex Cnty. Poll. Ctrl. Auth. RB, Amerada Hess, 6.05%, 9/15/34	09/14 @ 100	2,696,825
Aaa	1,930	Newark Hlth. Care Fac. RB, New Cmty. Urban Renewal Proj., Ser. A, 5.20%, 6/01/30	06/12 @ 102	2,032,599
BBB	13,000	Tobacco Settlement Fin. Corp. RB, 6.125%, 6/01/42	06/12 @ 100	13,644,280
		Trenton Pkg. Auth. RB,		
AAA	5,465	5.00%, 4/01/25, FGIC	04/11 @ 100	5,634,961
AAA	1,500	5.00%, 4/01/30, FGIC	04/11 @ 100	1,537,305
		Vineland, GO,		
AAA	1,500	5.30%, 5/15/30, MBIA	05/10 @ 101	1,561,710
AAA	1,500	5.375%, 5/15/31, MBIA	05/10 @ 101	1,565,370

				123,741,644
		New York 7.0%		
AAA	8,000	Port Auth. of NY & NJ RB, Spec. Oblig. JFK Intl. Air Terminal, 5.75%, 12/01/22, MBIA	12/07 @ 102	8,367,040

See Notes to Financial Statements.

BlackRock New Jersey Municipal Income Trust (BNJ) (continued)

Rating[1]	Principal Amount (000)	Description	Option Call Provisions[2]	Value
		Puerto Rico 26.1%		
		Hsg. Fin. Corp., Home Mtg. RB,		
AAA	$ 2,595	Ser. A, 5.20%, 12/01/33	06/11 @ 100	$ 2,623,234
AAA	2,595	Ser. B, 5.30%, 12/01/28	06/11 @ 100	2,616,694
AAA	3,500[4]	Hwy. & Transp. Auth. RB, Ser. D, 5.25%, 7/01/12	N/A	3,780,245
		Pub. Bldgs. Auth. RB,		
A-	4,765[4]	Gov t. Facs., Ser. D, 5.25%, 7/01/12	N/A	5,119,421
BBB	1,735	Gov t. Facs., Ser. D, 5.25%, 7/01/36	07/12 @ 100	1,790,104
AAA	5,000	Ser. D, Zero Coupon, 7/01/12	07/17 @ 100	3,879,700
		Pub. Fin. Corp. RB,		
Aaa	4,000[4]	Ser. E, 5.70%, 2/01/10	N/A	4,277,080
Aaa	7,040[4]	Ser. E, 5.75%, 2/01/07	N/A	7,149,754
				31,236,232
		Total Long-Term Investments (cost $168,192,259)		178,684,356
	Shares (000)			
		MONEY MARKET FUND 1.1%		
NR	1,400	AIM Tax Free Investment Co. Cash Reserve Portfolio (cost $1,400,000)	N/A	1,400,000
		Total Investments 150.4% (cost $169,592,259[6])		$ 180,084,356
		Other assets in excess of liabilities 2.9%		3,437,275
		Preferred shares at redemption value, including dividends payable (53.3)%		(63,817,620)
		Net Assets Applicable to Common Shareholders 100%		$ 119,704,011

1 Using the higher of S&P s, Moody s or Fitch s rating.
2 Date (month/year) and price of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates.
3 Security is not registered under the Securities Act of 1933. These securities may be resold in transactions in accordance with Rule 144A under that Act, to qualified institutional buyers. As of April 30, 2006, the Trust held 12.8% of its net assets, with a current market value of $15,339,440, in securities restricted as to resale.
4 This bond is prerefunded. U.S. government securities, held in escrow, are used to pay interest on this security, as well as retire the bond in full at the date indicated, typically at a premium to par.
5 Pledged as collateral.
6 Cost for Federal income tax purposes is $169,549,403. The net unrealized appreciation on a tax basis is $10,534,953, consisting of $10,534,953 gross unrealized appreciation and $0 gross unrealized depreciation.

KEY TO ABBREVIATIONS

AMBAC	American Municipal Bond Assurance Corp.	MBIA	Municipal Bond Insurance Assoc.
FGIC	Financial Guaranty Insurance Co.	RB	Revenue Bond
FSA	Financial Security Assurance	SA	Special Assessment
GO	General Obligation	ST	Special Tax

See Notes to Financial Statements.

PORTFOLIO OF INVESTMENTS (unaudited)
APRIL 30, 2006

BlackRock New York Investment Quality Municipal Trust (RNY)

Rating[1]	Principal Amount (000)	Description	Option Call Provisions[2]	Value
		LONG-TERM INVESTMENTS 145.6%		
		New York 133.0%		
		Albany Indl. Dev. Agcy. RB, New Covenant Charter Sch. Proj.,		
NR	$ 95	Ser. A, 7.00%, 5/01/25	05/15 @ 102	$ 90,453
NR	60	Ser. A, 7.00%, 5/01/35	05/15 @ 102	55,922
AAA	1,000	Albany Mun. Wtr. Fin. Auth., Second Resolution RB, Ser. B, 5.00%, 12/01/33, MBIA	06/08 @ 100	1,010,760
AAA	1,000	Convention Ctr. Dev. Hotel Unit Fee Secured RB, 5.00%, 11/15/44, AMBAC	11/15 @ 100	1,026,690
		Dorm. Auth. RB,		
AAA	750	Hosp. Lutheran Med. Proj., 5.00%, 8/01/31, MBIA	02/13 @ 100	769,358
Aa3	1,000	Kateri Residence Proj., 5.00%, 7/01/22	07/13 @ 100	1,021,050
BB+	1,000	Mount Sinai Hlth. Proj., Ser. A, 6.50%, 7/01/25	07/10 @ 101	1,066,180
AAA	1,005	St. Univ. Edl. Fac., 5.25%, 5/15/15, AMBAC	No Opt. Call	1,082,797
A+	1,000[3]	Univ. of Rochester Proj., Ser. B, 5.625%, 7/01/09	N/A	1,065,780
AA-	925	Liberty Dev. Corp. RB, 5.25%, 10/01/35	No Opt. Call	997,844
AA-	2,100	Madison Cnty. Indl. Dev. Agcy., Civic Fac. RB, Colgate Univ. Proj., Ser. B, 5.00%, 7/01/23	07/13 @ 100	2,183,097
AAA	1,000[3]	Nassau Cnty., GO, Ser. U, 5.25%, 11/01/06, AMBAC	N/A	1,027,910
AA	1,000	New York City Hsg. Dev. Corp. Multi.-Fam. Hsg. RB, Ser. A, 5.25%, 5/01/30	05/14 @ 100	1,031,590
		New York City Indl. Dev. Agcy. RB,		
B-	300	American Airlines, JFK Intl. Arpt., 7.75%, 8/01/31	08/16 @ 101	328,731
B-	950	American Airlines, JFK Intl. Arpt. Proj., 7.625%, 8/01/25	08/16 @ 101	1,040,962
BBB-	500	Liberty Interactive Corp. Proj., 5.00%, 9/01/35	09/15 @ 100	488,170
		New York City Mun. Wtr. Fin. Auth., Wtr. & Swr. Sys. RB,		
AAA	1,000	Ser. B, 5.00%, 6/15/36, FSA	12/14 @ 100	1,032,450
AA+	1,000	Ser. C, 5.125%, 6/15/33	06/11 @ 101	1,035,750
AAA	2,000[3,4]	New York City Transl. Fin. Auth. RB, Ser. B, 6.00%, 5/15/10	N/A	2,192,040
		New York City, GO,		
A+	990[3]	Ser. A, 6.00%, 5/15/10	N/A	1,083,109
A+	10	Ser. A, 6.00%, 5/15/30	05/10 @ 101	10,773
AAA	1,000[3]	New York Urban Dev. Corp. RB, Correctional Facs., 5.70%, 1/01/07, MBIA	N/A	1,033,080
AA	1,000	New York, GO, Ser. B, 5.70%, 8/15/12	05/06 @ 101	1,011,120
Caa2	1,000	Port Auth. of NY & NJ RB Contl./Eastn. LaGuardia Proj., 9.125%, 12/01/15	05/06 @ 100	1,002,470
AAA	2,000	Sales Tax Asset Receivable Corp. RB, Ser. A, 5.00%, 10/15/32, AMBAC	10/14 @ 100	2,072,440
		Triborough Brdg. & Tunl. Auth., New York RB, Refdg.,		
AAA	845[3]	Ser. A, 5.00%, 1/01/12, MBIA	N/A	897,052
AAA	155	Ser. A, 5.00%, 1/01/32, MBIA	01/12 @ 100	159,294
				25,816,872
		Puerto Rico 12.6%		
BBB	500	Children s Trust Fund Tobacco Settlement RB, 5.625%, 5/15/43	05/12 @ 100	513,635
Aaa	745[3]	Pub. Fin. Corp. RB, Ser. E, 5.50%, 2/01/12	N/A	808,563
BBB	315	Pub. Impvt. GO, Ser. A, 5.00%, 7/01/34	07/14 @ 100	317,709
BBB-	800	Puerto Rico Indl. Tourist Edl. RB, Ana G. Mendez Univ. Sys. Proj., 5.00%, 3/01/26	03/16 @ 100	803,032
				2,442,939
		Total Long-Term Investments (cost $27,049,219)		28,259,811

See Notes to Financial Statements.

BlackRock New York Investment Quality Municipal Trust (RNY) (continued)

Rating[1]	Principal Amount (000)	Description	Value
		SHORT-TERM INVESTMENT 1.0%	
		New York 1.0%	
A-1+	$ 200[5]	Triborough Brdg. & Tunl. Auth. RB, 3.79%, 5/04/06, FRWD (cost $200,000)	$ 200,000
		Total Investments 146.6% (cost $27,249,220[6])	$ 28,459,811
		Other assets in excess of liabilities 3.9%	749,980
		Preferred shares at redemption value, including dividends payable (50.5)%	(9,806,578)
		Net Assets Applicable to Common Shareholders 100%	$ 19,403,213

1 Using the higher of S&P s, Moody s or Fitch s rating.
2 Date (month/year) and price of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates.
3 This bond is prerefunded. U.S. government securities, held in escrow, are used to pay interest on this security, as well as retire the bond in full at the date indicated, typically at a premium to par.
4 Security pledged as collateral.
5 For purposes of amortized cost valuation, the maturity date of this instrument is considered to be the earlier of the next date on which the security can be redeemed at par, or the next date on which the rate of interest is adjusted. Rate shown is rate as of April 30, 2006.
6 Cost for Federal income tax purposes is $27,243,617. The net unrealized appreciation on a tax basis is $1,216,194, consisting of $1,256,855 gross unrealized appreciation and $40,661 gross unrealized depreciation.

KEY TO ABBREVIATIONS

AMBAC	American Municipal Bond Assurance Corp.	GO	General Obligation
FRWD	Floating Rate Weekly Demand	MBIA	Municipal Bond Insurance Assoc.
FSA	Financial Security Assurance	RB	Revenue Bond

See Notes to Financial Statements.

PORTFOLIO OF INVESTMENTS (unaudited)
APRIL 30, 2006

BlackRock New York Municipal Income Trust (BNY)

Rating[1]	Principal Amount (000)	Description	Option Call Provisions[2]	Value
		LONG-TERM INVESTMENTS 150.6%		
		Multi-State 11.1%		
		Charter Mac Equity Issuer Trust,		
A3	$ 6,000[3]	Ser. A-2, 6.30%, 6/30/49	06/09 @ 100	$ 6,316,020
Baa1	5,500[3]	Ser. B-1, 6.80%, 11/30/50	11/10 @ 100	5,865,420
		MuniMae TE Bond Subsidiary, LLC,		
A3	6,000[3]	Ser. A-1, 6.30%, 6/30/49	06/09 @ 100	6,316,020
Baa1	3,000[3]	Ser. B-1, 6.80%, 6/30/50	11/10 @ 100	3,219,960
				21,717,420
		New York 123.1%		
		Albany Indl. Dev. Agcy. RB, New Covenant Charter Sch. Proj.,		
NR	910	Ser. A, 7.00%, 5/01/25	05/15 @ 102	866,447
NR	590	Ser. A, 7.00%, 5/01/35	05/15 @ 102	549,898
AAA	11,000	Convention Ctr. Dev. Hotel Unit Fee Secured RB, 5.00%, 11/15/44, AMBAC	11/15 @ 100	11,293,590
		Dorm. Auth. RB,		
AA-	1,765[4]	City Univ. Proj., Ser. A, 5.25%, 7/01/11	N/A	1,889,803
BB+	6,000	Mt. Sinai NYU Hlth. Proj., 5.50%, 7/01/26	07/08 @ 100	6,087,300
AAA	9,000	New Sch. Univ. Proj., 5.00%, 7/01/41, MBIA	07/11 @ 100	9,150,750
AAA	5,000	New York Univ. Proj., Ser. 2, 5.00%, 7/01/41, AMBAC	07/11 @ 100	5,083,750
A-	2,000	No. Shore Long Island Jewish Grp. Proj., 5.375%, 5/01/23	05/13 @ 100	2,085,740
A-	2,000	No. Shore Long Island Jewish Grp. Proj., 5.50%, 5/01/33	05/13 @ 100	2,095,640
AA-	13,025	Liberty Dev. Corp. RB, 5.25%, 10/01/35	No Opt. Call	14,050,719
AA-	2,000	Madison Cnty. Indl. Dev. Agcy., Civic Fac. RB, Colgate Univ. Proj., Ser. B, 5.00%, 7/01/33	07/13 @ 100	2,054,360
		Met. Transp. Auth. RB, Ded. Tax Fund,		
AA-	12,000	Ser. A, 5.00%, 11/15/30	11/12 @ 100	12,274,800
A	12,000	Ser. A, 5.125%, 11/15/31	11/12 @ 100	12,427,080
		Mtg. Agcy. RB,		
Aa1	5,950	Ser. 101, 5.40%, 4/01/32	10/11 @ 100	6,066,977
Aaa	15,500	Ser. A, 5.30%, 10/01/31	04/11 @ 100	15,773,730
		New York City Indl. Dev. Agcy. RB,		
B-	4,000	American Airlines, JFK Intl. Arpt., 7.75%, 8/01/31	08/16 @ 101	4,383,080
B-	3,200	American Airlines, JFK Intl. Arpt. Proj., 7.625%, 8/01/25	08/16 @ 101	3,506,400
BBB-	2,000	Liberty Interactive Corp. Proj., 5.00%, 9/01/35	09/15 @ 100	1,952,680
A	750	Marymount Sch. Proj., 5.125%, 9/01/21, ACA	09/11 @ 102	760,695
A	2,000	Marymount Sch. Proj., 5.25%, 9/01/31, ACA	09/11 @ 102	2,030,220
AAA	1,550	Royal Charter Presbyterian, 5.25%, 12/15/32, FSA	12/11 @ 102	1,632,352
BBB-	14,850	Spec. Arpt. Airis JFK I LLC Proj., Ser. A, 5.50%, 7/01/28	07/11 @ 100	15,152,643
		New York City Mun. Wtr. Fin. Auth. RB,		
AAA	4,000	Ser. A, 5.00%, 6/15/32, FGIC	06/11 @ 100	4,101,320
AA+	6,500	Ser. C, 5.00%, 6/15/32	06/11 @ 100	6,634,810
AA+	5,000	Ser. D, 5.00%, 6/15/39	06/15 @ 100	5,124,850
		New York City Transl. Fin. Auth. RB,		
AAA	1,140[4]	5.00%, 5/01/09	N/A	1,193,512
AAA	2,520	5.00%, 5/01/29	05/09 @ 101	2,584,814
		New York City, GO,		
AAA	3,290[4]	Ser. C, 5.375%, 3/15/12	N/A	3,563,629
A+	2,710	Ser. C, 5.375%, 3/15/28	03/12 @ 100	2,856,611
A+	7,000	Ser. D, 5.375%, 6/01/32	06/12 @ 100	7,371,700
BBB	6,700	New York Cntys. Tobacco Trust III RB, 6.00%, 6/01/43	06/13 @ 100	6,989,172
		Port Auth. of NY & NJ RB,		
AA-	5,000	Consolidated 132nd Ser, 5.00%, 9/01/38	09/13 @ 101	5,130,900

Caa2	9,250	Contl./Eastn. LaGuardia Proj., 9.125%, 12/01/15	05/06 @ 100	9,272,847
AAA	13,000[5]	Spec. Oblig. JFK Intl. Air Terminal, 5.75%, 12/01/22, MBIA	12/07 @ 102	13,596,440
BBB	2,500	Rensselaer Tobacco Asset Sec. Corp., Tobacco Settlement RB., Ser. A, 5.75%, 6/01/43	06/12 @ 100	2,546,750
BBB	5,000	Rockland Tobacco Asset Sec. Corp., Tobacco Settlement RB, 5.75%, 8/15/43	08/12 @ 100	5,093,500
AAA	7,000	Sales Tax Asset Receivable Corp. RB, Ser. A, 5.00%, 10/15/32, AMBAC	10/14 @ 100	7,253,540
A	7,000	Suffolk Cnty. Indl. Dev. Agcy. RB, Keyspan Port Jefferson Proj., 5.25%, 6/01/27	06/13 @ 100	7,157,360
		TSASC, Inc., Tobacco Settlement RB,		
AAA	5,000[4]	Ser. 1, 5.75%, 7/15/12	N/A	5,513,450
AAA	8,000[4]	Ser. 1, 6.375%, 7/15/09	N/A	8,705,760
AA	2,500	Westchester Cnty. Ind. Dev. Agcy. RB, Winward Sch. Civic Fac., 5.25%, 10/01/31, RAA	10/11 @ 100	2,575,750
AAA	2,000[4]	Westchester Tobacco Asset Sec. Corp., Tobacco Settlement RB., 6.75%, 7/15/10	N/A	2,252,280
				240,687,649

See Notes to Financial Statements.

BlackRock New York Municipal Income Trust (BNY) (continued)

Rating[1]	Principal Amount (000)	Description	Option Call Provisions[2]	Value
		Puerto Rico 16.4%		
BBB	$ 4,060	Children s Trust Fund Tobacco Settlement RB, 5.625%, 5/15/43	05/12 @ 100	$ 4,170,716
		Pub. Bldgs. Auth. RB,		
BBB	1,600	Gov t. Facs., Ser. D, 5.25%, 7/01/36	07/12 @ 100	1,650,816
A-	4,400[4]	Gov t. Facs., Ser. D, 5.25%, 7/01/12	N/A	4,727,272
		Pub. Fin. Corp. RB,		
Aaa	7,475[4]	Ser. E, 5.50%, 2/01/12	N/A	8,112,767
Aaa	7,000[4]	Ser. E, 5.70%, 2/01/10	N/A	7,484,890
Aaa	5,750[4]	Ser. E, 5.75%, 2/01/07	N/A	5,839,643
				31,986,104
		Total Long-Term Investments (cost $283,340,598)		294,391,173
		SHORT-TERM INVESTMENTS 3.2%		
		New York 1.6%		
A-1+	3,200[6]	New York St. Loc. Gov t. Assist. RB, 3.57%, 5/10/06, FSA, FRWD	N/A	3,200,000
	Shares (000)			
		Money Market Fund 1.6%		
NR	3,050	AIM Tax Free Investment Co. Cash Reserve Portfolio	N/A	3,050,000
		Total Short-Term Investments (cost $6,250,000)		6,250,000
		Total Investments 153.8% (cost $289,590,598[7])		$ 300,641,173
		Other assets in excess of liabilities 2.4%		4,626,809
		Preferred shares at redemption value, including dividends payable (56.2)%		(109,805,997)
		Net Assets Applicable to Common Shareholders 100%		$ 195,461,985

1 Using the higher of S&P s, Moody s or Fitch s rating.

2 Date (month/year) and price of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates.

3 Security is not registered under the Securities Act of 1933. These securities may be resold in transactions in accordance with Rule 144A under that Act, to qualified institutional buyers. As of April 30, 2006, the Trust held 11.1% of its net assets, with a current market value of $21,717,420, in securities restricted as to resale.

4 This bond is prerefunded. U.S. government securities, held in escrow, are used to pay interest on this security, as well as retire the bond in full at the date indicated, typically at a premium to par.

5 Security pledged as collateral.

6 For purposes of amortized cost valuation, the maturity date of this instrument is considered to be the earlier of the next date on which the security can be redeemed at par, or the next date on which the rate of interest is adjusted. Rate shown is rate as of April 30, 2006.

7 Cost for Federal income tax purposes is $289,584,752. The net unrealized appreciation on a tax basis is $11,056,421, consisting of $11,698,884 gross unrealized appreciation and $642,463 gross unrealized depreciation.

KEY TO ABBREVIATIONS

ACA	American Capital Access	GO	General Obligation
AMBAC	American Municipal Bond Assurance Corp.	MBIA	Municipal Bond Insurance Assoc.
FGIC	Financial Guaranty Insurance Co.	RAA	Radian Asset Assurance
FRWD	Floating Rate Weekly Demand	RB	Revenue Bond
FSA	Financial Security Assurance	ST	Special Tax

See Notes to Financial Statements.

STATEMENTS OF ASSETS AND LIABILITIES (unaudited)
April 30, 2006

	Investment Quality Municipal Trust (BKN)	Municipal Income Trust (BFK)	California Investment Quality Municipal Trust (RAA)	California Municipal Income Trust (BFZ)
Assets				
Investments at value[1]	$ 408,830,755	$ 1,056,343,649	$ 21,996,508	$ 359,973,001
Investment in affiliates	90,735	134,416	19,939	49,960
Cash	44,497	79,593	345,331	
Receivable from investments sold	28,322,524	44,480,095		
Interest receivable	5,773,753	15,978,381	318,339	5,683,823
Unrealized appreciation on interest rate swaps	803,915	3,050,326		1,142,933
Other assets	2,380	5,979	1,413	2,109
	443,868,559	1,120,072,439	22,681,530	366,851,826
Liabilities				
Payable to custodian				118,243
Payable for investments purchased	36,637,522	85,322,606	775,770	2,089,407
Cash with brokers as collateral	501,389	2,672,993		802,222
Dividends payable common shares	1,474,401	3,613,616	71,101	1,140,940
Investment advisory fee payable	116,587	295,767	7,088	104,139
Administration fee payable	49,966		2,872	
Deferred Trustees fees	90,735	134,416	19,939	49,961
Payable to affiliates	43,469	43,491	6,637	24,795
Other accrued expenses	122,918	215,018	34,351	161,403
	39,036,987	92,297,907	917,758	4,491,110
Preferred Shares at Redemption Value				
$25,000 liquidation value per share, including dividends payable[2]	146,662,020	375,307,688	7,502,960	132,002,565
Net Assets Applicable to Common Shareholders	$ 258,169,552	$ 652,466,844	$ 14,260,812	$ 230,358,151
Composition of Net Assets Applicable to Common Shareholders:				
Par value[3]	$ 167,071	$ 43,751	$ 10,071	$ 15,002
Paid-in capital in excess of par	231,766,743	621,051,052	13,392,714	212,879,976
Undistributed net investment income	10,961,627	18,705,887	118,466	6,463,589
Accumulated net realized gain (loss)	(1,746,259)	(32,425,693)	(26,298)	(7,795,280)
Net unrealized appreciation	17,020,370	45,091,847	765,859	18,794,864
Net assets applicable to common shareholders, April 30, 2006	$ 258,169,552	$ 652,466,844	$ 14,260,812	$ 230,358,151
Net asset value per common share[4]	$ 15.45	$ 14.91	$ 14.16	$ 15.36

[1]Investments at cost	$ 392,614,300	$ 1,014,302,128	$ 21,230,649	$ 342,321,070
[2]Preferred shares outstanding	5,862	15,005	300	5,278
[3]Par value per share	0.01	0.001	0.01	0.001
[4]Common shares outstanding	16,707,093	43,750,599	1,007,093	15,001,940

See Notes to Financial Statements.

Florida Investment Quality Municipal Trust (RFA)	Florida Municipal Income Trust (BBF)	New Jersey Investment Quality Municipal Trust (RNJ)	New Jersey Municipal Income Trust (BNJ)	New York Investment Quality Municipal Trust (RNY)	New York Municipal Income Trust (BNY)
$ 23,666,707	$ 158,018,446	$ 21,340,780	$ 180,084,356	$ 28,459,811	$ 300,641,173
19,757	18,589	21,584	22,107	19,722	42,822
511,224	516,105	418,596	527,659	382,797	536,581
10,000	220,000				
289,118	2,400,608	327,011	3,113,539	502,837	5,030,383
	426,676		521,956		738,452
1,429	936	1,414	1,062	1,457	1,768
24,498,235	161,601,360	22,109,385	184,270,679	29,366,624	306,991,179
					501,389
79,776	501,492	70,622	592,124	95,581	945,104
7,006	46,263	6,321	52,727	8,407	87,793
3,267		2,910		3,777	
19,757	18,589	21,584	22,107	19,722	42,822
3,373	10,988	5,587	13,500	3,931	18,673
38,325	83,969	22,660	68,590	25,415	127,416
151,504	661,301	129,684	749,048	156,833	1,723,197
8,502,585	57,578,381	7,503,287	63,817,620	9,806,578	109,805,997
$ 15,844,146	$ 103,361,678	$ 14,476,414	$ 119,704,011	$ 19,403,213	$ 195,461,985
$ 11,271	$ 6,655	$ 10,071	$ 7,440	$ 13,071	$ 12,550
15,001,008	94,390,375	13,079,455	105,571,837	17,651,717	178,061,434
174,628	2,500,005	496,372	3,683,637	461,805	5,652,711
100,224	(832,942)	23,153	(572,956)	66,029	(53,737)
557,015	7,297,585	867,363	11,014,053	1,210,591	11,789,027
$ 15,844,146	$ 103,361,678	$ 14,476,414	$ 119,704,011	$ 19,403,213	$ 195,461,985
$ 14.06	$ 15.53	$ 14.37	$ 16.09	$ 14.84	$ 15.57
$ 23,109,692	$ 151,147,537	$ 20,473,417	$ 169,592,259	$ 27,249,220	$ 289,590,598
340	2,302	300	2,552	392	4,390
0.01	0.001	0.01	0.001	0.01	0.001
1,127,093	6,654,681	1,007,093	7,440,089	1,307,093	12,549,807

STATEMENTS OF OPERATIONS (unaudited)
For the six months ended April 30, 2006

	Investment Quality Municipal Trust (BKN)	Municipal Income Trust (BFK)	California Investment Quality Municipal Trust (RAA)	California Municipal Income Trust (BFZ)
Investment Income				
Interest income	$ 10,631,865	$ 27,587,460	$ 546,206	$ 9,201,075
Income from affiliates	3,648	4,477	595	2,333
Total investment income	10,635,513	27,591,937	546,801	9,203,408
Expenses				
Investment advisory	706,815	3,052,858	37,934	1,075,857
Administration	302,921		10,838	
Transfer agent	9,231	8,679	5,249	7,964
Custodian	56,329	79,281	4,163	41,613
Reports to shareholders	28,903	66,664	3,595	18,089
Directors/Trustees	17,464	35,166	6,236	14,468
Registration	10,534	16,793	291	15,620
Independent accountants	20,156	21,289	9,153	19,189
Legal	26,435	55,938	2,938	21,454
Insurance	12,497	31,338	668	11,056
Deferrred Trustees fees	3,648	4,477	595	2,333
Auction agent	195,222	480,402	11,832	170,411
Miscellaneous	27,794	45,682	7,492	21,899
Total expenses excluding interest expense and excise tax	1,417,949	3,898,567	100,984	1,149,953
Interest Expense	1,389	8,099		2,222
Excise Tax		9,926		
Total expenses	1,419,338	3,916,592	100,984	1,422,175
Less fees waived by Advisor		(1,272,024)		(448,274)
Less fees paid indirectly	(11,264)	(12,811)	(3,739)	(8,574)
Net expenses	1,408,074	2,631,757	97,245	965,327
Net investment income	9,227,439	24,960,180	449,556	8,238,081
Realized and Unrealized Gain (Loss)				
Net realized gain (loss) on:				
Investments	88,780	(7,547,582)	(16,433)	(992,827)
Futures and swaps		8,764,059		3,280,995
	88,780	1,216,477	(16,433)	2,288,168
Net change in unrealized appreciation/depreciation on:				
Investments	1,027,206	16,490,534	52,475	3,179,757
Futures and swaps	(1,675,894)	(6,443,495)	(839)	(2,412,458)
	(648,688)	10,047,039	51,636	767,299

Net gain (loss)	(559,908)	11,263,516	35,203	3,055,467
Dividends and Distributions to Preferred Shareholders from:				
Net investment income	(2,145,446)	(5,523,889)	(95,949)	(1,817,894)
Net realized gains				
Total dividends and distributions	(2,145,446)	(5,523,889)	(95,949)	(1,817,894)
Net Increase in Net Assets Applicable to Common Shareholders Resulting from Operations	$ 6,522,085	$ 30,699,807	$ 388,810	$ 9,475,654

See Notes to Financial Statements.

Florida Investment Quality Municipal Trust (RFA)	Florida Municipal Income Trust (BBF)	New Jersey Investment Quality Municipal Trust (RNJ)	New Jersey Municipal Income Trust (BNJ)	New York Investment Quality Municipal Trust (RNY)	New York Municipal Income Trust (BNY)
$ 565,061	$ 4,152,231	$ 534,821	$ 4,886,006	$ 760,575	$ 8,017,714
890	723	1,140	866	870	1,588
565,951	4,152,954	535,961	4,886,872	761,445	8,019,302
42,651	478,910	38,307	543,927	51,029	905,339
12,186		10,945		14,580	
5,611	7,964	5,611	7,964	5,611	7,964
4,163	29,989	4,163	31,897	4,163	35,695
3,624	11,415	3,626	13,803	3,691	21,780
6,236	7,197	6,236	7,852	6,236	12,730
328	10,534	291	10,534	380	10,534
9,157	18,083	9,153	18,116	9,164	19,115
2,968	10,541	2,941	10,791	3,026	20,889
752	4,911	675	5,566	898	9,283
890	723	1,140	866	870	1,588
12,968	74,900	11,832	82,606	14,686	142,911
7,584	14,837	7,497	15,401	7,670	19,994
109,118	670,004	102,417	749,323	122,004	1,207,822
					1,389
109,118	670,004	102,417	749,323	122,004	1,209,211
	(199,546)		(226,636)		(377,224)
(3,683)	(9,716)	(3,520)	(9,643)	(4,293)	(9,115)
105,435	460,742	98,897	513,044	117,711	822,872
460,516	3,692,212	437,064	4,373,828	643,734	7,196,430
98,561	(97,497)	19,254	21,099	64,345	(203,691)
	1,217,190		1,493,941		2,110,358
98,561	1,119,693	19,254	1,515,040	64,345	1,906,667
(174,581)	233,385	29,090	1,276,688	(184,973)	1,294,762
1,679	(892,137)	4,197	(1,099,536)	1,679	(1,551,796)
(172,902)	(658,752)	33,287	177,152	(183,294)	(257,034)
(74,341)	460,941	52,541	1,692,192	(118,949)	1,649,633
(106,500)	(815,996)	(93,860)	(894,925)	(126,293)	(1,539,278)

(24,903)		(12,375)		(8,904)	
(131,403)	(815,996)	(106,235)	(894,925)	(135,197)	(1,539,278)
$ 254,772	$ 3,337,157	$ 383,370	$ 5,171,095	$ 398,588	$ 7,306,785

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STATEMENTS OF CHANGES IN NET ASSETS
For the six months ended April 30, 2006 (unaudited) and the year ended October 31, 2005

	Investment Quality Municipal Trust (BKN)		Municipal Income Trust (BFK)	
	2006	2005	2006	2005
Increase (Decrease) in Net Assets Applicable to Common Shareholders				
Operations:				
Net investment income	$ 9,227,439	$ 19,080,763	$ 24,960,180	$ 51,367,505
Net realized gain (loss)	88,780	9,521,667	1,216,477	14,502,349
Net change in unrealized appreciation/depreciation	(648,688)	(11,411,681)	10,047,039	4,068,932
Dividends and distributions to preferred shareholders from:				
Net investment income	(2,145,446)	(3,091,066)	(5,523,889)	(7,913,843)
Net realized gains				
Net increase in net assets applicable to common shareholders resulting from operations	6,522,085	14,099,683	30,699,807	62,024,943
Dividends and Distributions to Common Shareholders from:				
Net investment income	(8,846,406)	(16,080,778)	(21,669,569)	(42,712,157)
Net realized gain				
Total dividends and distributions	(8,846,406)	(16,080,778)	(21,669,569)	(42,712,157)
Capital Share Transactions:				
Reinvestment of common dividends			1,389,212	1,086,467
Net proceeds from capital share transactions			1,389,212	1,086,467
Total increase (decrease)	(2,324,321)	(1,981,095)	10,419,450	20,399,253
Net Assets Applicable to Common Shareholders				
Beginning of period	260,493,873	262,474,968	642,047,394	621,648,141
End of period	$ 258,169,552	$ 260,493,873	$ 652,466,844	$ 642,047,394
End of period undistributed net investment income	$ 10,961,627	$ 12,726,040	$ 18,705,887	$ 20,939,165

See Notes to Financial Statements.

California Investment Quality Municipal Trust (RAA)		California Municipal Income Trust (BFZ)		Florida Investment Quality Municipal Trust (RFA)	
2006	**2005**	**2006**	**2005**	**2006**	**2005**
$ 449,556	$ 783,716	$ 8,238,081	$ 16,744,835	$ 460,516	$ 946,124
(16,433)	111,480	2,288,168	(2,241,920)	98,561	160,059
51,636	(143,365)	767,299	7,640,066	(172,902)	(551,267)
(95,949)	(128,583)	(1,817,894)	(2,361,287)	(106,500)	(174,481)
				(24,903)	(10,423)
388,810	623,248	9,475,654	19,781,694	254,772	370,012
(426,605)	(853,209)	(6,842,839)	(13,680,084)	(478,660)	(957,322)
				(146,137)	(127,609)
(426,605)	(853,209)	(6,842,839)	(13,680,084)	(624,797)	(1,084,931)
		252,994			
		252,994			
(37,795)	(229,961)	2,885,809	6,101,610	(370,025)	(714,919)
14,298,607	14,528,568	227,472,342	221,370,732	16,214,171	16,929,090
$ 14,260,812	$ 14,298,607	$ 230,358,151	$ 227,472,342	$ 15,844,146	$ 16,214,171
$ 118,466	$ 191,464	$ 6,463,589	$ 6,886,241	$ 174,628	$ 299,272

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STATEMENTS OF CHANGES IN NET ASSETS (continued)
For the six months ended April 30, 2006 (unaudited) and the year ended October 31, 2005

	Florida Municipal Income Trust (BBF)		New Jersey Investment Quality Municipal Trust (RNJ)	
	2006	2005	2006	2005
Increase (Decrease) in Net Assets Applicable to Common Shareholders				
Operations:				
Net investment income	$ 3,692,212	$ 7,400,920	$ 437,064	$ 876,362
Net realized gain (loss)	1,119,693	(1,234,248)	19,254	117,656
Net change in unrealized appreciation/depreciation	(658,752)	2,386,133	33,287	(339,943)
Dividends and distributions to preferred shareholders from:				
Net investment income	(815,996)	(1,150,882)	(93,860)	(149,372)
Net realized gains			(12,375)	
Net increase in net assets applicable to common shareholders resulting from operations	3,337,157	7,401,923	383,370	504,703
Dividends and Distributions to Common Shareholders from:				
Net investment income	(3,007,982)	(6,011,917)	(423,735)	(823,484)
Net realized gain			(63,979)	
Total dividends and distributions	(3,007,982)	(6,011,917)	(487,714)	(823,484)
Capital Share Transactions:				
Reinvestment of common dividends	88,967	41,592		
Net proceeds from capital share transactions	88,967	41,592		
Total increase (decrease)	418,142	1,431,598	(104,344)	(318,781)
Net Assets Applicable to Common Shareholders				
Beginning of period	102,943,536	101,511,938	14,580,758	14,899,539
End of period	$ 103,361,678	$ 102,943,536	$ 14,476,414	$ 14,580,758
End of period undistributed net investment income	$ 2,500,005	$ 2,631,771	$ 496,372	$ 576,903

See Notes to Financial Statements.

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New Jersey Municipal Income Trust (BNJ)		New York Investment Quality Municipal Trust (RNY)		New York Municipal Income Trust (BNY)	
2006	2005	2006	2005	2006	2005
$ 4,373,828	$ 8,666,540	$ 643,734	$ 1,259,631	$ 7,196,430	$ 14,254,822
1,515,040	(579,155)	64,345	59,365	1,906,667	1,893,142
177,152	3,710,915	(183,294)	(411,759)	(257,034)	(627,477)
(894,925)	(1,322,793)	(126,293)	(182,787)	(1,539,278)	(2,091,682)
		(8,904)			
5,171,095	10,475,507	389,588	724,450	7,306,785	13,428,805
(3,549,935)	(6,817,201)	(573,487)	(1,146,975)	(5,667,184)	(11,321,006)
		(55,870)			
(3,549,935)	(6,817,201)	(629,357)	(1,146,975)	(5,667,184)	(11,321,006)
343,407	61,711			365,133	75,737
343,407	61,711			365,133	75,737
1,964,567	3,720,017	(239,769)	(422,525)	2,004,734	2,183,536
117,739,444	114,019,427	19,642,982	20,065,507	193,457,251	191,273,715
$ 119,704,011	$ 117,739,444	$ 19,403,213	$ 19,642,982	$ 195,461,985	$ 193,457,251
$ 3,683,637	$ 3,754,669	$ 461,805	$ 517,851	$ 5,652,711	$ 5,662,743

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FINANCIAL HIGHLIGHTS

BlackRock Investment Quality Municipal Trust (BKN)

	Six Months Ended April 30, 2006 (unaudited)	Year Ended October 31, 2005	2004	2003	2002	2001
PER COMMON SHARE OPERATING PERFORMANCE:						
Net asset value, beginning of period	$ 15.59	$ 15.71	$ 15.28	$ 15.19	$ 15.19	$ 14.30
Investment operations:						
Net investment income	0.55	1.14	1.17	1.16	1.20	1.20
Net realized and unrealized gain (loss)	(0.03)	(0.11)	0.26	(0.09)	(0.26)	0.75
Dividends to preferred shareholders from net investment income	(0.13)	(0.19)	(0.09)	(0.09)	(0.13)	(0.29)
Net increase from investment operations	0.39	0.84	1.34	0.98	0.81	1.66
Dividends to common shareholders from net investment income	(0.53)	(0.96)	(0.91)	(0.89)	(0.81)	(0.78)
Capital charges with respect to issuance of:						
Preferred shares						0.01
Net asset value, end of period	$ 15.45	$ 15.59	$ 15.71	$ 15.28	$ 15.19	$ 15.19
Market price, end of period	$ 17.90	$ 16.62	$ 15.12	$ 14.26	$ 13.48	$ 13.73
TOTAL INVESTMENT RETURN[1]	10.95%	16.68%	12.91%	12.67%	4.14%	20.03%
RATIOS TO AVERAGE NET ASSETS OF COMMON SHAREHOLDERS:[2]						
Expenses after fees waived and paid indirectly	1.09%[3]	1.08%	1.08%	1.10%	1.09%	1.14%
Expenses after fees waived and before fees paid indirectly	1.10%[3]	1.08%	1.08%	1.10%	1.09%	1.14%
Expenses before fees waived and paid indirectly	1.10%[3]	1.08%	1.08%	1.10%	1.09%	1.14%
Net investment income after fees waived and paid indirectly and before preferred share dividends	7.14%[3]	7.21%	7.59%	7.62%	7.93%	8.10%
Preferred share dividends	1.66%[3]	1.17%	0.60%	0.59%	0.83%	1.94%
Net investment income available to common shareholders	5.48%[3]	6.04%	6.99%	7.03%	7.10%	6.16%
SUPPLEMENTAL DATA:						
Average net assets of common shareholders (000)	$ 260,691	$ 264,490	$ 259,470	$ 254,890	$ 251,428	$ 247,832
Portfolio turnover	43%	77%	52%	36%	19%	4%
Net assets of common shareholders, end of period (000)	$ 258,170	$ 260,494	$ 262,475	$ 255,315	$ 253,710	$ 253,777
Preferred shares value outstanding, end of period (000)	$ 146,550	$ 146,550	$ 146,550	$ 146,550	$ 146,550	$ 146,550
	$ 69,060	$ 69,465	$ 69,790	$ 68,561	$ 68,292	$ 68,308

Asset coverage per preferred share, end of period		

1 Total investment return is calculated assuming a purchase of a common share at the current market price on the first day and a sale at the current market price on the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Trust s dividend reinvestment plan. Total investment returns do not reflect brokerage commissions. Past performance is not a guarantee of future results.

2 Ratios are calculated on the basis of income and expenses applicable to both the common and preferred shares relative to the average net assets of common shareholders.

3 Annualized.

The information in the above Financial Highlights represents the operating performance for a common share outstanding, total investment returns, ratios to average net assets and other supplemental data for each period indicated. This information has been determined based upon financial information provided in the financial statements and market price data for the Trust s common shares.

See Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

BlackRock Municipal Income Trust (BFK)

	Six Months Ended April 30, 2006 (unaudited)	Year Ended October 31, 2005	2004	2003	2002	For the period July 27, 2001[1] through October 31, 2001[2]
PER COMMON SHARE OPERATING PERFORMANCE:						
Net asset value, beginning of period	$ 14.71	$ 14.26	$ 13.87	$ 13.33	$ 14.30	$ 14.33[3]
Investment operations:						
Net investment income	0.57	1.18	1.19	1.23	1.20	0.17
Net realized and unrealized gain (loss)	0.26	0.43	0.26	0.35	(1.11)	0.12
Dividends to preferred shareholders from net investment income	(0.13)	(0.18)	(0.09)	(0.09)	(0.13)	(0.01)
Net increase (decrease) from investment operations	0.70	1.43	1.36	1.49	(0.04)	0.28
Dividends and distributions to common shareholders:						
Net investment income	(0.50)	(0.98)	(0.97)	(0.95)	(0.93)	(0.16)
In excess of net investment income						(0.01)
Total dividends and distributions	(0.50)	(0.98)	(0.97)	(0.95)	(0.93)	(0.17)
Capital charges with respect to issuance of:						
Common shares						(0.03)
Preferred shares						(0.11)
Total capital charges						(0.14)
Net asset value, end of period	$ 14.91	$ 14.71	$ 14.26	$ 13.87	$ 13.33	$ 14.30
Market price, end of period	$ 16.45	$ 15.69	$ 14.05	$ 13.70	$ 13.46	$ 14.75
TOTAL INVESTMENT RETURN[4]	8.23%	19.31%	10.01%	9.21%	(2.40)%	(1.13) %
RATIOS TO AVERAGE NET ASSETS OF COMMON SHAREHOLDERS:[5]						
Expenses after fees waived and paid indirectly	0.82%[6]	0.83%	0.83%	0.84%	0.81%	0.61%[6]
Expenses after fees waived and before fees paid indirectly	0.82%[6]	0.83%	0.83%	0.84%	0.83%	0.62%[6]
Expenses before fees waived and paid indirectly	1.21%[6]	1.22%	1.23%	1.25%	1.23%	0.91%[6]

Net investment income after fees waived and paid indirectly and before preferred share dividends	7.73%[6]	7.97%	8.44%	8.96%	8.74%	4.59%[6]
Preferred share dividends	1.71%[6]	1.23%	0.63%	0.65%	0.92%	0.38%[6]
Net investment income available to common shareholders	6.02%[6]	6.74%	7.81%	8.31%	7.82%	4.21%[6]
SUPPLEMENTAL DATA:						
Average net assets of common shareholders (000)	$ 650,991	$ 644,680	$ 618,076	$ 594,192	$ 598,425	$ 572,610
Portfolio turnover	46%	68%	59%	56%	70%	27%
Net assets of common shareholders, end of period (000)	$ 652,467	$ 642,047	$ 621,648	$ 603,943	$ 579,681	$ 619,249
Preferred shares value outstanding, end of period (000)	$ 375,125	$ 375,125	$ 375,125	$ 375,125	$ 375,125	$ 375,125
Asset coverage per preferred share, end of period	$ 68,495	$ 67,797	$ 66,435	$ 65,251	$ 63,636	$ 66,275

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1 Commencement of investment operations. This information includes the initial investment by BlackRock Funding, Inc.

2 Calculated using the average shares outstanding method.

3 Net asset value, beginning of period, reflects a deduction of $0.675 per share sales charge from the initial offering price of $15.00 per share.

4 Total investment return is calculated assuming a purchase of a common share at the current market price on the first day and a sale at the current market price on the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Trust s dividend reinvestment plan. Total investment returns do not reflect brokerage commissions. Total investment returns for less than a full year are not annualized. Past performance is not a guarantee of future results.

5 Ratios are calculated on the basis of income and expenses applicable to both the common and preferred shares relative to the average net assets of the common shareholders.

6 Annualized.

The information in the above Financial Highlights represents the operating performance for a common share outstanding, total investment returns, ratios to average net assets and other supplemental data for each period indicated. This information has been determined based upon financial information provided in the financial statements and market price data for the Trust s common shares.

See Notes to Financial Statements.

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FINANCIAL HIGHLIGHTS

BlackRock California Investment Quality Municipal Trust (RAA)

	Six Months Ended April 30, 2006 (unaudited)	Year Ended October 31, 2005	2004	2003	2002	2001
PER COMMON SHARE OPERATING PERFORMANCE:						
Net asset value, beginning of period	$ 14.20	$ 14.43	$ 14.56	$ 14.81	$ 15.30	$ 14.62
Investment operations:						
Net investment income	0.45	0.78	0.92	1.05	1.04	1.05
Net realized and unrealized gain (loss)	0.03	(0.03)	(0.09)	(0.41)	(0.64)	0.63
Dividends to preferred shareholders from net investment income	(0.10)	(0.13)	(0.06)	(0.06)	(0.09)	(0.21)
Net increase from investment operations	0.38	0.62	0.77	0.58	0.31	1.47
Dividends and distributions to common shareholders from:						
Net investment income	(0.42)	(0.85)	(0.85)	(0.83)	(0.80)	(0.79)
Net realized gains			(0.05)			
Total dividends and distributions	(0.42)	(0.85)	(0.90)	(0.83)	(0.80)	(0.79)
Net asset value, end of period	$ 14.16	$ 14.20	$ 14.43	$ 14.56	$ 14.81	$ 15.30
Market price, end of period	$ 15.65	$ 15.75	$ 14.30	$ 14.03	$ 13.38	$ 15.55
TOTAL INVESTMENT RETURN[1]	2.13%	16.76%	8.78%	11.38%	(9.26)%	17.03%
RATIOS TO AVERAGE NET ASSETS OF COMMON SHAREHOLDERS:[2]						
Expenses after fees waived and paid indirectly	1.37%[3]	1.35%	1.35%	1.40%	1.29%	1.38%
Expenses after fees waived and before fees paid indirectly	1.42%[3]	1.39%	1.40%	1.40%	1.29%	1.38%
Expenses before fees paid indirectly	1.42%[3]	1.39%	1.40%	1.40%	1.29%	1.38%
Net investment income after fees waived and paid indirectly and before preferred share dividends	6.31%[3]	5.38%	6.37%	7.17%	6.86%	7.04%
Preferred share dividends	1.35%[3]	0.88%	0.42%	0.44%	0.59%	1.39%
Net investment income available to common shareholders	4.96%[3]	4.50%	5.95%	6.73%	6.27%	5.65%
SUPPLEMENTAL DATA:						
Average net assets of common shareholders (000)	$ 14,356	$ 14,569	$ 14,553	$ 14,752	$ 15,221	$ 15,072
Portfolio turnover	2%	20%	15%	6%	30%	1%
Net assets of common shareholders, end of period (000)	$ 14,261	$ 14,299	$ 14,529	$ 14,665	$ 14,911	$ 15,411
Preferred shares value outstanding, end of period (000)	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500
Asset coverage per preferred share, end of period	$ 72,546	$ 72,671	$ 73,433	$ 73,886	$ 74,706	$ 76,377

[1] Total investment return is calculated assuming a purchase of a common share at the current market price on the first day and a sale at the current market price on the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Trust s dividend reinvestment plan. Total investment returns do not reflect brokerage commissions. Past performance is not a guarantee of future results.

[2] Ratios are calculated on the basis of income and expenses applicable to both the common and preferred shares relative to the average net assets of the common shareholders.

[3] Annualized.

The information in the above Financial Highlights represents the operating performance for a common share outstanding, total investment returns, ratios to average net assets and other supplemental data for each period indicated. This information has been determined based upon financial information provided in the financial statements and market price data for the Trust s common shares.

See Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

BlackRock California Municipal Income Trust (BFZ)

	Six Months Ended April 30, 2006 (unaudited)	Year Ended October 31, 2005	2004	2003	2002	For the period July 27, 2001[1] through October 31, 2001[2]
PER COMMON SHARE OPERATING PERFORMANCE:						
Net asset value, beginning of period	$ 15.18	$ 14.77	$ 13.97	$ 14.16	$ 14.50	$ 14.33[3]
Investment operations:						
Net investment income	0.55	1.12	1.15	1.12	1.11	0.16
Net realized and unrealized gain (loss)	0.21	0.36	0.65	(0.34)	(0.46)	0.32
Dividends to preferred shareholders from net investment income	(0.12)	(0.16)	(0.09)	(0.08)	(0.12)	(0.01)
Net increase from investment operations	0.64	1.32	1.71	0.70	0.53	0.47
Dividends and distributions to common shareholders:						
Net investment income	(0.46)	(0.91)	(0.91)	(0.89)	(0.87)	(0.15)
In excess of net investment income						(0.01)
Total dividends and distributions	(0.46)	(0.91)	(0.91)	(0.89)	(0.87)	(0.16)
Capital charges with respect to issuance of:						
Common shares						(0.03)
Preferred shares						(0.11)
Total capital charges						(0.14)
Net asset value, end of period	$ 15.36	$ 15.18	$ 14.77	$ 13.97	$ 14.16	$ 14.50
Market price, end of period	$ 15.82	$ 14.92	$ 13.65	$ 13.21	$ 13.09	$ 14.75
TOTAL INVESTMENT RETURN[4]	9.23%	16.42%	10.58%	7.92%	(5.49) %	(1.17) %
RATIOS TO AVERAGE NET ASSETS OF COMMON SHAREHOLDERS:[5]						
Expenses after fees waived and paid indirectly	0.85%[6]	0.85%	0.87%	0.89%	0.88%	0.72%[6]
Expenses after fees waived and before fees paid indirectly	0.86%[6]	0.86%	0.88%	0.89%	0.90%	0.73%[6]
Expenses before fees waived and paid indirectly	1.25%[6]	1.25%	1.28%	1.30%	1.31%	1.02%[6]
Net investment income after fees waived and paid indirectly and before preferred share dividends	7.23%[6]	7.35%	7.96%	8.01%	7.96%	4.06%[6]
Preferred share dividends	1.60%[6]	1.04%	0.59%	0.57%	0.86%	0.38%[6]
	5.63%[6]	6.31%	7.37%	7.44%	7.10%	3.68%[6]

Net investment income available to common shareholders						
SUPPLEMENTAL DATA:						
Average net assets of common shareholders (000)	$ 229,641	$ 227,738	$ 216,238	$ 211,275	$ 209,965	$ 199,356
Portfolio turnover	10%	28%	15%	34%	44%	16%
Net assets of common shareholders, end of period (000)	$ 230,358	$ 227,472	$ 221,371	$ 209,397	$ 212,215	$ 216,829
Preferred shares value outstanding, end of period (000)	$ 131,950	$ 131,950	$ 131,950	$ 131,950	$ 131,950	$ 131,950
Asset coverage per preferred share, end of period	$ 68,655	$ 68,107	$ 66,945	$ 64,675	$ 65,211	$ 66,086

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1 Commencement of investment operations. This information includes the initial investment by BlackRock Funding, Inc.

2 Calculated using the average shares outstanding method.

3 Net asset value, beginning of period, reflects a deduction of $0.675 per share sales charge from the initial offering price of $15.00 per share.

4 Total investment return is calculated assuming a purchase of a common share at the current market price on the first day and a sale at the current market price on the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Trust s dividend reinvestment plan. Total investment returns do not reflect brokerage commissions. Total investment returns for less than a full year are not annualized. Past performance is not a guarantee of future results.

5 Ratios are calculated on the basis of income and expenses applicable to both the common and preferred shares relative to the average net assets of common shareholders.

6 Annualized.

The information in the above Financial Highlights represents the operating performance for a common share outstanding, total investment returns, ratios to average net assets and other supplemental data for each period indicated. This information has been determined based upon financial information provided in the financial statements and market price data for the Trust s common shares.

See Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

BlackRock Florida Investment Quality Municipal Trust (RFA)

	Six Months Ended April 30, 2006 (unaudited)	Year Ended October 31,				
		2005	2004	2003	2002	2001
PER COMMON SHARE OPERATING PERFORMANCE:						
Net asset value, beginning of period	$ 14.39	$ 15.02	$ 15.39	$ 15.65	$ 15.50	$ 14.65
Investment operations:						
Net investment income	0.41	0.84	0.98	1.04	1.05	1.03
Net realized and unrealized gain (loss)	(0.08)	(0.35)	(0.18)	(0.39)	0.02	0.86
Dividends and distributions to preferred shareholders from:						
Net investment income	(0.09)	(0.15)	(0.07)	(0.08)	(0.11)	(0.24)
Net realized gains	(0.02)	(0.01)	(0.02)			
Net increase from investment operations	0.22	0.33	0.71	0.57	0.96	1.65
Dividends and distributions to common shareholders from:						
Net investment income	(0.42)	(0.85)	(0.85)	(0.83)	(0.81)	(0.80)
Net realized gains	(0.13)	(0.11)	(0.23)			
Total dividends and distributions	(0.55)	(0.96)	(1.08)	(0.83)	(0.81)	(0.80)
Net asset value, end of period	$ 14.06	$ 14.39	$ 15.02	$ 15.39	$ 15.65	$ 15.50
Market price, end of period	$ 15.55	$ 14.85	$ 14.30	$ 14.47	$ 14.50	$ 14.36
TOTAL INVESTMENT RETURN[1]	8.57%	10.76%	6.32%	5.52%	6.52%	15.65%
RATIOS TO AVERAGE NET ASSETS OF COMMON SHAREHOLDERS:[2]						
Expenses after fees paid indirectly	1.32%[3]	1.29%	1.27%	1.29%	1.20%	1.38%
Expenses after fees waived and before fees paid indirectly	1.37%[3]	1.32%	1.31%	1.29%	1.20%	1.38%
Expenses before fees paid indirectly	1.37%[3]	1.32%	1.31%	1.29%	1.20%	1.38%
Net investment income after fees paid indirectly and before preferred share dividends	5.78%[3]	5.69%	6.48%	6.69%	6.76%	6.83%
Preferred share dividends	1.34%[3]	1.05%	0.46%	0.51%	0.69%	1.58%
Net investment income available to common shareholders	4.44%[3]	4.64%	6.02%	6.18%	6.07%	5.25%
SUPPLEMENTAL DATA:						
Average net assets of common shareholders (000)	$ 16,074	$ 16,626	$ 17,035	$ 17,561	$ 17,427	$ 17,046
Portfolio turnover	19%	15%	13%	17%	8%	%
Net assets of common shareholders, end of period (000)	$ 15,844	$ 16,214	$ 16,929	$ 17,347	$ 17,639	$ 17,472
Preferred shares value outstanding, end of period (000)	$ 8,500	$ 8,500	$ 8,500	$ 8,500	$ 8,500	$ 8,500
Asset coverage per preferred share, end of period	$ 71,608	$ 72,696	$ 74,795	$ 76,021	$ 76,886	$ 76,397

[1] Total investment return is calculated assuming a purchase of a common share at the current market price on the first day and a sale at the current market price on the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Trust s dividend reinvestment plan. Total investment returns do not reflect brokerage commissions. Past performance is not a guarantee of future results.

[2] Ratios are calculated on the basis of income and expenses applicable to both the common and preferred shares relative to the average net assets of common shareholders.

[3] Annualized.

The information in the above Financial Highlights represents the operating performance for a common share outstanding, total investment returns, ratios to average net assets and other supplemental data for each period indicated. This information has been determined based upon financial information provided in the financial statements and market price data for the Trust s common shares.

See Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

BlackRock Florida Municipal Income Trust (BBF)

	Six Months Ended April 30, 2006 (unaudited)	Year Ended October 31, 2005	2004	2003	2002	For the period July 27, 2001[1] through October 31, 2001[2]
PER COMMON SHARE OPERATING PERFORMANCE:						
Net asset value, beginning of period	$ 15.48	$ 15.27	$ 14.68	$ 14.57	$ 14.37	$ 14.33[3]
Investment operations:						
Net investment income	0.55	1.11	1.12	1.11	1.07	0.17
Net realized and unrealized gain (loss)	0.07	0.17	0.45	(0.03)	0.13	0.18
Dividends to preferred shareholders from net investment income	(0.12)	(0.17)	(0.08)	(0.08)	(0.12)	(0.01)
Net increase from investment operations	0.50	1.11	1.49	1.00	1.08	0.34
Dividends to common shareholders from net investment income	(0.45)	(0.90)	(0.90)	(0.89)	(0.87)	(0.16)
Capital charges with respect to issuance of:						
Common shares						(0.03)
Preferred shares					(0.01)	(0.11)
Total capital charges					(0.01)	(0.14)
Net asset value, end of period	$ 15.53	$ 15.48	$ 15.27	$ 14.68	$ 14.57	$ 14.37
Market price, end of period	$ 15.95	$ 15.25	$ 14.40	$ 13.36	$ 13.65	$ 14.50
TOTAL INVESTMENT RETURN[4]	7.67%	12.44%	15.04%	4.30%	0.16%	(2.84) %
RATIOS TO AVERAGE NET ASSETS OF COMMON SHAREHOLDERS:[5]						
Expenses after fees waived and paid indirectly	0.90%[6]	0.90%	0.93%	0.94%	0.96%	0.87%[6]
Expenses after fees waived and before fees paid indirectly	0.92%[6]	0.91%	0.93%	0.95%	0.98%	0.88%[6]
Expenses before fees waived and paid indirectly	1.31%[6]	1.30%	1.32%	1.35%	1.38%	1.17%[6]
Net investment income after fees waived and paid indirectly and before preferred share dividends	7.20%[6]	7.16%	7.49%	7.50%	7.59%	4.43%[6]
Preferred share dividends	1.59%[6]	1.11%	0.55%	0.53%	0.82%	0.37%[6]
Net investment income available to common shareholders	5.61%[6]	6.05%	6.94%	6.97%	6.77%	4.06%[6]
SUPPLEMENTAL DATA:						
Average net assets of common shareholders (000)	$ 103,410	$ 103,432	$ 100,002	$ 98,081	$ 93,558	$ 87,918

Portfolio turnover	7%	10%	10%	19%	35%	28%
Net assets of common shareholders, end of period (000)	$ 103,362	$ 102,944	$ 101,512	$ 97,589	$ 96,816	$ 95,123
Preferred shares value outstanding, end of period (000)	$ 57,550	$ 57,550	$ 57,550	$ 57,550	$ 57,550	$ 57,550
Asset coverage per preferred share, end of period	$ 69,913	$ 69,729	$ 69,101	$ 67,394	$ 67,060	$ 66,323

1 Commencement of investment operations. This information includes the initial investment by BlackRock Funding, Inc.
2 Calculated using the average shares outstanding method.
3 Net asset value, beginning of period, reflects a deduction of $0.675 per share sales charge from the initial offering price of $15.00 per share.
4 Total investment return is calculated assuming a purchase of a common share at the current market price on the first day and a sale at the current market price on the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Trust s dividend reinvestment plan. Total investment returns do not reflect brokerage commissions. Total investment returns for less than a full year are not annualized. Past performance is not a guarantee of future results.
5 Ratios are calculated on the basis of income and expenses applicable to both the common and preferred shares relative to the average net assets of the common shareholders.
6 Annualized.

The information in the above Financial Highlights represents the operating performance for a common share outstanding, total investment returns, ratios to average net assets and other supplemental data for each period indicated. This information has been determined based upon financial information provided in the financial statements and market value data for the Trust s common shares.

See Notes to Financial Statements.

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FINANCIAL HIGHLIGHTS

BlackRock New Jersey Investment Quality Municipal Trust (RNJ)

	Six Months Ended April 30, 2006 (unaudited)	Year Ended October 31, 2005	2004	2003	2002	2001
PER COMMON SHARE OPERATING PERFORMANCE:						
Net asset value, beginning of period	$ 14.48	$ 14.79	$ 14.90	$ 14.64	$ 14.85	$ 13.96
Investment operations:						
Net investment income	0.43	0.87	0.97	1.00	1.02	0.96
Net realized and unrealized gain (loss)	0.04	(0.21)	(0.20)	0.12	(0.39)	0.87
Dividends and distributions to preferred shareholders from:						
Net investment income	(0.09)	(0.15)	(0.07)	(0.06)	(0.09)	(0.21)
Net realized gains	(0.01)					
Net increase from investment operations	0.37	0.51	0.70	1.06	0.54	1.62
Dividends and distributions to common shareholders from:						
Net investment income	(0.42)	(0.82)	(0.81)	(0.80)	(0.75)	(0.73)
Net realized gains	(0.06)					
Total dividends and distributions	(0.48)	(0.82)	(0.81)	(0.80)	(0.75)	(0.73)
Net asset value, end of period	$ 14.37	$ 14.48	$ 14.79	$ 14.90	$ 14.64	$ 14.85
Market price, end of period	$ 16.00	$ 14.70	$ 15.00	$ 14.80	$ 13.30	$ 13.75
TOTAL INVESTMENT RETURN[1]	12.18%	3.53%	7.14%	17.59%	2.07%	19.63%
RATIOS TO AVERAGE NET ASSETS OF COMMON SHAREHOLDERS:[2]						
Expenses after fees waived and paid indirectly	1.37%[3]	1.34%	1.34%	1.39%	1.31%	1.54%
Expenses after fees waived and before fees paid indirectly	1.42%[3]	1.37%	1.37%	1.39%	1.31%	1.54%
Expenses before fees waived and paid indirectly	1.42%[3]	1.37%	1.37%	1.39%	1.31%	1.54%
Net investment income after fees waived and paid indirectly and before preferred share dividends	6.05%[3]	5.89%	6.50%	6.72%	6.93%	6.64%
Preferred share dividends	1.30%[3]	1.00%	0.47%	0.41%	0.61%	1.47%
Net investment income available to common shareholders	4.75%[3]	4.89%	6.03%	6.31%	6.32%	5.17%
SUPPLEMENTAL DATA:						
Average net assets of common shareholders (000)	$ 14,571	$ 14,873	$ 14,974	$ 14,975	$ 14,791	$ 14,570
Portfolio turnover	7%	19%	12%	4%	14%	9%
Net assets of common shareholders, end of period (000)	$ 14,476	$ 14,581	$ 14,900	$ 15,007	$ 14,747	$ 14,958
Preferred shares value outstanding, end of period (000)	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500
	$ 73,266	$ 73,612	$ 74,670	$ 75,026	$ 74,159	$ 74,862

Asset coverage per preferred share, end of period	

[1] Total investment return is calculated assuming a purchase of a common share at the current market price on the first day and a sale at the current market price on the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Trust s dividend reinvestment plan. Total investment returns do not reflect brokerage commissions. Past performance is not a guarantee of future results.

[2] Ratios are calculated on the basis of income and expenses applicable to both the common and preferred shares relative to the average net assets of the common shareholders.

[3] Annualized.

The information in the above Financial Highlights represents the operating performance for a common share outstanding, total investment returns, ratios to average net assets and other supplemental data for each period indicated. This information has been determined based upon financial information provided in the financial statements and market price data for the Trust s common shares.

See Notes to Financial Statements.

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FINANCIAL HIGHLIGHTS

BlackRock New Jersey Municipal Income Trust (BNJ)

	Six Months Ended April 30, 2006 (unaudited)	Year Ended October 31, 2005	2004	2003	2002	For the period July 27, 2001[1] through October 31, 2001[2]
PER COMMON SHARE OPERATING PERFORMANCE:						
Net asset value, beginning of period	$ 15.87	$ 15.38	$ 14.59	$ 14.29	$ 14.26	$ 14.33[3]
Investment operations:						
Net investment income	0.59	1.17	1.16	1.15	1.10	0.14
Net realized and unrealized gain (loss)	0.23	0.42	0.61	0.11	(0.07)	0.10
Dividends to preferred shareholders from net investment income	(0.12)	(0.18)	(0.08)	(0.08)	(0.12)	(0.01)
Net increase from investment operations	0.70	1.41	1.69	1.18	0.91	0.23
Dividends and distributions to common shareholders:						
Net investment income	(0.48)	(0.92)	(0.90)	(0.88)	(0.87)	(0.13)
In excess of net investment income						(0.03)
Total dividends and distributions	(0.48)	(0.92)	(0.90)	(0.88)	(0.87)	(0.16)
Capital charges with respect to issuance of:						
Common shares						(0.03)
Preferred shares					(0.01)	(0.11)
Total capital charges					(0.01)	(0.14)
Net asset value, end of period	$ 16.09	$ 15.87	$ 15.38	$ 14.59	$ 14.29	$ 14.26
Market price, end of period	$ 16.90	$ 15.91	$ 14.45	$ 14.04	$ 13.64	$ 14.84
TOTAL INVESTMENT RETURN[4]	9.42%	16.95%	9.63%	9.59%	(2.25)%	(0.56) %
RATIOS TO AVERAGE NET ASSETS OF COMMON SHAREHOLDERS:[5]						
Expenses after fees waived and paid indirectly	0.87%[6]	0.89%	0.91%	0.93%	0.93%	0.83%[6]
Expenses after fees waived and before fees paid indirectly	0.89%[6]	0.90%	0.91%	0.94%	0.97%	0.84%[6]
Expenses before fees waived and paid indirectly	1.27%[6]	1.28%	1.30%	1.34%	1.37%	1.12%[6]
Net investment income after fees waived and paid indirectly and before	7.41%[6]	7.37%	7.74%	7.85%	7.81%	3.67%[6]

preferred share dividends						
Preferred share dividends	1.52%[6]	1.12%	0.56%	0.57%	0.88%	0.37%[6]
Net investment income available to common shareholders	5.89%[6]	6.25%	7.18%	7.28%	6.93%	3.30%[6]
SUPPLEMENTAL DATA:						
Average net assets of common shareholders (000)	$ 119,012	$ 117,596	$ 111,263	$ 107,900	$ 104,241	$ 97,050
Portfolio turnover	1%	6%	16%	13%	50%	16%
Net assets of common shareholders, end of period (000)	$ 119,704	$ 117,739	$ 114,019	$ 108,172	$ 105,985	$ 105,089
Preferred shares value outstanding, end of period (000)	$ 63,800	$ 63,800	$ 63,800	$ 63,800	$ 63,800	$ 63,800
Asset coverage per preferred share, end of period	$ 71,913	$ 71,142	$ 69,682	$ 67,387	$ 66,538	$ 66,187

1 Commencement of investment operations. This information includes the initial investment by BlackRock Funding, Inc.

2 Calculated using the average shares outstanding method.

3 Net asset value, beginning of period, reflects a deduction of $0.675 per share sales charge from the initial offering price of $15.00 per share.

4 Total investment return is calculated assuming a purchase of a common share at the current market price on the first day and a sale at the current market price on the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Trust s dividend reinvestment plan. Total investment returns do not reflect brokerage commissions. Total investment returns for less than a full year are not annualized. Past performance is not a guarantee of future results.

5 Ratios are calculated on the basis of income and expenses applicable to both the common and preferred shares relative to the average net assets of the common shareholders.

6 Annualized.

The information in the above Financial Highlights represents the operating performance for a common share outstanding, total investment returns, ratios to average net assets and other supplemental data for each period indicated. This information has been determined based upon financial information provided in the financial statements and market price data for the Trust s common shares.

See Notes to Financial Statements.

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FINANCIAL HIGHLIGHTS

BlackRock New York Investment Quality Municipal Trust (RNY)

	Six Months Ended April 30, 2006 (unaudited)	Year Ended October 31,				
		2005	2004	2003	2002	2001
PER COMMON SHARE OPERATING PERFORMANCE:						
Net asset value, beginning of period	$ 15.03	$ 15.35	$ 15.34	$ 15.47	$ 15.28	$ 14.55
Investment operations:						
Net investment income	0.50	0.96	0.96	1.03	1.06	1.06
Net realized and unrealized gain (loss)	(0.10)	(0.26)		(0.21)	0.06	0.70
Dividends and distributions to preferred shareholders from:						
Net investment income	(0.10)	(0.14)	(0.07)	(0.07)	(0.09)	(0.21)
Net realized gains	(0.01)					
Net increase from investment operations	0.29	0.56	0.89	0.75	1.03	1.55
Dividends and distributions to common shareholders from:						
Net investment income	(0.44)	(0.88)	(0.88)	(0.88)	(0.84)	(0.82)
Net realized gains	(0.04)					
Total dividends and distributions	(0.48)	(0.88)	(0.88)	(0.88)	(0.84)	(0.82)
Net asset value, end of period	$ 14.84	$ 15.03	$ 15.35	$ 15.34	$ 15.47	$ 15.28
Market price, end of period	$ 15.30	$ 14.75	$ 14.50	$ 14.18	$ 14.40	$ 14.20
TOTAL INVESTMENT RETURN[1]	7.04%	8.01%	8.81%	4.69%	7.42%	19.20%
RATIOS TO AVERAGE NET ASSETS OF COMMON SHAREHOLDERS:[2]						
Expenses after fees waived and paid indirectly	1.21%[3]	1.20%	1.21%	1.24%	1.17%	1.31%
Expenses after fees waived and before fees paid indirectly	1.26%[3]	1.24%	1.24%	1.24%	1.17%	1.31%
Expenses before fees paid indirectly	1.26%[3]	1.24%	1.24%	1.24%	1.17%	1.31%
Net investment income after fees waived and paid indirectly and before preferred share dividends	6.62%[3]	6.30%	6.29%	6.68%	6.97%	7.06%
Preferred share dividends	1.30%[3]	0.91%	0.46%	0.44%	0.60%	1.40%
Net investment income available to common shareholders	5.32%[3]	5.39%	5.83%	6.24%	6.37%	5.66%
SUPPLEMENTAL DATA:						
Average net assets of common shareholders (000)	$ 19,601	$ 19,993	$ 20,019	$ 20,158	$ 19,915	$ 19,663
Portfolio turnover	20%	10%	23%	36%	7%	%
Net assets of common shareholders, end of period (000)	$ 19,403	$ 19,643	$ 20,066	$ 20,053	$ 20,222	$ 19,973
Preferred shares value outstanding, end of period (000)	$ 9,800	$ 9,800	$ 9,800	$ 9,800	$ 9,800	$ 9,800
Asset coverage per preferred share, end of period	$ 74,515	$ 75,111	$ 76,195	$ 76,159	$ 76,590	$ 75,955

1 Total investment return is calculated assuming a purchase of a common share at the current market price on the first day and a sale at the current market price on the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Trust s dividend reinvestment plan. Total investment returns do not reflect brokerage commissions. Past performance is not a guarantee of future results.

2 Ratios are calculated on the basis of income and expenses applicable to both the common and preferred shares relative to the average net assets of the common shareholders.

3 Annualized.

The information in the above Financial Highlights represents the operating performance for a common share outstanding, total investment returns, ratios to average net assets and other supplemental data for each period indicated. This information has been determined based upon financial information provided in the financial statements and market price data for the Trust s common shares.

See Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

BlackRock New York Municipal Income Trust (BNY)

	Six Months Ended April 30, 2006 (unaudited)	Year Ended October 31, 2005	2004	2003	2002	For the period July 27, 2001[1] through October 31, 2001[2]
PER COMMON SHARE OPERATING PERFORMANCE:						
Net asset value, beginning of period	$ 15.44	$ 15.28	$ 14.76	$ 14.47	$ 14.09	$ 14.33[3]
Investment operations:						
Net investment income	0.57	1.14	1.14	1.14	1.09	0.15
Net realized and unrealized gain (loss)	0.13	0.09	0.36	0.13	0.29	(0.08)
Dividends to preferred shareholders from net investment income	(0.12)	(0.17)	(0.08)	(0.09)	(0.13)	(0.01)
Net increase from investment operations	0.58	1.06	1.42	1.18	1.25	0.06
Dividends and distributions to common shareholders:						
Net investment income	(0.45)	(0.90)	(0.90)	(0.89)	(0.87)	(0.14)
In excess of net investment income						(0.02)
Total dividends and distributions	(0.45)	(0.90)	(0.90)	(0.89)	(0.87)	(0.16)
Capital charges with respect to issuance of:						
Common shares						(0.03)
Preferred shares						(0.11)
Total capital charges						(0.14)
Net asset value, end of period	$ 15.57	$ 15.44	$ 15.28	$ 14.76	$ 14.47	$ 14.09
Market price, end of period	$ 16.22	$ 15.19	$ 13.99	$ 13.45	$ 13.42	$ 14.62
TOTAL INVESTMENT RETURN[4]	9.93%	15.38%	10.99%	6.95%	(2.25)%	(5.58)%
RATIOS TO AVERAGE NET ASSETS OF COMMON SHAREHOLDERS:[5]						
Expenses after fees waived and paid indirectly	0.85%[6]	0.86%	0.87%	0.88%	0.90%	0.73%[6]
Expenses after fees waived and before fees paid indirectly	0.86%[6]	0.87%	0.87%	0.89%	0.92%	0.74%[6]
Expenses before fees waived and paid indirectly	1.25%[6]	1.26%	1.27%	1.29%	1.33%	1.03%[6]
Net investment income after fees waived and paid indirectly and before preferred share dividends	7.46%[6]	7.35%	7.62%	7.73%	7.87%	3.93%[6]
Preferred share dividends	1.60%[6]	1.08%	0.56%	0.62%	0.93%	0.37%[6]
Net investment income available to common shareholders	5.86%[6]	6.27%	7.06%	7.11%	6.94%	3.56%[6]
SUPPLEMENTAL DATA:						
Average net assets of common shareholders (000)	$ 194,531	$ 194,038	$ 188,746	$ 183,648	$ 173,885	$ 163,077

Portfolio turnover	16%	24%	13%	14%	57%	2%
Net assets of common shareholders, end of period (000)	$ 195,462	$ 193,457	$ 191,274	$ 184,874	$ 181,200	$ 175,110
Preferred shares value outstanding, end of period (000)	$ 109,750	$ 109,750	$ 109,750	$ 109,750	$ 109,750	$ 109,750
Asset coverage per preferred share, end of period	$ 69,537	$ 69,073	$ 68,575	$ 67,115	$ 66,279	$ 64,894

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1 Commencement of investment operations. This information includes the initial investment by BlackRock Funding, Inc.

2 Calculated using the average shares outstanding method.

3 Net asset value, beginning of period, reflects a deduction of $0.675 per share sales charge from the initial offering price of $15.00 per share.

4 Total investment return is calculated assuming a purchase of a common share at the current market price on the first day and a sale at the current market price on the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at prices obtained under the Trust s dividend reinvestment plan. Total investment returns do not reflect brokerage commissions. Total investment returns for less than a full year are not annualized. Past performance is not a guarantee of future results.

5 Ratios are calculated on the basis of income and expenses applicable to both the common and preferred shares relative to the average net assets of the common shareholders.

6 Annualized.

The information in the above Financial Highlights represents the operating performance for a common share outstanding, total investment returns, ratios to average net assets and other supplemental data for each period indicated. This information has been determined based upon financial information provided in the financial statements and market price data for the Trust s common shares.

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS (unaudited)

Note 1. Organization & Accounting Policies

BlackRock Investment Quality Municipal Trust Inc. (Municipal Investment Quality) was organized as a Maryland corporation on November 19, 1992. BlackRock California Investment Quality Municipal Trust Inc. (California Investment Quality), BlackRock New Jersey Investment Quality Municipal Trust Inc. (New Jersey Investment Quality) and BlackRock New York Investment Quality Municipal Trust Inc. (New York Investment Quality) were organized as Maryland corporations on April 12, 1993. BlackRock Florida Investment Quality Municipal Trust (Florida Investment Quality) was organized as a Massachusetts business trust on April 15, 1993. Municipal Investment Quality, California Investment Quality, Florida Investment Quality, New Jersey Investment Quality and New York Investment Quality are herein referred to as the Investment Quality Trusts. BlackRock Municipal Income Trust (Municipal Income), BlackRock California Municipal Income Trust (California Income), BlackRock Florida Municipal Income Trust (Florida Income), BlackRock New Jersey Municipal Income Trust (New Jersey Income) and BlackRock New York Municipal Income Trust (New York Income) (collectively the Income Trusts) were organized as Delaware statutory trusts on March 30, 2001. The Investment Quality Trusts and the Income Trusts are referred to herein collectively as the Trusts. Municipal Investment Quality and Municipal Income are registered as diversified, closed-end management investment companies under the Investment Company Act of 1940, as amended. California Investment Quality, California Income, Florida Investment Quality, Florida Income, New Jersey Investment Quality, New Jersey Income, New York Investment Quality and New York Income are registered as non-diversified, closed-end management investment companies under the Investment Company Act of 1940, as amended. The ability of issuers of debt securities held by each Trust to meet their obligations may be affected by economic developments in a state, a specific industry or region.

Under the Trusts organizational documents, their officers and Trustees are indemnified against certain liabilities arising out of the performance of their duties to the Trusts. In addition, in the normal course of business, the Trusts enter into contracts with their vendors and others that provide for general indemnifications. The Trusts maximum exposure under these arrangements are unknown as this would involve future claims that may be made against the Trusts. However, based on experience, the Trusts consider the risk of loss from such claims to be remote.

The following is a summary of significant accounting policies followed by the Trusts.

Investments Valuation: Municipal investments (including commitments to purchase such investments on a when-issued basis) are valued on the basis of prices provided by dealers or pricing services selected under the supervision of each Trust s Board of Trustees or Board of Directors, as the case may be (each, a Board). In determining the value of a particular investment, pricing services may use certain information with respect to transactions in such investments, quotations from bond dealers, market transactions in comparable investments and various relationships between investments. A futures contract is valued at the last sale price as of the close of the commodities exchange on which it trades. Short-term securities may be valued at amortized cost. Investments in open-end investment companies are valued at net asset value per share. Any investments or other assets for which such current market quotations are not readily available are valued at fair value (Fair Value Assets) as determined in good faith under procedures established by, and under the general supervision and responsibility of, each Trust s Board. The investment advisor and/or sub-advisor will submit its recommendations regarding the valuation and/or valuation methodologies for Fair Value Assets to a valuation committee. The valuation committee may accept, modify or reject any recommendations. The pricing of all Fair Value Assets shall be subsequently reported to the Board.

When determining the price for a Fair Value Asset, the investment advisor and/or sub-advisor shall seek to determine the price that the Trust might reasonably expect to receive from the current sale of that asset in an arm s-length transaction. Fair value determinations shall be based upon all available factors that the investment advisor and/or sub-advisor deems relevant.

Investment Transactions and Investment Income: Investment transactions are recorded on trade date. The cost of investments sold and the related gain or loss is determined by use of the specific identification method, generally first-in, first-out, for both financial reporting and Federal income tax purposes. Each Trust also records interest income on an accrual basis and amortizes premium and/or accretes discount on securities purchased using the interest method.

Financial Futures Contracts: A futures contract is an agreement between two parties to buy and sell a financial instrument for a set price on a future date. Initial margin deposits are made upon entering into futures contracts and can be either cash or securities. During the period the futures contract is open, changes in the value of the contract are recognized as unrealized gains or losses by marking-to-market on a daily basis to reflect the market value of the contract at the end of each day s trading. Variation margin payments are made or received, depending upon whether unrealized gains or losses are incurred. When the contract is closed, the Trust records a realized gain or loss equal to the difference between the proceeds from (or cost of) the closing transaction and the Trust s basis in the contract.

Financial futures contracts, when used by the Trusts, help in maintaining a targeted duration. Futures contracts can be sold to effectively shorten an otherwise longer duration portfolio. In the same sense, futures contracts can be purchased to lengthen a portfolio that is shorter than its duration target. Thus, by buying or selling futures contracts, the Trusts may attempt to manage the duration of positions so that changes in interest rates do not change the duration of the portfolio unexpectedly.

Interest Rate Swaps: Interest rate swaps are agreements in which one party pays a floating rate of interest on a notional principal amount and receives a fixed rate of interest on the same notional principal amount for a specified period of time. Alternatively, a party may pay a fixed rate and receive a floating rate. Interest rate swaps are efficient as asset/liability management tools. In more complex swaps, the notional principal amount may decline (or amortize) over time.

During the term of the swap, changes in the value of the swap are recognized as unrealized gains or losses by marking-to-market to reflect the market value of the swap. When the swap is terminated, a Trust will record a realized gain or loss equal to the difference between the proceeds from (or cost of) the closing transaction and the Trust s basis in the contract, if any.

The Trusts are exposed to credit loss in the event of non-performance by the other party to the swap. However, the Trusts closely monitor swaps and do not anticipate non-performance by any counterparty.

Segregation: In cases in which the Investment Company Act of 1940 (the 1940 Act), as amended, and the interpretive positions of the Securities and Exchange Commission (the Commission) require that each Trust segregate assets in connection with certain investments (e.g., when-issued securities, swap agreements or futures contracts), each Trust will, consistent with certain interpretive letters issued by the Commission, designate on its books and records cash or other liquid securities having a market value at least equal to the amount that would otherwise be required to be physically segregated.

Federal Income Taxes: It is each Trust s intention to continue to be treated as a regulated investment company under the Internal Revenue Code and to distribute sufficient amounts of their net income and net realized capital gains, if any, to shareholders. Therefore, no federal income tax provisions have been recorded.

Dividends and Distributions: Each Trust declares and pays dividends and distributions to common shareholders monthly from net investment income, net realized short-term capital gains and, if necessary, other sources. Net long-term capital gains, if any, in excess of loss carryforwards may be distributed in accordance with the 1940 Act. Dividends and distributions are recorded on the ex-dividend date. Income distributions and capital gain distributions are determined in accordance with income tax regulations which may differ from accounting principles generally accepted in the United States of America. Dividends and distributions to preferred shareholders are accrued and determined as described in Note 5.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and such differences may be material.

Deferred Compensation and BlackRock Closed-End Share Equivalent Investment Plan: Under the deferred compensation plan approved by each Trust s Board, non-interested Trustees/Directors (Trustees) are required to defer a portion of their annual complex-wide compensation. Deferred amounts earn an approximate return as though equivalent dollar amounts had been invested in common shares of other BlackRock closed-end trusts selected by the Trustees. These amounts are shown on the Statements of Assets and Liabilities as Investments in affiliates . This has the same economic effect for the Trustees as if the Trustees had invested the deferred amounts in such Trusts.

The deferred compensation plan is not funded and obligations thereunder represent general unsecured claims against the general assets of the Trust. Each Trust may, however, elect to invest in common shares of those Trusts selected by the Trustees in order to match its deferred compensation obligations.

Other: Expenses that are directly related to one of the Trusts are charged directly to that Trust. Other operating expenses are generally prorated to the Trusts on the basis of relative net assets of all of the BlackRock Closed-End Trusts.

Note 2. Agreements

Each Trust has an Investment Management Agreement with BlackRock Advisors, Inc. (the Advisor), a wholly owned subsidiary of BlackRock, Inc. BlackRock Financial Management, Inc. (BFM), a wholly owned subsidiary of BlackRock, Inc., serves as sub-advisor to Municipal Income Trust, California Municipal Income Trust, Florida Municipal Income Trust, New Jersey Municipal Income Trust and New York Municipal Income Trust. BlackRock, Inc. is an indirect majority owned subsidiary of The PNC Financial Services Group, Inc. The Investment Management Agreement for each Income Trust covers both investment advisory and administration services. Each Investment Quality Trust has an Administration Agreement with the Advisor.

Each Trust s investment advisory fee paid to the Advisor is computed weekly and payable monthly based on an annual rate, 0.35% for the Investment Quality Trusts and 0.60% for the Income Trusts, of the Trust s average weekly managed assets. Managed assets means the total assets of a Trust (including any assets attributable to any preferred shares that may be outstanding) minus the sum of accrued liabilities (other than debt representing financial leverage). The Advisor has voluntarily agreed to waive a portion of the investment advisory fee or other expenses on the Income Trusts as a percentage of managed assets as follows: 0.25% for the first five years of each of the Trust s operations, 0.20% in year six, 0.15% in year seven, 0.10% in year eight and 0.05% in year nine.

The Advisor pays BFM fees for its sub-advisory services.

The administration fee paid to the Advisor is computed weekly and payable monthly based on an annual rate of 0.15% for the Municipal Investment Quality Trust and 0.10% for the California Investment Quality, Florida Investment Quality, New Jersey Investment Quality and New York Investment Quality of the Trusts average weekly managed assets.

Pursuant to the agreements, the Advisor provides continuous supervision of the investment portfolio and pays the compensation of officers of each Trust who are affiliated persons of the Advisor, as well as occupancy and certain clerical and accounting costs of each Trust. Each Trust bears all other costs and expenses, which include reimbursements to the Advisor for cost of employees that provide pricing, secondary market support, and compliance services to each Trust. For the six months ended April 30, 2006, the Trusts reimbursed the Advisor the following amounts, which are included in miscellaneous expenses in the Statements of Operations:

Trust	Amount	Trust	Amount
Municipal Investment Quality	$ 8,236	Florida Income	$ 3,180
Municipal Income	17,376	New Jersey Investment Quality	480
California Investment Quality	480	New Jersey Income	3,479
California Income	6,853	New York Investment Quality	657
Florida Investment Quality	572	New York Income	5,944

Pursuant to the terms of each Trust s custody agreement, each Trust received earnings credits from its custodian for positive cash balances maintained, which are used to offset custody fees. These credits are shown on the Statement of Operations as fees paid indirectly .

Note 3. Portfolio Securities

Purchases and sales of investment securities, other than short-term investments and U.S. government securities, for the six months ended April 30, 2006, were as follows:

Trust	Purchases	Sales	Trust	Purchases	Sales
Municipal Investment Quality	$ 170,471,071	$ 168,265,590	Florida Income	$ 14,405,471	$ 11,235,567
Municipal Income	461,600,770	402,825,581	New Jersey Investment Quality	1,122,245	2,436,766
California Investment Quality	5,400,831	2,373,596	New Jersey Income	1,455,902	1,635,818
California Income	41,243,014	36,593,062	New York Investment Quality	5,495,186	6,015,085
Florida Investment Quality	3,178,466	4,018,578	New York Income	47,900,372	49,753,187

There were no purchases or sales of U.S. government securities.

Details of open interest rate swaps at April 30, 2006 were as follows:

Trust	Notional Amount	Fixed Rate[a]	Floating Rate	Termination Date	Unrealized Appreciation (Depreciation)
Investment Quality	$ 8,500,000	4.180%	1-week BMA Municipal Swap Index	09/14/06	$ 212,865
Municipal Trust	6,300,000	4.258	1-week BMA Municipal Swap Index	03/20/07	240,150
	8,500,000	4.263	1-week BMA Municipal Swap Index	12/27/06	242,456
	7,250,000	4.266	1-week BMA Municipal Swap Index	11/03/06	108,444
					803,915
Municipal Income Trust	32,100,000	4.180%	1-week BMA Municipal Swap Index	09/14/06	803,878
	24,000,000	4.258	1-week BMA Municipal Swap Index	03/20/07	914,856
	32,000,000	4.263	1-week BMA Municipal Swap Index	12/27/06	912,776
	28,000,000	4.266	1-week BMA Municipal Swap Index	11/03/06	418,815
					3,050,326
California Municipal	12,000,000	4.180%	1-week BMA Municipal Swap Index	09/14/06	300,515
Income Trust	9,000,000	4.258	1-week BMA Municipal Swap Index	03/20/07	343,071
	12,000,000	4.263	1-week BMA Municipal Swap Index	12/27/06	342,291
	10,500,000	4.266	1-week BMA Municipal Swap Index	11/03/06	157,056
					1,142,933
Florida Municipal Income	4,500,000	4.180%	1-week BMA Municipal Swap Index	09/14/06	112,693
Trust	3,300,000	4.258	1-week BMA Municipal Swap Index	03/20/07	125,793
	4,500,000	4.263	1-week BMA Municipal Swap Index	12/27/06	128,359
	4,000,000	4.266	1-week BMA Municipal Swap Index	11/03/06	59,831
					426,676
New Jersey Municipal	5,500,000	4.180%	1-week BMA Municipal Swap Index	09/14/06	137,736
Income Trust	4,100,000	4.258	1-week BMA Municipal Swap Index	03/20/07	156,288
	5,500,000	4.263	1-week BMA Municipal Swap Index	12/27/06	156,883
	4,750,000	4.266	1-week BMA Municipal Swap Index	11/03/06	71,049

					521,956
New York Municipal	7,800,000	4.180%	1-week BMA Municipal Swap Index	09/14/06	195,335
Income Trust	5,800,000	4.258	1-week BMA Municipal Swap Index	03/20/07	221,090
	7,750,000	4.263	1-week BMA Municipal Swap Index	12/27/06	221,063
	6,750,000	4.266	1-week BMA Municipal Swap Index	11/03/06	100,964
					738,452

(a) Trust pays fixed interest rate and receives floating rate.

Note 4. Income Tax Information

The tax character of distributions paid during the year ended October 31, 2005, were as follows:

	Year ended October 31, 2005		
Distributions Paid From:	**Tax-exempt Income**	**Long-term Capital Gains**	**Total Distributions**
Municipal Investment Quality	$ 19,171,844	$	$ 19,171,844
Municipal Income	50,626,000		50,626,000
California Investment Quality	981,792		981,792
California Income	16,041,371		16,041,371
Florida Investment Quality	1,131,803	138,032	1,269,835
Florida Income	7,162,799		7,162,799
New Jersey Investment Quality	972,856		972,856
New Jersey Income	8,139,994		8,139,994
New York Investment Quality	1,329,762		1,329,762
New York Income	13,412,688		13,412,688

For Federal income tax purposes, the following Trusts had capital loss carryforwards at October 31, 2005, the Trust s most recent tax year-end except for New York Income which had its most recent tax year-end at July 31, 2005. These amounts may be used to offset future realized capital gains, if any:

Trust	Capital Loss Carryforward Amount	Expires
Municipal Investment Quality	$ 159,146	2012
Municipal Income	$ 11,431,206	2011
	15,767,388	2012
	$ 27,198,594	
California Investment Quality	$ 9,026	2012
California Income	$ 389,453	2010
	124,338	2011
	4,943,577	2012
	$ 5,457,368	

Trust	Capital Loss Carryforward Amount	Expires
Florida Income	$ 1,060,497	2012
New Jersey Income	$ 988,460	2012

New York Income	$	662,558	2011
		485,438	2012
	$	1,147,996	

Note 5. Capital

There are 200 million of $0.01 par value common shares authorized for each of the Investment Quality Trusts. There are an unlimited number of $0.001 par value common shares authorized for the Income Trusts. Each Trust may classify or reclassify any unissued common shares into one or more series of preferred shares.

During the six months ended April 30, 2006 and the year ended October 31, 2005, the following Trusts issued additional shares under its dividend reinvestment plan:

Trust	April 30, 2006	October 31, 2005
Municipal Income	90,118	72,096
California Income	16,439	
Flordia Income	5,688	2,650
New Jersey Income	21,442	3,854
New York Income	23,507	4,806

As of April 30, 2006, each Trust had the following series of preferred shares outstanding as listed in the table below. The preferred shares have a liquidation value of $25,000 per share plus any accumulated unpaid dividends.

Trust	Series	Shares	Trust	Series	Shares
Municipal Investment Quality	T7	3,262	California Income	T7	2,639
	T28	2,600		R7	2,639
Municipal Income	M7	3,001	Florida Investment Quality	R7	340
	T7	3,001	Florida Income	T7	2,302
	W7	3,001	New Jersey Investment Quality	T7	300
	R7	3,001	New Jersey Income	R7	2,552
	F7	3,001	New York Investment Quality	F7	392
California Investment Quality	W7	300	New York Income	W7	2,195
				F7	2,195

Dividends on seven-day preferred shares are cumulative at a rate which is reset every seven days based on the results of an auction. Dividends on 28-day preferred shares are cumulative at a rate which resets every 28 days based on the results of an auction. The dividend ranges on the preferred shares for each of the Trusts for the six months ended April 30, 2006, were as follows:

Trust	Series	Low	High	Average	Trust	Series	Low	High	Average
Municipal Investment Quality	T7	2.12%	3.60%	2.89 %	California Income	T7	2.12%	3.80%	2.79 %
	T28	2.78	3.36	3.08		R7	2.00	3.50	2.81
Municipal Income	M7	2.70	3.70	3.05	Florida Investment Quality	R7	2.59	4.10	3.14
	T7	2.50	3.60	3.00	Florida Income	T7	2.20	3.60	2.87
	W7	2.30	3.50	2.98	New Jersey Investment Quality	T7	2.20	3.95	2.86
	R7	2.45	3.80	2.97	New Jersey Income	R7	2.00	3.71	2.86
	F7	2.40	3.64	2.97	New York Investment Quality	F7	2.50	3.60	2.82
California Investment Quality	W7	2.00	3.60	2.60	New York Income	W7	2.40	3.70	2.86
						F7	2.20	3.55	2.84

A Trust may not declare dividends or make other distributions on common shares or purchase any such shares if, at the time of the declaration, distribution or purchase, asset coverage with respect to the outstanding preferred shares would be less than 200%.

The preferred shares are redeemable at the option of each Trust, in whole or in part, on any dividend payment date at $25,000 per share plus any accumulated unpaid dividends whether or not declared. The preferred shares are also subject to mandatory redemption at $25,000 per share plus any accumulated or unpaid dividends, whether or not declared, if certain requirements relating to the composition of the assets and liabilities of a Trust, as set forth in each Trust s Declaration of Trust, are not satisfied.

The holders of preferred shares have voting rights equal to the holders of common shares (one vote per share) and will vote together with holders of common shares as a single class. However, holders of preferred shares, voting as a separate class, are also entitled to elect two Trustees for each Trust. In addition, the 1940 Act, as amended, requires that along with approval by shareholders that might otherwise be required, the approval of the holders of a majority of any outstanding preferred shares, voting separately as a class would be required to (a) adopt any plan of reorganization that would adversely affect the preferred shares, (b) change a Trust s subclassification as a closed-end investment company or change its fundamental investment restrictions and (c) change its business so as to cease to be an investment company.

Note 6. Dividends

Subsequent to April 30, 2006, the Board of each Trust declared dividends from undistributed earnings per common share payable June 1, 2006, to shareholders of record on May 15, 2006. The per share common dividends declared were as follows:

Trust	Common Dividend Per Share	Trust	Common Dividend Per Share
Municipal Investment Quality	$0.088250	Florida Income	$0.075375
Municipal Income	0.082625	New Jersey Investment Quality	0.070125
California Investment Quality	0.070600	New Jersey Income	0.079625

California Income	0.076074	New York Investment Quality	0.073125
Florida Investment Quality	0.070781	New York Income	0.075339

The dividends declared on preferred shares for the period May 1, 2006 to May 31, 2006, for each of the Trusts were as follows:

Trust	Series	Dividends Declared	Trust	Series	Dividends Declared
Municipal Investment Quality	T7	$271,203	California Income	T7	$216,847
	T28	167,544		R7	162,694
Municipal Income	M7	251,484	Florida Investment Quality	R7	23,800
	T7	251,364	Florida Income	T7	190,398
	W7	199,567	New Jersey Investment Quality	T7	20,784
	R7	202,147	New Jersey Income	R7	168,840
	F7	258,536	New York Investment Quality	F7	33,708
California Investment Quality	W7	19,509	New York Income	W7	138,790
				F7	187,453

Note 7. Concentration Risk

The Trusts concentrate their investments in securities issued by state agencies, other governmental entities and U.S. Territories. The Trusts are more susceptible to adverse financial, social, environmental, economic, regulatory and political factors that may affect these states, which could seriously affect the ability of these states and their municipal subdivisions to meet continuing obligations for principle and interest payments, than if the Trusts were not concentrated in securities issued by state agencies, other governmental entities and U.S. Territories.

Many municipalities insure repayment for their obligations. Although bond insurance reduces the risk of loss due to default by an issuer, such bonds remain subject to the risk that market value may fluctuate for other reasons and there is no assurance that the insurance company will meet its obligations. These securities have been identified in the Portfolios of Investments.

DIVIDEND REINVESTMENT PLANS

Pursuant to each Trust s Dividend Reinvestment Plan (the Plan), common shareholders are automatically enrolled to have all distributions of dividends and capital gains reinvested by Computershare Trust Company, N.A. (the Plan Agent) in the respective Trust s shares pursuant to the Plan. Shareholders who elect not to participate in the Plan will receive all distributions in cash paid by check and mailed directly to the shareholders of record (or if the shares are held in street or other nominee name, then to the nominee) by the Plan Agent.

After an Investment Quality Trust declares a dividend or determines to make a capital gain distribution, the Plan Agent will acquire shares for the participant s account, by the purchase of outstanding shares on the open market, on the Trust s primary exchange or elsewhere (open market purchases). The Investment Quality Trusts will not issue any new shares under the Plan, which serves as agent for the shareholders in administering the Plan.

After an Income Trust declares a dividend or determines to make a capital gain distribution, the Plan Agent will acquire shares for the participants accounts, depending upon the circumstances described below, either (i) through receipt of unissued but authorized shares from the Trust (newly issued shares) or (ii) by open market purchases. If, on the dividend payment date, the net asset value per share (NAV) is equal to or less than the market price per share plus estimated brokerage commissions (such condition being referred to herein as market premium), the Plan Agent will invest the dividend amount in newly issued shares on behalf of the participants. The number of newly issued shares to be credited to each participant s account will be determined by dividing the dollar amount of the dividend by the NAV on the date the shares are issued. However, if the NAV is less than 95% of the market price on the payment date, the dollar amount of the dividend will be divided by 95% of the market price on the payment date. If, on the dividend payment date, the NAV is greater than the market value per share plus estimated brokerage commissions (such condition being referred to herein as market discount), the Plan Agent will invest the dividend amount in shares acquired on behalf of the participants in open market purchases.

Participants in the Plan may withdraw from the Plan upon written notice to the Plan Agent and will receive certificates for whole Trust shares and a cash payment for any fraction of a Trust share.

The Plan Agent s fees for the handling of the reinvestment of dividends and distributions will be paid by each Trust. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent s open market purchases in connection with the reinvestment of dividends and distributions. The automatic reinvestment of dividends and distributions will not relieve participants of any Federal income tax that may be payable on such dividends or distributions.

Each Trust reserves the right to amend or terminate the Plan. There is no direct service charge to participants in the Plan, however, each Trust reserves the right to amend the Plan to include a service charge payable by the participants. Participants who request a sale of shares through the Plan Agent are subject to a $2.50 sales fee and a $0.15 per share sold brokerage commission. All correspondence concerning the Plan should be directed to the Plan Agent at 250 Royall Street, Canton, MA 02021, or (800) 699-1BFM.

ADDITIONAL INFORMATION

On February 15, 2006, BlackRock, Inc. (BlackRock) and Merrill Lynch & Co., Inc. (Merrill Lynch) announced that they had entered into an agreement pursuant to which Merrill Lynch would contribute its investment management business, Merrill Lynch Investment Managers, to BlackRock, one of the largest publicly traded investment management firms in the United States, to form a new asset management company that will be one of the world s preeminent, diversified global money management organizations with approximately $1 trillion in assets under management. Based in New York, BlackRock currently manages assets for institutional and individual investors worldwide through a variety of equity, fixed income, cash management and alternative investment products. The new company will operate under the BlackRock name and be governed by a board of directors with a majority of independent members. The new company will offer a full range of equity, fixed income, cash management and alternative investment products with strong representation in both retail and institutional channels, in the U.S. and in non-U.S. markets. It will have over 4,500 employees in 18 countries and a major presence in most key markets, including the United States, the United Kingdom, Asia, Australia, the Middle East and Europe. Merrill Lynch will own no more than 49.8% of the total issued and outstanding capital stock of the new company and it will own no more than 45% of the new company s common stock, and The PNC Financial Services Group, Inc. (PNC), which currently holds a majority interest in BlackRock, will retain approximately 34% of the new company s common stock. Each of Merrill Lynch and PNC has agreed that it will vote all of its shares on all matters in accordance with the recommendation of BlackRock s board. Completion of the transaction is subject to various regulatory approvals, client consents, approval by BlackRock shareholders and customary conditions. The transaction has been approved by the boards of directors of Merrill Lynch, BlackRock and PNC and is expected to close at the end of the third quarter of 2006.

The Trusts listed for trading on the New York Stock Exchange (NYSE) has filed with the NYSE its chief executive officer certification regarding compliance with the NYSE s listing standards and each Trust listed for trading on the American Stock Exchange (AMEX) has filed with the AMEX its corporate governance certification regarding compliance with the AMEX s listing standards. All of the Trusts have filed with the Securities and Exchange Commission the certification of it chief officer and chief financial officer required but section 302 of the Sarbanes-Oxley Act.

The Trusts do not make available copies of their respective Statements of Additional Information because the Trusts shares are not continuously offered, which means that the statement of Additional Information of each Trust has not been updated after completion of such Trust s offering and the information contained in each Trust s Statement of Additional Information may have become outdated.

During the period, there were no material changes in the Trusts investment objectives or policies or to their charter or by-laws that have not been approved by the shareholders or in the principle risk factors associated with investment in the Trusts. There have been no changes in the persons who are primarily responsible for the day-to-day management of the Trusts portfolio.

Quarterly performance and other information regarding the Trusts may be found on BlackRock s website, which can be accessed at http://www.blackrock.com/indiv/products/closedendfunds/funds.html. This reference to BlackRock s website is intended to allow investors public access to information regarding the Trusts and does not, and is not intended, to incorporate BlackRock s website into this report.

Certain officers of the Trusts listed on the inside back cover of this Report to Shareholders are also officers of the Advisor or Sub-Advisor. They serve in the following capacities for the Advisor or Sub-Advisor: Robert S. Kapito - Director and Vice Chairman of the Advisor and the Sub-Advisor, Kevin M. Klingert - Director of the Advisor and Managing Director of the Advisor and the Sub-Advisor, Henry Gabbay, Anne Ackerley and Bartholomew Battista - Managing Directors of the Advisor and Sub-Advisor, James Kong and Vincent Tritto - Managing Directors of the Sub-Advisor, and Brian P. Kindelan - Managing Director of the Advisor.

SECTION 19 NOTICES

Set forth below is a summary of notices sent by each Trust, if any, pursuant to Section 19 of the Investment Company Act of 1940. Section 19 requires each Trust to accompany dividend payments with a notice if any part of that payment is from a source other than accumulated net investment income, not including profits or losses from the sale of securities or other properties. These notices are not for tax reporting purposes and were provided only for informational purposes in order to comply with the requirements of Section 19. In January 2007, after the completion of each Trust s tax year, shareholders will receive a Form 1099-DIV which will reflect the amount of income, capital gain and return of capital paid by the Trust taxable in calendar year 2006 and reportable on your 2006 federal and other income tax returns.

		Total distributions	Net Investment Income	Distributions from proceeds from the sale of securities	Distributions from return of capital
BlackRock Florida Investment Quality Municipal Trust (RFA)					
	Dec-05	$0.12966	$	$0.12966	$
BlackRock New Jersey Investment Quality Municipal Trust (RNJ)					
	Dec-05	$0.06353		$0.06353	
BlackRock New York Investment Quality Municipal Trust (RNY)					
	Dec-05	$0.04274		$0.04274	

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BlackRock Closed-End Funds

Investment Advisor
BlackRock Advisors, Inc.
100 Bellevue Parkway
Wilmington, DE 19809
(800) 227-7BFM

Sub-Advisor[1]
BlackRock Financial Management, Inc.
40 East 52nd Street
New York, NY 10022

Accounting Agent and Custodian
State Street Bank and Trust Company
2 Avenue De Lafayette
Boston, MA 02111

[1] For the Income Trusts.
[2] For the Investment Quality Trusts.

Transfer Agent
Computershare Trust Company, N.A.
250 Royall Street
Canton, MA 02021
(800) 699-1BFM

Auction Agent[1]
Bank of New York
101 Barclay Street, 7 West
New York, NY 10286

Auction Agent[2]
Deutsche Bank Trust Company Americas
60 Wall Street, 8th Floor
New York, NY 10286

Independent Registered Public Accounting Firm
Deloitte & Touche LLP
200 Berkeley Street
Boston, MA 02116

Legal Counsel
Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, NY 10036

Legal Counsel Independent Trustees
Debevoise & Plimpton LLP
919 Third Avenue
New York, NY 10022

This report is for shareholder information. This is not a prospectus intended for use in the purchase or sale of Trust shares.Statements and other information contained in this report are as dated and are subject to change.

BlackRock Closed-End Funds
c/o BlackRock Advisors, Inc.
100 Bellevue Parkway
Wilmington, DE 19809
(800) 227-7BFM

The Trusts will mail only one copy of shareholder documents, including annual and semi-annual reports and proxy statements, to shareholders with multiple accounts at the same address. This practice is commonly called householding and is intended to reduce expenses and eliminate duplicate mailings of shareholder documents. Mailings of your shareholder documents may be householded indefinitely unless you instruct us otherwise. If you do not want the mailing of these documents to be combined with those for other members of your household, please contact the Trusts at (800)699-1BFM.

The Trusts have delegated to the Advisor the voting of proxies relating to their voting securities pursuant to the Advisor s proxy voting policies and procedures. You may obtain a copy of these proxy voting policies and procedures, without charge, by calling (800) 699-1BFM. These policies and procedures are also available on the website of the Securities and Exchange Commission (the Commission) at http://www.sec.gov.

Information on how proxies relating to the Trusts voting securities were voted (if any) by the Advisor during the most recent 12-month period ended June 30th is available without charge, upon request, by calling (800) 699-1BFM or on the website of the Commission at http://www.sec.gov.

The Trusts file their complete schedule of portfolio holdings for the first and third quarters of their respective fiscal years with the Commission on Form N-Q. Each Trust s Form N-Q will be available on the Commission s website at http://www.sec.gov. Each Trust s Form N-Q, may be reviewed and copied at the Commission s Public Reference Room in Washington, D.C. Information regarding the operation of the Public Reference Room may be obtained by calling (800) SEC-0330. Each Trust s Form N-Q, may also be obtained upon request without charge by calling (800) 699-1BFM.

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Item 2. Code of Ethics.
Not applicable for semi-annual reports.

Item 3. Audit Committee Financial Expert.
Not applicable for semi-annual reports.

Item 4. Principal Accountant Fees and Services.
Not applicable for semi-annual reports.

Item 5. Audit Committee of Listed Registrants.
Not applicable for semi-annual reports.

Item 6. Schedule of Investments.
The Registrant's Schedule of Investments is included as part of the Report to Stockholders filed under Item 1 of this Form.

Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.
Not applicable for semi-annual reports.

Item 8. Portfolio Managers of Closed-End Management Investment Companies.
Not applicable for semi-annual reports.

Item 9. Purchases of Equity Securities by Closed-End Management Company and Affiliated Purchasers.
No such purchases were made during the period covered by this report.

Item 10. Submission of Matters to a Vote of Security Holders.
No matters were voted on by shareholders during the period covered by this report.

Item 11. Controls and Procedures. (a) The Registrant's principal executive officer and principal financial officer have evaluated the Registrant's disclosure controls and procedures within 90 days of this filing and have concluded, as of that date, that the Registrant's disclosure controls and procedures were reasonably designed to ensure that information required to be disclosed by the Registrant in this Form N-CSR was recorded, processed, summarized, and reported within the required time periods and that information required to be disclosed by the Registrant in this Form N-CSR was accumulated and communicated to the Registrant's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

(b) There were no changes in the Registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940 (17 CFR 270.30a -3(d))) that occurred during the Registrant's last fiscal half-year that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

Item 12. Exhibits.

(a) (1) Not applicable.

(a) (2) Separate certifications of the Principal Executive and Financial Officers pursuant to Rule 30a-2(a) under the Investment Company Act of 1940 and Section 302 of the Sarbanes-Oxley Act of 2002 furnished as EX-99.CERT.

(b) Certification of Principal Executive and Financial Officers pursuant to Rule 30a-2(b) under the Investment Company Act of 1940 and Section 906 of the Sarbanes-Oxley Act of 2002 furnished as EX-99.906 CERT.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) BlackRock New York Municipal Income Trust

By: /s/ Henry Gabbay
Name: Henry Gabbay
Title: Treasurer
Date: July 6, 2006

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By: /s/ Robert S. Kapito
Name: Robert S. Kapito
Title: Principal Executive Officer
Date: July 6, 2006

By: /s/ Henry Gabbay
Name: Henry Gabbay
Title: Principal Financial Officer
Date: July 6, 2006