

MedQuist Holdings Inc.  
Form S-4/A  
October 04, 2011

As filed with the Securities and Exchange Commission on October 4, 2011

Registration No. 333-176582

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Amendment No. 1 to**

**Form S-4**

**REGISTRATION STATEMENT**

**UNDER**

**THE SECURITIES ACT OF 1933**

**MEDQUIST HOLDINGS INC.**

**(Exact name of Registrant as specified in its charter)**

**Delaware**

**(State or other jurisdiction of  
incorporation or organization)**

**7374**

**(Primary Standard Industrial  
Classification Code Number)**

**98-0676666**

**(I. R. S. Employer  
Identification No.)**

**9009 Carothers Parkway  
Franklin, Tennessee 37067  
(615) 261-1740**

**(Address, including zip code, and telephone number, including area code, of Registrant's principal executive  
offices)**

**Roger L. Davenport  
Chief Executive Officer  
MedQuist Holdings Inc.  
9009 Carothers Parkway  
Franklin, Tennessee 37067  
(615) 261-1740**

**(Name, address, including zip code, and telephone number, including area code, of agent for service)**

**With copy to:**

**Steven J. Abrams, Esq.  
Pepper Hamilton LLP  
3000 Two Logan Square  
Eighteenth and Arch Streets  
Philadelphia, PA 19103-2779  
(215) 981-4241**

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this Registration Statement is declared effective and upon consummation of the transactions described in the enclosed prospectus.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, please check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
 (Do not check if a smaller reporting company)

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issue Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

**CALCULATION OF REGISTRATION FEE**

Title of Each Class of Securities to be Registered	Amount to be Registered <sup>(1)</sup>	Proposed Maximum Offering Price Per Share <sup>(2)</sup>	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee <sup>(3)(4)</sup>
Common stock, par value US\$0.10 per share	1,231,246	Not applicable	\$9,148,158	\$1,049

(1) This Registration Statement registers the maximum number of shares of the Registrant's common stock par value \$0.10 per share, that may be issued in connection with the merger of a newly-formed subsidiary of CBay Inc. with and into MedQuist Inc. as described in the enclosed prospectus.

(2) Pursuant to Rule 457(c) and Rule 457(f), and solely for the purpose of calculating the registration fee, the proposed maximum aggregate offering price is equal to the market value of the total number shares of MedQuist Inc. common stock estimated to be held by holders as of the date hereof that may be issued in the merger, based upon a market value of \$7.43 per share of MedQuist Inc. common stock, the average of the high and low prices of shares of MedQuist Inc. common stock as reported by the OTCQB on September 30, 2011.

(3) Pursuant to Rule 457(f), the fee is calculated by multiplying the product of the maximum aggregate offering price by .0001146.

(4) Previously paid.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

**NOTICE OF MERGER  
OF  
MEDQUIST MERGER CORPORATION  
(A WHOLLY-OWNED SUBSIDIARY OF MEDQUIST HOLDINGS INC.)  
WITH AND INTO  
MEDQUIST INC.**

October , 2011.

To the Shareholders of MedQuist Inc.:

We are pleased to give you notice that, pursuant to Section 14A:10-5.1 of the New Jersey Business Corporation Act, MedQuist Merger Corporation, a New Jersey corporation ( Merger Subsidiary ) and wholly-owned, indirect subsidiary of MedQuist Holdings Inc., will merge (the Merger ) with and into MedQuist Inc., a New Jersey corporation on the date hereof. Under applicable New Jersey law, the Merger will be effected pursuant to an Agreement and Plan of Merger dated the date hereof between MedQuist Holdings Inc., Merger Subsidiary and MedQuist Inc. (the Merger Agreement ), a copy of which accompanies this notice. The Merger Agreement and the Merger were approved by the board of directors of MedQuist Holdings Inc. and Merger Subsidiary. No action on the part of the MedQuist Inc. shareholders is required for the Merger to become effective.

**WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.**

As a result of the Merger, MedQuist Inc. will be the surviving corporation and the separate corporate existence of Merger Subsidiary will cease. Each outstanding share of MedQuist Inc. common stock, no par value per share ( MedQuist Inc. Common Stock ), other than shares held by Merger Subsidiary, will be canceled and converted in the Merger to the right to receive one share of MedQuist Holdings Inc. common stock, par value \$0.10 per share ( MedQuist Holdings Inc. Common Stock ).

To receive certificates representing shares of MedQuist Holdings Inc. Common Stock issued in the Merger, MedQuist Inc. shareholders must complete and execute the enclosed Letter of Transmittal and deliver their certificates representing MedQuist Inc. Common Stock and the Letter of Transmittal to American Stock Transfer & Trust Company, LLC, the Exchange Agent, at the following address:

**By hand or overnight courier:**

American Stock Transfer & Trust Company, LLC  
Operations Center,  
Attn: Reorganization Department,  
6201 15th Avenue, Brooklyn, New York 11219

**By mail:**

American Stock Transfer & Trust Company, LLC  
Operations Center,  
Attn: Reorganization Department,  
P.O. Box 2042, New York, New York 10272-2042

The Prospectus accompanying this Notice of Merger describes the terms of the Merger, certain background information and other information concerning MedQuist Holdings Inc. and MedQuist Inc. We urge you to read the Prospectus carefully.

Very truly yours,

/s/ Roger L. Davenport

Roger L. Davenport  
*Chief Executive Officer*

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The information in this prospectus is not complete and may be changed. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where such offer is not permitted.

**Subject to Completion, dated October 4, 2011  
MedQuist Holdings Inc.**

**Merger with MedQuist Inc.**

**1,231,246 shares of MedQuist Holdings Inc. common stock for all issued  
and outstanding shares of MedQuist Inc. common stock  
not already owned by MedQuist Holdings Inc. or its subsidiaries**

MedQuist Holdings Inc. is furnishing this Prospectus to those persons, other than MedQuist Merger Corporation, a New Jersey corporation ( Merger Subsidiary ) and wholly-owned, indirect subsidiary of MedQuist Holdings Inc., who hold common stock, no par value per share, of MedQuist Inc., a New Jersey corporation, immediately prior to the merger (the Merger ) of Merger Subsidiary, a New Jersey corporation ( Merger Subsidiary ) and wholly-owned, indirect subsidiary of MedQuist Holdings Inc., with and into MedQuist Inc. Immediately prior to the Merger, MedQuist Holdings Inc. owns all of the outstanding capital stock of CBay Inc., a Delaware corporation, which in turn owns all of the outstanding capital stock of Merger Subsidiary, which in turn owns approximately 97% of the outstanding shares of MedQuist Inc.

The Merger, which does not require the affirmative vote of any shareholder of MedQuist Inc. under applicable law, will become effective upon the filing of the certificate of merger with the Department of the Treasury of the State of New Jersey on the date hereof (the Effective Time ). At the Effective Time, each share of MedQuist Inc. common stock will be canceled and converted into the right to receive one share of MedQuist Holdings Inc. common stock.

The table below sets forth certain information regarding the MedQuist Inc. common stock that is the subject of the Merger.

<b>CUSIP</b>	<b>TITLE OF SECURITY</b>	<b>MERGER CONSIDERATION PER SHARE</b>	
		<b>SHARES OF OUR COMMON STOCK (1)</b>	<b>ESTIMATED VALUE (1)</b>
584949101	MedQuist Inc. common stock	One	\$ 8.95

(1) The estimated value of the per share merger consideration is equal to the closing price per share of our common stock on The NASDAQ Global Market on September 26, 2011.

Because the number of shares of our common stock to be issued in the Merger is fixed, changes in the trading prices of our common stock will result in the market value of our common stock you receive pursuant to the conversion of your shares in the Merger being different than the value reflected in the table above.

Our common stock is listed on The NASDAQ Global Market under the symbol MEDH. The closing price of our shares on The NASDAQ Global Market on September 26, 2011 was \$8.95. See Market Price Information for Common Stock herein. MedQuist Inc. common stock trades on the OTCQB under the symbol MEDQ.

**WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.**

**We urge you to carefully read the Risk Factors section of this prospectus beginning on page 23.**

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

**The Exchange Agent for the Merger is:  
American Stock Transfer & Trust Company LLC**

Prospectus dated October , 2011.

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This prospectus incorporates important business and financial information about MedQuist Holdings Inc. and MedQuist Inc. that is not included in or delivered with this document and is included as an exhibit to the registration statement of which this prospectus is a part. Copies of documents referred to in this prospectus will be made available to holders in the Merger at no cost. See Where You Can Find More Information.

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### About This Prospectus

This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission, or the SEC, and we will not consummate the Merger until the SEC has declared the registration statement effective. You should read this prospectus, including the annex, together with the registration statement, the exhibits thereto and the additional information described under the heading "Where You Can Find More Information."

**None of MedQuist Holdings Inc. or the Exchange Agent have authorized any person (including any dealer, salesperson or broker) to provide you with any information or to make any representation other than as contained in this prospectus. MedQuist Holdings Inc. does not take any responsibility for, and can provide no assurance as to the reliability of, any information that others may give you. The information included in this prospectus is accurate as of the date of this prospectus. You should not assume that the information included in this prospectus is accurate as of any other date.**

The Merger will be effected pursuant to an Agreement and Plan of Merger (the "Merger Agreement"). The conversion of your shares of common stock into shares of common stock of MedQuist Holdings Inc. as a result of the Merger will be made on the basis of this prospectus, the Merger Agreement and the letter of transmittal and is subject to the terms described in this prospectus and the letter of transmittal. Investors should not construe anything in this prospectus, the Merger Agreement and the letter of transmittal as legal, investment, business or tax advice. Each investor should consult its advisors as needed.

This prospectus contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents themselves for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to in this prospectus will be made available to holders in the Merger at no cost. See "Where You Can Find More Information."

You should not rely on or assume the accuracy of any representation or warranty in any agreement that we have filed as an exhibit to any document that we have publicly filed or that we may otherwise publicly file in the future because such representation or warranty may be subject to exceptions and qualifications contained in separate disclosure schedules, may have been included in such agreement for the purpose of allocating risk between the parties to the particular transaction, and may no longer continue to be true as of any given date.

Except where the context otherwise requires, or where otherwise indicated, references to the Company, we, us, or our are to MedQuist Holdings Inc. and its subsidiaries, and references to Spheris are to Spheris Inc. for the period prior to April 22, 2010 and to the business we acquired from Spheris Inc. for the period after such date.

References in this prospectus to dollars or \$ are to the currency of the United States and references to £, pound or pence 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.

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.





## Questions and Answers About the Merger

*These answers to questions that you may have as a holder of MedQuist Inc. common stock are highlights of selected information included elsewhere in this prospectus. To fully understand the Merger and the risks associated with holding shares of MedQuist Holdings Inc. common stock, you should carefully read this prospectus in its entirety, including the section entitled "Risk Factors" and our financial statements and related notes.*

### **Why are we consummating the Merger?**

We intend to consummate the Merger as part of our ongoing plan to acquire full ownership of our majority-owned subsidiary MedQuist Inc. Since our acquisition of the majority ownership stake in MedQuist Inc., our management and directors have been aware that further consolidating our operations with those of MedQuist Inc. could lead to substantial overhead reductions and allow us to capitalize on our underlying technology, healthcare domain expertise and attractive long-term relationships with customers of MedQuist Inc.

In February 2011, we consummated an exchange agreement, or Exchange Agreement, with certain of MedQuist Inc.'s noncontrolling shareholders pursuant to which we issued 4.8 million shares of our common stock in exchange for their 4.8 million shares of MedQuist Inc. common stock. This private exchange increased our ownership in MedQuist Inc. from 69.5% to 82.2%. We then commenced a public registered exchange offer with the same exchange ratio as the private exchange to those noncontrolling MedQuist Inc. shareholders who did not participate in the private exchange, which we refer to as the Registered Exchange Offer, to exchange shares of our common stock for shares of MedQuist Inc. common stock as an additional means to acquire full ownership of MedQuist Inc. As a result of the Registered Exchange Offer, we increased our ownership in MedQuist Inc. from 82.2% to approximately 97%.

We continue to believe that if we acquire full ownership of MedQuist Inc. it will simplify our capital structure, help us to achieve greater integration with MedQuist Inc., and reduce costs and eliminate potential conflicts of interests between us and MedQuist Inc. Therefore we intend to consummate the Merger as a step in our plan to acquire full ownership of MedQuist Inc.

We intend to consummate a merger of Merger Subsidiary with and into MedQuist Inc. The purpose of the Merger is to acquire all of the issued and outstanding shares of MedQuist Inc. stock not already owned by us. Pursuant to the Shareholder Litigation (described below), we agreed that if, as a result of the Registered Exchange Offer, we obtained ownership of at least 90% of the outstanding common stock of MedQuist Inc., we would conduct a short-form merger under applicable law to acquire the remaining shares of MedQuist Inc. common stock that we do not currently own at the same exchange ratio applicable under the Registered Exchange Offer. The terms of the Merger Agreement will provide that each remaining issued and outstanding share of MedQuist Inc. common stock will be converted into the right to receive one share of MedQuist Holdings Inc. common stock. Please see the section of this prospectus entitled "MedQuist Holdings Inc. Business - Legal proceedings" for more information on the Shareholder Litigation.

### **What will you receive in the Merger?**

You will receive one share of our common stock for each share of MedQuist Inc. common stock that you hold at the effective time of the Merger. Shares of our common stock issued in the Merger will be issued in book-entry form.

### **Merger consideration per share**

<b>CUSIP</b>	<b>Title of security</b>	<b>Shares of our common stock (1)</b>	<b>Estimated value (1)</b>
584949101	MedQuist Inc. common stock	One	\$ 8.95

(1) The estimated value of the per share merger consideration is equal to the closing price per share of our common stock on The NASDAQ Global Market on September 26, 2011.

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Because the number of shares of our common stock to be issued in the Merger is fixed, changes in the trading prices of our common stock will result in the market value of our common stock you receive pursuant to the conversion of your shares in the Merger being different than the value reflected in the table above. Our common stock is listed on The NASDAQ Global Market under the symbol MEDH. The closing price of our shares on The NASDAQ Global Market on September 26, 2011 was \$8.95.

MedQuist Inc. common stock trades on the OTCQB under the symbol MEDQ. The closing price of shares of MedQuist Inc. common stock on the OTCQB on September 26, 2011 was \$9.10. See Market Price Information for Common Stock herein.

Your right to receive the Merger consideration in the Merger is subject to the terms set forth in this prospectus, the Merger Agreement and the related letter of transmittal.

**Do you have a choice in whether to participate in the Merger?**

No. Upon the consummation of the Merger, your shares of MedQuist Inc. common stock will automatically convert into the right to receive an equal number of shares of MedQuist Holdings common stock.

**Will our common stock to be issued in the Merger be listed for trading?**

Yes. The shares of our common stock to be issued in the Merger have been approved for listing on The NASDAQ Global Market under the symbol MEDH. For more information regarding the market for our common stock, see the section of this prospectus entitled Comparative Market Price and Dividend Information.

**Will MedQuist Inc. deregister under the Securities Exchange Act of 1934, as amended, or the Exchange Act, following the Merger?**

Yes. Following the consummation of the Merger, we intend to cause MedQuist Inc. to deregister its common stock under the Exchange Act and MedQuist Inc. will cease to be a separate SEC reporting company. Please see the section of this prospectus entitled The Merger Registration Under Exchange Act.

**How do you get shares of MedQuist Holdings common stock pursuant to the Merger?**

The MedQuist Inc. shareholders will receive written instructions set forth in a letter of transmittal from the exchange agent detailing how to exchange their MedQuist Inc. stock certificates for certificates representing shares of MedQuist Holdings common stock or evidence of such shares in book entry form.

**What are the potential benefits of the Merger to holders of MedQuist Inc. common stock?**

We believe the Merger will enable MedQuist Inc. and us to create a simpler, unified capital structure in which equity investors would participate in the equity of MedQuist Holdings Inc. and MedQuist Inc. through ownership at the MedQuist Holdings Inc. level.

We believe that unifying public stockholders at a single level could lead to greater liquidity for investors, particularly for the former holders of MedQuist Inc. common stock, due to the increased combined public float.

Additionally, the unified capital structure that would result from the Merger would facilitate the investment and transfer of funds between MedQuist Holdings Inc. and MedQuist Inc. and our respective subsidiaries, thereby

facilitating more efficient uses of our consolidated financial resources.

Finally, by acquiring full ownership of MedQuist Inc. we will eliminate any potential conflicts between our interests and the interests of the other MedQuist Inc. shareholders. We currently have the ability to cause the election of all of the members of the MedQuist Inc. board of directors, the appointment of new management and the approval of actions requiring the approval of MedQuist Inc. shareholders, including amendments to its certificate of incorporation and mergers or sales of substantially all of its assets. The directors we elect are able to make decisions affecting the capital structure of MedQuist Inc., including decisions to issue additional capital

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stock, implement stock repurchase programs and declare dividends. Without full ownership of MedQuist Inc. our interests could conflict with the interests of MedQuist Inc., and the interests of its other shareholders.

**How long will it take to complete the Merger?**

We will not consummate the Merger until the SEC has declared the registration statement of which this prospectus is a part effective. As soon as practicable after such registration statement is declared effective we intend to cause the Merger to take place.

**Why is there no MedQuist Inc. shareholder vote for the Merger?**

Your vote is not required for the Merger. Section 14A:10-5.1 of the New Jersey Business Corporations Act (the NJBCA ) governs short-form mergers between two New Jersey corporations (the NJ Short-Form Merger Statute ). This provision allows a New Jersey corporation owning at least 90% of the outstanding shares of each class and series of another New Jersey corporation to merge the subsidiary corporation into itself, or merge itself into the subsidiary corporation, without approval of the shareholders of either corporation, though the board of the parent corporation must approve the plan of merger. Section 14A:10-5.1(6) of the NJBCA requires the approval of the shareholders of the parent corporation when the subsidiary corporation will be the surviving corporation in the short-form merger. Our board of directors and the board of directors and sole shareholder of the Merger Subsidiary approved the Merger.

Prior to the Merger, we will contribute the shares of MedQuist Inc. common stock that we hold to CBay Inc., our majority-owned subsidiary, pursuant to a contribution agreement (the MedQuist Holdings Contribution Agreement ). In consideration of our contribution of such shares pursuant to the MedQuist Holdings Contribution Agreement, we will receive shares of CBay Inc. common stock. Immediately following the contribution of shares pursuant to the MedQuist Holdings Contribution Agreement, CBay Inc. will enter into a contribution agreement (the CBay Contribution Agreement ) with Merger Subsidiary pursuant to which CBay Inc. will contribute the shares of MedQuist Inc. common stock that it then holds to Merger Subsidiary. Immediately following the contributions pursuant to the MedQuist Holdings Contribution Agreement and the CBay Contribution Agreement, Merger Subsidiary will own approximately 97% of MedQuist Inc. We will then consummate the Merger by merging Merger Subsidiary with and into MedQuist Inc. in accordance with the NJ Short-Form Merger Statute. As a result of the Merger, the separate corporate existence of Merger Subsidiary will terminate and MedQuist Inc. will survive the Merger and exist as a wholly-owned subsidiary of ours.

**Will you have to pay any fees or commissions upon the automatic conversion of your shares pursuant to the Merger?**

Holders are not obligated to pay brokerage fees or commissions to us or the exchange agent in connection with the Merger. If your shares of MedQuist Inc. common stock are held through a broker or other nominee who transmits the MedQuist Inc. common stock on your behalf in connection with the Merger, your broker may charge you a commission for doing so. You should consult with your broker or nominee to determine whether any charges will apply. See The Merger.

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**What are the U.S. federal income tax consequences of participating in the Merger?**

For United States federal income tax purposes, your receipt of shares pursuant to the Merger generally will be taxable to you. Please see the section of this prospectus entitled "Material United States Federal Income Tax Consequences" for more information. You should consult your own tax advisor for a full understanding of the tax consequences to you of the Merger.

**What is the impact of the Merger to our earnings per share and capitalization?**

As a result of the Merger described herein, we intend to issue an additional 1.2 million shares of our common stock resulting in an aggregate of 56.3 million shares being issued and outstanding. This will result in dilution of ownership to existing holders of our common stock. However, our share of MedQuist Inc.'s net income will increase as a result of the Merger. After giving effect to the Spheris Acquisition (as defined in "Summary History MedQuist Inc."), the Recapitalization Transactions (as defined in "Summary Recent Developments Recapitalization Transactions"), the private exchange, the Registered Exchange Offer and our initial public offering, or "IPO," for the year ended December 31, 2010 and the six months ended June 30, 2011, the incremental impact of the Merger on our diluted earnings per share would have been an increase of \$0.01 and \$0.03 per share of our common stock on a pro forma basis, respectively.

The impact of the Merger will be a reclassification between noncontrolling interests and additional paid in capital with no net impact to stockholders' equity as a result of the Merger. See "The Merger Accounting treatment."

**Do our directors or executive officers beneficially own any shares of MedQuist Inc. common stock that will be subject to the Merger?**

As of September 26, 2011, our directors and executive officers beneficially owned in the aggregate 66 shares of MedQuist Inc. common stock that are subject to the Merger.

**What percentage of our common stock will current MedQuist Inc. shareholders own after the Merger?**

We anticipate that the Merger will result in the conversion of the outstanding shares of MedQuist Inc.'s common stock that we do not currently own into approximately 2.2% of shares of our common stock outstanding at the consummation of the Merger. In general, this assumes that:

- n 55.1 million shares of our common stock are outstanding before giving effect to the Merger; and
- n 1.2 million shares of our common stock will be issued in the Merger.

**Are dissenters' or appraisal rights available in the Merger?**

You do not have dissenters' or appraisal rights as a result of the Merger. Under New Jersey law, which governs your rights as a shareholder of a New Jersey corporation, you do not have the right to dissent in the Merger. See "The Merger No appraisal rights."

**With whom may you talk if you have questions about the Merger?**

If you have questions regarding the Merger, please contact the exchange agent. The contact information for the exchange agent is set forth on the back cover of this prospectus. Holders of MedQuist Inc. common stock may also contact their brokers, dealers, commercial banks, trust companies or other nominees through whom they hold their

MedQuist Inc. common stock with questions and requests for assistance.

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## 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. 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.*

## Overview

### *The Companies*

#### *MedQuist Holdings Inc.*

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 meaningful use of electronic health records. We also offer speech recognition solutions for radiology, cardiology, pathology and related specialties, that help healthcare providers dictate, edit and sign reports without manual transcription.

On August 18, 2011, we completed the acquisition of MultiModal Technologies, Inc. With this acquisition, we now provide speech and natural language understanding technologies to healthcare providers and to local and regional transcription partners.

#### *MedQuist Inc.*

MedQuist Inc. is a leading provider of integrated clinical documentation solutions for the U.S. healthcare system. Its end-to-end solutions convert physicians' dictation of the Physician Narrative into a high quality and customized electronic record. These solutions integrate technologies and services for voice capture and transmission, ASR, medical transcription and editing, workflow automation, and document management and distribution to deliver a complete managed service for its customers. MedQuist Inc.'s solutions enable hospitals, clinics, and physician practices to improve the quality of clinical data as well as accelerate and automate the documentation process, and MedQuist Inc. believes its solutions improve physician productivity and satisfaction, enhance revenue cycle performance, and facilitate the adoption and meaningful use of electronic health records.

#### *Merger Subsidiary*

Merger Subsidiary will be a New Jersey corporation, wholly-owned by CBay Inc., one of our majority-owned subsidiaries. Merger Subsidiary will be formed to facilitate the short-form merger with MedQuist Inc. At the time of the Merger, Merger Subsidiary will have engaged in no activities and have no material assets or liabilities of any kind, in each case other than those incidental to its formation and its activities and obligations in connection with the Merger.

### ***The Clinical Documentation Industry***

Over the past several decades, the clinical documentation 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 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 Health Information Technology for Economic and Clinical Health Act, or HITECH Act, which was enacted into law on February 17, 2009 as part of the American Recovery and Reinvestment Act of 2009, or ARRA, 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 varying degrees of technological automation and offshore capabilities amongst providers. Thousands of local and regional providers offer limited services without technology offerings. A small set of national providers offer a combination of technology and services, but have varying degrees of technological sophistication and production capacity.

### **Our competitive strengths**

Our competitive strengths include:

- n **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.

- n **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.

- n **Large and diversified customer base with long-term relationships** We serve hospitals, clinics and physician practices throughout the United States. We have a long-standing history with our customers and the majority of our revenue is from recurring services.
- n **Highly-efficient operating model** Since we acquired MedQuist Inc. in the fourth quarter of 2008, we have driven down our cost structure through leveraging our scalable infrastructure, standardizing processes, and increased utilization of ASR. Our use of ASR, which has grown from 39% of our volume in the fourth quarter of 2008 to 74% in the second quarter of 2011, has increased our productivity. With the acquisition of MultiModal, we now own our own ASR technology which we expect will further reduce our cost structure. 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 34% to 40%.
- n **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:

- n **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. 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. Through our acquisition of MultiModal, we have expanded our customer base to include medical transcription service organizations, or MTSOs. We intend to grow our business by providing new and innovative speech and natural language understanding technologies and new products to these transcription partners.
- n **Continue to develop and enhance our integrated solutions** We seek to differentiate our integrated solutions through sophisticated technology and process improvement. With the acquisition of MultiModal, we now have over 200 employees dedicated to research and development, with in-house expertise in speech and natural language understanding technologies. 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.
- n **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 34% in the fourth quarter of 2008, our first fiscal quarter after we acquired MedQuist Inc., to 40% in the second quarter of 2011. 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. We also expect that the acquisition of MultiModal will further enhance our gross margins by building market share in the in-house transcription market.

- n **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.
- n **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 or expand our solutions, incorporate synergy opportunities, and expand our value proposition to our customers. For example, we recently completed our acquisition of MultiModal which provides us with ownership of speech and natural language understanding technologies, and is expected to facilitate consolidation to a single speech recognition platform, provide a broader product offering to local and regional transcription partners and leverage MultiModal's cloud based services to enhance our gross margins.

### **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 23. For example:

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

### ***History***

#### ***MedQuist Holdings Inc.***

We began operations 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. In August 2011 we completed the acquisition of MultiModal Technologies, Inc. which provides us with ownership of speech and natural language understanding technologies, and is expected to facilitate consolidation to a single speech recognition platform, provide a broader product offering to local and regional transcription partners and leverage cloud-based services to enhance gross margins.

#### ***MedQuist Inc.***

MedQuist Inc. was established in 1970 and developed a computer-based medical transcription package that replaced tape and cassette recorders with digital recording equipment. MedQuist Inc. purchased Transcriptions Ltd. in May 1994, and grew quickly over the next few years through sales and acquisitions of smaller transcription service organizations. With several strategic acquisitions in 2001 and 2002, MedQuist Inc. obtained the technology and

expertise to offer comprehensive document workflow management products and solutions.



## ***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.

### *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.

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.

### *MultiModal Technologies, Inc.*

On August 18, 2011, we completed the acquisition of Multimodal Technologies, Inc., or MultiModal, through a series of mergers between MultiModal and certain of our direct wholly-owned subsidiaries (the MultiModal Merger). As a result of the MultiModal Merger, MultiModal became a direct wholly-owned subsidiary of ours. The MultiModal Merger provides us ownership of speech and natural language understanding technologies, and is expected to facilitate consolidation to a single speech recognition platform, provide a broader product offering to local and regional transcription partners and leverage MultiModal's cloud based services to enhance gross margins.

## **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 shareholders. We received \$122.6 million of this special dividend and used \$104.1 million to extinguish our 6% convertible notes, or the 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 collectively as the Recapitalization Transactions.

#### *Private Exchange*

Certain of MedQuist Inc.'s noncontrolling shareholders entered into the Exchange Agreement, whereby we issued 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 was completed on February 11, 2011 and increased our ownership in MedQuist Inc. from 69.5% to 82.2%.

#### *Registered Exchange Offer*

In addition to the Private Exchange referred to above, in February 2011, we commenced a public exchange offer, or Registered Exchange Offer, to those noncontrolling MedQuist Inc. shareholders who did not participate in the Private Exchange to exchange shares of our common stock for shares of MedQuist Inc. common stock. The Registered Exchange Offer expired on March 11, 2011. We accepted and consummated the exchange of MedQuist Inc. shares of common stock that were validly tendered in the Registered Exchange Offer. As a result of the Registered Exchange Offer, we increased our ownership in MedQuist Inc. from 82.2% to approximately 97%.

#### *U.S. Initial Public Offering*

The U.S. initial public offering of our common stock closed on February 9, 2011. Our common stock is listed on The NASDAQ Global Market under the symbol MEDH.

#### *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 such reverse share split resulted in no change to our common stockholders' relative ownership interests in us.

For a more detailed description of the Recapitalization Transactions, the Private Exchange, the Registered Exchange Offer, our U.S. initial public offering and the redomiciliation and share conversion, collectively, the Corporate Reorganization, see Corporate Reorganization.

#### *Acquisition of MultiModal Technologies, Inc.*

On August 18, 2011 (the Closing Date), we completed the acquisition of MultiModal through a series of mergers between MultiModal and certain of our direct wholly-owned subsidiaries. As a result of the MultiModal Merger, MultiModal became a direct wholly-owned subsidiary of ours. On the Closing Date, we paid an aggregate of approximately \$48.4 million in cash to MultiModal's shareholders, optionholders and other third parties and issued an aggregate of 4,134,896 shares of our common stock (the Shares) to MultiModal's shareholders who are accredited investors (the MultiModal Accredited Investors) within the meaning of Regulation D promulgated under the Securities Act of 1933. We are also obligated to pay up to approximately \$28.8 million of additional cash

consideration in three installments of approximately \$16.3 million, \$4.8 million and \$7.7 million, respectively, following the first, second and third anniversaries of the Closing Date. Also on the Closing Date, we granted to certain of MultiModal s employees that become employees of ours up to \$10 million of restricted shares of our common stock.

*Amendment to Senior Secured Credit Facility*

On September 14, 2011, we amended the Senior Secured Credit Facility to, among other things, (i) add an accordion feature that allows for additional borrowing capacity of up to \$50.0 million in the form of additional revolving credit commitments or incremental term loans, subject to the satisfaction of certain conditions, and (ii) permit repurchases of our outstanding common stock in an aggregate amount not to exceed \$25.0 million.

*Stock Repurchase Program*

On September 19, 2011, our board of directors authorized the repurchase of up to \$25.0 million of our outstanding common stock from time to time during the six months following the completion of the Merger (hereinafter referred to as the *Share Repurchase Program* ). Under the Share Repurchase Program, shares may be repurchased in the open market or in privately negotiated transactions at our discretion. The Share Repurchase Program does not require us to repurchase any specific number of shares, and we may terminate the Share Repurchase Program at any time. We will not repurchase any shares directly from our directors and officers or S.A.C. PEI CB Investment L.P. and its affiliates under the Share Repurchase Program.

*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.

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

## **Background and Reasons for the Merger**

### **Background of our investment in MedQuist Inc.**

MedQuist Inc. was established in 1970 and developed a computer-based medical transcription package that replaced tape and cassette recorders with digital recording equipment. MedQuist Inc. purchased Transcriptions Ltd. in May 1994, and grew quickly over the next few years through sales and acquisitions of smaller transcription service organizations. Royal Philips Electronics purchased approximately 60% of MedQuist Inc. in June 2000, and later increased its holdings to 69.5%. With several strategic acquisitions in 2001 and 2002, MedQuist Inc. obtained the technology and expertise to offer comprehensive document workflow management products and solutions.

In August 2008, Royal Philips Electronics sold its 69.5% ownership interest in MedQuist Inc. to us, a holding company with a portfolio of investments in medical transcription, healthcare technology and healthcare financial services, for a total consideration of \$239.7 million. The transaction was completed following the subscription to approximately 89 million shares in our common stock by S.A.C. PEI CB Investment, L.P. Additionally, in April 2010, MedQuist Inc. completed the purchase of the domestic business of Spheris Inc. while simultaneously, CBay Inc., one of our subsidiaries that directly holds the majority ownership in MedQuist Inc., acquired the stock of Spheris India Private Limited, a subsidiary of Spheris, creating a combined company for healthcare providers to improve their clinical documentation and drive toward electronic health record, or EHR, adoption faster and at a lower cost through advanced technology and expanded domestic and global services.

In early 2011, certain of MedQuist Inc.'s noncontrolling shareholders entered into the exchange agreement with us whereby we issued 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 was completed on February 11, 2011 and increased our ownership in MedQuist Inc. from 69.5% to 82.2%.

In addition to the Private Exchange, we commenced the Registered Exchange Offer to those noncontrolling MedQuist Inc. shareholders who did not participate in the Private Exchange to exchange shares of our common stock for shares of MedQuist Inc. common stock. The Registered Exchange Offer expired on March 11, 2011. As a result of the Registered Exchange Offer, we increased our ownership in MedQuist Inc. from 82.2% to approximately 97%.

### **Background of the Merger**

Since our acquisition of the majority ownership stake in MedQuist Inc., our management and directors have been aware that further consolidating our operations with those of MedQuist Inc. could lead to substantial overhead reductions and allow us to capitalize on our underlying technology, healthcare domain expertise and attractive long-term relationships with customers of MedQuist Inc.

During the course of our consultations with our financial advisors and outside counsel in the summer of 2010, our management determined that a two-tiered private and public exchange offer was the best method for acquiring the remaining shares of MedQuist Inc. common stock held by third parties. Our management wanted to pursue the most efficient course for combining MedQuist Inc. and our company, and believed that offering to buy shares of MedQuist Inc. common stock directly from the other MedQuist Inc. shareholders would result in an expedited and fair process. Additionally, our management concluded that pursuing a two-tiered exchange offer, whereby a significant portion of the minority MedQuist Inc. shareholders agreed to participate in a private exchange of their MedQuist Inc. common stock for our common stock, followed by a registered public exchange for the remaining MedQuist Inc. common stock, gave us the best opportunity to acquire the highest number of shares of MedQuist Inc. common stock in the most efficient and expeditious manner. In choosing to recommend the two-tiered exchange offer structure to our

board, our management sought to choose a path consistent with recent precedents for transactions involving the acquisition of the minority interests of publicly traded companies by their principal stockholders. In contrast to an exchange offer transaction, our management also considered a merger transaction, but due to certain provisions of New Jersey corporate law, a merger transaction was deemed not to be a viable option at that time.

On September 30, 2010, our board of directors met to consider the advisability of the two-tiered exchange offer. At this meeting, the board engaged in a discussion, with members of our management, outside counsel and financial advisors participating, of the proposed two-tiered exchange offer structure. Following this discussion, our board of directors determined unanimously to approve the Private Exchange.

At its meeting on October 17, 2010, our board of directors unanimously approved the Registered Exchange Offer. In reaching its conclusion, our board of directors considered, among others, the following factors:

- n the completion of the Registered Exchange Offer would enable MedQuist Inc. and us to create a simpler, unified capital structure in which equity investors would participate in the equity of us and MedQuist Inc. only at the MedQuist Holdings Inc. level. Our board also believed that unifying public stockholdings at a single level could lead to greater liquidity for investors, particularly for the former holders of MedQuist Inc. common stock, due to the increased combined public float;
- n the unified capital structure that would result from the Registered Exchange Offer would facilitate the investment and transfer of funds between us and MedQuist Inc. and its subsidiaries, thereby facilitating more efficient uses of our consolidated financial resources;
- n the belief that we will be better positioned than MedQuist Inc. on a stand-alone basis to develop and exploit MedQuist Inc.'s assets, including through acquisitions and dispositions;
- n the elimination of public shareholders at the MedQuist Inc. level would create opportunities for cost reductions through the reduction of overhead and reporting and compliance costs;
- n the opportunity to eliminate, by converting the public's ownership of MedQuist Inc. common stock into ownership of our common stock through the Registered Exchange Offer, the potential for conflicts of interest between us, on the one hand, and the assets of MedQuist Inc. and its public shareholders, on the other, including with respect to the disposition or use of MedQuist Inc. for the benefit of us and our stockholders;
- n the exchange ratio;
- n the ability of MedQuist Inc.'s shareholders, through ownership of our common stock, to participate in the growth of MedQuist Inc.'s business and our other businesses;
- n the financial and operating results of MedQuist Inc.;
- n the terms and conditions of the Registered Exchange Offer; and
- n the level of dilution that our current stockholders would experience in connection with the Registered Exchange Offer.

The Private Exchange was completed on February 11, 2011 and increased our ownership in MedQuist Inc. from 69.5% to 82.2%.

The Registered Exchange Offer expired on March 11, 2011. As a result of the Registered Exchange Offer, we increased our ownership in MedQuist Inc. from 82.2% to approximately 97%.

We intend to consummate the Merger in connection with our ongoing plan to acquire full ownership of our majority-owned subsidiary MedQuist Inc. In addition, pursuant to the Shareholder Litigation, we agreed that if, as a result of the Registered Exchange Offer, we obtained ownership of at least 90% of the outstanding common stock of MedQuist Inc., we would conduct a short-form merger under applicable law to acquire the remaining shares of MedQuist Inc. common stock that we do not currently own at the same exchange ratio applicable under the Registered Exchange Offer. On October 3, 2011, our board of directors unanimously approved the Merger. In reaching its conclusion, our board of directors reiterated that it continues to believe that if we acquire full ownership of MedQuist Inc. it will simplify our capital structure, achieve greater integration between us and MedQuist Inc., and reduce costs and eliminate potential conflicts of interests between us and MedQuist Inc. The board of directors also considered the same factors listed above from its October 17, 2010 meeting as applied to the Merger. Please see "Background and Reasons for the Merger" for more information on our desire to acquire full ownership of MedQuist Inc.





CBay Inc., one of our majority-owned subsidiaries, intends to consummate a merger of one of its newly-formed subsidiaries with and into MedQuist Inc. Pursuant to the terms of the Merger, each remaining issued and outstanding share of MedQuist Inc. common stock will convert into the right to receive one share of MedQuist Holdings Inc. common stock.

Please see [MedQuist Holdings Inc. Business](#) [Legal proceedings](#) for more information on the Shareholder Litigation.

**Interests of directors and executive officers**

As of September 26, 2011, our directors and executive officers beneficially owned in the aggregate 66 shares of MedQuist Inc. common stock that are subject to the Merger.

### Summary of Terms of the Merger

*We have summarized the terms of the Merger below. You should read the discussion under "The Merger" in this prospectus for further information regarding the Merger.*

Merger	Pursuant to the Merger Agreement, the certificate of merger and in accordance with the NJBCA, Merger Subsidiary will merge with and into MedQuist Inc., the separate corporate existence of Merger Subsidiary will terminate and MedQuist Inc. will survive the Merger and exist as a wholly owned subsidiary of ours. Merger Subsidiary has not conducted any activities other than those incidental to its formation and the matters contemplated by the certificate of merger.
Ongoing Trading and Reporting	Following the Merger, MedQuist Inc. shares will no longer trade on the OTCQB and MedQuist Inc. will terminate its reporting obligations to the SEC.
Consideration to be Received in the Merger	At the effective time of the Merger, each outstanding share of MedQuist Inc. common stock will be converted into the right to receive one share of MedQuist Holdings Inc. common stock.
Procedures for Exchange of Certificates	<p>We have appointed American Stock Transfer &amp; Trust Company LLC as the exchange agent for the purpose of exchanging certificates and uncertificated shares of MedQuist Inc. common stock for the Merger consideration. Contemporaneously with the effective date of the Merger, the exchange agent will mail transmittal materials to each holder of MedQuist Inc. common stock, advising such holders of the procedure for surrendering their share certificates (or an appropriate affidavit) to the exchange agent in exchange for shares of our common stock.</p> <p>Each holder of a share of MedQuist Inc. common stock that has been converted into a right to receive shares of our common stock will receive such shares upon surrender to the exchange agent of the applicable MedQuist Inc. common stock certificate (or an appropriate affidavit), together with an executed letter of transmittal covering such shares and such other documents as the exchange agent may reasonably require.</p> <p>After the effective time and until surrendered, each certificate that previously represented shares of MedQuist Inc. common stock will represent only the right to receive shares of our common stock as described above under "Consideration to be Received in the Merger." In addition, MedQuist Inc. will not register any transfers of shares of MedQuist Inc. common stock after the effective time of the Merger.</p> <p> Holders of MedQuist Inc. common stock should not send in their MedQuist Inc. stock certificates until they receive, complete and submit a signed letter of transmittal sent by the exchange agent with instructions for the surrender of MedQuist Inc. stock certificates.</p>

Closing and Effective Time of the Merger

The Merger will become effective upon the filing of the certificate of merger with the Department of the Treasury of the State of New Jersey. The filing of the certificate of merger will occur as soon as reasonably practicable after the effectiveness of the registration statement.

No Appraisal Rights

No appraisal rights are available to holders of MedQuist Inc. common stock in connection with the Merger.

Comparative Market Price Information	<p>MedQuist Inc. common stock is currently traded on the OTCQB under the symbol MEDQ. On September 26, 2011, the closing price of MedQuist Inc. common stock on the OTCQB was \$9.10 per share.</p> <p>Our common stock is listed on The NASDAQ Global Market under the symbol MEDH. On September 26, 2011, the closing price of our shares on The NASDAQ Global Market was \$8.95.</p>
Accounting Treatment	<p>The Merger will be accounted for as an equity transaction, as we would retain control of MedQuist Inc. after the transaction.</p>
Comparison of Rights of Holders of Our Common Stock and MedQuist Inc. Common Stock	<p>After the completion of the Merger, you will become a stockholder of our company and your rights as a stockholder will be governed by our certificate of incorporation and by-laws. There are differences between the certificates of incorporation and by-laws of MedQuist Inc. and our company. MedQuist Inc. is a New Jersey corporation and our company is a Delaware corporation, so your rights will be governed by Delaware law after the completion of the Merger. For a summary comparison of the rights of holders of our common stock and holders of MedQuist Inc. common stock, see Comparison of Rights of Holders of Our Common Stock and MedQuist Inc. Common Stock.</p>
Risk Factors	<p>The Merger is subject to a number of risks. You should consider carefully all of the information set forth in this prospectus and, in particular, you should evaluate the specific factors set forth under Risk Factors in order to assess the impact of the Merger.</p>
United States Federal Income Tax Considerations For MedQuist Inc. Common Stock Holders	<p>The receipt of shares pursuant to the Merger generally will be taxable to you for United States federal income tax purposes. The tax consequences to you pursuant to the Merger will depend on the facts and circumstances of your own situation. Please consult your tax adviser for a full understanding of the tax consequences to you. See Material United States Federal Income Tax Consequences.</p>
Use of Proceeds	<p>We will not receive any cash proceeds from the conversion of the MedQuist Inc. common stock pursuant to the Merger.</p>
Brokerage Commissions	<p>If your shares of MedQuist Inc. common stock are held through a broker or other nominee who transmits shares of MedQuist Inc. common stock on your behalf in connection with the Merger, your broker may charge you a commission for doing so.</p>
Exchange Agent	<p>American Stock Transfer &amp; Trust Company, LLC has been appointed as the exchange agent for the Merger. We have agreed to pay American Stock Transfer &amp; Trust Company, LLC reasonable and customary fees for its services and will reimburse American Stock Transfer &amp; Trust Company, LLC for its reasonable out-of-pocket expenses.</p>
Further Information	<p>If you have questions regarding the Merger, please contact the exchange agent. If you would like additional copies of this prospectus, our annual, quarterly, and current reports, proxy statement and other information, please contact the</p>

exchange agent. The contact information for the exchange agent is set forth on the back cover of this prospectus.

## Summary Historical and Unaudited Pro Forma Consolidated Financial Data

### MedQuist Holdings Inc.

The following table sets forth our summary historical consolidated financial data for the years ended December 31, 2008, 2009 and 2010 and as of June 30, 2011 and for the six months ended June 30, 2010 and 2011. The summary historical consolidated financial data for the years ended December 31, 2008, 2009 and 2010 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The summary historical consolidated financial data as of June 30, 2011 and for the six months ended June 30, 2010 and 2011 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 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, 2010 and the six months ended June 30, 2011 and our unaudited pro forma condensed consolidated balance sheet as of June 30, 2011. 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 pro forma combined statements of operations and other operating data for the year ended December 31, 2010 and the six months ended June 30, 2011 give effect to the following transactions as if they had occurred on January 1, 2010:

- 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 shareholders, of which we received \$122.6 million and the noncontrolling shareholders 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 shareholders of MedQuist Inc., which increased our ownership in MedQuist Inc. from 69.5% to 82.2%;
- n the issuance of 0.8 million shares of our common stock pursuant to the Consulting Services Agreement (as defined in Certain Relationships and Related Party Transactions Agreements with SAC PCG and affiliates and related transactions Consulting Services Agreement, );
- n the issuance of 5.4 million shares of our common stock in exchange for 5.4 million shares of MedQuist Inc. common stock under the Registered Exchange Offer. This increased our ownership in MedQuist Inc. from

82.2% to approximately 97%; and



- n the issuance of approximately 1.2 million shares of our common stock in exchange for 1.2 million shares of MedQuist Inc. common stock under the Merger. This would increase our ownership in MedQuist Inc. from approximately 97% to 100%.

The pro forma balance sheet data as of June 30, 2011 gives effect to the Merger as if it occurred as of June 30, 2011.

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 (excluding our U.S. Initial Public Offering), the Merger and the shares of our common stock issued 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 summary historical and unaudited pro forma 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 of MedQuist Holdings Inc. and Management's Discussion and Analysis of Financial Condition and Results of Operations of MedQuist Holdings Inc. appearing elsewhere in this prospectus.

	Historical			Pro forma			
	Years ended December 31,			Six months ended		Year	Six
	2008	2009	2010	2010	2011	ended	months
				(Unaudited)		December 31,	ended
						2010	June 30,
						(Unaudited)	2011
							(Unaudited)
				(In thousands, except per share amounts)			
<b>Statement of Operations Data</b>							
<b>Net revenues</b>	\$ 171,413	\$ 353,932	\$ 417,326	\$ 193,592	\$ 219,675	\$ 460,697	\$ 219,675
Cost of revenues	113,127	229,701	259,194	124,950	130,637	290,537	130,637
<b>Gross profit</b>	58,286	124,231	158,132	68,642	89,038	170,160	89,038
<b>Operating costs and expenses</b>							
Selling, general and administrative	37,282	53,089	61,062	30,099	30,267	67,225	30,267
Research and development	6,099	9,604	12,030	5,593	4,892	12,222	4,892
Depreciation and amortization	13,488	25,366	32,617	14,620	17,297	36,459	17,297
Cost (benefit) of legal proceedings, settlements and accommodations	5,311	14,943	3,605	2,152	(6,932)	3,605	(6,932)
Goodwill impairment charge	89,633						
Acquisition and restructuring	7,726	3,973	11,079	7,011	11,269	4,184	11,269
<b>Total operating costs and expenses</b>	159,539	106,975	120,393	59,475	56,793	123,695	56,793
Operating income (loss)	(101,253)	17,256	37,739	9,167	32,245	46,465	32,245
Gain on sale of investment			8,780			8,780	
Equity in income of affiliated company	66	1,933	693	546		693	
Other income	9	13	460	78	7	412	7
Loss on extinguishment of debt			(13,525)			(13,525)	
Interest expense, net	(3,813)	(9,019)	(19,268)	(7,306)	(13,998)	(29,491)	(13,998)

<b>Income (loss) from continuing operations before income taxes and noncontrolling interests</b>	(104,991)	10,183	14,879	2,485	18,254	13,334	18,254
Income tax provision (benefit)	(5,531)	1,012	(2,312)	(382)	2,030	(2,067)	2,030
<b>Net income (loss) from continuing operations</b>	\$ (99,460)	\$ 9,171	\$ 17,191	\$ 2,867	\$ 16,224	\$ 15,401	\$ 16,224
<b>Discontinued operations</b>							
Income (loss) from discontinued Patient Financial Services business, net of tax	(9,059)	(1,351)	556	183		556	
<b>Net income (loss)</b>	(108,519)	7,820	17,747	3,050	16,224	15,957	16,224
Less: Net income attributable to noncontrolling interests	(5,154)	(7,085)	(9,240)	(2,497)	(1,777)		
<b>Net income (loss) attributable to MedQuist Holdings Inc.</b>	\$ (113,673)	\$ 735	\$ 8,507	\$ 553	\$ 14,447	\$ 15,957	\$ 16,224
<b>Net income (loss) per common share from continuing operations</b>							
Basic	\$ (4.68)	\$ (0.02)	\$ 0.14	\$ (0.03)	\$ 0.17	\$ 0.31	\$ 0.29
Diluted	\$ (4.68)	\$ (0.02)	\$ 0.14	\$ (0.03)	\$ 0.17	\$ 0.30	\$ 0.28
<b>Net income (loss) per common share from discontinued operations</b>							
Basic	\$ (0.40)	\$ (0.04)	\$ 0.02	\$ 0.01	\$	\$ 0.01	\$
Diluted	\$ (0.40)	\$ (0.04)	\$ 0.02	\$ 0.01	\$	\$ 0.01	\$
<b>Net income (loss) per common share attributable to MedQuist Holdings Inc.</b>							
Basic	\$ (5.08)	\$ (0.06)	\$ 0.16	\$ (0.02)	\$ 0.17	\$ 0.32	\$ 0.29
Diluted	\$ (5.08)	\$ (0.06)	\$ 0.16	\$ (0.02)	\$ 0.17	\$ 0.31	\$ 0.28
Weighted average shares outstanding:							
Basic	22,593	34,692	35,102	35,046	45,128	47,333	49,714
Diluted	22,593	34,692	35,954	35,046	46,410	48,185	50,996
Adjusted EBITDA <sup>(1)</sup>	\$ 17,038	\$ 60,543	\$ 86,265	\$ 33,350	\$ 55,206	\$ 91,890	\$ 55,206

<sup>(1)</sup> 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.



**Ratio of Earnings to Fixed Charges**

The following table shows our historical ratio of earnings to fixed charges for each of the five fiscal years ended December 31, 2006, 2007, 2008, 2009 and 2010 and for the six months ended June 30, 2010 and 2011 and our pro forma ratio of earnings to fixed charges for the fiscal year ended December 31, 2010 and for the six months ended June 30, 2011.

	<b>Historical</b>					<b>Pro Forma Year ended December 31, 2010 (Unaudited)</b>
	<b>2006</b>	<b>Years ended December 31,</b>				
		<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	
Ratio of earnings to fixed charges <sup>(1)</sup>	0.88	(0.56)	(16.12)	1.75	1.61	1.41

  

	<b>Historical</b>		<b>Pro forma</b>
	<b>Six months ended June 30, 2010 (Unaudited)</b>	<b>Six months ended June 30, 2011 (Unaudited)</b>	
Ratio of earnings to fixed charges <sup>(1)</sup>	1.25	1.84	2.07

<sup>(1)</sup> For the purposes of calculating the ratio of earnings to fixed charges, earnings consists of income (loss) from continuing operations before income taxes and noncontrolling interests increased by fixed charges. Fixed charges consists of interest expense including an estimate of the interest within rental expense and amounts payable to our principal stockholders. Earnings were insufficient to cover fixed charges in the fiscal years ended December 31, 2006, 2007 and 2008.

	<b>As of June 30, 2011</b>	
	<b>Actual (Unaudited)</b>	<b>Pro forma (Unaudited)</b>
	<b>(In thousands, except per share amounts)</b>	
<b>Balance Sheet Data</b>		
Cash and cash equivalents	\$ 60,801	\$ 60,801
Working capital <sup>(a)</sup>	32,057	32,057
Current assets	159,726	159,726

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Non-current assets	239,353	239,353
Total assets	399,079	399,079
Current liabilities	78,893	78,893
Non-current liabilities	266,131	266,131
Long term debt, including current portion of debt	269,832	269,832
Total equity	54,055	54,055
Book value per share	\$ 1.11	\$ 1.07

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

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,			Six months ended		Year	Six
	2008	2009	2010	2010	2011	ended	months
				June 30,		December 31,	ended
				(Unaudited)		2010	June 30,
				(In thousands)		(Unaudited)	2011
Net income (loss) attributable to MedQuist Holdings Inc.	\$ (113,673)	\$ 735	\$ 8,507	\$ 553	\$ 14,447	\$ 15,957	\$ 16,224
Net income (loss) attributable to noncontrolling interests	5,154	7,085	9,240	2,497	1,777		
Income tax provision (benefit)	(5,531)	1,012	(2,312)	(382)	2,030	(2,067)	2,030
Interest expense, net	3,813	9,019	19,268	7,306	13,998	29,491	13,998
Depreciation and amortization	13,488	25,366	32,617	14,620	17,297	36,459	17,297
Cost (benefit) of legal proceedings, settlements and accommodations	5,311	14,943	3,605	2,152	(6,932)	3,605	(6,932)
Acquisition and restructuring	7,726	3,973	11,079	7,011	11,269	4,184	11,269
Goodwill impairment charge	89,633						
Equity in (income) loss of affiliated companies	(66)	(1,933)	(693)	(546)		(693)	
Gain on sale of investment			(8,780)			(8,780)	
Loss on extinguishment of debt			13,525			13,525	
(Income) loss from discontinued operations	9,059	1,351	(556)	(183)		(556)	
Asset impairment charges, severance charges and accrual reversals(a)	2,000	(1,864)					
Share based compensation and other non-cash awards	124	856	765	322	1,320	765	1,320

Adjusted EBITDA	\$	17,038	\$	60,543	\$	86,265	\$	33,350	\$	55,206	\$	91,890	\$	55,206
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(a) 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.



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., as applicable, plus net income (loss) attributable to noncontrolling interests, income taxes, interest expense, depreciation and amortization, cost (benefit) of legal proceedings and settlements, acquisition and restructuring charges, goodwill impairment charge, equity in income (loss) of affiliated company, (income) loss from discontinued operations resulting from the sale of our PFS business, asset impairment charges, severance costs, certain unusual or nonrecurring items and share based compensation and other non-cash awards. 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:

- n 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);
- n the impact of non-cash charges, such as goodwill impairment charges and asset impairment charges; and
- n the impact of 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 generally accepted accounting principles in the United States, or 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:

- n Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- n Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- n 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
- n other companies in our industry may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

#### ***MedQuist Inc.***

The following table sets forth the summary historical consolidated financial data of MedQuist Inc. for the years ended December 31, 2008, 2009 and 2010 and as of June 30, 2011 and for the six months ended June 30, 2010 and 2011. The summary historical consolidated financial data for the years ended December 31, 2008, 2009 and 2010 have been derived from MedQuist Inc.'s audited consolidated financial statements included elsewhere in this prospectus. The summary historical consolidated financial data as of June 30, 2011 and for the six months ended June 30, 2010 and 2011 have been derived from MedQuist Inc.'s unaudited consolidated financial statements included elsewhere in this prospectus. MedQuist Inc. prepared the unaudited historical information on a basis consistent with that used in preparing its audited consolidated financial statements, which reflect all adjustments, consisting of only normal recurring adjustments, that it considers necessary to present fairly its financial position and results of operations for the unaudited periods.

As a result of the Private Exchange, on February 11, 2011, MedQuist Holdings' ownership interest in MedQuist Inc. increased to 82.2%. Financial Accounting Standards Board ( FASB ) Accounting Standards Codification ( ASC ) 805-50-S99-1 Business Combinations-Related issues governs the application of push down accounting in situations where ownership is increased to 80% or more. The post-February 11, 2011 consolidated financial statements for MedQuist Inc. reflect the new basis of accounting as required by the authoritative guidance under ASC 805-50-S99-1, and have applied the SEC rules and guidance regarding push down accounting treatment.

Accordingly, MedQuist Inc.'s consolidated financial statements prior to the closing of the Private Exchange reflect the historical accounting basis in its assets and liabilities and are labeled Predecessor Company, while such consolidated financial statements subsequent to the Private Exchange are labeled Successor Company and reflect the push down basis of accounting for the fair values of assets and liabilities acquired by MedQuist Holdings in August 2008, rolled forward to February 11, 2011. This effect is presented in MedQuist Inc.'s consolidated financial statements by a vertical black line division between the columns entitled Predecessor Company and Successor Company on the statements and relevant notes. The black line signifies that the amounts shown for the periods prior to and subsequent to the exchange agreement are not comparable.

MedQuist Inc.'s summary historical consolidated statements of operations and other operating data reflect the consolidation of the results of operations of Spheris since April 22, 2010, the date of its acquisition.

You should read the following summary historical financial information with MedQuist Inc.'s consolidated financial statements and related notes included elsewhere in this prospectus. Selected Consolidated Financial and Other Data of MedQuist Inc. and Management's Discussion and Analysis of Financial Condition and Results of Operations of MedQuist Inc. appearing elsewhere in this prospectus.

	<b>Predecessor Company</b>				<b>For the period January 1, to February 11, 2011 (unaudited)</b>	<b>Successor Company For the period February 12, to June 30, 2011 (unaudited)</b>
	<b>Years ended December 31,</b>			<b>For the six months ended June 30, 2010 (unaudited)</b>		
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2010</b>	<b>2011</b>	<b>2011</b>
	<b>(In thousands, except per share amounts)</b>					
<b>Statement of Operations Data</b>						
<b>Net revenues</b>	\$ 326,853	\$ 307,200	\$ 375,240	\$ 171,509	\$ 47,048	\$ 154,588
<b>Operating costs and expenses</b>						
Cost of revenues	230,375	206,265	249,571	116,923	29,987	99,840
Selling, general and administrative	47,520	33,441	37,070	18,817	5,219	15,046
Research and development	15,848	9,604	12,813	5,593	1,302	4,244
Depreciation and amortization	17,504	15,672	21,989	9,531	2,554	12,021
Cost (benefit) of legal proceedings and settlements	19,738	14,843	3,603	2,152	174	(7,524)
Acquisition and integration related charges		1,263	7,007	5,659	278	1,267
Goodwill impairment charge	82,233					
Restructuring Charges	2,055	2,727	2,829	930		2,965
<b>Total operating costs and expenses</b>	415,273	283,815	334,882	159,605	39,514	127,859
Operating income (loss)	(88,420)	23,385	40,358	11,904	7,534	26,729
Gain on sale of investment			9,911			
Equity in income of affiliated company	236	2,015	693	546		
Other income	438					

Loss on extinguishment of debt			(5,811)				
Interest income (expense), net	2,438	(134)	(13,429)	(3,779)	(3,115)	(10,526)	
<b>Income (loss) before income taxes</b>	(85,308)	25,266	31,722	8,671	4,419	16,203	
Income tax provision (benefit)	(16,513)	1,975	671	447	453	1,115	
<b>Net income (loss)</b>	\$ (68,795)	\$ 23,291	\$ 31,051	\$ 8,224	\$ 3,966	\$ 15,088	
<b>Net income (loss) per common share</b>							
Basic	\$ (1.83)	\$ 0.62	\$ 0.83	\$ 0.22	\$ 0.11	\$ 0.40	
Diluted	\$ (1.83)	\$ 0.62	\$ 0.83	\$ 0.22	\$ 0.10	\$ 0.40	
Weighted average shares outstanding:							
Basic	37,549	37,556	37,556	37,556	37,556	37,556	
Diluted	37,549	37,556	37,556	37,556	37,852	37,803	

**Successor Company**  
**As of June 30,**  
**2011**  
**(Unaudited)**  
**(In thousands, except per share**  
**amounts)**

**Balance Sheet Data**

Cash and cash equivalents	\$	24,383
Working capital <sup>(a)</sup>		40,050
Current assets		109,043
Non-current assets		220,694
Total assets		329,737
Current liabilities		49,610
Non-current liabilities		261,603
Long term debt, including current portion of debt		260,000
Total equity		18,524
Book value per share	\$	0.49

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

**Comparative per share data**

In the following table we present historical per share data for MedQuist Holdings Inc. and MedQuist Inc., unaudited pro forma condensed combined per share data for MedQuist Holdings Inc., and equivalent pro forma per share data for MedQuist Inc. for, and as of, the year ended December 31, 2010 and for, and as of, the six months ended June 30, 2011 using certain assumptions as set forth in the footnotes to the table. The data does not purport to be indicative of:

- n the results of operations or financial position which would have been achieved if the Corporate Reorganization (excluding our U.S. Initial Public Offering) and the stock issuance under the Consulting Services Agreement had occurred at the beginning of the period or as of the date indicated, or
- n the results of operations or financial position which may be achieved in the future.

For further information regarding the calculation of pro forma net income per share, see Summary Historical and Unaudited Pro Forma Consolidated Financial Data above, and Unaudited Pro Forma Condensed Combined Financial Information of MedQuist Holdings Inc.

	<b>Six months ended</b>		<b>Year ended December 31,</b>	
	<b>June 30, 2011</b>		<b>2010</b>	
<b>Net income per share:</b>				
MedQuist Holdings Inc. historical basic	\$	0.17	\$	0.16
MedQuist Holdings Inc. historical diluted	\$	0.17	\$	0.16
MedQuist Holdings Inc. pro forma basic <sup>(1)</sup>	\$	0.29	\$	0.32
MedQuist Holdings Inc. pro forma diluted <sup>(1)</sup>	\$	0.28	\$	0.31
MedQuist Inc. historical basic <sup>(2)</sup>	\$	0.51	\$	0.83
MedQuist Inc. historical diluted <sup>(2)</sup>	\$	0.50	\$	0.83
MedQuist Inc. pro forma equivalent basic <sup>(3)</sup>	\$	0.29	\$	0.32
MedQuist Inc. pro forma equivalent diluted <sup>(3)</sup>	\$	0.28	\$	0.31
<b>Cash dividends per share:</b>				
MedQuist Holdings Inc. historical				
MedQuist Inc. historical			\$	4.70
MedQuist Inc. pro forma equivalent <sup>(3)</sup>				
		<b>As of</b>		<b>As of</b>
		<b>June 30, 2011</b>		<b>December 31,</b>
				<b>2010</b>
<b>Book value per share:</b>				
MedQuist Holdings Inc. historical	\$	1.11	\$	1.25
MedQuist Holdings Inc. pro forma <sup>(4)</sup>	\$	1.07		N/A
MedQuist Inc. historical	\$	0.49	\$	(0.81)
MedQuist Inc. pro forma equivalent <sup>(3)</sup>	\$	1.07		N/A

(1) Determined by dividing the pro forma net income by the pro forma number of weighted average shares outstanding for the year ended December 31, 2010 and the six months ended June 30, 2011.

(2) Represents MedQuist Inc. historical net income per share. Comprised of \$0.11 (basic) and \$0.10 (diluted) for Predecessor Company and \$0.40 for Successor Company for the six months ended June 30, 2011.

(3) The MedQuist Inc. equivalent pro forma amounts are calculated by multiplying MedQuist Holdings Inc. pro forma combined amounts by one.

(4) Determined by dividing the pro forma shareholders' equity by the pro forma number of shares outstanding as of December 31, 2010 and June 30, 2011.

## Risk Factors

*In addition to the other information included in this prospectus, including the matters addressed in Special Note Regarding Forward-Looking Statements, you should carefully consider the matters described below in order to assess the risks associated with the Merger and holding shares of MedQuist Holdings Inc. common stock.*

### Risks related to the Merger

***The conversion of shares pursuant to the Merger generally will be a taxable event for U.S. federal income tax purposes.***

The conversion of MedQuist Inc. common stock into our common stock pursuant to the Merger generally will be a taxable event for U.S. federal income tax purposes. In general, U.S. holders will recognize gain for U.S. federal income tax purposes as a result of the Merger in an amount per share equal to the difference between the closing price of our common stock on the date of the Merger and the U.S. holders' adjusted basis in such share of MedQuist Inc. common stock. Holders should discuss the tax treatment of the Merger to them with their tax advisors. See Material United States Federal Income Tax Consequences for more information.

***We will issue one share of our common stock for each share of MedQuist Inc. common stock in the Merger. This conversion ratio is fixed and will not be adjusted. The market price of our common stock may fluctuate, and the market price of the shares of our common stock upon the consummation of the Merger could be less than the market price at the time of this prospectus.***

We will issue one share of our common stock for each share of MedQuist Inc. common stock in the Merger. This conversion ratio is fixed and will not be adjusted regardless of any increase or decrease in the market price of our common stock or the MedQuist Inc. common stock between the date of this prospectus and the consummation of the Merger. Therefore, the market price of our common stock at the time you receive our common stock when we deliver our common stock in exchange for MedQuist Inc. common stock, could be less than the market price at the time of this prospectus. The market price of our common stock has recently been subject to significant fluctuations and volatility.

***We may fail to realize all of the anticipated benefits of the Merger.***

The primary goal of the Merger is to unify public stockholdings at a single level, which we believe could lead to greater liquidity for investors, particularly for the former holders of MedQuist Inc. common stock, due to the increased combined public float. We also believe that the unified capital structure that would result from the Merger would also facilitate the investment and transfer of funds between us and MedQuist Inc. and its subsidiaries, thereby facilitating more efficient uses of our consolidated financial resources. To the extent the challenges of unifying our corporate structure turn out to be greater than we have expected we may fail to realize these and other anticipated benefits. Our costs could also be adversely affected by our inability to fully integrate MedQuist Inc. into our consolidated operations and management structure.

***We have not obtained a third-party determination that the Merger is fair to holders of the MedQuist Inc. common stock.***

The Merger consideration was not determined by arms-length negotiation and there was no formal valuation by an independent third party. Neither we, CBay Inc. or MedQuist Inc. has obtained a fairness opinion by an investment



banking firm or other qualified appraiser in connection with the Merger. Because the Merger is being effected pursuant to a short form merger statute, the board of directors of MedQuist Inc. have not considered or made any determination as to whether the terms of the Merger are fair to, or in the best interests, of the holders of MedQuist Inc. common stock. Under the terms of the Memorandum of Understanding, or MOU, relating to the Shareholder Litigation, we agreed to conduct a short-form merger to acquire the remaining shares of MedQuist Inc. common stock that we do not currently own at the same exchange ratio under the Registered Exchange Offer (one-for-one). On April 1, 2011, the parties executed the Stipulation of Settlement that memorialized the terms of the settlement outlined in the MOU. On June 17, 2011, the Court entered an Order and Final Judgment, or Final

Judgment, that, among other things, found the terms set forth in the Stipulation of Settlement to be fair and reasonable and in the best interests of the Settlement Class.

***We do not own 100% of the stock of MedQuist Inc., which may impact our ability to consummate the Merger.***

We do not wholly own MedQuist Inc., and our ability to gain 100% ownership of MedQuist Inc. through a short-form merger 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 shareholders. 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 NJBCA prohibits certain business combinations involving New Jersey corporations and an interested shareholder. An interested shareholder is defined generally as a shareholder 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 shareholder acquired its stock, unless the transaction was approved by the corporation's board of directors prior to the time the interested shareholder acquired its shares. After the five year period expires, the prohibition on business combinations with an interested shareholder continues unless: (i) the business combination is approved by the board of directors of the target corporation prior to the time the interested shareholder acquired its shares; (ii) the business combination is approved by a vote of two-thirds of the voting stock not owned by the interested shareholder; or (iii) the shareholder 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, CBay Inc. or any of our affiliates 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., us and our other affiliates.

We intend to contribute the shares of MedQuist Inc. common stock that we hold to CBay Inc. CBay Inc. intends, promptly following the contribution, to contribute the shares of MedQuist Inc. common stock that CBay Inc. then holds to Merger Subsidiary. Merger Subsidiary will then own at least 90% of MedQuist Inc. Since Merger Subsidiary will own at least 90% of MedQuist Inc., we will be able to utilize a short-form merger through Section 14A:10-5.1 of the NJBCA by which Merger Subsidiary will merge with and into MedQuist Inc. and each share of MedQuist Inc. common stock will be automatically converted into the right to receive a share of our common stock. The New Jersey courts have not interpreted the ability of a corporation to effect a short-form merger in the context of Section 14A:10A since the adoption of New Jersey's Shareholder Protection Act. Therefore, our ability to consummate the short-form merger could be challenged.

***The price of our common stock may be affected by factors different from those affecting the price of common stock of MedQuist Inc.***

If we complete the Merger, you will become a holder of our common stock. Our business is broader than the business of MedQuist Inc., and the results of our operations, as well as the market price of our common stock, may be affected by factors different from those affected MedQuist Inc.'s results of operations and the market price of MedQuist Inc. common stock. As a result, factors that had little or no effect on the price of MedQuist Inc.'s common stock may adversely affect the price of our common stock.

***Our stock price may decline due to the number of shares of our common stock that could be sold in the market after the Merger.***

The market price of our common stock could decline as a result of the large number of shares of our common stock that could be sold in the market after the Merger or the perception that such sales could occur. This also might make it more difficult for stockholders to sell shares in the future at a time and at a price they would deem appropriate.

We will issue approximately 1.2 million shares of our common stock pursuant to the Merger. As of September 26, 2011 there were 55.1 million shares outstanding.

*We may issue preferred stock in the future, which may adversely affect the market price of our common stock.*

Our board of directors is authorized to issue one or more classes or series of preferred stock from time to time without any action on the part of the stockholders. Our board of directors also has the power, without stockholder approval, to set the terms of any such classes or series of preferred stock that may be issued, including voting rights, dividend rights, conversion rights and preferences over our common stock with respect to dividends or upon our dissolution, winding up and liquidation and other terms. If we issue preferred shares in the future that are convertible into common stock, have a preference over our common stock with respect to the payment of dividends or upon liquidation, or if we issue preferred shares with voting rights that dilute the voting power of our common stock, the rights of holders of our common stock or the market price of our common stock could be adversely affected.

*The shares of our common stock to be received by MedQuist Inc. shareholders will have different rights from the shares of MedQuist Inc. common stock.*

Upon receipt of shares of MedQuist Holdings Inc. common stock pursuant to the Merger, MedQuist Inc. shareholders will become MedQuist Holdings Inc. stockholders and their rights as stockholders will be governed by the certification of incorporation and bylaws of MedQuist Holdings Inc. Certain of the rights associated with MedQuist Holdings Inc. are different from the rights associated with MedQuist Inc. common stock. See Comparison of Rights of Holders of Our Common Stock and MedQuist Inc. Common Stock.

## **Risks related to our business**

*Integration of our acquired MultiModal business may be costly and may cause disruption to the existing business operations.*

On August 18, 2011, we completed our acquisition of MultiModal. On the closing date of the acquisition we paid an aggregate of approximately \$48.4 million in cash to MultiModal's shareholders, optionholders and other third parties and issued an aggregate of 4,134,896 shares of our common stock (the Shares) to certain of MultiModal's shareholders. We are also obligated to pay up to approximately \$28.8 million of additional cash consideration in three installments of approximately \$16.3 million, \$4.8 million and \$7.7 million, respectively, following the first, second and third anniversaries of the closing date of the acquisition. Also on the closing date of the acquisition, we granted to certain of MultiModal's employees that became employees of ours up to \$10 million of restricted shares of our common stock. The costs to acquire and integrate MultiModal may limit our ability to pursue other growth opportunities, unless additional capital can be obtained. The successful integration of independent businesses like us and MultiModal is a complex, costly, and time-consuming process that, even with proper planning and implementation, could significantly disrupt the business of MultiModal and our other operations. Achieving anticipated synergies and other benefits of the acquisition is subject to a number of uncertainties, including the timely integration of technology, operations and personnel of the two businesses. The challenges involved in this integration include:

- n Combining solutions in a coherent and effective manner;
- n Preserving customer, vendor and other important relationships of both MedQuist and MultiModal;
- n Minimizing the diversion of management attention from ongoing business concerns;
- n Retaining key employees;
- n Managing new business structures; and

n Coordinating and combining operations, relationships and facilities.

Failure to successfully integrate the MultiModal business may reduce or eliminate the anticipated benefits of the MultiModal acquisition, which in turn could result in increased costs, decreased revenues, and diversion of management's time and energy and could materially impact MedQuist's, MultiModal's and the combined businesses financial condition and results of operations, as well as the market price of MedQuist common stock.

***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 are 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.

***Many of MultiModal's speech recognition customer contracts and vendor agreements can be terminated by its customers and vendors, respectively, which could have a materially negative impact on our speech recognition business.***

Due to the closing of our recent acquisition of MultiModal, many of MultiModal's speech recognition customer contracts and vendor agreements can be terminated by its customers and vendors, respectively. Many of MultiModal's speech recognition customers are direct competitors of our medical transcription business and may feel threatened by our acquisition of MultiModal. We continue to have discussions with these customers and vendors in order to retain their business and services, respectively. If certain customers or vendors terminate their contracts with us, our speech recognition business could be materially impacted in a negative way.

***Speech recognition and natural language understanding technologies may not achieve widespread acceptance, which could limit our ability to grow our business.***

Our business is primarily focused on, and we continue to invest heavily in, the development and marketing of speech recognition and natural language understanding technologies. The market for such technologies is relatively new and rapidly evolving. Our ability to increase revenue in the future depends in large measure on the acceptance of these technologies in general and our products in particular. The continued development of the market for our current and future speech understanding solutions will also depend on:

- n physician, hospital and other healthcare provider demand for speech-enabled applications; and
- n continuous improvement in speech recognition and natural language understanding technology.

Licensing of our products would be harmed if the market for these technologies does not continue to develop or develops slower than we expect, and, consequently, our business could be harmed.

***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 medical transcription contracts can be terminated at will by our customers. If a significant number of our customers were to cancel or materially change their medical transcription 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 medical transcription 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.***

As of June 30, 2011 we had 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 2011 through 2014, assuming no change in our indebtedness, 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, 2010 and the six months ended June 30, 2011 was \$19.3 million and \$14.0 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. At June 30, 2011, a 1.0% increase in the interest rate above this floor would impact our interest expense by approximately \$1.75 million. This indebtedness could have important negative consequences to our business, including:

- n increasing the difficulty of our ability to make payments on our outstanding debt;
- n 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;
- n 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;
- n limiting our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes;
- n limiting our ability to pursue our growth strategy, including restricting us from making strategic acquisitions or causing us to make non-strategic divestitures; and
- n 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.

***The deterioration of the credit and capital markets may adversely affect our access to sources of funding.***

We rely on our credit facilities to fund a portion of our working capital needs and other general corporate purposes. If any of the banks in the syndicates backing these facilities were unable to perform on its commitments, our liquidity could be impacted, which could adversely affect funding of working capital requirements and other general corporate purposes. In the event that we need to access the capital markets or other sources of financing, there can be no assurance that we will be able to obtain financing on acceptable terms or within an acceptable time, if at all. Our inability to obtain financing on terms and within a time acceptable to us could have an adverse impact on our operations, financial condition, and liquidity.

***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 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.

Since February 17, 2010, we have been 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:

- n cause our customers to lose confidence in our solutions;

- n harm our reputation;
- n expose us to liability; and
- n 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.

***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.

***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:

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

- n difficulty in integrating the operations and personnel of the acquired businesses, including different and complex accounting and financial reporting systems;
- n potential disruption of ongoing business and distraction of management;
- n 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;
- n difficulty in incorporating acquired technology and rights into products and technology;
- n unanticipated expenses and delays in completing acquired development projects and technology integration;
- n management of geographically remote offices and operations;
- n impairment of relationships with partners and customers;
- n



customers delaying purchases or seeking concessions pending resolution of integration between existing and newly acquired services or technology platforms;

- n entering markets or types of businesses in which management has limited experience; and
- n 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 are subject to additional regulatory compliance requirements, including section 404 of the Sarbanes-Oxley Act of 2002. 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 Stock 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, 2010, we had approximately \$102 million of federal net operating loss, or NOL, carryforwards to offset future taxable income, which will begin to expire in 2025 if not utilized, and approximately \$286 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 shift, over a three-year testing period. We believe that, as a result of our initial public offering or as a result of future issuances of capital stock, it is

possible that such an ownership change may occur. If we experience an ownership change, our ability to use our United States federal and state 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.

***Our largest stockholder may exercise significant control over our company.***

Affiliates of SAC PCG, our largest stockholder, beneficially own in the aggregate shares representing approximately 32% of our outstanding capital stock. Furthermore, we have entered into a Stockholders Agreement with affiliates of SAC PCG pursuant to which they have the right to nominate to our board three, two or one directors for so long as they own 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.

**Risks related to our intellectual property and technology**

***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 certain speech recognition software from a third party, which is a competitor, which 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 this licensor. If we were to experience the loss of this license, the portion of our business that relies on this software would be adversely affected while we transitioned it to our speech recognition

software. There can be no assurance that such third party licensor 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 licensor does not continue to develop its 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 speech recognition software 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.

***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.

***Speech software products and services are not 100% accurate, and we could be subject to claims related to the performance of our products and services. Any claims, whether successful or unsuccessful, could result in significant costs and could damage our reputation.***

Speech recognition and natural language understanding technologies, including our own, are not accurate in every instance. Our customers, including hospital systems and medical transcription service organizations, or MTSOs, use our products to provide important clinical documentation services to their customers. Any misrecognition of voice commands in connection with these services could result in claims against our customers or us for losses incurred. Although our contracts usually contain provisions designed to limit our exposure to such liability claims, a claim

brought against us based on misrecognition, even if unsuccessful, could be time-consuming, divert management's attention from our business operations, result in costly litigation and harm our reputation. If any such claim is successful, we could be exposed to an award of substantial damages and our reputation could be harmed greatly. Moreover, existing or future laws or unfavorable judicial decisions could limit the enforceability of limitations of liability, disclaimers of warranty or other protective provisions contained in many, but not all of, our contracts.

***Third-party intellectual property rights may limit the development and protection of our intellectual property, which could adversely affect our competitive position.***

Our success is dependent, in large part, on our ability to: obtain patent protection for our products and processes; preserve our trade secrets and propriety technology; and operate without infringing upon the patents or other proprietary rights of third parties. The speech recognition and natural language understanding industry has been characterized by extensive litigation regarding patents and other intellectual property rights. Companies in the speech recognition and natural language understanding industry have employed intellectual property litigation to gain a competitive advantage. Certain competitors and potential competitors of ours may have obtained patents which purport to cover the application of certain technologies that could be used for our products. We have not been a party to any suits asserting patent infringement against us. In addition, international patents may not be interpreted in the same manner as any counterpart United States patent.

***Costly and protracted litigation may be necessary to protect our intellectual property rights.***

We may have to engage in time consuming and costly litigation to protect our intellectual property rights or to determine the proprietary rights of third-parties and others. In addition, we may become subject to patent infringement claims or litigation, or interference proceedings declared by the United States Patent and Trademark Office to determine the priority of inventions. Defending and prosecuting intellectual property suits, United States Patent and Trademark Office interference proceedings and related legal and administrative proceedings are both costly and time-consuming. We may be required to litigate further to:

- n enforce assignment and/or license agreements against our third-party developers;
- n enforce our issued patents;
- n protect our trade secrets or know-how;
- n enforce non-compete agreements; or
- n determine the enforceability, scope and validity of the proprietary rights of others.

Any litigation or interference proceedings may result in substantial expense and significant diversion of effort by technical and management personnel. If the results of such litigation or interference proceedings are adverse to us, then the results may:

- n require us to seek licenses from third parties;
- n prevent us from selling our products in certain markets or at all;
- n subject us to significant liabilities to third parties; or
- n require us to modify or remove our products from the market.

Although patent and intellectual property disputes are often settled through licensing and similar arrangements, costs associated with such arrangements may be substantial and could include ongoing royalties. Furthermore, we may not be able to obtain the necessary licenses on satisfactory terms, if at all.

Adverse determinations in a judicial or administrative proceeding or failure to obtain necessary licenses could prevent us from further developing and/or selling our products. This could result in substantial harm to our business and our business may not be able to sustain such a loss.

**Risks related to our common stock**

***Our stock price may fluctuate significantly.***



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. The market price of our common stock could be subject to significant fluctuations because of general market conditions and because

of factors specifically related to our businesses. 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.

***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:

- n a classified board of directors;
- n limitations on the removal of directors;
- n advance notice requirements for stockholder proposals and nominations;
- n the inability of stockholders to act by written consent or to call special meetings;
- n the ability of our board of directors to make, alter or repeal our by-laws; and
- n 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.

### 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 of MedQuist Holdings Inc., 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 terminology.

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

- n our ability to successfully integrate the MultiModal business;
- n potential synergies from the acquisition of Spheris;
- n our ability to develop, adopt and integrate new technologies;
- n acceptance of speech recognition and natural language understanding technologies;
- n our expectation as to the future growth of the healthcare industry;
- n increases in the productivity of MTs and MEs in order to outpace the decline in prices for medical transcription;
- n customer retention;
- n potential benefits of our size and scale;
- n our ability to gain new customers;
- n our ability to increase sales; our ability to recruit and retain qualified MTs, MEs and other employees;
- n changes in law, including, without limitation, the impact HIPAA will have on our business;
- n potential litigation related to speech software services and products or litigation to protect our intellectual property rights; and
- n the impact of our new services and products on the demand for our existing services and products.

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, and except for any material updates or revisions to the forward-looking statements made in this prospectus occurring prior to the consummation of the Merger, we 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, or 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 shareholders. 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

On September 30, 2010, we entered into an exchange agreement with certain of MedQuist Inc.'s noncontrolling shareholders that held in the aggregate approximately 12.7% of MedQuist Inc.'s outstanding shares. Pursuant to the exchange agreement, those MedQuist Inc. shareholders received one share of our common stock for each MedQuist Inc. share and entered 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 occurred on February 11, 2011 and increased our ownership in MedQuist Inc. from 69.5% to 82.2%.

### Registered Exchange Offer

In addition to the Private Exchange referred to above, in February 2011, we commenced our Registered Exchange Offer to those noncontrolling MedQuist Inc. shareholders who did not participate in the Private Exchange to exchange shares of our common stock for shares of MedQuist Inc. common stock. The Registered Exchange Offer expired on March 11, 2011. We accepted and consummated the exchange of MedQuist Inc. shares of common stock that were validly tendered in the Registered Exchange Offer. As a result of the Registered Exchange Offer, we increased our ownership in MedQuist Inc. from 82.2% to approximately 97%.

### U.S. Initial Public Offering

The U.S. initial public offering of our common stock closed on February 9, 2011. Our common stock is listed on The NASDAQ Global Market under the symbol MEDH.

**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 reverse share split 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 give effect to the reverse share split.

### **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.



### Capitalization

The following table sets forth our capitalization as of June 30, 2011:

- n on an actual basis; and
- n on a pro forma basis to give effect to the Merger.

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 of MedQuist Holdings Inc., Selected Consolidated Financial and Other Data of MedQuist Holdings Inc. and Management's Discussion and Analysis of Financial Condition and Results of Operations of MedQuist Holdings Inc. and the consolidated financial statements and the related notes thereto included elsewhere in this prospectus.

	<b>As of June 30, 2011</b>	
	<b>Actual</b>	<b>Pro forma <sup>(3)</sup></b>
	<b>(\$ in thousands)</b>	
Cash and cash equivalents	\$ 60,801	\$ 60,801
Short-term debt <sup>(1)</sup>	12,025	12,025
Long-term debt		
Term loan	170,000	170,000
Senior Subordinated Notes	85,000	85,000
Other debt <sup>(2)</sup>	2,807	2,807
Total debt	269,832	269,832
Equity		
Stockholders' equity:		
Preferred stock: 25 million shares authorized, none issued or outstanding		
Common stock: 300 million shares authorized, 49.2 million shares issued and outstanding (actual); 50.4 million shares issued and outstanding (pro forma)	4,917	5,041
Additional paid in capital	142,336	141,885
Accumulated deficit	(92,732)	(92,732)
Accumulated other comprehensive loss	(139)	(139)
Total stockholders' equity	54,382	54,055
Noncontrolling interests	(327)	
Total equity	54,055	54,055
Total capitalization	\$ 323,887	\$ 323,887

(1) 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.

(2)

Other debt includes the long-term portion of capital lease obligations and indebtedness outstanding under our credit agreement with ICICI Bank and with IndusInd Bank.

- (3) Pro forma basis reflects the issuance of 1.2 million shares of our common stock in the Merger.

### **Unaudited Pro Forma Condensed Combined Financial Information of MedQuist Holdings Inc.**

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, 2010 and the six months ended June 30, 2011 and our unaudited pro forma condensed consolidated balance sheet as of June 30, 2011. 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 pro forma combined statements of operations and other operating data for the year ended December 31, 2010 and the six months ended June 30, 2011 give effect to the following transactions as if they had occurred on January 1, 2010:

- 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 shareholders, of which we received \$122.6 million and the noncontrolling shareholders 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 shareholders of MedQuist Inc., which increased our ownership in MedQuist Inc. from 69.5% to 82.2%;
- n the issuance of 0.8 million shares of our common stock pursuant to the Consulting Services Agreement;
- n the issuance of 5.4 million shares of our common stock in exchange for 5.4 million shares of MedQuist Inc. common stock under the Registered Exchange Offer. This increased our ownership in MedQuist Inc. from 82.2% to approximately 97%; and
- n the issuance of approximately 1.2 million shares of our common stock in exchange for 1.2 million shares of MedQuist Inc. common stock pursuant to the Merger. This would increase our ownership in MedQuist Inc. from approximately 97% to 100%.

The pro forma balance sheet data as of June 30, 2011 gives effect to the Merger as if it occurred as of June 30, 2011.

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 (excluding our U.S. Initial Public Offering), the shares of our common stock issued pursuant to the Consulting Services Agreement and the Merger (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 of MedQuist Holdings Inc. and Management's Discussion and Analysis of Financial Condition and Results of Operations of MedQuist Holdings Inc. appearing elsewhere in this prospectus.

**MedQuist Holdings Inc. and Subsidiaries**  
**Unaudited Pro Forma Condensed Combined Statement of Operations**  
**For the year ended December 31, 2010**

	Historical		Spheris		Spheris		Recapitalization Transactions, Private Exchange and Registered Exchange		Pro forma		Merger pro forma		Pro forma		
	MedQuist Holdings Inc.	Spheris	Acquisition pro forma adjustments	Acquisition pro forma combined	Acquisition pro forma combined	Offer pro forma adjustments	Pro forma before the Merger	Pro forma before the Merger	Pro forma before the Merger	Pro forma before the Merger	Pro forma before the Merger	Pro forma before the Merger	Pro forma before the Merger	Pro forma before the Merger	Pro forma before the Merger
	(In thousands, except per share amounts)														
<b>Revenues</b>	\$ 417,326	\$ 43,371	\$	\$ 460,697	\$	\$	\$ 460,697	\$	\$ 460,697	\$	\$	\$ 460,697	\$	\$ 460,697	
Cost of revenues	259,194	31,343		290,537			290,537		290,537			290,537		290,537	
<b>Gross profit</b>	158,132	12,028		170,160			170,160		170,160			170,160		170,160	
<b>Operating costs and expenses</b>															
Advertising, general and administrative	61,062	6,163		67,225			67,225		67,225			67,225		67,225	
Research and development	12,030	192		12,222			12,222		12,222			12,222		12,222	
Depreciation and amortization	32,617	1,850	1,992 <sup>(a)</sup>	36,459			36,459		36,459			36,459		36,459	
Cost of legal proceedings, settlements and accommodations	3,605			3,605			3,605		3,605			3,605		3,605	
Acquisition and restructuring	11,079	1,730	(8,625) <sup>(b)</sup>	4,184			4,184		4,184			4,184		4,184	
<b>Total operating expenses</b>	120,393	9,935	(6,633)	123,695			123,695		123,695			123,695		123,695	
Operating income	37,739	2,093	6,633	46,465			46,465		46,465			46,465		46,465	
Gain on sale of investment	8,780			8,780			8,780		8,780			8,780		8,780	
Equity in income of affiliated company	693			693			693		693			693		693	
Other income	460	(48)		412			412		412			412		412	
Losses on extinguishment of debt	(13,525)			(13,525)			(13,525)		(13,525)			(13,525)		(13,525)	
Interest expense, net	(19,268)	(3,459)	139 <sup>(c)</sup>	(22,588)		(6,903) <sup>(f)</sup>	(29,491)		(29,491)			(29,491)		(29,491)	

<b>Income (loss) from continuing operations before reorganization costs, income taxes and noncontrolling interests</b>	14,879	(1,414)	6,772	20,237	(6,903)	13,334		13,334
Reorganization items		(5,762)	5,762 <sup>(b)</sup>					
<b>Income from continuing operations before income taxes and noncontrolling interests</b>	14,879	(7,176)	12,534	20,237	(6,903)	13,334		13,334
Income tax benefit	(2,312)	(2,822)	2,000 <sup>(d)</sup>	(3,134)	1,067 <sup>(g)</sup>	(2,067)		(2,067)
<b>Income (loss) from continuing operations</b>	17,191	(4,354)	10,534	23,371	(7,970)	15,401		15,401
<b>Income from discontinued operations</b>								
Income from discontinued operations: Financial Services business, net of tax	556			556		556		556
<b>Income (loss) attributable to MedQuist Holdings Inc.</b>	17,747	(4,354)	10,534	23,927	(7,970)	15,957		15,957
Income attributable to noncontrolling interests	(9,240)		(1,616) <sup>(e)</sup>	(10,856)	9,770 <sup>(h)</sup>	(1,086)	1,086 <sup>(i)</sup>	
<b>Income attributable to MedQuist Holdings Inc.</b>	\$ 8,507	\$ (4,354)	\$ 8,918	\$ 13,071	\$ 1,800	\$ 14,871	\$ 1,086	\$ 15,957
<b>Income per common share from continuing operations</b>								
Basic	\$ 0.14			\$ 0.27		\$ 0.29		\$ 0.30
Diluted	\$ 0.14			\$ 0.27		\$ 0.29		\$ 0.30
<b>Income per common share from discontinued operations</b>								
Basic	\$ 0.02			\$ 0.02		\$ 0.01		\$ 0.01
Diluted	\$ 0.02			\$ 0.02		\$ 0.01		\$ 0.01
<b>Income per common share attributable to MedQuist Holdings Inc.</b>								
Basic	\$ 0.16			\$ 0.29		\$ 0.30		\$ 0.31
Diluted	\$ 0.16			\$ 0.29		\$ 0.30		\$ 0.31
Weighted average shares outstanding:								
Basic	35,102			35,102	11,000 <sup>(h,i)</sup>	46,102	1,231 <sup>(k)</sup>	47,333
Diluted	35,954			35,954	11,000 <sup>(h,i)</sup>	46,954	1,231 <sup>(k)</sup>	48,185

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





**MedQuist Holdings Inc. and Subsidiaries**  
**Unaudited Pro Forma Condensed Combined Statement of Operations**  
**For the six months ended June 30, 2011**

	<b>Historical MedQuist Holdings Inc. (In thousands, except per share amounts)</b>	<b>Merger pro forma adjustments</b>	<b>Pro forma</b>
<b>Net revenues</b>	\$ 219,675		\$ 219,675
Cost of revenues	130,637		130,637
<b>Gross profit</b>	89,038		89,038
<b>Operating costs and expenses:</b>			
Selling, general and administrative	30,267		30,267
Research and development	4,892		4,892
Depreciation and amortization	17,297		17,297
Cost (benefit) of legal proceedings, settlements and accommodations	(6,932)		(6,932)
Acquisition and restructuring	11,269		11,269
<b>Total operating costs and expenses</b>	56,793		56,793
Operating income	32,245		32,245
Other income	7		7
Interest expense, net	(13,998)		(13,998)
<b>Income before income taxes and noncontrolling interests</b>	18,254		18,254
Income tax provision	2,030		2,030
<b>Net income</b>	16,224		16,224
Less: Net income attributable to noncontrolling interests	(1,777)	1,777 <sup>(1)</sup>	
<b>Net income attributable to MedQuist Holdings Inc.</b>	\$ 14,447	\$ 1,777	\$ 16,224
<b>Net income per common share attributable to MedQuist Holdings Inc.</b>			
Basic	\$ 0.17		\$ 0.29
Diluted	\$ 0.17		\$ 0.28
Weighted average shares outstanding:			
Basic	45,128	4,586 <sup>(m)</sup>	49,714
Diluted	46,410	4,586 <sup>(m)</sup>	50,996

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



**MedQuist Holdings Inc. and Subsidiaries**  
**Unaudited Pro Forma Condensed Consolidated Balance Sheet**  
**As of June 30, 2011**