

MedQuist Holdings Inc.
Form S-4/A
February 02, 2011

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As filed with the Securities and Exchange Commission on February 2, 2011

Registration No. 333-170003

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

**AMENDMENT NO. 3
TO
Form S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

MEDQUIST HOLDINGS INC.
(formerly CBaySystems Holdings Limited)
(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)

**Robert Aquilina
Chairman and 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 copies to:

**D. Rhett Brandon, Esq.
Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, NY 10017
(212) 455-2000**

**Colin Diamond, Esq.
White & Case LLP
1155 Avenue of the Americas
New York, NY 10036
(212) 819-8200**

Approximate date of commencement of proposed exchange offer: As soon as practicable after this Registration Statement is declared effective.

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 ⁽¹⁾	Proposed Maximum Offering Price Per Share ⁽²⁾	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee ⁽³⁾
Common stock, par value US\$0.10 per share	6,688,648	Not applicable	\$77,185,463	\$5,504

(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 exchange offer by the Registrant for a number of outstanding shares of MedQuist Inc. common stock, no par value, after giving effect to the registrant's 4.5 to 1 reverse stock split described herein.

(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 exchanged for shares of common stock of the registrant if all of such shares are acquired in the Offer, based upon a market value of \$11.54 per share of MedQuist Inc. common stock, the average of the high and low prices of shares of MedQuist Inc. common stock reported on The NASDAQ Global Market on October 12, 2010.

(3) 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.

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**MedQuist Holdings Inc.
(formerly CBaySystems Holdings Limited)**

Offer to Exchange

Up to 6,688,648 shares of MedQuist Holdings Inc. common stock for any and all issued and outstanding shares of MedQuist Inc. common stock

We are offering to exchange, upon the terms and subject to the conditions set forth in this prospectus and in the related letter of transmittal, or the exchange offer, shares of MedQuist Holdings Inc. common stock, par value \$0.10 per share, or our common stock, for properly tendered and accepted shares of MedQuist Inc. common stock. For each share of MedQuist Inc. common stock that we accept for exchange in accordance with the terms of the exchange offer, we will issue one share of our common stock. We refer to the number of shares of our common stock we will issue for each share of MedQuist Inc. common stock we accept in the exchange offer as the exchange ratio.

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

CUSIP	TITLE OF SECURITY	EXCHANGE OFFER CONSIDERATION PER SHARE	
		SHARES OF OUR COMMON STOCK ⁽¹⁾	EXCHANGE VALUE ⁽¹⁾
584949101	MedQuist Inc. common stock	One	\$ 11.00

⁽¹⁾ The exchange value is equal to the number of shares of our common stock offered per share of MedQuist Inc. common stock multiplied by the midpoint of the price range for our common stock in our proposed U.S. initial public offering of common stock described below.

We expect that the initial public offering price of our common stock in our proposed U.S. initial public offering will be between \$10.00 and \$12.00 per share. We have applied to list our shares on The NASDAQ Global Market under the symbol MEDH.

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

Our shares were formerly listed on the Alternative Investment Market of the London Stock Exchange, or AIM. However, we have delisted from AIM and January 27, 2011 was the last day on which our shares traded on AIM. The closing price of our shares on AIM on December 24, 2010, the date on which we announced our intention to delist, was £6.08, equivalent to \$9.36 per share based on the Federal Reserve noon buying rate of \$1.54 to £1.00 in effect on December 24, 2010. See Market Price Information for Our Shares herein.

The exchange offer will expire at 5:00 p.m., New York City time, on March 3, 2011, or the expiration date, unless extended or earlier terminated by us. You must validly tender your shares of MedQuist Inc. common stock for exchange in the exchange offer on or prior to the expiration date to receive the exchange offer consideration. You should carefully review the procedures for tendering shares of MedQuist Inc. common stock beginning on page 140 of this prospectus. You may withdraw shares of MedQuist Inc. common stock tendered in the exchange offer at any time prior to the expiration date. There will be no record date for determining holders of MedQuist Inc. common stock entitled to participate in the exchange.

The exchange offer is subject to a number of conditions that must be satisfied or waived by us. These conditions include our redomiciliation (as defined herein) as a Delaware corporation, the completion of our proposed U.S. initial public offering and the consummation of the private exchange (as defined herein). The exchange offer is not conditioned on any minimum number of MedQuist Inc. common stock being tendered.

We urge you to carefully read the Risk Factors section of this prospectus beginning on page 25 before you make any decision regarding the exchange offer.

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 Dealer Manager for the exchange offer is:
MACQUARIE CAPITAL**

The Information Agent for the Tender Offer is:

105 Madison Avenue
New York, New York 10016
(212) 929-5500 (Call Collect)
or
(800) 322-2885 (Toll Free)
tenderoffer@mackenziepartners.com (E-Mail Address)
www.mackenziepartners.com (Website)

**Exchange Agent for the exchange offer is:
American Stock Transfer & Trust Company LLC**

Prospectus dated February 2, 2011.

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This prospectus incorporates important business and financial information about MedQuist Holdings Inc. (formerly CBaySystems Holdings Limited) 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. You may obtain copies of these documents, without charge, upon written or oral request to our Information Agent, MacKenzie Partners, Inc., collect at (212) 929-5500 or toll-free at (800) 322-2885. To obtain timely delivery of copies of these documents, you should request them no later than five business days prior to the expiration of this offer. Unless this offer is extended, the latest you should request

copies of these documents is February 23, 2011.

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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 exchange offer 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., the Dealer Manager, the Exchange Agent or the Information Agent have authorized any person (including any dealer, salesperson or broker) to provide you with any information or to make any representation than as contained in this prospectus. MedQuist Holdings Inc. and the Dealer Manager do 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 exchange offer is being made on the basis of this prospectus and the letter of transmittal and is subject to the terms described in this prospectus and the letter of transmittal. This prospectus does not constitute an offer to participate in the exchange offer to any person in any jurisdiction in which it would be unlawful to make such exchange offers. Any decision to participate in the exchange offer must be based on the information included in this prospectus. In making an investment decision, prospective investors must rely on their own examination of MedQuist Holdings Inc. and the terms of the exchange offer, including the merits and risks involved. Investors should not construe anything in this prospectus and the letter of transmittal as legal, investment, business or tax advice. Each investor should consult its advisors as needed to make its investment decision and to determine whether it is legally permitted to participate in the exchange offer under applicable laws or regulations.

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 exchange offer 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.

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.

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, or our redomiciliation. 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. We refer to this herein as the conversion. Our redomiciliation and the conversion resulted in no change to our stockholders' relative ownership interests in us. Unless otherwise noted, all

information regarding shares of our common stock and all per share information presented herein give effect to the conversion.

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

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Questions and Answers About the Exchange Offer

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 exchange offer and the other considerations that may be important to your decision about whether to participate in it, 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 making the exchange offer?

We are making this offer to acquire full ownership of our majority-owned subsidiary MedQuist Inc. We 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.

What shares of stock are being sought in the exchange offer?

We are offering to exchange, upon the terms and subject to the conditions set forth in this prospectus and in the related letter of transmittal, properly tendered and accepted shares of MedQuist Inc. common stock, or MedQuist Inc. common stock, for shares of our common stock.

What will you receive in the exchange offer if you tender your shares of MedQuist Inc. common stock and they are accepted?

For each share of MedQuist Inc. common stock tendered and accepted for exchange we are offering the exchange offer consideration, or the exchange offer consideration, set forth in the table below.

CUSIP	Title of security	Exchange offer consideration per share	
		Our common stock ⁽¹⁾	Exchange value ⁽¹⁾
584949101	MedQuist Inc. common stock	One	\$ 11.00

⁽¹⁾ The exchange value is equal to the number of shares of our common stock offered per share of MedQuist Inc. common stock multiplied by the midpoint of the price range for our common stock in our proposed U.S. initial public offering of common stock described below.

We expect that the initial public offering price of our common stock in our proposed U.S. initial public offering will be between \$10.00 and \$12.00 per share. We have applied to list our shares on The NASDAQ Global Market under the symbol MEDH.

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

Our shares were formerly listed on the Alternative Investment Market of the London Stock Exchange, or AIM. However, we have delisted from AIM and January 27, 2011 was the last day on which our shares traded on AIM. The closing price of our shares on AIM on December 24, 2010, the date on which we announced our intention to delist, was £6.08, equivalent to \$9.36 per share based on the Federal Reserve noon buying rate of \$1.54 to £1.00 in effect on December 24, 2010. See [Market Price Information for Our Shares](#) herein.

Your right to receive the exchange offer consideration in the exchange offer is subject to all of the conditions set forth in this prospectus and the related letter of transmittal. These conditions include the completion of our proposed U.S. initial public offering, the listing of our common stock on The NASDAQ Global Market and the consummation of the private exchange.

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How many shares of our common stock will you receive for each share of MedQuist Inc. common stock that you tender in the exchange offer?

You will receive one share of our common stock for each share of MedQuist Inc. common stock that you validly tender in this exchange offer that is accepted by us. We sometimes refer to this number in this document as the exchange ratio. Shares of our common stock issued in this exchange offer will be issued in book-entry form.

Do you have a choice in whether to tender your MedQuist Inc. common stock?

Yes. You are not required to tender your MedQuist Inc. common stock pursuant to this prospectus. All rights and obligations under the certificate of incorporation pursuant to which MedQuist Inc. common stock was issued will continue with respect to the MedQuist Inc. common stock that remains outstanding after the expiration date.

What happens if you choose not to take part in this exchange offer?

You will retain the same rights, obligations and interests which you presently have with respect to your ownership of the MedQuist Inc. common stock. However, depending on the number of shares of MedQuist Inc. common stock tendered in the exchange offer, the MedQuist Inc. common stock may be de-listed from The NASDAQ Global Market, which may adversely affect the liquidity and value of any shares of MedQuist Inc. common stock held by investors.

Will our common stock to be issued in the exchange offer be listed for trading?

Yes. We have applied to list shares of our common stock to be issued in the exchange offer on The NASDAQ Global Market under the symbol MEDH. The approval of our application to list our common stock on The NASDAQ Global Market is a condition for the consummation of the exchange offer. We are delisting our common stock from AIM and January 27, 2011 is the last day on which our shares will trade on AIM. For more information regarding the market for our common stock, see the section of this prospectus entitled Comparative Market Price and Dividend Information.

Will the MedQuist Inc. common stock continue to be listed on The NASDAQ Global Market if the offer is consummated?

Depending on the number of shares of MedQuist Inc. common stock tendered in the exchange offer, the MedQuist Inc. common stock may be delisted from The NASDAQ Global Market, which may adversely affect the liquidity and value of any shares of MedQuist Inc. common stock held by investors following the completion of the exchange offer. If the MedQuist Inc. common stock is delisted from The NASDAQ Global Market, it is possible that it will trade in the over-the-counter market; however, that market may have less liquidity, which may adversely affect the value of any shares of MedQuist Inc. common stock that remain outstanding following the completion of the exchange offer.

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

It is our intent to have MedQuist Inc. become our wholly-owned subsidiary. Whether MedQuist Inc. deregisters under the Exchange Act and ceases being a separate SEC reporting company will depend on, among other factors, the number of remaining holders of MedQuist Inc. common stock. If there are less than 300 holders of MedQuist Inc. common stock following the completion of the exchange offer, we may elect to deregister MedQuist Inc.'s common stock under the Exchange Act.

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What happens if we do not gain 100% ownership of MedQuist Inc. through the exchange offer?

If we do not gain 100% ownership of MedQuist Inc. through the exchange offer, there can be no assurance that we will engage in any future transaction that will result in our acquisition of MedQuist Inc. shares. If we decide to engage in any such transaction, there can be no assurance regarding the timing or terms thereof. See Risk Factors-We may not own 100% of the stock of certain of our subsidiaries.

What are the potential benefits of this exchange offer to holders of MedQuist Inc. common stock?

We believe the completion of the 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 MedQuist Holdings Inc. (formerly CBaySystems Holdings Limited) and MedQuist Inc. through ownership at the MedQuist Holdings Inc. (formerly CBaySystems Holdings Limited) 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 exchange offer would facilitate the investment and transfer of funds between MedQuist Holdings Inc. (formerly CBaySystems Holdings Limited) and MedQuist Inc. and our respective subsidiaries, thereby facilitating more efficient uses of our consolidated financial resources.

May you tender only a portion of the MedQuist Inc. common stock that you hold?

Yes. You do not have to tender all of your MedQuist Inc. common stock to participate in the exchange offer. You may choose to tender in the exchange offer all or any portion of the MedQuist Inc. common stock that you hold.

How does the amount of consideration that you will receive if you validly tender shares of MedQuist Inc. common stock in the exchange offer compare to amounts that you would otherwise receive if you do not tender?

Should you decide to not participate in this offer, we make no assurance that you will be entitled to any future consideration from us for your shares of MedQuist Inc. common stock. Any value received from any sale of your shares of MedQuist Inc. common stock will depend on such factors as the market prices and the level of demand for the MedQuist Inc. common stock.

Has MedQuist Inc. made a recommendation regarding the exchange offer?

MedQuist Inc. has informed us that it will file a Solicitation/Recommendation Statement on Schedule 14D-9 with the SEC conveying to MedQuist Inc. shareholders the recommendation of the audit committee of the MedQuist Inc. board of directors, consisting of directors unaffiliated with us, on behalf of MedQuist Inc.'s board, that MedQuist Inc. shareholders tender their MedQuist Inc. shares in the exchange offer. Once filed, the MedQuist Inc. Schedule 14D-9 will be mailed to MedQuist Inc. shareholders. MedQuist Inc. shareholders are urged to read the MedQuist Inc. Schedule 14D-9 because it will contain important information. The MedQuist Inc. Schedule 14D-9 will be available free of charge at the web site maintained by the SEC at www.sec.gov.

When does the exchange offer expire?

Unless earlier terminated by us, the exchange offer will expire at 5:00 p.m., New York City time, on March 3, 2011, or at such other time if this date is extended by us. MedQuist Inc. common stock tendered may be validly withdrawn

at any time before the expiration date, but not thereafter. If a broker, dealer, commercial bank, trust company or other nominee holds your MedQuist Inc. common stock, such nominee may have an earlier deadline for accepting the exchange offer. You should promptly contact the broker, dealer, commercial bank, trust company or other nominee that holds your MedQuist Inc. common stock to determine its deadline.

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What are the conditions to the exchange offer?

The exchange offer is conditioned upon the closing conditions described in *The Exchange Offer* *Conditions of the Exchange Offer*. These conditions include the completion of our proposed U.S. initial public offering, the listing of our common stock on The NASDAQ Global Market and the consummation of the private exchange. The exchange offer is not conditioned upon any minimum number of shares of MedQuist Inc. common stock being tendered. We may waive certain conditions of the exchange offer described in this prospectus prior to the expiration date. If any of the conditions are not satisfied or waived, we will not complete the exchange offer.

Under what circumstances can the exchange offer be extended, amended or terminated?

We reserve the right to extend the exchange offer for any reason or no reason at all. We also expressly reserve the right, at any time or from time to time, to amend the terms of the exchange offer in any respect prior to the expiration date. Further, we may be required by law to extend the exchange offer if we make a material change in the terms of the exchange offer or in the information contained in this prospectus or waive a material condition to the exchange offer. During any extension of the exchange offer, MedQuist Inc. common stock that was previously tendered and not validly withdrawn will remain subject to the exchange offer. We reserve the right, in our sole and absolute discretion, but subject to applicable law, to terminate the exchange offer at any time prior to the expiration date if any condition to the exchange offer is not met. If the exchange offer is terminated, no shares of MedQuist Inc. common stock will be accepted for purchase, and any shares of MedQuist Inc. common stock that have been tendered will be promptly returned to the holder. For more information regarding our right to extend, amend or terminate the exchange offer, see *The Exchange Offer* *Expiration date; extensions; termination; amendment*.

How will you be notified if the exchange offer is extended, amended or terminated?

If the exchange offer is extended, amended or terminated, we will promptly make a public announcement thereof. For more information regarding notification of extensions, amendments or the termination of the exchange offer, see *The Exchange Offer* *Expiration date; extensions; termination; amendment*.

How do you tender shares of MedQuist Inc. common stock in the exchange offer?

Certain shares of MedQuist Inc. common stock were issued in book-entry form, and are all currently represented by one or more global certificates held for the account of the Depository Trust Company, or DTC. If your securities are book entry securities, you may tender your shares of MedQuist Inc. common stock by transferring them through DTC's Automated Tender Offer Program, or ATOP, or following the other procedures described under *The Exchange Offer* *Procedures for tendering*.

If your interest as a holder of MedQuist Inc. common stock is in certificated form, you must deliver to the exchange agent (1) the certificates for the shares of your MedQuist Inc. common stock to be exchanged in the manner specified in the accompanying letter of transmittal and (2) a properly completed letter of transmittal.

If you hold your shares of MedQuist Inc. common stock through a bank, broker or other nominee, in order to validly tender your shares of MedQuist Inc. common stock in the exchange offer, you must follow the instructions provided by your bank, broker, custodian, commercial bank, trust company or other nominee with regard to procedures for tendering, in order to enable your bank, broker, custodian, commercial bank, trust company or other nominee to comply with the procedures described below. Beneficial owners are urged to appropriately instruct their bank, broker, custodian, commercial bank, trust company or other nominee at least five business days prior to the expiration date in order to allow adequate processing time for their instruction.

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In order for a bank, broker, custodian, commercial bank, trust company or other nominee to validly tender your shares of MedQuist Inc. common stock in the exchange offer, such bank, broker, custodian, commercial bank, trust company or other nominee must deliver to the exchange agent an electronic message that will contain:

- n your acknowledgment and agreement to, and agreement to be bound by, the terms of the accompanying letter of transmittal; and

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- n a timely confirmation of book-entry transfer of your shares of MedQuist Inc. common stock into the exchange agent's account.

If you are unable to tender your MedQuist Inc. common stock before 5:00 p.m., New York City time, on March 3, 2011, or such other time if this date is extended by us, you may comply with the guaranteed delivery procedures set forth in The Offer Guaranteed delivery beginning on page 141.

Should you have any questions as to the procedures for tendering your shares of MedQuist Inc. common stock, please call your bank, broker, custodian, trust company or other nominee; or call the information agent.

What happens to tendered shares of MedQuist Inc. common stock that are not accepted for exchange?

If your tendered shares of MedQuist Inc. common stock are not accepted for exchange for any reason pursuant to the terms and conditions of the exchange offer, such shares will be returned without expense to you or, in the case of shares of MedQuist Inc. common stock tendered by book-entry transfer, such shares will be credited to an account maintained at DTC, designated by the participant who delivered such shares, in each case, promptly following the expiration date or the termination of the exchange offer.

If you change your mind, can you withdraw your tender of MedQuist Inc. common stock?

You may withdraw previously tendered MedQuist Inc. common stock at any time until the exchange offer has expired, unless extended by us. See The Exchange Offer Withdrawal of tenders.

Will you have to pay any fees or commissions if you tender your MedQuist Inc. common stock?

Tendering holders are not obligated to pay brokerage fees or commissions to us or to the dealer manager, the information agent or the exchange agent. If your shares of MedQuist Inc. common stock are held through a broker or other nominee who tenders the MedQuist Inc. common stock on your behalf, 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 Exchange Offer.

What risks should you consider in deciding whether or not to tender any or all of your MedQuist Inc. common stock?

In deciding whether to participate in the exchange offer, you should carefully consider the discussion of risks and uncertainties pertaining to the exchange offer, and those affecting our businesses and an investment in our common stock, described in this section Questions and Answers About the Exchange Offer, and in the section entitled Risk Factors.

What are the U.S. federal income tax considerations of participating in the exchange offer?

Please see the section of this prospectus entitled Material United States Federal Income Tax Consequences. You should consult your own tax advisor for a full understanding of the tax considerations of participating in the exchange offer.

What is the impact of the exchange offer to our earnings per share and capitalization?

As a result of the exchange of the MedQuist Inc. common stock described herein and assuming a full exchange pursuant to the private exchange, the number of outstanding shares of our common stock will increase, which 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 this exchange offer and the private exchange. The incremental impact of this exchange offer and the private exchange on our earnings per share would have been an increase of \$0.05 and \$0.06 per share of our common stock on a pro forma basis, after giving effect to the Spheris Acquisition and the Recapitalization Transactions, for the year ended December 31, 2009 and the nine months ended September 30,

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2010, respectively. Future dividends, if any, on the MedQuist Inc. common stock will not be paid to holders whose MedQuist Inc. common stock has been exchanged.

Assuming a sufficient number of outstanding shares of MedQuist Inc. common stock are validly tendered and accepted and not withdrawn so that we issue all 6.7 million shares of our common stock being offered pursuant to this prospectus, and assuming the issuance of (i) 4.8 million shares pursuant to the private exchange, (ii) 3.5 million shares of our common stock in connection with our proposed U.S. initial public offering, and (iii) 959,355 shares of our stock pursuant to an agreement, the Consulting Services Agreement, we entered into at the time of our acquisition of MedQuist Inc., we would have 51,087,766 shares of our common stock outstanding or 52,216,748 if the underwriters of our U.S. initial public offering exercise their overallotment option.

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

Do our directors or executive officers beneficially own any shares of MedQuist Inc. common stock?

As of December 31, 2010, our directors and executive officers beneficially owned 226,166 shares of MedQuist Inc. common stock (all of which are issuable under options that are exercisable within 60 days and which number excludes shares of MedQuist Inc. held directly by CBay Inc.), which constitutes approximately 0.60% of the beneficial ownership of MedQuist Inc. common stock.

What percentage of our common stock will current MedQuist Inc. stockholders own after the successful consummation of the exchange offer?

We anticipate that the completion of the exchange offer will result in the exchange of the outstanding shares of MedQuist Inc.'s common stock that we do not currently own (excluding shares to be acquired in the private exchange) into approximately 13.1% of the shares of our common stock outstanding at the conclusion of the exchange offer. In general, this assumes full acceptance of the exchange offer and that:

- n 44.4 million shares of our common stock are outstanding (including, 3.5 million shares issued in connection with our proposed U.S. initial public offering, 4.8 million shares issued in connection with the private exchange and 959,355 shares issued pursuant to the Consulting Services Agreement) before giving effect to the completion of the exchange offer; and
- n 6.7 million shares of our common stock will be issued in the exchange offer.

With whom may you talk if you have questions about the exchange offer?

If you have questions regarding the procedures for tendering in the exchange offer or require assistance in tendering your MedQuist Inc. common stock, please contact the dealer manager or the exchange agent listed on the back cover of this prospectus. If you would like additional copies of this prospectus, our annual, quarterly, and current reports or proxy statement, please contact the information agent. The contact information for the dealer manager, the exchange agent and the information 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.

IF YOU HOLD YOUR MEDQUIST INC. COMMON STOCK THROUGH A BROKER, DEALER, COMMERCIAL BANK, TRUST COMPANY OR OTHER NOMINEE, YOU SHOULD KEEP IN MIND THAT SUCH ENTITY MAY REQUIRE YOU TO TAKE ACTION WITH RESPECT TO THE EXCHANGE OFFER A

NUMBER OF DAYS BEFORE THE EXPIRATION DATE IN ORDER FOR SUCH ENTITY TO TENDER MEDQUIST INC. COMMON STOCK ON YOUR BEHALF ON OR PRIOR TO THE EXPIRATION DATE. TENDERS NOT RECEIVED BY THE EXCHANGE AGENT ON OR PRIOR TO THE EXPIRATION DATE WILL BE DISREGARDED AND HAVE NO EFFECT. IF YOUR INTEREST AS A HOLDER OF MEDQUIST INC. COMMON STOCK IS IN CERTIFICATED FORM, YOU MUST DELIVER THE MEDQUIST INC. COMMON STOCK CERTIFICATE TO BE EXCHANGED IN THE MANNER SPECIFIED IN THE ACCOMPANYING LETTER OF TRANSMITTAL AND A PROPERLY COMPLETED LETTER OF TRANSMITTAL.

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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. (formerly CBaySystems Holdings Limited) and its subsidiaries, references to MedQuist Inc. are to MedQuist Inc. and its subsidiaries and references to Spheris are to Spheris Inc. and its subsidiaries for the period prior to April 22, 2010 and to the business we acquired from Spheris Inc. for the period after such date.

Overview

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

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

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

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

Our industry

Over the past several decades, our industry has evolved from almost exclusively in-house production to outsourced services and from labor-intensive services to technologically-enabled solutions. The market opportunity for our solutions is driven by overall healthcare utilization and cost containment efforts in the United States. Numerous factors are driving increases in the demand for healthcare services including population growth, longer life expectancy, the increasing prevalence of chronic illnesses, and expanded coverage from healthcare reform.

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According to a September 2010 report by the U.S. Centers for Medicare and Medicaid Services, spending on healthcare grew from \$1.2 trillion in 1998 to \$2.3 trillion in 2008 representing a compound annual growth rate of 7.0%. It also projects that healthcare spending will grow to reach \$4.2 trillion, or 19.3% of U.S. gross domestic product, by 2018, representing a compound annual growth rate of 6.3%. At the same time, U.S. healthcare providers remain under substantial pressure to reduce costs while maintaining or improving the quality of care.

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

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

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

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

Our competitive strengths

Our competitive strengths include:

- 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 more than 2,400 hospitals, clinics and physician practices throughout the United States, including 40% of hospitals with more than 500

licensed beds. We have a long-standing history with our customers and, as of September 30, 2010, approximately 98% of our revenue was from recurring services.

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- n **Highly-efficient operating model** Over the past two years, we have driven down our cost structure through the use of technology automation, standardized processes, and offshore resources. Our use of ASR, which has grown from 39% of our volume in the fourth quarter of 2008 to 67% in the third quarter of 2010, has increased our productivity. Additionally, our expanding footprint in India has enabled us to increase our offshore production from 28% of our volume to 42% over this same period. The financial impact of these measures has been an improvement in gross margins during this timeframe from 33.8% to 38.5%. We have grown our volume, excluding volume provided by the Spheris Acquisition, by 2.3% over this same period while sharing cost savings with our customers in the form of lower prices.
- 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. For small-to-medium sized physician practices, we offer an easy-to-use web-based clinical documentation platform, CBayScribe, to expand our market share in this segment, which we believe to be underpenetrated. In order to increase penetration within our existing customer base, we intend to continue targeting additional healthcare clinical areas and facilities of our current customers. Additionally, as healthcare providers centralize their purchasing decisions, we believe that our ability to deliver outstanding services for large, complex requirements provides us with increasing access to new sales opportunities within our existing customer base and through existing customer relationships.
- n **Continue to develop and enhance our integrated solutions** We seek to differentiate our integrated solutions through sophisticated technology and process improvement. We have over 100 employees dedicated to research and development. Over the last year, we launched numerous enhancements, including a front end speech platform for general medicine, additional EHR system integration, and advanced performance monitoring.
- 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 33.8% in the fourth quarter of 2008, our first fiscal quarter after we acquired MedQuist Inc., to 38.5% in the third quarter of 2010, and our Adjusted EBITDA margins have expanded from 9.5% to 21.4% for the same periods. Our management team has proven its ability to implement continuous process improvements and we intend to further increase offshore production and our use of technological automation, including ASR, to lower costs and enhance our profitability.
- 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.

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- 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 our solutions, consolidate costs, and expand our value proposition to our customers.

Risks associated with our business

Our business is subject to a number of risks which you should be aware of before making an investment decision. Those risks are discussed more fully in Risk Factors beginning on page 25. 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.

Our history

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

Acquisitions

MedQuist Inc.

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

We believed that MedQuist Inc., despite its operational challenges and substantial overhead, had strong underlying technology, deep healthcare domain expertise, and a long-tenured customer base. Following our acquisition of MedQuist Inc., we embarked upon a strategy to enhance the management team, streamline operations, improve relationships with customers, leverage our offshore resources, increase the utilization of ASR technology, and resolve all outstanding litigation. This strategy resulted in a stabilization of volume trends starting in the second quarter of 2009. The following table shows the percentage change in MedQuist Inc.'s volume for the nine quarters ended March 31, 2010, the last quarter prior to our acquisition of Spheris, or the Spheris Acquisition.

	2008	2009	2010
MedQuist Inc.	Prior to the MedQuist Inc. Acquisition		

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	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Volume % Change over Previous Year	(3.3)%	(4.7)%	(0.1)%	(0.4)%	(2.2)%	0.8%	2.5%	2.8%	4.0%

Table of Contents*Spheris*

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

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

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

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

Pricing

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

Recent developments

Recapitalization transactions

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

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Electronics in connection with the MedQuist Inc. Acquisition and \$3.7 million to extinguish certain other lines of credit. We refer to these transactions as the Recapitalization Transactions.

Private exchange

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

Our proposed U.S. initial public offering and redomiciliation

On October 18, 2010, we filed an initial registration statement on Form S-1 with the SEC as the first step towards completing a U.S. initial public offering of our common stock. The successful consummation of our proposed U.S. initial public offering and the listing of the shares of our common stock on The NASDAQ Global Market are both conditions to the consummation of the exchange offer.

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.

In connection with our proposed U.S. initial public offering we have applied to list our shares on The NASDAQ Global Market under the symbol MEDH.

For a more detailed description of the Recapitalization Transactions, the private exchange and our proposed U.S. initial public offering, collectively with this exchange offer and the common stock offered hereby, the Corporate Reorganization, see Corporate Reorganization.

Sale of A-Life Investment

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

Sale of PFS

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

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

The following information is based on our preliminary unaudited results for the three months ended December 31, 2010. This information is derived from preliminary internal financial reports and is subject to revision based on the completion of the year-end accounting and financial reporting processes necessary to finalize our consolidated financial statements as of and for the year ended December 31, 2010. We cannot assure you that, upon

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completion of the audit of our consolidated financial statements as of and for the year ended December 31, 2010, we will not report results materially different than those set forth below. We do not expect to file our audited consolidated financial statements as of and for the year ended December 31, 2010 with the SEC until after this offering is completed.

We currently estimate that for the three months ended December 31, 2010, our net revenues were approximately \$110.5 million, our income from continuing operations before income taxes and noncontrolling interests was approximately \$3.7 million and our Adjusted EBITDA was approximately \$27.6 million. Our estimate for Adjusted EBITDA is based on our estimates for income from continuing operations before income taxes and noncontrolling interests of approximately \$3.7 million, plus interest expense, net of approximately \$7.3 million, depreciation and amortization of approximately \$8.9 million (including approximately \$3.9 million of amortization related to acquired intangibles), cost of legal proceedings and settlements of approximately \$800,000, acquisition-related charges of approximately \$500,000, restructuring charges of approximately \$1.8 million, the loss on early extinguishment of debt of approximately \$13.5 million and less equity in income of affiliated companies (principally the gain on the sale of A-Life) of \$8.9 million. See page 23 in Summary Historical and Unaudited Pro Forma Consolidated Financial Data for a description of Adjusted EBITDA. Cash taxes paid during the three months ended December 31, 2010 were approximately \$300,000. As of December 31, 2010 we had approximately \$66.8 million of cash and approximately \$294.5 million of total debt outstanding. On January 3, 2011, we made a \$25.0 million cash payment, of which \$20 million was an optional payment, to reduce the principal amount of our outstanding Term Loan.

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

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

The improvement in gross profit and operating income during the three months ended December 31, 2010 was attributable to cost reductions associated with increased utilization of ASR and increased offshore production, as well as overhead savings realized as a result of the Spheris integration efforts. Our use of ASR increased to approximately 71% of volume during the three months ended December 31, 2010 compared with approximately 53% of volume in the three months ended December 31, 2009. Additionally, our expanding footprint in India enabled us to increase our offshore production to approximately 42% of volume for the three months ended December 31, 2010 compared with 39% of volume for the three months ended December 31, 2009. The cost savings and synergies resulting from the Spheris Acquisition contributed approximately \$7 million of cost savings for the three months ended December 31, 2010.

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

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

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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 1000 Bishops Gate Blvd. Suite 300, Mount Laurel, NJ 08054-4632. The telephone number of the principal executive offices of MedQuist Inc. is (856) 206-4000.

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Background and Reasons for the Exchange Offer

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 percent of MedQuist Inc. in June 2000, and later increased its holdings to 69.5 percent. 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 percent 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 new ordinary 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.

Background of the exchange offer

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. stockholders 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. stockholders 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 this 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.

Our reasons for the exchange offer

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

- n the completion of the 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

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- the MedQuist Holdings Inc. (formerly CBaySystems Holdings Limited) 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 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 stockholders 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 exchange offer, the potential for conflicts of interest between us, on the one hand, and the assets of MedQuist Inc. and its public stockholders, 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 stockholders, 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 exchange offer; and
 - n the level of dilution that our current stockholders would experience in connection with the exchange offer.

Interests of directors and executive officers

As of December 31, 2010, our directors and executive officers beneficially owned 226,166 shares of MedQuist Inc. common stock (all of which are issuable under options that are exercisable within 60 days and which number excludes shares of MedQuist Inc. beneficially owned by MedQuist Holdings Inc. (formerly CBaySystems Holdings Limited)), which constitutes approximately 0.60% of the beneficial ownership of MedQuist Inc. common stock.

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Summary of Terms of the Exchange Offer

We have summarized the terms of the exchange offer below. You should read the discussion under "The Exchange Offer" in this prospectus for further information regarding the exchange offer.

Exchange Offer	We are offering to exchange newly issued shares of our common stock for properly tendered and accepted shares of MedQuist Inc. common stock. All shares of our common stock validly tendered and not withdrawn and accepted by us will be exchanged at a ratio of one share of our common stock for each share of MedQuist Inc. common stock, on the terms and subject to the conditions of this exchange offer. The terms and conditions of this exchange offer are described in this document, the letter of transmittal and the instructions to the letter of transmittal. We will promptly return any shares of MedQuist Inc. common stock not accepted by us for exchange following the expiration date.
Expiration Date	The exchange offer will expire at 5:00 p.m., New York City time, on March 3, 2011, unless extended or earlier terminated by us. If a broker, dealer, commercial bank, trust company or other nominee holds your MedQuist Inc. common stock, such nominee may have an earlier deadline for accepting the offer. You should promptly contact the broker, dealer, commercial bank, trust company or other nominee that holds your shares of MedQuist Inc. common stock to determine its deadline.
Settlement Date	The settlement date in respect of any shares of MedQuist Inc. common stock that are validly tendered prior to the expiration date will be promptly following the expiration date and is anticipated to be on or about March 7, 2011. See "The Exchange Offer" Settlement date.
Certain Consequences to Non-Tendering Holders	Shares of MedQuist Inc. common stock not tendered in the exchange offer will remain outstanding after the consummation of the exchange offer. Depending on the number of shares of MedQuist Inc. common stock tendered in the exchange offer, MedQuist Inc. may be delisted from The NASDAQ Global Market, which may adversely affect the liquidity and value of any shares of MedQuist Inc. common stock held by investors.
Conditions to the Exchange Offer	The exchange offer is conditioned upon the closing conditions described in "The Exchange Offer" Conditions of the exchange offer. These conditions include the completion of our proposed U.S. initial public offering, the listing of our common stock on The NASDAQ Global Market and the consummation of the private exchange. Our obligation to exchange is not subject to any minimum tender condition.
Procedures For Tendering Shares of MedQuist Inc. Common Stock	Most shares of MedQuist Inc. common stock were issued in book-entry form, and are all currently represented by one or more global certificates held for the account of the DTC. If your securities are book entry securities, you may tender your shares of common stock by transferring them through DTC's ATOP or following the other procedures described under "The Exchange Offer" Procedures for tendering.

If your interest as a holder of common stock is in certificated form, you must deliver to the exchange agent a properly completed and duly executed letter of transmittal or a duly executed copy thereof, along with any additional information required by the exchange agent as well as payment for transfer or similar taxes, if any.

If you wish to tender shares of MedQuist Inc. common stock pursuant to the exchange offer and your MedQuist Inc. common stock certificates are not immediately available, you cannot deliver the MedQuist Inc. common stock certificates and all other required documents to the exchange agent

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prior to the expiration of the exchange offer or you cannot complete the procedure for book-entry transfer on a timely basis, your shares of MedQuist Inc. common stock may nevertheless be tendered, so long as all of the following conditions are satisfied:

n you make your tender by or through an eligible institution;
n a properly completed and duly executed notice of guaranteed delivery, substantially in the form made available by us, is received by the exchange agent as provided below on or prior to the expiration of the exchange offer; and
n the certificates for all tendered shares of MedQuist Inc. common stock (or a confirmation of a book-entry transfer of such securities into the exchange agent's account at DTC as described above), in proper form for transfer, together with a properly completed and duly executed letter of transmittal or a manually signed facsimile with any required signature guarantees, or, in the case of a book-entry transfer, an agent's message, and all other documents required by the letter of transmittal are received by the exchange agent within three business days after the date of execution of the notice of guaranteed delivery.

You may deliver the notice of guaranteed delivery by hand or transmit it by facsimile transmission or mail to the exchange agent.
In all cases, we will exchange shares of MedQuist Inc. common stock tendered and accepted for exchange pursuant to the exchange offer only after timely receipt by the exchange agent of certificates for shares of MedQuist Inc. common stock, or timely confirmation of a book-entry transfer of those shares of MedQuist Inc. common stock into the exchange agent's account at DTC, a properly completed and duly executed letter of transmittal or a manually signed facsimile thereof, or an agent's message in connection with a book-entry transfer, and any other required documents.

If you beneficially own common stock through an account maintained by a broker, dealer, commercial bank, trust company or other DTC participant and you desire to tender common stock, you should contact your DTC participant promptly and instruct it to tender your shares of common stock on your behalf. Beneficial owners are urged to appropriately instruct their bank, broker, custodian, commercial bank, trust company or other nominee at least five business days prior to the expiration date in order to allow adequate processing time for their instruction.

In order for your bank, broker, custodian, commercial bank, trust company or other nominee to validly tender shares of common stock in the exchange offer, such bank, broker, custodian, commercial bank, trust company or other nominee must deliver to the exchange agent via DTC an electronic message that will contain certain information specified under "The Exchange Offer Procedures for tendering - How to tender if you are a beneficial owner but not a DTC participant?"

To participate in the exchange offer, a DTC participant must:

n comply with the ATOP procedures of DTC described under "The Exchange Offer Procedures for tendering - Tendering through DTC S ATOP"; or

n (i) complete and sign and date the letter of transmittal, or a facsimile of the letter of transmittal; (ii) have the signature on the letter of transmittal guaranteed if the letter of transmittal so requires; and (iii) mail or deliver the letter of transmittal or facsimile to the exchange agent prior to the expiration date.

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In addition, a DTC participant must comply with the additional procedures set forth under The Exchange Offer Procedures for tendering How to tender if you are a DTC participant?

On the date of any tender for exchange, if your interest is in certificated form, you must do each of the following in order to validly tender for exchange:

- n complete and manually sign the accompanying letter of transmittal provided by the exchange agent, or a facsimile of the exchange notice, and deliver the signed letter to the exchange agent;
- n surrender the certificates of your shares of common stock to the exchange agent;
- n if required, furnish appropriate endorsements and transfer documents; and
- n if required, pay all transfer or similar taxes.

If you are using a letter of transmittal or notice of withdrawal, you must have signatures guaranteed by a member firm of a registered national securities exchange or of the Financial Industry Regulatory Authority, Inc., a commercial bank or trust company having an office or correspondent in the United States, or an eligible guarantor institution within the meaning of Rule 17Ad-15 under the Exchange Act. In addition, such entity must be a member of one of the recognized signature guarantee programs identified in the letter of transmittal. Signature guarantees are not required, however, if the shares of common stock are tendered for the account of a member firm of a registered national securities exchange or of the Financial Industry Regulatory Authority, Inc., a commercial bank or trust company having an office or correspondent in the United States, or an eligible guarantor institution.

IF YOUR INTEREST AS A HOLDER OF MEDQUIST INC. COMMON STOCK IS IN CERTIFICATED FORM, YOU MUST DELIVER THE MEDQUIST INC. COMMON STOCK CERTIFICATES TO BE EXCHANGED IN THE MANNER SPECIFIED IN THE ACCOMPANYING LETTER OF TRANSMITTAL AND A PROPERLY COMPLETED LETTER OF TRANSMITTAL.

Extensions, Termination or
Amendment of the Exchange Offer

We reserve the right to extend the exchange offer for any reason or no reason at all. We also expressly reserve the right, at any time or from time to time, to amend the terms of the exchange offer in any respect prior to the expiration date. Further, we may be required by law to extend the exchange offer if we make a material change in the terms of the exchange offer or in the information contained in this prospectus or waive a material condition to the exchange offer. During any extension of the exchange offer, MedQuist Inc. common stock that was previously tendered and not validly withdrawn will remain subject to the exchange offer. We reserve the right, in our sole and absolute discretion, but subject to applicable law, to terminate the exchange offer at any time prior to the expiration date if any condition to the exchange offer is not met. If the exchange offer is terminated, no shares of MedQuist Inc. common stock will be accepted for purchase, and any shares of MedQuist Inc. common stock that have been tendered will be promptly returned to the holder. For more

information regarding our right to extend, terminate or amend the exchange offer, see The Exchange Offer Expiration date; extensions; termination; amendment.

Withdrawal Rights

You may withdraw any MedQuist Inc. common stock tendered in the exchange offer at any time prior to the expiration date. Pursuant to Section 14(d)(5) of the Exchange Act, you may also withdraw your shares of MedQuist Inc. common stock at any time after 60 days from February 2, 2011, the date that the exchange offer was commenced, unless we have previously accepted them. If

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you validly request to withdraw your shares of MedQuist Inc. common stock prior to the expiration of the exchange offer, they will be returned without expense to you or, in the case of shares of MedQuist Inc. common stock tendered by book-entry transfer, such shares of MedQuist Inc. common stock will be credited to an account maintained at DTC, designated by the participant therein who so delivered such shares of MedQuist Inc. common stock, in each case, promptly following the expiration date or the termination of the exchange offer.

For further information regarding the withdrawal of tendered MedQuist Inc. common stock, see [The Exchange Offer](#) [Withdrawal of tenders](#).

Return of Unaccepted Shares

If any tendered shares of MedQuist Inc. common stock are not accepted for payment for any reason pursuant to the terms and conditions of the exchange offer, such shares will be returned without expense to the tendering holder or, in the case of shares tendered by book-entry transfer, such shares will be credited to an account maintained at DTC, designated by the participant therein who so delivered such shares, in each case, promptly following the expiration date or the termination of the exchange offer.

No Appraisal Rights

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

Comparative Market Price Information

MedQuist Inc. common stock is currently listed on The NASDAQ Global Market under the symbol [MEDQ](#). On January 24, 2011, the closing price of MedQuist Inc. common stock on The NASDAQ Global Market was \$9.11 per share.

We expect the initial public offering price of our common stock in our proposed U.S. initial public offering will be between \$10.00 and \$12.00 per share. We have applied to list the shares of our common stock to be issued in the exchange offer on The NASDAQ Global Market under the symbol [MEDH](#).

Our common stock was formerly listed on AIM. However, we are delisting from AIM and January 27, 2011 is the last day on which our shares will trade on AIM. See [Market Price Information for Our Shares](#) herein.

Accounting Treatment

Assuming we acquire all shares of MedQuist Inc. common stock pursuant to the exchange offer, the transaction would be accounted for as an equity transaction, as we would retain control of MedQuist Inc. after the transaction.

Comparison of Rights of Holders of Our Common Stock and MedQuist Inc. Common Stock

After the completion of the exchange offer, 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 will be a Delaware corporation, so your rights will be governed by Delaware law after the completion of the exchange offer. For a summary comparison of the rights of holders of our common stock and holders of MedQuist Inc. common stock,

Risk Factors	see Comparison of Rights of Holders of Our Common Stock and MedQuist Inc. Common Stock. 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 before deciding whether to participate in the exchange offer.
United States Federal Income Tax Considerations For MedQuist Inc. Common Stock Holders	We intend to take the position that the exchange offer will be treated for United States federal income tax purposes as a transaction described in

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Section 351(a) of the Internal Revenue Code of 1986, as amended, under which you would generally not recognize gain or loss upon the receipt of shares of our common stock in exchange for your shares of MedQuist Inc. common stock. The tax consequences to you 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.

Use of Proceeds

We will not receive any cash proceeds from the tender of the MedQuist Inc. common stock pursuant to the exchange offer.

Brokerage Commissions

If your shares of MedQuist Inc. common stock are held through a broker or other nominee who tenders shares of MedQuist Inc. common stock on your behalf, your broker may charge you a commission for doing so.

Exchange Agent

American Stock Transfer & Trust Company, LLC has been appointed as the exchange agent for the exchange offer. We have agreed to pay American Stock Transfer & Trust Company, LLC reasonable and customary fees for its services and will reimburse American Stock Transfer & Trust Company, LLC for its reasonable out-of-pocket expenses.

Information Agent

MacKenzie Partners, Inc. has been appointed as the information agent for the exchange offer. We have agreed to pay MacKenzie Partners, Inc. reasonable and customary fees for its services and will reimburse MacKenzie Partners, Inc. for its reasonable out-of-pocket expenses.

Dealer Manager

The dealer manager for the exchange offer is Macquarie Capital (USA) Inc. As the dealer manager for the exchange offer, Macquarie Capital (USA) Inc. will perform services customarily provided by investment banking firms acting as dealer managers of exchange offers of a like nature, including, but not limited to, soliciting tenders of shares of MedQuist Inc. common stock pursuant to the exchange offer and communicating generally regarding the exchange offer with banks, brokers, custodians, nominees and other persons, including the holders of the shares of MedQuist Inc. common stock. We will pay the dealer manager reasonable and customary fees for its services and will reimburse it for certain out-of-pocket expenses.

Market-Trading

Shares of MedQuist Inc. common stock are traded on The NASDAQ Global Market under the symbol MEDQ . See Comparative Market Price and Dividend Information.

We have applied to list shares of our common stock to be issued in our proposed U.S. initial public offering and the exchange offer on The NASDAQ Global Market under the symbol MEDH. The approval of our application to list our common stock on The NASDAQ Global Market is a condition for the consummation of the exchange offer. Our common stock was formerly listed on AIM. However, we are delisting from AIM and January 27, 2011 is the last day on which our shares will trade on AIM. See Market Price Information for Our Shares herein.

Further Information

If you have questions regarding the procedures for tendering in the exchange offer or require assistance in tendering your shares of MedQuist Inc. common stock, please contact the dealer manager, the exchange agent or the information agent. If you would like additional copies of this prospectus, our annual, quarterly, and current reports, proxy statement and other information, please contact the information agent. The contact information for the dealer manager, the exchange agent and the information agent is set forth on the back cover of this prospectus.

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Summary Historical and Unaudited Pro Forma Consolidated Financial Data

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

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

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

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

- n the Spheris Acquisition and the incurrence by MedQuist Inc. of \$113.6 million of debt to finance the Spheris Acquisition;
- n the incurrence by MedQuist Inc. of \$285.0 million of indebtedness under the Senior Secured Credit Facility and Senior Subordinated Notes, the simultaneous repayment of \$80.0 million of indebtedness under the Acquisition Credit Facility, the repayment of \$13.6 million of indebtedness under the Acquisition Subordinated Promissory Notes, the payment of a \$176.5 million special dividend to MedQuist Inc.'s stockholders, of which we received \$122.6 million and the noncontrolling stockholders of MedQuist Inc. received \$53.9 million, and the repayment by us, using the proceeds of such dividend of \$104.1 million to extinguish our 6% Convertible Notes including a \$7.7 million premium on early prepayment, and \$3.7 million under certain other lines of credit;
- n the issuance of 4.8 million shares of our common stock in exchange for 4.8 million shares of MedQuist Inc. common stock pursuant to the terms of the Exchange Agreement with certain noncontrolling stockholders of MedQuist Inc., which will increase our ownership in MedQuist Inc. from 69.5% to 82.2%;
- n the issuance of 959,355 shares of our common stock pursuant to the Consulting Services Agreement; and
- n the issuance of 6.7 million shares of our common stock to be issued in exchange for 6.7 million shares of MedQuist Inc. common stock in this exchange offer, assuming a full exchange. This would increase our ownership in MedQuist Inc. from 82.2% to 100%.

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

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

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

The pro forma as adjusted balance sheet data as of September 30, 2010 also gives effect to the issuance of 3.5 million shares of common stock in our proposed U.S. initial public offering at an assumed initial public offering price of \$11.00 per share, the midpoint of the price range shown on the cover of the prospectus for our proposed U.S. initial public offering, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us as if such transaction occurred as of September 30, 2010.

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

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

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

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

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

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	Historical			Pro forma			
	Years ended December 31,			Nine months ended		Year	Nine
	2007	2008	2009	September 30,	2010	ended	months
				2009	2010	December 31	ended
				(Unaudited)		2009	September 30,
				(In thousands)		(Unaudited)	2010

Weighted average shares outstanding:

Basic	12,873	22,593	34,692	34,586	35,083	47,122	47,513
Diluted	12,873	22,593	34,692	34,586	35,893	47,122	48,323
Adjusted EBITDA ⁽¹⁾⁽²⁾	\$ 641	\$ 16,914	\$ 59,687	\$ 42,991	\$ 57,855	\$ 91,074	\$ 63,480

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

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

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

	Historical			Pro forma			
	Years ended December 31,			Nine months ended		Year	Nine
	2007	2008	2009	September 30,	2010	ended	months
				2009	2010	December 31	ended
				(Unaudited)		2009	September 30,
				(In thousands)		(Unaudited)	2010

Other Data

Net Revenues:

Consolidated ⁽¹⁾⁽²⁾	\$ 57,694	\$ 193,673	\$ 371,768	\$ 281,828	\$ 316,977	\$ 510,528	\$ 350,163
MedQuist Inc.	340,342	326,853	307,200				
Spheris	200,392	182,843	156,596				
Adjusted EBITDA ⁽³⁾							
Consolidated ⁽¹⁾	\$ 641	\$ 16,914	\$ 59,687	\$ 42,991	\$ 57,855	\$ 91,074	\$ 63,480
MedQuist Inc.	3,480	32,337	55,636				
Spheris	28,227	26,317	30,569				

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

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

- (2) Includes revenues of the PFS business, which was sold on December 31, 2010. The PFS business contributed revenues of \$15.5 million, \$22.3 million and \$17.8 million for the years ended December 31, 2007, 2008 and 2009 respectively, and \$13.7 million and \$10.2 million for the nine months ended September 30, 2009 and 2010, respectively.
- (3) See below for reconciliations of net income (loss) attributable to MedQuist Holdings Inc. to Adjusted EBITDA. Adjusted EBITDA does not include earnings attributable to our investment in A-Life, which was sold in October 2010.

Table of Contents**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, 2005, 2006, 2007, 2008 and 2009 and for the nine months ended September 30, 2009 and 2010 and our pro forma ratio of earnings to fixed charges for the fiscal year ended December 31, 2009 and for the nine months ended September 30, 2010.

	Historical					Pro forma
	2005	Years ended December 31,			2009	Year ended December 31, 2009 (Unaudited)
		2006	2007	2008		
Ratio of earnings to fixed charges ⁽¹⁾	0.17	1.03	(0.09)	(17.16)	1.63	1.11

	Historical		Pro forma
	Nine months ended		Nine months ended
	September 30, 2009 (Unaudited)	2010 (Unaudited)	September 30, 2010 (Unaudited)
Ratio of earnings to fixed charges ⁽¹⁾	1.58	1.73	1.29

⁽¹⁾ 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 shareholders. Earnings were insufficient to cover fixed charges in the fiscal years ended December 31, 2005, 2007 and 2008.

	As of September 30, 2010		
	Actual	Pro forma (Unaudited)	Pro forma as adjusted
Balance Sheet Data	(In thousands)		
Cash and cash equivalents ^(a)	\$ 24,025	\$ 35,253	\$ 63,758
Working capital ^(b)	11,618	26,450	26,450
Current assets	118,435	142,851	171,356
Non-current assets	260,869	255,031	255,031
Total assets	379,304	397,882	426,387

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Current liabilities	119,016	104,097	104,097
Non-current liabilities	176,720	277,673	277,673
Long term debt, including current portion of debt	204,172	294,848	294,848
Total equity	83,568	16,112	44,617
Book value per share	1.22	0.34	0.94

- (a) Pro forma as adjusted amount gives effect to \$2.5 million of a total \$5.0 million payment to SAC PCG in connection with the Corporate Reorganization and does not reflect \$19.5 million in proceeds received from the sale of our investment in A-Life in October 2010 and \$13.5 million in proceeds received from the sale of the PFS business in December 2010, and does not reflect our \$25.0 million repayment of a portion of our Term Loan borrowings in January 2011.
- (b) Working capital is defined as total current assets, excluding cash and cash equivalents, minus total current liabilities, excluding current portion of debt.

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

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

(a)

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

- (b) Includes amortization of acquired intangibles of \$698,000, \$7.1 million, \$12.8 million for the years ended December 31, 2007, 2008 and 2009, respectively, \$9.8 million and \$11.7 million for the nine months ended September 30, 2009 and 2010, respectively and \$19.2 million and \$16.5 million on a pro forma basis for the year ended December 31, 2009 and the nine months ended September 30, 2010, respectively.
- (c) Includes the write-off of amounts due from an unconsolidated affiliate of Spheris, an impairment charge to write-off the balance of an investment and the reversal of certain accruals, related to litigation claims, as a result of the expiration of the applicable statute of limitations.
- (d) Includes the effect of the PFS business, which was sold on December 31, 2010.
- (e) Pro forma amounts do not give effect to (i) the impact on net revenues from volume declines, resulting from pre-acquisition customer terminations at Spheris prior to the Spheris Acquisition, of \$24.6 million and \$2.4 million in net revenues for the year ended December 31, 2009 and the nine months ended September 30, 2010, respectively, and (ii) the full impact of cost savings and synergies resulting from the Spheris Acquisition, which we have implemented since the Spheris Acquisition and expect to yield \$7.0 million of cost savings in the fourth quarter of 2010, representing an annualized benefit of \$28.0 million. Our results for the nine months ended September 30, 2010 reflect \$4.9 million of such cost savings. Adjusted EBITDA does not include earnings attributable to our investment in A-life, which was sold in October 2010.

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

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

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

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

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

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

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

- 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 unusual expenses or events, such as acquisition related charges, restructuring charges, severance costs and certain unusual or nonrecurring items.

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

- 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.

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, 2009 and for, and as of, the nine months ended September 30, 2010 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 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.

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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.

	Nine months ended September 30, 2010		Year ended December 31, 2009	
Net income (loss) per share:				
MedQuist Holdings Inc. historical basic	\$	0.12	\$	(0.06)
MedQuist Holdings Inc. historical diluted	\$	0.12	\$	(0.06)
MedQuist Holdings Inc. pro forma basic ⁽¹⁾	\$	0.17	\$	0.00
MedQuist Holdings Inc. pro forma diluted ⁽¹⁾	\$	0.17	\$	0.00
MedQuist Inc. historical basic ⁽²⁾	\$	0.46	\$	0.62
MedQuist Inc. historical diluted ⁽²⁾	\$	0.46	\$	0.62
MedQuist Inc. pro forma equivalent basic ⁽³⁾	\$	0.17	\$	0.00
MedQuist Inc. pro forma equivalent diluted ⁽³⁾	\$	0.17	\$	0.00
Cash dividends per share:				
MedQuist Holdings Inc. historical	\$		\$	
MedQuist Inc. historical ⁽⁵⁾	\$		\$	1.33
MedQuist Inc. pro forma equivalent ⁽³⁾	\$		\$	
		As of September 30, 2010		As of December 31, 2009
Book value per share:				
MedQuist Holdings Inc. historical	\$	1.22	\$	1.06
MedQuist Holdings Inc. pro forma ⁽⁴⁾	\$	0.34	\$	N/A
MedQuist Inc. historical	\$	3.51	\$	3.06
MedQuist Inc. pro forma equivalent ⁽³⁾	\$	0.34	\$	N/A

(1) Determined by dividing the pro forma net income by the pro forma number of weighted average shares outstanding for the nine months ended September 30, 2010 and the year ended December 31, 2009.

(2) Represents MedQuist Inc. historical net income per share.

(3) The MedQuist Inc. equivalent pro forma amounts are calculated by multiplying MedQuist Holdings Inc. pro forma combined amounts by one, which is the exchange ratio.

(4) Determined by dividing the pro forma shareholders' equity by the pro forma number of shares outstanding as of September 30, 2010.

(5) Does not include a \$4.70 per share special dividend paid by MedQuist Inc. on October 18, 2010.

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Risk Factors

Risks related to the exchange offer

You will be affected by this exchange offer whether or not you tender your shares of MedQuist Inc. common stock.

Your investment in MedQuist Inc. common stock will be subject to different risks as a result of this exchange offer. As a holder of shares of MedQuist Inc. common stock, you will be affected by this exchange offer regardless of whether you tender all, some or none of your shares of MedQuist Inc. common stock in this exchange offer.

The MedQuist Inc. common stock may be delisted from The NASDAQ Global Market which may adversely affect the liquidity and value of any shares of MedQuist Inc. common stock held by investors for an indefinite period of time. In addition, depending on the number of holders of common stock of MedQuist Inc. following the completion of the exchange offer, MedQuist may deregister under the Exchange Act.

If less than all holders of MedQuist Inc. common stock participate in the exchange offer, then we may fail to realize the full benefits of the exchange offer.

If the number of holders of MedQuist Inc. common stock materially decreases, or if MedQuist Inc. common stock is delisted from The NASDAQ Global Market, equity research coverage of MedQuist Inc. common stock may be discontinued, which could adversely affect the liquidity and valuation of MedQuist Inc. common stock.

You may not receive any premium on the issuance of our common stock in exchange for MedQuist Inc. common stock.

We cannot predict whether or to what extent there will be a premium at the end of this exchange offer. As a result, if you tender your shares of MedQuist Inc. common stock in this exchange offer, you may not receive any premium. Any premium that you would receive through your participation in this exchange offer will depend upon a variety of factors including the market prices of shares of MedQuist Inc. common stock and our common stock at the time of the closing of this exchange offer, which we cannot predict. Even if you receive a premium in this exchange offer, it is possible that over time, the market value of the number of shares of MedQuist Inc. common stock tendered and accepted in this exchange offer will exceed the market value of our common stock received in this exchange offer.

The number of shares of our common stock offered per share of MedQuist Inc. common stock in the exchange offer 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 settlement of the exchange offer could be less than the market price at the time you tender your MedQuist Inc. common stock.

The number of shares of our common stock offered for each share of MedQuist Inc. common stock accepted for exchange is fixed at the amounts specified on the cover of this prospectus 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 settlement date. Therefore, the market price of our common stock at the time you receive our common stock on the settlement date, or any extension of the exchange offer, when we deliver our common stock in exchange for MedQuist Inc. common stock, could be less than the market price at the time you tender your MedQuist Inc. common stock. The market price of our common stock has recently been subject to significant fluctuations and volatility.

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

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 exchange offer 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.

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Assuming all shares of outstanding MedQuist Inc. common stock subject to the offer to exchange are validly tendered and accepted for exchange, we will issue 6.7 million shares of our common stock in this exchange offer. As of December 30, 2010, there were 35.2 million shares outstanding and approximately of our shares. After our proposed U.S. initial public offering, there will be 51.1 million shares of our common stock outstanding, or 52.2 million shares of our common stock if the underwriters of our U.S. initial public offering exercise their overallotment option, which includes (i) 3.5 million shares issued by us in our proposed U.S. initial public offering; (ii) 35.2 million shares held by our existing stockholders, (iii) 4.8 million shares to be issued in the private exchange, (iv) 6.7 million shares to be issued in the exchange offer, assuming a full exchange, and (v) 959,355 shares issuable pursuant to the Consulting Services Agreement. See Certain Relationships and Related Party Transactions.

We may fail to realize all of the anticipated benefits of the exchange offer.

The primary goal of the exchange offer 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 exchange offer 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. If we do not wholly own MedQuist Inc., our interests in MedQuist Inc. could conflict with the interests of MedQuist Inc.'s remaining noncontrolling stockholders. Also, MedQuist Inc. may need to seek the consent of its noncontrolling stockholders and/or independent members of its board of directors in order to take certain actions, and those consents may not be forthcoming. Our costs could also be adversely affected by our inability to fully integrate MedQuist Inc. into our consolidated operations and management structure.

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

We are not making a recommendation as to whether or not you should exchange your MedQuist Inc. common stock in the exchange offer. We have not retained, and do not intend to retain, any unaffiliated representative to act solely on behalf of the holders of the MedQuist Inc. common stock for purposes of negotiating the exchange offer or preparing a report concerning the fairness of the exchange offer. You must make your own independent decision regarding your participation in the exchange offer.

Failure to successfully complete the exchange offer could negatively affect the price of MedQuist Inc. common stock.

Several conditions must be satisfied or waived in order to complete the exchange offer, including that no event has occurred that in our reasonable judgment would materially impair the anticipated benefits to us of the exchange offer or that has had, or could reasonably be expected to have, a material adverse effect on us, our businesses, condition (financial or otherwise) or prospects. See The Exchange Offer Conditions of the exchange offer. The foregoing conditions may not be satisfied, and if not satisfied or waived, the exchange offer may not occur or may be delayed.

If the exchange offer is not completed or is delayed, we and MedQuist Inc. may be subject to material risks, including the risk that the market price of MedQuist Inc. common stock may decline to the extent that the current market price of MedQuist Inc. common stock reflects a market assumption that the exchange offer has been or will be completed.

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

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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.

There can be no assurances the exchange of shares pursuant to the exchange offer will qualify as a non-taxable exchange for U.S. federal income tax purposes

We intend to take the position for U.S. federal income tax purposes that the exchange of shares of MedQuist Inc. common stock for our common stock pursuant to the exchange offer is a transaction described in Section 351(a) of the Internal Revenue Code of 1986, as amended, or 351 Exchange. Assuming such exchange qualifies as a 351 Exchange, then, in general, U.S. holders of shares of MedQuist Inc. common stock will not recognize gain or loss for U.S. federal income tax purposes from the exchange of MedQuist Inc. common stock solely for our common stock. There is no direct tax authority for treatment of such exchange as a 351 Exchange and 351 Exchange treatment depends on numerous factors, including factors beyond our control. As a result, there can be no assurances that the exchange will qualify as a 351 Exchange. Neither we nor MedQuist Inc. has or will seek any ruling from the Internal Revenue Service regarding any matters relating to the exchange pursuant to the exchange offer, and as a result, there can be no assurance that the Internal Revenue Service will not disagree with or challenge our position that such exchange qualifies as a 351 Exchange. U.S. investors should discuss the tax treatment of an exchange pursuant to the exchange offer with their tax advisors. See Material United States Federal Income Tax Consequences.

Risks related to our business

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

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

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

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

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

We plan to grow, in part, by capitalizing on perceived market opportunities to provide our services to new customers. These new customers must be willing to outsource functions which may otherwise have been performed within their organizations, adopt new technologies and incur the time and expense needed to integrate those technologies into

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their existing systems. For example, the up-front cost and time involved in changing medical transcription providers or in converting from an in-house medical transcription department to an outsourced provider may be significant. Many customers may prefer to remain with their current provider or keep their transcription in-house rather than invest the time and resources required for the implementation of a new system. Also, as the maintenance of accurate medical records is a critical element of a healthcare provider's ability to deliver quality care to its patients and to receive proper and timely reimbursement for the services it renders, potential customers may be reluctant to outsource or change providers of such an important function.

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

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

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

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

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

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

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

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

After the consummation of the Corporate Reorganization, we will have approximately \$269.8 million of indebtedness outstanding, consisting of \$175.0 million of Term Loan debt under our Senior Secured Credit Facility, \$85.0 million

of Senior Subordinated Notes and other indebtedness consisting of capital leases and borrowings under other credit facilities, and we may incur additional indebtedness in the future. For the years 2010 through 2014, assuming no change in our indebtedness following our proposed U.S. initial public offering, we will have average, annual payment obligations of approximately \$20.0 million for the principal amount of our indebtedness. Our net interest expense for the year ended December 31, 2009 and the nine months ended September 30,

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2010 was \$9.1 million and \$12.0 million, respectively. Our variable rate indebtedness bears interest at LIBOR plus 5.50% with a LIBOR floor of 1.75%. Because the LIBOR floor is currently in effect, a 1.25% increase in LIBOR above current LIBOR levels would not increase our effective interest rate. A 1.0% increase in the interest rate above this floor would impact our interest expense by approximately \$2.0 million. This indebtedness could have important negative consequences to our business, including:

- 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; 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.

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

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

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

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

code used in our products, paying a royalty to use some open source code, making certain proprietary source code available to others or discontinuing certain products, any of which may divert resources away from our development efforts.

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

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

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

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

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

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

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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.

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

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

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

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

Certain state laws that have recently been enacted and bills introduced in recent sessions of the U.S. Congress seek to restrict the transmission of personally identifiable information regarding a U.S. resident to any foreign affiliate, subcontractor or unaffiliated third party without adequate privacy protections or without providing notice of the transmission and an opportunity to opt out. Some of the proposals would require patient consent. If enacted, these proposed laws would impose liability on healthcare businesses arising from the improper sharing or other misuse of personally identifiable information. Some proposals would create a private civil cause of action that would allow an injured party to recover damages sustained as a result of a violation of the new law. A number of states have also considered, or are in the process of considering, prohibitions or limitations on the disclosure of medical or other information to individuals or entities located outside of the U.S. Further, as a result of concerns regarding the possible

misuse of personally identifiable information, some of our customers have contractually limited our ability to use MTs and MEs located outside of the U.S. The effect of these proposals would be to limit our ability to utilize our lower-cost offshore production facilities for affected customers, which could adversely affect our operating margins.

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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 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.

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

As a U.S. public company, our ongoing compliance with various rules and regulations, including the Sarbanes-Oxley Act of 2002, will increase our legal and finance compliance costs and will make some activities more time-consuming and costly. These rules and requirements may be modified, supplemented or amended from time to time. Implementing these changes may take a significant amount of time and may require specific compliance training of our personnel. For example, Section 404 of the Sarbanes-Oxley Act requires that our management report on, and our independent auditors attest to, the effectiveness of our internal control over financial reporting in our annual reports filed with the SEC. Section 404 compliance may divert internal resources and will take a significant amount of time and effort to complete. We may not be able to successfully complete the procedures and certification and attestation requirements of Section 404 by the time we will be required to do so. If we fail to do so, or if in the future our Chief Executive Officer, Chief Financial Officer or independent registered public accounting firm determines that our

internal controls over financial reporting are not effective as defined under Section 404, we could be subject to sanctions or investigations by The NASDAQ Global Market, the SEC, or other regulatory authorities. As a result, investor perceptions of our company may suffer, and this could cause a decline in the market price of our common stock. Irrespective of compliance with these rules and

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regulations, including the requirements under the Sarbanes-Oxley Act, any failure of our internal controls could have a material adverse effect on our stated results of operations and harm our business and reputation. If we are unable to implement these changes effectively or efficiently, it could harm our operations, financial reporting or financial results and could result in an adverse opinion on internal controls from our independent auditors.

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

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

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

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

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

Unless the private exchange closes and the exchange offer is completed at the highest acceptance level, we will not wholly own MedQuist Inc., and our ability to gain 100% ownership of MedQuist Inc. could be adversely affected by provisions of New Jersey corporate law described below, that limit certain business combinations between corporations such as MedQuist Inc. organized in New Jersey and their significant stockholders. If we do not wholly own MedQuist Inc., our interests in MedQuist Inc. could conflict with the interests of MedQuist Inc.'s remaining noncontrolling stockholders. Also, MedQuist Inc. may need to seek the consent of its noncontrolling stockholders and/or independent members of its board of directors in order to take certain actions, and those consents may not be

forthcoming. Our costs could also be adversely affected by our inability to fully integrate MedQuist Inc. into our consolidated operations and management structure.

Section 14A:10A of the New Jersey Business Corporation Act, or the NJBCA, prohibits certain business combinations involving New Jersey corporations and an interested stockholder. An interested stockholder is

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

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

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

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

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

Risks related to our common stock

Our stock price may fluctuate significantly.

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

price of our common stock include:

- n market conditions affecting our customers' businesses, including the level of mergers and acquisitions activity;
- n the loss of any major customers or the acquisition of new customers for our services;

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- n announcements of new services or functions by us or our competitors;
- n actual and anticipated fluctuations in our quarterly operating results;
- n rumors relating to us or our competitors;
- n actions of stockholders, including sales of shares by our directors and executive officers;
- n additions or departures of key personnel; and
- n developments concerning current or future strategic alliances or acquisitions.

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

Our largest stockholder will exercise significant control over our company.

After the Corporate Reorganization affiliates of SAC PCG will beneficially own in the aggregate shares representing approximately 34.0% of our outstanding capital stock. Furthermore, we have entered into a Stockholders Agreement with affiliates of SAC PCG pursuant to which they will have the right to nominate to our board three, two or one directors for so long as they hold at least 20%, 10% or 5% of our voting power, respectively. This concentration of ownership of our shares and the Stockholders Agreement could delay or prevent proxy contests, mergers, tender offers, open-market purchase programs or other purchases of shares of our common stock that might otherwise give you the opportunity to realize a premium over the then-prevailing market price of our common stock. This concentration of ownership may also adversely affect our stock price.

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

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

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

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

Upon the completion of our proposed U.S. initial public offering, and, after giving effect to (i) the private exchange, (ii) this exchange offer, assuming a full exchange, and (iii) the issuance of 959,355 shares of our common stock pursuant to the Consulting Services Agreement, we will have outstanding 51.1 million shares of common stock, or 52.2 million if the underwriters of our U.S. initial public offering exercise their overallotment option, in each case, assuming no exercise of outstanding options. If our existing stockholders sell, or indicate an

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intent to sell, substantial amounts of our common stock in the public market after the consummation of our proposed U.S. initial public offering, the trading price of our common stock could decline significantly.

Of the 51.1 million shares of our common stock outstanding upon the completion of the Corporate Reorganization, (i) 23.7 million shares will be subject to a 180-day contractual lock-up, (ii) 3.8 million shares will be subject to a 90-day contractual lock-up, and (iii) 3.8 million shares will be subject to a 45-day contractual lock-up and (iv) 19.9 million shares, including the 7.8 million shares being sold in our proposed U.S. initial public offering and the 6.7 million shares being issued in this exchange offer, assuming full exchange, will not be subject to any contractual lock-up. If our existing stockholders sell, or indicate an intent to sell, substantial amounts of our common stock in the public market after the applicable contractual lock-up and other applicable legal restrictions on resale discussed in this prospectus lapse, the trading price of our common stock could decline significantly. Lazard Capital Markets LLC and Macquarie Capital (USA) Inc. may, in their sole discretion, permit our officers, directors, employees and other stockholders to sell shares prior to the expiration of the lock-up agreements. We cannot predict the effect, if any, that public sales of these shares or the availability of these shares for sale will have on the market price of our common stock.

In addition, the shares subject to outstanding options under our equity incentive plans and the shares reserved for future issuance under our equity incentive plans will become eligible for sale in the public market in the future, subject to certain legal and contractual limitations. Moreover, 180 days after the completion of our proposed U.S. initial public offering, holders of approximately 17.3 million shares of our common stock will have the right to require us to register these shares under the Securities Act of 1933, as amended, or the Securities Act, pursuant to registration rights. If our existing stockholders sell substantial amounts of our common stock in the public market, or if the public perceives that such sales could occur, this could have an adverse impact on the market price of our common stock, even if there is no relationship between such sales and the performance of our business.

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

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

- 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, upon the closing of our proposed U.S. initial public offering, we will be 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.

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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.

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Special Note Regarding Forward-Looking Statements

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

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

- n potential synergies from the acquisition of Spheris;
- n our ability to adopt and integrate new 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 develop and adopt new technologies;
- n our ability to gain new customers;
- n our ability to increase sales; and
- n our ability to complete our proposed U.S. initial public offering, and consummate the private exchange described under Recent Developments Private Exchange.

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 during the pendency of the exchange offer, 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.

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Corporate Reorganization

Recapitalization Transactions

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

Description of Indebtedness for a more detailed description of the Senior Secured Credit Facility and the Senior Subordinated Notes.

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

Private Exchange

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

Our proposed U.S. initial public offering

On October 18, 2010, we filed a registration statement on Form S-1 with the SEC as the first step towards completing a U.S. initial public offering of our common stock. The successful consummation of our proposed U.S. initial public offering and the listing of the shares of our common stock on The NASDAQ Global Market are both conditions to the consummation of the exchange offer.

Redomiciliation and share conversion

On January 27, 2011, we changed our name from CBaySystems Holdings Limited to MedQuist Holdings Inc. and redomiciled from a British Virgin Islands company to a Delaware corporation. In connection with our redomiciliation, we adjusted the number of our shares outstanding through a reverse share split, pursuant to which every 4.5 shares of

our common stock outstanding prior to our redomiciliation was converted into one share of our common stock upon our redomiciliation. Our redomiciliation and the 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.

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Dividend Policy

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

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

- n on an actual basis;
- n on a pro forma basis to give effect to the Corporate Reorganization (but excluding the common stock offered in our proposed U.S. initial public offering), the reclassification for discontinued operations and the issuance of stock pursuant to the Consulting Services Agreement; and
- n on a pro forma as adjusted basis to give effect to the completion of our proposed U.S. initial public offering.

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

	As of September 30, 2010		
	Actual	Pro forma ⁽⁵⁾ (\$ in thousands)	Pro forma as adjusted
Cash and cash equivalents ⁽¹⁾	\$ 24,025	\$ 35,253	\$ 63,758
Short-term debt ⁽²⁾	36,224	22,949	22,949
Long-term debt			
Term loans	1,075	343	343
Senior Secured Credit Facility	55,000	185,000	185,000
Senior Subordinated Notes	13,898	85,000	85,000
6% Convertible Notes	96,419		
Other debt ⁽³⁾	1,556	1,556	1,556
Total debt	204,172	294,848	294,848
Equity			
Stockholders' equity:			
Preferred stock: 25 million shares authorized, none issued or outstanding			
Common stock: 300 million shares authorized, 35.2 million shares issued and outstanding (actual); 47.6 million shares issued and outstanding (pro forma); 51.1 million shares issued and outstanding (pro forma as adjusted)	3,516	4,759	5,109
Additional paid in capital	149,100	134,487	162,642
Accumulated deficit	(109,261)	(123,154)	(123,154)
Accumulated other comprehensive loss	(385)	(385)	(385)

Total stockholders' equity	42,970	15,707	44,212
Noncontrolling interests	40,598	405	405
Total equity	83,568	16,112	44,617
Total capitalization ⁽⁴⁾	\$ 287,740	\$ 310,960	\$ 339,465

- (1) Pro forma as adjusted gives effect to \$2.5 million of a total \$5.0 million payment to SAC PCG in connection with the Corporate Reorganization, does not reflect \$19.5 million in proceeds received from our sale of our investment in A-Life, which was sold in October 2010 and \$13.5 million in proceeds received from the sale of the PFS business in December 2010, and does not reflect our \$25.0 million repayment of a portion of our Term Loan borrowings in January 2011.
- (2) Short-term debt includes amount outstanding under our short-term credit facilities, the current portion of long-term borrowings and the current portion of capital lease obligations.
- (3) Other debt includes capital lease obligations and indebtedness outstanding under our credit agreement with ICICI Bank and with IndusInd Bank.
- (4) A \$1.00 increase (decrease) in the assumed initial public offering price of \$11.00 per share would increase (decrease) total stockholders' capital and total capitalization by approximately \$3.3 million, assuming the number of shares offered by us in our proposed U.S. initial public offering remains the same and after deducting the estimated underwriting discounts and estimated expenses related to our proposed U.S. initial public offering payable by us. A 100,000 share increase (decrease) in the number of shares of common stock sold by us in our proposed U.S. initial public offering would increase (decrease) the net proceeds to us from our proposed U.S. initial public offering by approximately \$1.0 million, assuming an initial public offering price per share equal to the midpoint of the estimated price range set forth on the cover page of this preliminary prospectus and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.
- (5) Pro forma basis reflects (i) the \$200.0 million borrowings under the Term Loan, (ii) the issuance of \$85.0 million of Senior Subordinated Notes, (iii) our repayment of the 6% Convertible Notes, (iv) the issuance of 4.8 million shares of our common stock in the private exchange, (v) the issuance of 6.7 million shares of our common stock in this exchange offer, assuming a full exchange, and (vi) the issuance of 959,355 shares of our common stock pursuant to the Consulting Services Agreement.

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Unaudited Pro Forma Condensed Combined Financial Information

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

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

- n the Spheris Acquisition and the incurrence by MedQuist Inc. of \$113.6 million of debt to finance the Spheris Acquisition;
- n the incurrence by MedQuist Inc. of \$285.0 million of indebtedness under the Senior Secured Credit Facility and Senior Subordinated Notes, the simultaneous repayment of \$80.0 million of indebtedness under the Acquisition Credit Facility, the repayment of \$13.6 million of indebtedness under the Acquisition Subordinated Promissory Notes, the payment of a \$176.5 million special dividend to MedQuist Inc.'s stockholders, of which we received \$122.6 million and the noncontrolling stockholders of MedQuist Inc. received \$53.9 million, and the repayment by us, using the proceeds of such dividend of \$104.1 million to extinguish our 6% Convertible Notes including a \$7.7 million premium on early prepayment and \$3.7 million under certain of our other lines of credit;
- n the issuance of 4.8 million shares of our common stock in exchange for 4.8 million shares of MedQuist Inc. common stock pursuant to the terms of the Exchange Agreement with certain noncontrolling stockholders of MedQuist Inc., which will increase our ownership in MedQuist Inc. from 69.5% to 82.2%;
- n the issuance of 959,355 shares of our common stock pursuant to the Consulting Services Agreement; and
- n the issuance of 6.7 million shares of our common stock in exchange for 6.7 million shares of MedQuist Inc. common stock assuming a full exchange. This would increase our ownership in MedQuist Inc. from 82.2% to 100%.

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

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

The pro forma balance sheet data as of September 30, 2010 gives effect to the Recapitalization Transactions, the private exchange, the exchange offer, the reclassification for discontinued operations and the shares of our common

stock issuable pursuant to the Consulting Services Agreement, as if they occurred as of September 30, 2010.

The pro forma as adjusted balance sheet data as of September 30, 2010 also gives effect to the issuance of 3.5 million shares of common stock in our proposed U.S. initial public offering at an assumed initial public

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offering price of \$11.00 per share, the midpoint of the price range shown on the cover of this prospectus, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us as if such transaction occurred as of September 30, 2010.

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

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

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

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

	Historical		Recapitalization Transactions and private exchange pro formal			Pro forma	Offer pro forma	Pro fo	
	MedQuist		Spheris	Acquisition	Acquisition	private	before	adjustments	Pro fo
	Holdings		pro forma	pro forma	pro forma	formal	the offer	adjustments	Pro fo
	Inc.⁽¹⁾	Spheris	adjustments	combined	combined	adjustments	before	adjustments	Pro fo
	(In thousands, except per share amounts)								
Revenues	\$ 353,932	\$ 156,596		\$ 510,528			\$ 510,528		\$ 510,528
of revenues	229,701	109,059		338,760			338,760		338,760
Operating profit	124,231	47,537		171,768			171,768		171,768
Operating expenses									
Advertising, general and administrative	53,089	19,093		72,182			72,182		72,182
Research and development	9,604			9,604			9,604		9,604
Depreciation and amortization	25,366	7,230	6,530 ^(a)	39,126			39,126		39,126
Costs of legal proceedings and settlements	14,943	1,246		16,189			16,189		16,189
Restructuring and transition charges	1,246	6,961	(8,207) ^(d)						
Goodwill impairment		198,872	(198,872) ^(c)						
Manufacturing charges	2,727	775		3,502			3,502		3,502
Operating expenses	106,975	234,177	(200,549)	140,603			140,603		140,603
Operating income	17,256	(186,640)	200,549	31,165			31,165		31,165
Interest expense, net	(9,019)	(17,439)	6,611 ^(b)	(19,847)	(11,643) ^(g)		(31,490)		(31,490)
Income of unconsolidated companies	1,933			1,933			1,933		1,933
Other income	13	2,125		2,138			2,138		2,138
Income (loss) from continuing operations									
Income taxes and controlling interests	10,183	(201,954)	207,160	15,389	(11,643)		3,746		3,746
	1,012	(14,571)	15,204 ^(e)	1,645	(1,273) ⁽ⁱ⁾		372		372

Income tax provision (benefit)									
Income (loss) from continuing operations	9,171	(187,383)	191,956	13,744	(10,370)	3,374			3
Income (loss) from discontinued operations									
Income (loss) from discontinued operations from discontinued Financial Services									
Loss	(1,281)			(1,281)		(1,281)			(1)
Income tax provision	70			70		70			
Income (loss) from discontinued operations	(1,351)			(1,351)		(1,351)			(1)
Income (loss)	7,820	(187,383)	191,956	12,393	(10,370)	2,023			2
Net income attributable to controlling interests	(7,085)		(347) ^(f)	(7,432)	6,017 ^(h)	(1,415)	1,415 ^(k)		
Income (loss) attributable to MedQuist Holdings Inc.	\$ 735	\$ (187,383)	\$ 191,609	\$ 4,961	\$ (4,353)	\$ 608	\$ 1,415	\$	2
Income (loss) per common share from continuing operations	\$ (0.02)			\$ 0.10		\$ 0.00		\$	
Income (loss) per common share from discontinued operations	\$ (0.02)			\$ 0.10		\$ 0.00		\$	
Income (loss) per common share attributable to MedQuist Holdings Inc.	\$ (0.06)			\$ 0.06		\$ (0.03)		\$	
Weighted average shares outstanding:									
Continuing operations	34,692			34,692	5,736 ^(h,j)	40,428	6,694 ^(k)		47
Discontinued operations	34,692			34,692	5,736 ^(h,j)	40,428	6,694 ^(k)		47

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

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

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

	Historical MedQuist Holdings Inc.⁽¹⁾	Spheris Acquisition pro forma adjustments	Spheris Acquisition pro forma combined	Recapitalization Transactions and private exchange pro forma adjustments	Pro forma before the offer	Offer pro forma adjustments	Pro forma
		Spheris					
			adjustments				
			(In thousands, except per share amounts)				
Revenues	\$ 306,792	\$ 43,371		\$ 350,163	\$ 350,163		\$ 350,163
Cost of revenues	194,886	31,343		226,229	226,229		226,229
Gross profit	111,906	12,028		123,934	123,934		123,934
Operating expenses							
Selling, general and administrative	45,665	6,163		51,828	51,828		51,828
Research and development	8,945	192		9,137	9,137		9,137
Depreciation and amortization	23,745	1,850	1,992 ^(l)	27,587	27,587		27,587
Cost of legal proceedings and settlements	2,785			2,785	2,785		2,785
Acquisition and bankruptcy related charges	6,895	1,730	(8,625) ⁽ⁿ⁾				
Restructuring charges	1,912			1,912	1,912		1,912
Total operating expenses	89,947	9,935	(6,633)	93,249	93,249		93,249
Operating income	21,959	2,093	6,633	30,685	30,685		30,685
Interest expense, net	(11,970)	(3,459)	139 ^(m)	(15,290)	(8,948) ^(q)	(24,238)	(24,238)
Equity in income of affiliated companies	616			616	616		616
Other income (expense)	559	(48)		511	511		511
Income (loss) from continuing operations before reorganization costs and income taxes	11,164	(1,414)	6,772	16,522	(8,948)	7,754	7,754
Reorganization items		(5,762)	5,762 ⁽ⁿ⁾				
	11,164	(7,176)	12,534	16,522	(8,948)	7,754	7,754

Income from continuing operations before income taxes and noncontrolling interests								
Income tax provision (benefit)	(46)	(2,822)	2,800 ^(o)	(68)	37 ^(t)	(31)		(3)
Income (loss) from continuing operations	11,210	(4,354)	9,734	16,590	(8,985)	7,605		7,605
Income (loss) from discontinued operations								
Income from discontinued operations: Net (income) loss attributable to								
- Discontinued Financial Services Business	426			426		426		426
- Income tax (benefit)	(23)			(23)		(23)		(23)
Income (loss) from discontinued operations	449			449		449		449
Income (loss)	11,659	(4,354)	9,734	17,039	(8,985)	8,054		8,054
Adjustments: Net (income) loss attributable to noncontrolling interests	(5,234)		(1,143) ^(p)	(6,377)	4,799 ^(r)	(1,578)	1,589 ^(u)	1,589
Income attributable to MedQuist Holdings Inc.	\$ 6,425	\$ (4,354)	\$ 8,591	\$ 10,662	\$ (4,186)	\$ 6,476	\$ 1,589	\$ 8,065
Income per common share from continuing operations								
Basic	\$ 0.11			\$ 0.23		\$ 0.15		\$ 0.11
Diluted	\$ 0.11			\$ 0.23		\$ 0.14		\$ 0.11
Income per common share from discontinued operations								
Basic	\$ 0.01			\$ 0.02		\$ 0.01		\$ 0.01
Diluted	\$ 0.01			\$ 0.01		\$ 0.02		\$ 0.01
Income per common share attributable to MedQuist Holdings Inc.								
Basic	\$ 0.12			\$ 0.25		\$ 0.16		\$ 0.12
Diluted	\$ 0.12			\$ 0.24		\$ 0.16		\$ 0.12
Weighted average shares outstanding:								
Basic	35,083			35,083	5,736 ^(r,s)	40,819	6,694 ^(u)	47,513
Diluted	35,893			35,893	5,736 ^(r,s)	41,629	6,694 ^(u)	48,327

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

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

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

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

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Other non-current liabilities	1,802		1,802		1,802
Total liabilities	295,736	86,034	381,770		381,770
Equity					
MedQuist Holdings Inc. stockholders equity					
Common stock	3,516	574 ^(y,z)	4,090	669 ^(aa)	4,759
Additional paid-in capital	149,100	(5,946) ^(y,z)	143,154	(8,667) ^(aa)	134,487
Accumulated deficit	(109,261)	(13,893) ^(v,w)	(123,154)		(123,154)
Accumulated other comprehensive loss	(385)		(385)		(385)
Total MedQuist Holdings Inc. stockholders equity	42,970	(19,265)	23,705	(7,998)	15,707
Noncontrolling interests	40,598	(48,191) ^(x,y)	(7,593)	7,998 ^(aa)	405
Total equity	83,568	(67,456)	16,112		16,112
Total liabilities and equity	\$ 379,304	\$ 18,578	\$ 397,882		\$ 397,882

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

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

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

Notes to Unaudited Pro Forma Condensed Combined Financial Information

1. Basis of presentation

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

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

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

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

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

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

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

Table of Contents**MedQuist Holdings Inc. (formerly CBaySystems Holdings Limited) and Subsidiaries****Notes to Unaudited Pro Forma Condensed Combined Financial Information (Continued)**

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

2. Description of the Spheris Acquisition

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

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

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

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

	(In thousands)
Cash consideration paid	\$ 98,834
Fair value of unsecured Acquisition Subordinated Promissory Note	13,570

Total consideration transferred \$ 112,404

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

Table of Contents**MedQuist Holdings Inc. (formerly CBaySystems Holdings Limited) and Subsidiaries****Notes to Unaudited Pro Forma Condensed Combined Financial Information (Continued)**

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

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

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

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

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

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

3. The Recapitalization Transactions

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

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

Table of Contents**MedQuist Holdings Inc. (formerly CBaySystems Holdings Limited) and Subsidiaries****Notes to Unaudited Pro Forma Condensed Combined Financial Information (Continued)**

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

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

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

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

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

Table of Contents**MedQuist Holdings Inc. (formerly CBaySystems Holdings Limited) and Subsidiaries****Notes to Unaudited Pro Forma Condensed Combined Financial Information (Continued)****4. Private Exchange**

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

5. Exchange Offer

On October 18, 2010, we filed a registration statement on Form S-4, of which this prospectus is a part, in order to offer those noncontrolling MedQuist Inc. stockholders who did not participate in the private exchange shares of our common stock in exchange for their MedQuist Inc. shares. The terms of the exchange offer are described in this prospectus. A full exchange in the exchange offer would increase our ownership in MedQuist Inc. from 82.2% to 100.0%.

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

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

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

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

Table of Contents**MedQuist Holdings Inc. (formerly CBaySystems Holdings Limited) and Subsidiaries****Notes to Unaudited Pro Forma Condensed Combined Financial Information (Continued)**

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

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

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

- c. Adjustment to eliminate the 2009 Spheris goodwill impairment charge.
- d. Adjustment to eliminate the direct incremental acquisition related costs incurred by us and Spheris for bankruptcy related and reorganization costs.
- e. Adjustment to eliminate the historical income tax benefit of Spheris and to record the income tax provision of the combined entities at our historical effective tax rate in effect for the respective period. However, the effective tax rate of the combined company could be different depending on post-acquisition activities.
- f. Adjustment to recognize noncontrolling interest in MedQuist Inc.

Recapitalization Transactions and the private exchange pro forma adjustments:

g. Adjustment to reflect interest expense as shown below:

	(In thousands)
Interest on Term Loan	\$ 14,500
Interest on Senior Subordinated Notes	11,050
Amortization of related deferred financing fees	3,044
Total	28,594

Less: Interest that would not have been incurred under the prior debt agreements, as follows:

Acquisition Credit Facility	6,177
Acquisition Subordinated Promissory Note	2,678
6% Convertible Notes	5,447
Other debt agreements	676
Amortization of previous deferred financing fees	1,973
Adjustment to interest expense	\$ 11,643

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

In connection with the Recapitalization Transactions and our repayment and termination of the Acquisition Credit Facility, Acquisition Subordinated Promissory Note and 6% Convertible Notes, we expensed \$6.2 million of financing fees and recorded a loss of \$7.7 million on the repayment of the 6% Convertible Notes. As

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

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

these amounts are non recurring and resulted directly from the Recapitalization Transactions they have not been reflected in the pro forma adjustments.

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

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

- i. Adjustment to record the income tax provision of the Recapitalization Transactions at our historical effective tax rate in effect for the respective period. However, the effective tax rate after the Recapitalization Transactions could be different.
- j. Adjustment to satisfy our obligations under the Consulting Services Agreement. Based upon an \$11.00 per share price for shares issuable, the number of shares of our common stock issuable would be 959,355 shares. Basic and diluted weighted average shares outstanding and net income (loss) per share amounts have been adjusted to reflect the issuance of 959,355 shares of our common stock.

Exchange offer pro forma adjustments:

- k. Adjustments to eliminate the net income attributable to noncontrolling interests assuming 100% of the MedQuist Inc. stockholders participate in the exchange offer.

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

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

Spheris acquisition pro forma adjustments:

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

Amount	Estimated life	Annual amortization
--------	----------------	---------------------

(In thousands)

Trademarks and Tradenames	\$ 1,640	4 years	\$ 410
Developed technology	11,390	9 years	1,266
Customer relationships	37,210	7-9 years	4,651
	\$ 50,240		\$ 6,327

Amortization for the period January 1, 2010 to April 21, 2010 \$ 1,924

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

Table of Contents**MedQuist Holdings Inc. (formerly CBaySystems Holdings Limited) and Subsidiaries****Notes to Unaudited Pro Forma Condensed Combined Financial Information (Continued)**

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

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

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

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

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

Recapitalization Transactions and private exchange pro forma adjustments

q. Adjustment to reflect interest expense as shown below:

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

Adjustment to interest expense \$ 8,948

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

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

- r. In connection with the private exchange, noncontrolling stockholders holding 4.8 million shares of MedQuist Inc. have agreed to exchange their MedQuist Inc. shares for shares of our common stock whereby they will receive one share of our common stock for each share of MedQuist Inc., which will result in approximately 4.8 million additional shares outstanding. After the private exchange, we will own approximately 82.2% of

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

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

MedQuist Inc., and the noncontrolling interest will decrease from approximately 30.5% to 17.8%. As we hold a controlling interest in MedQuist Inc. before and after the private exchange, the exchange is recorded as an equity transaction. Additionally, we agreed to pay up to \$2.5 million of expenses incurred by certain stockholders who are party to the Exchange Agreement. We will account for the payment as a capital transaction.

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

- s. Adjustment to satisfy our obligations under the Consulting Services Agreement. Based upon an \$11.00 per share price, the number of shares of our common stock issuable would be 959,355. Basic and diluted weighted average shares outstanding and net income loss per share amounts have been adjusted to reflect the issuance of 959,355 million shares of our common stock.
- t. Adjustment to record the tax provision of the Recapitalization Transactions at our historical effective tax rate in effect for the respective period. However, the effective tax rate after the Recapitalization Transactions could be different.

Exchange Offer pro forma adjustments:

- u. Adjustment to eliminate the net income attributable to noncontrolling interests assuming 100% of the MedQuist Inc. noncontrolling stockholders participate in the exchange offer.

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

Table of Contents**MedQuist Holdings Inc. (formerly CBaySystems Holdings Limited) and Subsidiaries****Notes to Unaudited Pro Forma Condensed Combined Financial Information (Continued)****8. Pro forma adjustments related to the unaudited pro forma condensed consolidated balance sheet as of September 30, 2010***Recapitalization Transactions and private exchange pro forma adjustments*

- v. We incurred debt issuance costs of \$15.5 million, of which \$2.1 million was accrued and \$700,000 of which was paid as of September 30, 2010, in connection with the Term Loan and Senior Subordinated Notes. Of the \$15.5 million, \$6.2 million was expensed and the balance was capitalized. These amounts will be capitalized as other assets. This adjustment reflects the incremental debt issuance costs to be capitalized.
- w. The proceeds of the Term Loan and Senior Subordinated Notes were used to repay debt consisting of the Acquisition Credit Facility, the Acquisition Subordinated Promissory Note and other term loans and credit facilities maintained by us at the parent company level. We recorded a loss of \$7.7 million on the extinguishment of our 6% Convertible Notes related to an early redemption premium. The adjustment is as follows:

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

- x. Adjustment reflects the dividend paid to noncontrolling stockholders of MedQuist Inc. totaling \$53.9 million which reduces our noncontrolling interest.
- y. Reflects the issuance of 4.8 million shares of our common stock in exchange for 4.8 million shares of MedQuist Inc. common stock. The impact of the private exchange is a reclassification of \$5.7 million between noncontrolling interest and additional paid in capital. Additionally, we agreed to pay up to \$2.5 million of expenses incurred by certain stockholders who are party to the Exchange Agreement. We will account for the payment as a capital transaction.
- z. Reflects the issuance of 959,355 shares of our common stock issuable pursuant to the Consulting Services Agreement, assuming a share issuance at \$11.00 per share.

Exchange Offer pro forma adjustments

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

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Unaudited Pro Forma Condensed Consolidated Financial Information Discontinued Operations

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

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

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

Table of Contents**MedQuist Holdings Inc. (formerly CBaySystems Holdings Limited) and Subsidiaries****Unaudited Pro Forma Condensed Consolidated Statements of Operations – Discontinued Operations
For the years ended December 31, 2007, 2008 and 2009**

	2007			2008			2009		
	Historical	Adjustments ^(a)	Pro forma	Historical	Adjustments ^(a)	Pro forma	Historical	Adjustments ^(a)	Pro forma
(In thousands, except per share amounts)									
Revenues	\$ 57,694	\$ (15,503)	\$ 42,191	\$ 193,673	\$ (22,260)	\$ 171,413	\$ 371,768	\$ (17,836)	\$ 353,932
Operating expenses:									
General and administrative	30,209	(8,101)	22,108	125,074	(11,947)	113,127	239,549	(9,848)	229,701
Research and development				6,099		6,099	9,604		9,604
Depreciation and amortization	2,915	(778)	2,137	14,906	(1,418)	13,488	26,977	(1,611)	25,366
Legal proceedings and settlements				5,311		5,311	14,943		14,943
Restructuring related charges							1,246		1,246
Goodwill impairment				98,972	(9,339)	89,633			
Other operating charges				2,106		2,106	2,727		2,727
Operating expenses	28,052	(6,459)	21,593	178,637	(19,098)	159,539	116,129	(9,154)	106,975
Operating income (loss)	(567)	(943)	(1,510)	(110,038)	8,785	(101,253)	16,090	1,166	(89,163)
Expense, net of income of companies	(2,108)	451	(1,657)	(3,954)	141	(3,813)	(9,132)	113	(3,720)
Income (loss) from continuing operations	(105)		(105)	66		66	1,933		2,039
Income (loss) from discontinued operations	14	14	28	9		9	11	2	13
Income (loss) from continuing operations	(105)		(105)	66		66	1,933		2,039
Income (loss) from discontinued operations	14	14	28	9		9	11	2	13
Income (loss) from continuing operations before income taxes and rolling interests	(2,766)	(478)	(3,244)	(113,917)	8,926	(104,991)	8,902	1,281	(96,064)
Income tax provision	(113)	(71)	(184)	(5,398)	(133)	(5,531)	1,082	(70)	(4,950)
Income (loss) from continuing operations	(2,653)	(407)	(3,060)	(108,519)	9,059	(99,460)	7,820	1,351	(101,014)
Income (loss) from discontinued operations		478	478		(8,926)	(8,926)		(1,281)	(9,404)

(loss) from continued Patient Services business								
tax provision		71	71		133	133		70
(loss) from continued operations		407	407		(9,059)	(9,059)		(1,351)
Income (loss)	(2,653)		(2,653)	(108,519)		(108,519)	7,820	
income								
due to								
controlling interests	57		57	(5,154)		(5,154)	(7,085)	
Income (loss) attributable to MedQuist Inc.	\$ (2,596)	\$	\$ (2,596)	\$ (113,673)	\$	\$ (113,673)	\$ 735	\$
Income (loss) per share from continued operations								
			\$ (0.23)			\$ (4.68)		\$
			\$ (0.23)			\$ (4.68)		\$
Income (loss) per share from continued operations								
			\$ 0.03			\$ (0.40)		\$
			\$ 0.03			\$ (0.40)		\$
Income (loss) per share attributable to MedQuist Inc.								
	\$ (0.20)		\$ (0.20)	\$ (5.08)		\$ (5.08)	\$ (0.06)	\$
	\$ (0.20)		\$ (0.20)	\$ (5.08)		\$ (5.08)	\$ (0.06)	\$
Weighted average shares outstanding								
	12,873		12,873	22,593		22,593	34,692	
	12,873		12,873	22,593		22,593	34,692	

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

Table of Contents**MedQuist Holdings Inc. (formerly CBaySystems Holdings Limited) and Subsidiaries****Unaudited Pro Forma Condensed Consolidated Statements of Operations – Discontinued Operations
For the nine months ended September 30, 2009 and 2010**

	2009			2010		
	Historical	Adjustments ^(a)	Pro forma	Historical	Adjustments ^(a)	Pro forma
	(In thousands except per share amounts)					
Net revenues	\$ 281,828	\$ (13,709)	\$ 268,119	\$ 316,977	\$ (10,185)	\$ 306,792
Cost of revenues	182,924	(7,479)	175,445	200,234	(5,348)	194,886
Gross profit	98,904	(6,230)	92,674	116,743	(4,837)	111,906
Operating expenses:						
Selling, general and administrative	46,594	(6,014)	40,580	49,374	(3,709)	45,665
Research and development	7,235		7,235	8,945		8,945
Depreciation and amortization	20,329	(1,409)	18,920	24,377	(632)	23,745
Cost of legal proceedings and settlements	13,540		13,540	2,785		2,785
Acquisition related charges				6,895		6,895
Restructuring charges	481		481	1,951	(39)	1,912
Total operating expenses	88,179	(7,423)	80,756	94,327	(4,380)	89,947
Operating income (loss)	10,725	1,193	11,918	22,416	(457)	21,959
Interest expense, net	(6,945)	80	(6,865)	(12,031)	61	(11,970)
Equity in income of affiliated companies	2,534		2,534	616		616
Other income		(4)	(4)	589	(30)	559
Income (loss) from continuing operations before income taxes and noncontrolling interests	6,314	1,269	7,583	11,590	(426)	11,164
Income tax provision (benefit)	1,253	(70)	1,183	(69)	23	(46)
Net income from continuing operations	5,061	1,339	6,400	11,659	(449)	11,210
Discontinued Operations						
Income (loss) from discontinued Patient Financial Services business		(1,269)	(1,269)		426	426
Income tax provision (benefit)		70	70		(23)	(23)
		(1,339)	(1,339)		449	449

Income (loss) from discontinued operations

Net income	5,061	5,061	11,659	11,659
Less: Net (income) attributable to noncontrolling interests	(5,291)	(5,291)	(5,234)	(5,234)

Net income (loss) attributable to MedQuist Holdings Inc.

\$ (230)	\$ (230)	\$ 6,425	\$ 6,425
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Net income (loss) per common share from continuing operations

Basic	\$ (0.03)	\$ 0.11
Diluted	\$ (0.03)	\$ 0.11

Net income (loss) per common share from discontinued operations

Basic	\$ (0.04)	\$ 0.01
Diluted	\$ (0.04)	\$ 0.01

Net income (loss) per common share attributable to MedQuist Holdings Inc.

Basic	\$ (0.07)	\$ (0.07)	\$ 0.12	\$ 0.12
Diluted	\$ (0.07)	\$ (0.07)	\$ 0.12	\$ 0.12

Weighted average shares outstanding

Basic	34,586	34,586	35,083	35,083
Diluted	34,586	34,586	35,893	35,893

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

Table of Contents**MedQuist Holdings Inc. (formerly CBaySystems Holdings Limited) and Subsidiaries**

Unaudited Pro Forma Condensed Consolidated Balance Sheet Discontinued Operations
As of September 30, 2010
(in thousands)

	Historical MedQuist Holdings Inc.	Impact of discontinued operations^(b)	Pro forma
Assets			
Current assets			
Cash and cash equivalents	\$ 24,025	\$ (790)	\$ 23,235
Accounts receivable, net	74,612	(2,130)	72,482
Other current assets	19,798	(254)	19,544
Assets held for sale		14,645	14,645
Total current assets	118,435	11,471	129,906
Property and equipment, net	23,826	(254)	23,572
Goodwill	99,030	(8,776)	90,254
Other intangible assets, net	114,195	(2,441)	111,754
Deferred income taxes	3,873		3,873
Other assets	19,945		19,945
Total assets	\$ 379,304	\$	\$ 379,304
LIABILITIES AND EQUITY			
Current liabilities			
Current portion of debt	\$ 36,224	\$ (273)	\$ 35,951
Account payable	12,033	(154)	11,879
Accrued expenses and other current liabilities	36,437	(2,802)	33,635
Accrued compensation	24,035		24,035
Deferred revenue	10,287		10,287
Liabilities held for sale		3,377	3,377
Total current liabilities	119,016	148	119,164
Due to related parties	2,850		2,850
Long term portion of debt	167,948		167,948
Deferred income taxes	4,120	(148)	3,972
Other non-current liabilities	1,802		1,802
Total liabilities	295,736		295,736

Equity**MedQuist Holdings Inc. stockholders equity**

Common stock	3,516		3,516
Additional paid-in-capital	149,100		149,100
Accumulated deficit	(109,261)		(109,261)
Accumulated other comprehensive loss	(385)		(385)
Total MedQuist Holdings Inc. stockholders equity	42,970		42,970
Noncontrolling interests	40,598		40,598
Total equity	83,568		83,568
Total liabilities and equity	\$ 379,304	\$	\$ 379,304

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

Table of Contents**MedQuist Holdings Inc. (formerly CBaySystems Holdings Limited) and Subsidiaries****Notes to Unaudited Pro Forma Condensed Consolidated Financial Information Discontinued Operations****1. Basis of presentation and description of sale of PFS**

In the fourth quarter of 2010, we entered into a letter of intent to sell the assets and liabilities of our PFS business, a non-strategic asset. The sale closed on December 31, 2010. The selling price was \$14.8 million; of which \$13.5 million was received in cash and \$1.3 million is in the form of a note payable to us. The note payable has a one-year term and bears interest at 5.25%. The estimated gain on the sale of the discontinued operations is expected to be approximately \$0.7 million.

2. Pro forma adjustments related to the unaudited pro forma condensed consolidated statements of operations for all periods presented

- a. Adjustments to reclassify the operating results of PFS into discontinued operations. Discontinued businesses, including assets held for sale, are removed from the results of continuing operations. The results of operations in the current and prior year periods, along with any cost to exit such businesses in the year of discontinuation, are classified as discontinued operations in the unaudited pro forma condensed consolidated statements of operations.

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

- b. Adjustments to reclassify assets and liabilities of PFS into assets and liabilities held for sale. We have separately classified \$14.6 million and \$3.4 million of carrying value associated with its assets held for sale and liabilities held for sale, respectively, in the unaudited pro forma condensed consolidated balance sheet as of September 30, 2010. The assets held for sale consist primarily of \$2.1 million of accounts receivable, \$8.8 million of goodwill and \$2.4 million of intangible assets. The liabilities held for sale consist primarily of \$2.8 million of accrued liabilities and a total of \$0.6 million of other liabilities.

4. Summary of discontinued operations for all periods presented

The following table sets forth the net revenues and the components of income (loss) from discontinued operations for the years ended December 31, 2007, 2008 and 2009 and for the nine months ended September 30, 2009 and 2010:

	Years ended December 31,			Nine months ended September 30,	
	2007	2008	2009	2009	2010
	(In thousands)				
Net revenues	\$ 15,503	\$ 22,260	\$ 17,836	\$ 13,709	\$ 10,185
Income (loss) from discontinued operations	\$ 478	\$ (8,926)	\$ (1,281)	\$ (1,269)	\$ 426
Income tax provision (benefit)	\$ 71	\$ 133	\$ 70	\$ 70	\$ (23)
Discontinued operations, net of tax	\$ 407	\$ (9,059)	\$ (1,351)	\$ (1,339)	\$ 449

Cost of legal proceedings and settlements				5,311	14,943	13,540	2,785
Acquisition related charges					1,246		6,895
Goodwill impairment charge				98,972			
Restructuring charges				2,106	2,727	481	1,951
Total operating expenses	15,872	19,576	28,052	178,637	116,129	88,179	94,327
Operating income (loss)	(65)	1,673	(567)	(110,038)	16,090	10,725	22,416
Interest expense, net	(606)	(1,628)	(2,108)	(3,954)	(9,132)	(6,945)	(12,031)
Equity in income (loss) of affiliated companies			(105)	66	1,933	2,534	616
Other income	18	18	14	9	11		589
Income (loss) before income taxes and noncontrolling interests	(653)	63	(2,766)	(113,917)	8,902	6,314	11,590
Income tax provision (benefit)	45	(46)	(113)	(5,398)	1,082	1,253	(69)

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	Years ended December 31,					Nine months ended	
	2005	2006	2007	2008	2009	September 30,	2010
	(Unaudited)						
	(In thousands, except per share amounts)						
Net income (loss)	(698)	109	(2,653)	(108,519)	7,820	5,061	11,659
Less: Net (income) loss attributable to noncontrolling interest	(6)	31	57	(5,154)	(7,085)	(5,291)	(5,234)
Net income (loss) attributable to MedQuist Holdings Inc.	\$ (704)	\$ 140	\$ (2,596)	\$ (113,673)	\$ 735	\$ (230)	\$ 6,425
Net income (loss) per common share attributable to MedQuist Holdings Inc.							
Basic	\$ (0.26)	\$ 0.05	\$ (0.20)	\$ (5.08)	\$ (0.06)	\$ (0.07)	\$ 0.12
Diluted	\$ (0.26)	\$ 0.05	\$ (0.20)	\$ (5.08)	\$ (0.06)	\$ (0.07)	\$ 0.12
Weighted average shares outstanding:							
Basic	2,731	2,736	12,873	22,593	34,692	34,586	35,083
Diluted	2,731	2,736	12,873	22,593	34,692	34,586	35,893
Other Operating Data (unaudited)							
Adjusted EBITDA ⁽¹⁾	\$ 2,576	\$ 3,001	\$ 641	\$ 16,914	\$ 59,687	\$ 42,991	\$ 57,855

⁽¹⁾ See above 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.

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	2005	2006	As of December 31,		2009	As of September 30, 2010 (Unaudited)
			2007	2008		
	(In thousands)					
Cash and cash equivalents	\$ 2,344	\$ 515	\$ 2,667	\$ 42,868	\$ 29,633	\$ 24,025
Working capital (deficit) ^(a)	2,832	6,166	10,870	1,128	(5,114)	11,618
Total assets	20,722	31,817	51,420	279,177	253,068	379,304
Long term debt, including current portion of debt	3,899	21,283	14,075	126,008	107,340	204,172
Total equity	13,708	5,326	29,854	79,350	72,301	83,568

^(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:

	2005	Years ended December 31,			2009	Nine months ended September 30, 2009 2010 (Unaudited)	
		2006	2007	2008			
	(In thousands)						
Net income (loss) attributable to MedQuist Holdings Inc.	\$ (705)	\$ 138	\$ (2,596)	\$ (113,673)	\$ 735	\$ (230)	\$ 6,425
Net income (loss) attributable to noncontrolling interests	(6)	31	(57)	5,154	7,085	5,291	5,234
Income tax provision (benefit) ^(a)	45	(46)	(113)	(5,398)	1,082	1,253	(69)
Interest expense, net	607	1,628	2,108	3,954	9,132	6,945	12,031
Depreciation and amortization ^(b)	2,635	2,258	2,915	14,906	26,977	20,329	24,377
Cost of legal proceedings and settlements				5,311	14,943	13,540	2,785
Acquisition related charges				5,620	1,246		6,895
Goodwill impairment charge				98,972			
Restructuring charges				2,106	2,727	481	1,951
Equity in (income) loss of affiliated companies			105	(66)	(1,933)	(2,534)	(616)
				2,000	(1,864)	(1,864)	

Asset impairment charge, severance charges and accrual reversals ^(c)								
PFS business ^(d)		(1,008)	(1,721)	(1,972)	(443)	(220)	(1,158)	
Adjusted EBITDA ^(e)	\$ 2,576	\$ 3,001	\$ 641	\$ 16,914	\$ 59,687	\$ 42,991	\$ 57,855	

- (a) We have \$130.0 million of federal net operating loss carry forwards as of December 31, 2009 and will record approximately \$30.0 million of annual tax amortization related to intangible assets, including goodwill, that will reduce future taxable income. Due to the existence of federal net operating loss carry forwards and the impact of tax amortization related to intangible assets, including goodwill, cash taxes paid were \$84,000, \$160,000, \$796,000 for the years ended December 31, 2007, 2008 and 2009, respectively, and \$667,000 and \$30,000 for the nine months ended September 30, 2009 and 2010, respectively.
- (b) Includes amortization of acquired intangibles of \$698,000, \$7.1 million and \$12.8 million for the years ended December 31, 2007, 2008 and 2009, respectively, and \$9.8 million and \$11.7 million for the nine months ended September 30, 2009 and 2010, respectively.
- (c) Includes an impairment charge to write-off the amount paid related to severance of one of our former executives and the reversal of certain accruals, related to litigation claims, as a result of the expiration of the applicable statute of limitations.
- (d) Includes the result of operations of the PFS business, which was sold on December 31, 2010.
- (e) Adjusted EBITDA does not include earnings attributable to our investment in A-Life, which was sold in October 2010.

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

- 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 unusual expenses or events, such as acquisition related charges, restructuring charges, severance costs and certain unusual or nonrecurring items.

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

- 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.

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**Management's Discussion and Analysis of
Financial Condition and Results of Operations**

The following discussion and analysis of our financial condition and results of operation should be read in conjunction with the consolidated financial statements and related notes of each of us, MedQuist Inc. and Spheris Inc. and with the information under Unaudited Pro Forma Condensed Consolidated Financial Information and Selected Consolidated Financial and Other Data appearing elsewhere in this prospectus. In addition to historical information, this discussion and analysis contains forward looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward looking statements as a result of certain factors. We discuss factors that we believe could cause or contribute to these differences below and elsewhere in this prospectus, including those set forth under Risk Factors.

Overview

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

Key factors affecting our performance

In 2008 and 2010, we completed two large acquisitions which have materially impacted our financial results. Our results have also been impacted by volume and pricing trends, operating improvements and selling, general and administrative expense savings. These key factors are described below for the years ended December 31, 2007, 2008 and 2009 and the nine months ended September 30, 2009 and 2010.

MedQuist Inc. Acquisition

In August 2008, an affiliate of 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., the largest medical transcription service provider by revenue in the United States at the time. The purchase price was \$239.7 million of which \$118.3 million was allocated to goodwill. The transaction was financed using a combination of the investment proceeds and debt financing.

MedQuist Inc. was more than four times the size of us as measured by lines processed in 2008. Additionally, MedQuist Inc. offered a complete integrated solution for clinical documentation, which was a strong complement to our low-cost service offering. However, prior to the acquisition, MedQuist Inc. was facing deteriorating financial performance from declining volumes, customer attrition issues, ongoing litigation and a lack of offshore capabilities.

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

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quarter of 2009. The following table shows the percentage change in MedQuist Inc.'s volume for the nine quarters ended March 31, 2010, the last quarter prior to the Spheris Acquisition.

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

Our operational improvements and integration efforts have resulted in tangible financial improvements to our profitability. MedQuist Inc.'s Adjusted EBITDA grew from \$3.5 million in 2007 to \$55.6 million in 2009. See

Summary Historical and Unaudited Pro Forma Consolidated Financial Data for a reconciliation of Adjusted EBITDA to net income. Gross profit margin has increased from 23% in 2007 to 33% in 2009. Selling, general and administrative expense for MedQuist Inc. has decreased from \$62.3 million or 18% of revenue in 2007 to \$33.4 million or 11% of revenue in 2009.

Spheris Acquisition

On April 22, 2010, we acquired certain assets, principally customer contracts, from Spheris in a transaction conducted under Section 363 of the Bankruptcy Code. The purchase price was \$112.4 million of which \$44.9 million was allocated to goodwill. Spheris was the second largest U.S. medical transcription service provider by revenue at the time. Spheris had experienced declines in volumes due principally to 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 our acquisition as the result of notices of termination given prior to that date. The following table shows the percentage change in Spheris' volume for the nine quarters ended March 31, 2010, the last quarter prior to the Spheris Acquisition.

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

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

2010, less revenue attributable to customers who submitted notices of termination prior to the Spheris Acquisition, were \$132.0 million and \$33.5 million, respectively.

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

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Volume and pricing trends

The vast majority of our revenue is generated by providing clinical documentation services to our customers. Medical transcription by our MTs and MEs accounted for 89% of our net revenues for the nine months ended September 30, 2010. Product sales and related maintenance contracts, patient financial services revenues and other made up the balance of our revenues. Our customers are generally charged a rate per character multiplied by the number of characters that we process. MedQuist Inc. volume had been declining prior to the MedQuist Inc. Acquisition, and we have been able to reverse this trend by increasing our sales (through the acquisition of new accounts and additional work types from existing customers) and decreasing our losses of existing customers. We have reduced losses of MedQuist Inc. customers primarily by improving our quality and improving our account management efforts. MedQuist Inc. volume increased 1% in 2009 compared to 2008.

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

As technological advances and increased use of offshore resources have driven down industry costs, the average price per character has also declined as healthcare providers have sought to participate in the economic gains. We intend to monitor and adjust our pricing accordingly to remain competitive as these industry trends continue.

Operating improvements

We have executed significant operational improvements since the MedQuist Inc. Acquisition. Cost of revenues on a per unit basis has declined due to the increased utilization of ASR technology and the increased percentage of volume produced offshore. Our use of speech recognition technology has increased from 39% to 67% over the eight quarters ended September 30, 2010. Additionally we have increased our offshore production as a percentage of our volume from 28% to 42% for the same period. As we continue to increase the use of ASR technology and move volume offshore, we expect to continue to reduce costs.

Some of our contracts specify lower prices for work performed offshore or using speech recognition technology. Therefore, our operating income will not increase by the full amount of the savings we realize. Additionally, management has been reducing support staff headcount in order to further reduce operating costs.

These improvements have resulted in gross margin percentages which have improved from 33.8% to 38.5% over the eight quarters ended September 30, 2010 despite lower average prices.

Selling, general and administrative expense savings

We have made significant reductions in selling, general and administrative expenses since 2008. Such expenses were 26% of revenue in 2008 compared to 16% of revenue for the nine months ended September 30, 2010. These savings were achieved primarily through headcount reductions and aggressive efforts to reduce other administrative expenses.

In connection with the Spheris Acquisition we have identified potential specific savings in the sales and marketing and general and administrative areas. We anticipate that these savings will be implemented throughout the remainder of 2010 and 2011.

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Basis of presentation

Revenue

We derive revenue primarily from providing clinical documentation solutions to health systems, hospitals and large group medical practices. Our customers are generally charged a fixed rate multiplied by the volume of work that we transcribe or edit. To a lesser extent we earn revenue by providing maintenance contracts, digital dictation solutions, speech recognition solutions and revenue cycle services. Approximately 98% of our revenue is from recurring services.

Cost of revenues

Cost of revenues includes compensation of our direct employees and subcontractors involved in production, other production costs primarily related to operational and production management, quality assurance, quality control and customer and field service personnel and telecommunication and facility costs. Cost of revenues also includes the direct cost of technology products sold to customers. Compensation costs for personnel in the United States are directly related to clinical documentation revenue and are generally based on lines transcribed or edited multiplied by a specific rate, while personnel at our offshore production centers are generally paid fixed wages. Cost of revenues does not include depreciation or amortization.

Selling, general and administrative expense

Our selling, general and administrative expense consists primarily of marketing and sales costs, accounting costs, information technology costs, professional fees, corporate facility costs and corporate payroll and benefits expense.

Research and development expense

Our research and development expense consists primarily of personnel and related costs, including salaries and employee benefits for software engineers and consulting fees paid to independent consultants who provide software engineering services to us. To date, our research and development efforts have been devoted to new products and service offerings and increases in features and functionality of our existing products and services.

Depreciation and amortization

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, which range from two to seven years for furniture, equipment and software, and the lesser of the lease term or estimated useful life for leasehold improvements. Intangible assets are being amortized using the straight-line method over their estimated useful lives which range from three to twenty years.

Cost of legal proceedings and settlements

Cost of legal proceedings and settlements includes settlement of claims, ongoing litigation, and associated legal and other professional fees incurred.

Critical accounting policies and use of estimates

We prepare our consolidated financial statements in accordance with generally accepted accounting principles in the United States, or GAAP. We believe there are several accounting policies that are critical to understanding our historical and future performance, as these policies affect the reported amounts of revenue and other significant areas

that involve management's judgments and estimates. These critical accounting policies and estimates have been discussed with our audit committee.

The preparation of our consolidated financial statements requires us to make estimates and judgments that affect our reported amounts of assets, liabilities, expense and related disclosure of contingent liabilities. On an ongoing

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basis, we evaluate these estimates and judgments. We base these estimates on historical experience and on various other assumptions that are believed to be reasonable at such time, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other independent sources. Actual results may ultimately differ from these estimates. Critical accounting policies are those policies that require management's subjective and complex judgments, often as a result of the need to make estimates about the effect of inherently uncertain matters that may change in subsequent periods. While there are a number of accounting policies, methods and estimates affecting our consolidated financial statements as addressed in Note 2 to our consolidated financial statements, our critical accounting policies include the following:

Revenue recognition

We recognize medical transcription services revenue when persuasive evidence of an arrangement exists, the price is fixed or determinable, services have been rendered and collectability is reasonably assured. These services are recorded using contracted rates and are net of estimates for customer credits. Historically, our estimates have been reasonably accurate. If actual results are higher or lower than our estimates, we would have to adjust our estimates and financial statements in future periods.

Accounts receivable and allowance for doubtful accounts

Accounts receivable are recorded at the invoiced amount and do not bear interest. The carrying value of accounts receivable approximates fair value. The allowance for doubtful accounts is our best estimate of potential losses resulting from the inability of our customers to make required payments due. This allowance is used to state trade receivables at estimated net realizable value.

We estimate uncollectible amounts based upon our historical write-off experience, current customer receivable balances, aging of customer receivable balances, the customer's financial condition and current economic conditions. Historically, our estimates have been adequate to provide for our accounts receivable exposure.

Additionally, we enter into medical transcription service contracts that may contain provisions for performance penalties in the event we do not meet certain required service levels, primarily related to turn-around time on transcribed reports. We reduce revenue for any such performance penalties and service level credits incurred and have included an estimate of such penalties and credits in our allowance for uncollectible accounts.

Valuation of long-lived and other intangible assets and goodwill

In connection with acquisitions, we allocate portions of the purchase price to tangible and intangible assets, consisting primarily of acquired technologies and customer relationships, with the remainder allocated to goodwill. We prepared the purchase price allocations and, in doing so, considered the report of an independent valuation firm. As of September 30, 2010, we had \$99.0 million of goodwill and \$114.2 million of intangible assets. We assess the realizability of goodwill and intangible assets with indefinite useful lives at least annually, or sooner if events or changes in circumstances indicate that the carrying amount may not be recoverable. We have determined that we have three reporting units but a sole operating segment.

We review our long-lived assets, including amortizable intangibles, for impairment when events indicate that their carrying amount may not be recoverable. When we determine that one or more impairment indicators are present for an asset, we compare the carrying amount of the asset to net future undiscounted cash flows that the asset is expected to generate. If the carrying amount of the asset is greater than the net future undiscounted cash flows that the asset is expected to generate, we then compare the fair value to the book value of the asset. If the fair value is less than the book value, we recognize an impairment loss. The impairment loss is the excess of the carrying amount of the asset

over its fair value.

Some of the events that we consider as impairment indicators for our long-lived assets, including goodwill, are:

- n our net book value is greater than the fair value;
- n significant adverse economic and industry trends;

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- n significant decrease in the market value of the asset;
- n the extent that we use an asset or changes in the manner that we use it;
- n significant changes to the asset since we acquired it; and
- n other changes in circumstances that potentially indicate all or a portion of our business will be sold.

Deferred income taxes

Deferred tax assets represent future tax benefits that we expect to be able to apply against future taxable income. Our ability to utilize the deferred tax assets is dependent upon our ability to generate future taxable income. To the extent that we believe it is more likely than not that all or a portion of the deferred tax asset will not be utilized, we record a valuation allowance against that asset. In making that determination we consider all positive and negative evidence and give stronger consideration to evidence that is objective in nature.

Commitments and contingencies

We routinely evaluate claims and other potential litigation to determine if a liability should be recorded in the event it is probable that we will incur a loss and can estimate the amount of such loss.

Customer accommodation program

In response to customers' concerns regarding historical billing matters, MedQuist Inc. established a plan to offer financial accommodations to certain of its customers during 2005 and 2006 and recorded the related liability at such time. In 2008 MedQuist Inc. reached an agreement on customer litigation resolving all claims by the named parties. Since then we have not made additional offers. The liability balance was \$10.4 million as of September 30, 2010.

MedQuist Inc. is unable to predict how many customers, if any, may accept the outstanding accommodation offers on the terms proposed by it, nor it is able to predict the timing of the acceptance (or rejection) of any outstanding accommodation offers. Until any offers are accepted, MedQuist Inc. may withdraw or modify the terms of the accommodation program or any outstanding offers at any time. In addition, MedQuist Inc. is unable to predict how many future offers, if made, will be accepted on the terms proposed by it. We regularly evaluate whether to proceed with, modify or withdraw the accommodation program or any outstanding offers. To the extent the program were withdrawn or modified, our financial statements would be affected.

Table of Contents**Consolidated results of operations*****Comparison of nine months ended September 30, 2009 and 2010***

The following tables set forth our unaudited consolidated results of operations for the periods indicated below:

	Nine months ended September 30,			
	2009		2010	
	Amount	% of net revenues	Amount	% of net revenues
	(Unaudited)			
	(In thousands)			
Net revenues	\$ 281,828	100%	\$ 316,977	100%
Cost of revenues	182,924	65%	200,234	63%
Gross profit	98,904	35%	116,743	37%
Operating expenses				
Selling, general and administrative	46,594	17%	49,374	16%
Research and development	7,235	3%	8,945	3%
Depreciation and amortization	20,329	7%	24,377	8%
Cost of legal proceedings and settlements	13,540	5%	2,785	1%
Acquisition related charges			6,895	2%
Restructuring charges	481	0%	1,951	1%
Total operating expenses	88,179	31%	94,327	30%
Operating income	10,725	4%	22,416	7%
Interest expense, net	(6,945)	(2)%	(12,031)	(4)%
Equity in income of affiliated companies	2,534	1%	616	0%
Other income			589	0%
Income before income taxes and noncontrolling interests	6,314	2%	11,590	4%
Income tax provision (benefit)	1,253	0%	(69)	0%
Net income	5,061	2%	11,659	4%
Less: Net income attributable to noncontrolling interests	(5,291)	(2)%	(5,234)	(2)%
Net income (loss) attributable to MedQuist Holdings Inc.	\$ (230)	0%	\$ 6,425	2%
Adjusted EBITDA ⁽¹⁾	\$ 42,991		\$ 57,855	

⁽¹⁾ See Selected Consolidated Financial and Other Data for a reconciliation of net income (loss) attributable to MedQuist Holdings Inc. to Adjusted EBITDA.

Net revenues

Net revenues increased by \$35.2 million, or 12%, to \$317.0 million for the nine months ended September 30, 2010 compared to \$281.8 million for the nine months ended September 30, 2009. The Spheris Acquisition contributed \$57.0 million in incremental revenue for the nine months ended September 30, 2010 which was partially offset primarily by a decrease in legacy maintenance services revenue from \$13.7 million in 2009 to \$12.4 million in 2010 and a decrease of \$21.7 million in revenues from clinical documentation solutions due to lower prices, as well as lower revenue cycle management and product revenue.

Cost of revenues

Cost of revenues increased \$17.3 million, or 9%, to \$200.2 million for the nine months ended September 30, 2010 compared to \$182.9 million for the nine months ended September 30, 2009.

As a percentage of net revenues, cost of revenues decreased to 63% for the nine months ended September 30, 2010 from 65% for the same period in 2009 primarily due to increased utilization of speech recognition technologies, increased utilization of offshore resources, and other operating cost reduction initiatives. The

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increase in total dollars versus the prior year-period was primarily due to direct incremental costs associated with the incremental Spheris volumes as well as a nonrecurring \$1.2 million credit during 2009 related to medical claim costs.

Selling, general and administrative

Selling, general and administrative expense increased \$2.8 million, or 6%, to \$49.4 million for the nine months ended September 30, 2010 compared to \$46.6 million for the nine months ended September 30, 2009. As a percentage of net revenues, selling general and administrative expenses decreased to 16% of net revenues for the nine months ended September 30, 2010 from 17% for the same period in 2009 primarily due to the impact of synergies realized for the Spheris Acquisition and other cost reduction initiatives.

Research and development

Research and development expense increased \$1.7 million, to \$8.9 million for the nine months ended September 30, 2010 compared to \$7.2 million for the nine months ended September 30, 2009. The increase was primarily due to costs associated with historical Spheris research and development activities partially offset by synergies realized.

Depreciation and amortization

Depreciation and amortization increased \$4.0 million, or 20%, to \$24.4 million for the nine months ended September 30, 2010 compared to \$20.3 million for the nine months ended September 30, 2009. The increase was primarily due to the amortization of acquired intangible assets associated with the Spheris Acquisition.

Cost of legal proceedings and settlements

Cost of legal proceedings and settlements decreased \$10.7 million, or 79%, to \$2.8 million for the nine months ended September 30, 2010 compared to \$13.5 million for the nine months ended September 30, 2009. The decrease was due to the costs incurred in 2009 related to the Anthurium settlement of \$5.9 million, related legal fees of \$3.8 million and other legal fees of \$1.2 million.

Acquisition related charges

We incurred acquisition related charges of \$6.9 million related to the Spheris Acquisition for the nine months ended September 30, 2010.

Restructuring charges

During the nine months ended September 30, 2010, we recorded restructuring charges of \$2.0 million primarily related to employee severance. We expect that restructuring activities and related charges will continue into early 2011 as management identifies opportunities for synergies resulting from the Spheris Acquisition including the elimination of redundant functions.

Interest expense, net

Interest expense, net increased \$5.1 million, or 73%, to \$12.0 million for the nine months ended September 30, 2010 compared to \$6.9 million for the nine months ended September 30, 2009. The increase was due to the debt incurred in connection with the Spheris Acquisition, partially offset by a decrease of \$1.2 million in interest expense as a result of the 2009 repayment of the bridge note incurred in connection with the MedQuist Inc. Acquisition.

Table of Contents***Income tax provision***

Our consolidated income tax expense consists principally of an increase in deferred tax liabilities related to goodwill amortization deductions for income tax purposes during the applicable period as well as state and foreign income taxes, offset by a tax benefit related to the reversal of reserves for various state jurisdictions as agreements on the liabilities were reached. The tax benefit for the nine months ended September 30, 2010 includes the reversal of approximately \$500,000 from our accrual for various state uncertain tax positions as a result of filing voluntary disclosure agreements with state jurisdictions. We recorded a valuation allowance to reduce our net deferred tax assets to an amount that is more likely than not to be realized in future years.

We expect that our consolidated income tax expense for the year ended December 31, 2010, similar to the year ended December 31, 2009, will consist principally of an increase in deferred tax liabilities related to goodwill amortization deductions for income tax purposes during the applicable year as well as state and foreign income taxes. We regularly assess the future realization of deferred taxes and whether the valuation allowance against the majority of domestic deferred tax assets is still warranted. To the extent sufficient positive evidence, including past results and future projections, exists to benefit all or part of these benefits, the valuation allowance will be released accordingly.

Net income attributable to noncontrolling interests

Net income attributable to noncontrolling interests for the nine months ended September 30, 2010 decreased by \$57,000 to \$5.2 million. The decrease in net income attributable to noncontrolling interests was due to the decrease in the net income of MedQuist Inc.

Comparison of years ended December 31, 2008 and 2009

The following table sets forth our consolidated results of operations for the periods indicated below:

	Years ended December 31,			
	2008		2009	
	Amount	% of net revenues	Amount	% of net revenues
	(In thousands)			
Net revenues	\$ 193,673	100%	\$ 371,768	100%
Cost of revenues	125,074	65%	239,549	64%
Gross profit	68,599	35%	132,219	36%
Operating expenses				
Selling, general and administrative	51,243	26%	60,632	16%
Research and development	6,099	3%	9,604	3%
Depreciation and amortization	14,906	8%	26,977	7%
Cost of legal proceedings and settlements	5,311	3%	14,943	4%
Acquisition related charges			1,246	0%
Goodwill impairment charge	98,972	51%		
Restructuring charges	2,106	1%	2,727	1%

Total operating expenses	178,637	92%	116,129	31%
Operating income (loss)	(110,038)	(57)%	16,090	4%
Interest expense, net	(3,954)	(2)%	(9,132)	(2)%
Equity in income of affiliated companies	66	0%	1,933	1%
Other income	9	0%	11	0%
Income (loss) before income taxes and noncontrolling interests	(113,917)	(59)%	8,902	2%
Income tax (provision) benefit	5,398	3%	(1,082)	0%
Net income (loss)	(108,519)	(56)%	7,820	2%
Less: Net income attributable to noncontrolling interest	(5,154)	(3)%	(7,085)	(2)%
Net income (loss) attributable to MedQuist Holdings Inc.	\$ (113,673)	(59)%	\$ 735	0%
Adjusted EBITDA ⁽¹⁾	\$ 16,914		\$ 59,687	

⁽¹⁾ See Selected Consolidated Financial and Other Data for a reconciliation of net income (loss) attributable to MedQuist Holdings Inc. to Adjusted EBITDA.

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Net revenues

Net revenues increased \$178.1 million, or 92%, to \$371.8 million for the year ended December 31, 2009 compared to \$193.7 million for the year ended December 31, 2008. This increase was attributable primarily to:

- n \$171.5 million from the consolidation of MedQuist Inc. for a full year resulting from our acquisition of MedQuist Inc. in August 2008; and
- n an increase in clinical documentation revenue of \$11.0 million due to organic volume growth partially offset by a decrease in our revenue cycle management revenue by \$4.4 million largely due to customer attrition.

Cost of revenues

Cost of revenues increased \$114.5 million, or 92%, to \$239.5 million for the year ended December 31, 2009 compared to \$125.1 million for the year ended December 31, 2008. This increase was attributable primarily to:

- n \$110.8 million from the consolidation of MedQuist Inc. for a full year; and
- n an increase of \$5.7 million in clinical documentation cost of revenues, primarily due to increased personnel cost to support expansion of capacity, partially offset by a reduction on \$2.1 million in our revenue cycle management business costs to better align costs with revenue.

Selling, general and administrative

Selling, general and administrative expense increased \$9.4 million, or 18%, to \$60.6 million for the year ended December 31, 2009 compared to \$51.2 million for the year ended December 31, 2008. This increase was primarily attributable to:

- n consolidation of a full-year of MedQuist Inc. selling, general and administrative expense of \$13.9 million;
- n increase in share based compensation charge of \$798,000;
- n full year impact of the cost of our new management team and corporate costs in 2009 amounting to \$2.6 million; offset by
- n charges in 2008 amounting to \$7.6 million comprised of \$5.6 million of acquisition related costs incurred in connection with the MedQuist Inc. Acquisition and \$2.1 million for the write-off of uncollectible accounts receivable.

Research and development

Research and development expense increased \$3.5 million, or 57%, to \$9.6 million for the year ended December 31, 2009 compared to \$6.1 million for the year ended December 31, 2008. This increase was attributable primarily to the consolidation of a full-year of MedQuist Inc. s research and development expenses.

Depreciation and amortization

Depreciation and amortization expense increased \$12.1 million, or 81%, to \$27.0 million for the year ended December 31, 2009 compared to \$14.9 million for the year ended December 31, 2008. This increase was attributable primarily to the consolidation of a full-year of MedQuist Inc. depreciation and amortization expense including the impact of amortization of acquired intangible assets amounting to \$12.5 million.

Cost of legal proceedings and settlement

Cost of legal proceedings and settlement increased \$9.6 million, or 181%, to \$14.9 million for the year ended December 31, 2009 compared with \$5.3 million for the year ended December 31, 2008. This increase was due primarily to the consolidation of a full year of MedQuist Inc.'s cost of legal proceedings and settlements, which

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includes legal fees incurred in connection with both the SEC investigations and proceedings and as well as the defense of certain civil litigation and proceedings. Included in 2009 are costs incurred related to the Anthurium settlement of \$5.9 million and related legal fees of \$3.8 million.

Acquisition related charges

We incurred costs of \$1.2 million during the year ended December 31, 2009 related to the Spheris Acquisition.

Goodwill impairment charge

We carried out our annual impairment test in the fourth quarter of 2008, which included our annual testing date in December. During our annual impairment testing, we determined the fair value using a combination of market capitalization based on market price per share for approximately the 60 days before December 31, 2008 including a control premium and a discounted cash flow analysis. Determining fair value requires the exercise of significant judgment, including judgment about appropriate discount rates, perpetual growth rates, the amount and timing of expected future cash flows, as well as relevant comparable company earnings multiples for the market-based approach. The cash flows employed in the discounted cash flow analyses were based on our internal business model for 2009 and, for years beyond 2009 the growth rates we used are an estimate of the future growth in the industry in which we participate. The discount rates used in the discounted cash flow analyses are intended to reflect the risks inherent in the future cash flows of the reporting unit and are based on an estimated cost of capital, which we determined based on estimated cost of capital relative to the capital structure. In addition, the market-based approach utilizes comparable company public trading values, research analyst estimates and, where available, values observed in private market transactions. The analysis indicated that the reporting units' fair value was below the book value for the MedQuist Inc. and revenue cycle management reporting units and accordingly, a goodwill impairment charge of \$99.0 million was recorded.

In 2009, the fair value of the MedQuist Inc. reporting unit substantially exceeded its carrying value and the fair value of the revenue cycle management reporting unit exceeded its carrying value by 7%, and accordingly, no second step of the goodwill impairment test was performed and no impairment charge was recorded.

In estimating the fair value of our CBay transcription reporting unit, the market approach and the income approach were used. The fair value of the reporting unit substantially exceeded its carrying value, and accordingly, no second step of the goodwill impairment test was performed and no impairment charge was recorded in 2009 or 2008.

Interest expense, net

Interest expense, net primarily reflects interest paid on our credit facilities and long term debt, net of interest earned on deposits with banks. Interest expense, net increased \$5.2 million, or 131%, to \$9.1 million for the year ended December 31, 2009 compared with \$4.0 million for the year ended December 31, 2008. This increase was attributable to the full year impact of interest expense on the acquisition related debt related to the MedQuist Inc. Acquisition amounting to \$4.9 million and other increases of \$200,000.

Income tax provision

The effective income tax rate for the year ended December 31, 2009 was 12.2% compared with an effective income tax benefit rate of 4.7% for the year ended December 31, 2008. The 2009 tax expense includes an increase in the deferred tax liabilities associated with indefinite life intangible assets related to goodwill, an increase in the deferred tax liability associated with an equity method investment, the reduction of the foreign valuation allowance and adjustments related to state tax exposures. After consideration of all evidence, both positive and negative,

management concluded again in 2009, that it was more likely than not that a significant portion of the domestic deferred income tax assets would not be realized; therefore, we have a valuation allowance to reduce our net deferred tax assets to an amount that is more likely than not to be realized in future years. The 2008 tax benefit includes the reversal of approximately \$5.6 million of deferred tax liabilities associated with indefinite life intangible assets related to goodwill which was impaired in 2008.

Table of Contents**Net income attributable to noncontrolling interest**

Net income attributable to noncontrolling interest increased \$1.9 million, or 37%, to \$7.1 million for the year ended December 31, 2009 compared to \$5.2 million for the year ended December 31, 2008. This increase was attributable to the consolidation of MedQuist Inc. for the full year of 2009.

Comparison of years ended December 31, 2007 and 2008

The following table sets forth our consolidated results of operations for the periods indicated below:

	Years ended December 31, 2007		2008	
	Amount	% of net revenues (In thousands)	Amount	% of net revenues
Net revenues	\$ 57,694	100%	\$ 193,673	100%
Cost of revenues	30,209	52%	125,074	65%
Gross profit	27,485	48%	68,599	35%
Operating expenses				
Selling, general and administrative	25,137	44%	51,243	26%
Research and development			6,099	3%
Depreciation and amortization	2,915	5%	14,906	8%
Cost of legal proceedings and settlements			5,311	3%
Goodwill impairment charge			98,972	51%
Restructuring charges			2,106	1%
Total operating expenses	28,052	49%	178,637	92%
Operating loss	(567)	(1)%	(110,038)	(57)%
Interest expense, net	(2,108)	(4)%	(3,954)	(2)%
Equity in loss (income) of affiliated companies	(105)	0%	66	0%
Other income	14	0%	9	0%
Loss before income taxes and noncontrolling interests	(2,766)	(5)%	(113,917)	(59)%
Income tax benefit	113	0%	5,398	3%
Net loss	(2,653)	(5)%	(108,519)	(56)%
Less: Net (income) loss attributable to noncontrolling interest	57	0%	(5,154)	(3)%
Net loss attributable to MedQuist Holdings Inc.	(2,596)	(4)%	(113,673)	(59)%
Adjusted EBITDA ⁽¹⁾	\$ 641		\$ 16,914	

- (1) See Selected Consolidated Financial and Other Data for a reconciliation of net income (loss) attributable to MedQuist Holdings Inc. to Adjusted EBITDA.

Net revenues

Net revenues increased \$136.0 million to \$193.7 million for the year ended December 31, 2008 compared with \$57.7 million for the year ended December 31, 2007. This increase was attributable primarily to:

- n \$124.6 million from the consolidation of MedQuist Inc. since the date of our acquisition of MedQuist Inc. in August 2008; and
- n an increase of \$4.6 million in clinical documentation revenue as a result of our organic volume growth and an increase of \$6.8 million in revenue cycle management revenue primarily due to the full-year impact of revenue from AMS Plus, Inc., a revenue cycle management business that we acquired in August 2007.

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Cost of revenues

Cost of revenues increased \$94.9 million to \$125.1 million for the year ended December 31, 2008 compared with \$30.2 million for the year ended December 31, 2007. This increase was attributable primarily to:

- n \$88.8 million from the consolidation of MedQuist Inc.'s cost of revenues from the date of the MedQuist Inc. Acquisition in August 2008; and
- n increase in clinical documentation and revenue cycle management cost of revenues by \$6.1 million, primarily due to both increased personnel cost to support expansion of capacity as well as the full-year impact of our acquisition of AMS Plus, Inc., which contributed \$5.2 million to the increase. Revenue cycle management costs declined by \$1.3 million due to a reduction in the workforce as part of cost realignment with the reduced revenue. The cost of revenue for our clinical documentation business increased by \$2.2 million.

Selling, general and administrative

Selling, general and administrative expense increased \$26.1 million, or 104%, to \$51.2 million for the year ended December 31, 2008 compared to \$25.1 million for the year ended December 31, 2007. This increase was primarily attributable to:

- n consolidation of MedQuist Inc.'s selling, general and administrative expense from the date of the MedQuist Inc. Acquisition in August 2008 of \$17.5 million; and
- n an increase of \$5.6 million for expenses related to the MedQuist Inc. Acquisition, and
- n an increase of \$2.8 million in clinical documentation and revenue cycle management due to the full-year impact of AMS Plus, Inc.; and offset by
- n a decline in share based compensation charge of \$1.2 million and other savings of \$0.6 million.

Research and development

Research and development expense increased \$6.1 million for the year ended December 31, 2008 compared to \$0 for the year ended December 31, 2007. This increase was attributable to the consolidation of MedQuist Inc.

Depreciation and amortization

Depreciation and amortization expense increased \$12.0 million, to \$14.9 million for the year ended December 31, 2008 compared with \$2.9 million for the year ended December 31, 2007. This increase was attributable primarily to:

- n consolidation of a partial year of MedQuist Inc. depreciation and amortization expense, including the impact of amortization of acquired intangible assets associated with the acquisition of MedQuist Inc. amounting to \$10.0 million; and
- n an increase of \$1.9 million in clinical documentation and revenue cycle management.

Cost of legal proceedings and settlements

Cost of legal proceedings and settlements increased \$5.3 million for the year ended December 31, 2008 compared with no such costs for the year ended December 31, 2007. This increase was due to the consolidation of a partial year of MedQuist Inc.'s cost of legal proceedings and settlement, which includes legal fees incurred in connection with the SEC and U.S. Department of Justice investigations and proceedings as well as the defense of certain civil litigation and proceedings. See Note 14 to our audited consolidated financial statements included elsewhere in this prospectus.

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Goodwill impairment charge

We carried out our annual impairment test in the fourth quarter of 2008, which included our annual testing date in December. During our annual impairment testing, we determined the fair value using a combination of market capitalization based on market price per share for approximately the 60 days before December 31, 2008 including a control premium, and a discounted cash flow analysis. Determining fair value requires the exercise of significant judgment, including judgment about appropriate discount rates, perpetual growth rates, the amount and timing of expected future cash flows, as well as relevant comparable company earnings multiples for the market-based approach. The cash flows employed in the discounted cash flow analyses were based on our internal business model for 2009 and, for years beyond 2009 the growth rates we used are an estimate of the future growth in the industry in which we participate. The discount rates used in the discounted cash flow analyses are intended to reflect the risks inherent in the future cash flows of the reporting unit and are based on an estimated cost of capital, which we determined based on estimated cost of capital relative to the capital structure. In addition, the market-based approach utilizes comparable company public trading values, research analyst estimates and, where available, values observed in private market transactions. The analysis indicated that the reporting units' fair value was below the book value for the MedQuist Inc. and revenue cycle management reporting units and accordingly, a goodwill impairment charge of \$99.0 million was recorded.

Restructuring charges

During 2008, we recorded a restructuring charge of \$2.1 million for severance obligations related to a reduction in workforce of 189 employees in order to better align costs with revenue.

Interest expense, net

Interest expense, net primarily reflects interest paid on our credit facilities and long term debt, net of interest earned on deposits with banks. Interest expense, net increased \$1.8 million, or 88%, to \$4.0 million for the year ended December 31, 2008 compared to \$2.1 million for the year ended December 31, 2007. This increase was attributable to interest expense on acquisition related debt related to the MedQuist Inc. Acquisition amounting to \$2.5 million offset by a \$654,000 reduction in interest expense due to the repayment of other debt.

Income tax provision

The effective income tax rate for the year ended December 31, 2008 was an income tax benefit rate of 4.7% compared with an effective income tax benefit rate of 4.1% for the year ended December 31, 2007. The 2008 tax benefit includes the reversal of approximately \$5.6 million of deferred tax liabilities associated with indefinite life intangible assets related to goodwill which was impaired in 2008. After consideration of all evidence, both positive and negative, management concluded again in 2008, that it was more likely than not that a significant portion of the domestic deferred income tax assets would not be realized; therefore, we have a valuation allowance to reduce our net deferred tax assets to an amount that is more likely than not to be realized in future years.

Net income attributable to noncontrolling interest

Net income attributable to noncontrolling interest increased \$5.2 million to \$5.2 million for the year ended December 31, 2008 compared with \$57,000 for the year ended December 31, 2007. This increase was attributable to the consolidation of MedQuist Inc. from the date of the MedQuist Inc. Acquisition.

Table of Contents**Unaudited quarterly results of operations**

The following table sets forth our unaudited consolidated quarterly results of operations for each of the eight quarters during the period from October 1, 2008 to September 30, 2010. In our management's opinion, the unaudited results of operations for each quarter have been prepared on the same basis as the audited consolidated financial statements included in this prospectus and reflect all necessary adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of our results of operations for the quarters presented. You should read this information together with our consolidated financial statements and the related notes appearing elsewhere in this prospectus. Operating results for any fiscal quarter are not necessarily indicative of results for the full year. Historical results are not necessarily indicative of the results to be expected in future periods.

	Three months ended							
	2008		2009				2010	
	December 31,	March 31,	June 30,	September 30,	December 31,	March 31,	June 30,	September 30,
	(Unaudited)							
	(In thousands)							
Total revenues	\$ 94,215	\$ 94,669	\$ 93,871	\$ 93,289	\$ 89,939	\$ 88,604	\$ 111,988	\$ 116,385
Cost of revenues	62,376	62,103	59,651	61,170	56,625	56,513	72,128	71,593
Gross profit	31,839	32,566	34,220	32,119	33,314	32,091	39,860	44,792
Operating expenses								
Selling, general and administrative	20,354	16,008	15,757	14,830	14,037	15,826	16,880	16,668
Research and development	3,346	2,416	2,380	2,439	2,369	2,281	3,312	3,352
Depreciation and amortization	8,597	6,603	7,007	6,719	6,648	6,363	8,705	9,309
Cost of legal proceedings and settlements	1,829	7,774	4,384	1,382	1,403	1,043	1,109	633
Acquisition related charges					1,246	924	5,121	850
Goodwill impairment charge	98,972							
Restructuring charges	2,136			481	2,246	60	906	985
Total operating expenses	135,234	32,801	29,528	25,851	27,949	26,497	36,033	31,797
Operating income (loss)	(103,395)	(235)	4,692	6,268	5,365	5,594	3,827	12,995
Interest expense, net	(2,410)	(2,342)	(2,317)	(2,286)	(2,187)	(1,891)	(5,460)	(4,680)
Equity in income (loss) of affiliated companies	18	72	336	2,127	(602)	514	32	70

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Net income	9				11	108		481
Income (loss) before income taxes and noncontrolling interests	(105,778)	(2,505)	2,711	6,109	2,587	4,325	(1,601)	8,866
Income tax provision (benefit)	(7,573)	355	286	613	(172)	8	(334)	257
Net income (loss)	(98,205)	(2,860)	2,425	5,496	2,759	4,317	(1,267)	8,609
Loss: net income attributable to noncontrolling interest	(6,852)	(335)	(2,000)	(2,957)	(1,793)	(2,229)	(268)	(2,737)
Net income (loss) attributable to MedQuist Holdings Inc.	\$ (105,057)	\$ (3,195)	\$ 425	\$ 2,539	\$ 966	\$ 2,088	\$ (1,535)	\$ 5,872
Cases processed								
% ASR	39%	41%	47%	49%	53%	57%	62%	67%
% Offshore	28%	30%	34%	37%	39%	41%	39%	42%

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

	2008		Three months ended				2010	
	December 31,	March 31,	June 30,	September 30,	December 31,	March 31,	June 30,	September 30,
	(Unaudited)							
	(In thousands)							
Net income (loss) attributable to MedQuist Holdings Inc.	\$ (105,057)	\$ (3,195)	\$ 425	\$ 2,539	\$ 966	\$ 2,088	\$ (1,535)	5,872
Net income attributable to noncontrolling interests	6,852	335	2,000	2,957	1,793	2,229	268	2,737
Income tax provision (benefit) ^(a)	(7,573)	355	286	613	(172)	8	(334)	257
Interest expense, net	2,410	2,342	2,317	2,286	2,187	1,891	5,460	4,680
Depreciation and amortization ^(b)	8,597	6,603	7,007	6,719	6,648	6,363	8,705	9,309
Cost of legal proceedings and settlements	1,829	7,774	4,384	1,382	1,403	1,043	1,109	633
Acquisition related charges					1,246	924	5,121	
Goodwill impairment charge	98,972							850
Restructuring charges	2,136			481	2,246	60	906	985
Equity in (income) loss of affiliated companies	(18)	(72)	(336)	(2,127)	602	(514)	(32)	(70)
Asset impairment charges, severance charges and accrual reversals ^(b)	2,000	(563)	(1,301)					
PFS business ^(c)	(1,120)	137	(160)	(197)	(223)	(304)	(430)	(424)
Adjusted EBITDA	\$ 8,928	\$ 13,716	\$ 14,622	\$ 14,653	\$ 16,696	\$ 13,788	\$ 19,238	\$ 24,829

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

nine months ended September 30, 2009 and 2010, respectively.

- (b) Includes amortization of acquired intangibles of \$3.4 million, \$3.0 million, \$3.2 million, \$3.6 million, \$3.0 million, \$3.0 million, \$4.2 million and \$4.5 million for the eight quarters ended September 30, 2010, respectively.
- (c) Includes an impairment charge to write-off the amount paid related to severance of one of our former executives and the reversal of certain accruals, related to litigation claims, as a result of the expiration of the applicable statute of limitations.
- (d) Includes the results of operations of the PFS business, which was sold on December 31, 2010.

Our net revenues increased in the quarter ended December 31, 2008 due to the consolidation of MedQuist Inc. for the full quarter and then again in the quarter ended June 30, 2010 with the consolidation of Spheris starting April 22, 2010. We experience minor fluctuations in our revenue as a result of variations in the number of business days in certain months and the deferral by consumers of elective medical procedures during certain holiday periods.

Our gross profit as a percentage of net revenues has increased from 34% in the quarter ended December 31, 2008 to 38% for the quarter ended September 30, 2010. This improvement was due to the increased use of speech recognition technology, which increased from 39% to 67% over the eight quarters ended September 30, 2010 and the increase in our offshore production, which, as percentage of our volume has increased from 28% to 42% for the same period. Additionally we reduced our indirect operating headcount to further reduce our costs.

Selling, general and administrative expense has decreased from \$20.4 million for the quarter ended December 31, 2008 to \$16.7 million for the quarter ended September 30, 2010. As a percentage of revenue selling, general

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and administrative expense has decreased from 22% to 14% over the same period. This was due to headcount reductions and reductions in other administrative expenses.

Our Adjusted EBITDA has increased over the eight quarter period from \$8.9 million in the quarter ended December 31, 2008 to \$24.9 million in the quarter ended September 30, 2010. This is the result of the MedQuist Inc. Acquisition and Spheris Acquisition, the operating improvements and the expense reductions made over the period.

Liquidity and capital resources

Our principal sources of liquidity include cash generated from operations, available cash on hand, and availability under our Senior Secured Credit Facility, as described below.

Available cash at September 30, 2010 was \$24.0 million compared to \$29.6 million at December 31, 2009. During the nine-month period ended September 30, 2010, we received \$100.0 million in cash inflow from our Acquisition Credit Facility which was utilized to fund the Spheris Acquisition. Additionally, several other items impacted cash flows for the nine month period ended September 30, 2010, resulting in a net decrease of \$5.6 million, including:

- n addition of cash flows provided by Spheris operations;
- n cash used to pay financing costs associated with the Acquisition Credit Facility (as defined below);
- n \$20 million in principal payments on the Acquisition Credit Facility;
- n acquisition-related charges associated with the Spheris Acquisition;
- n restructuring payments; and
- n other working capital changes.

We believe our existing cash, cash equivalents, cash to be generated from operations and available borrowings under our revolving credit facility will be sufficient to finance our operations for the next twelve months. However, if we fail to generate adequate cash flows from operations in the future, due to an unexpected decline in our net revenues, or due to increased cash expenditures in excess of the net revenues generated, then our cash balances may not be sufficient to fund our continuing operations without obtaining additional debt or equity. There are no assurances that sufficient funding from external sources will be available to us on acceptable terms, if at all.

Prior to the Corporate Reorganization

In connection with the Spheris Acquisition, MedQuist Transcriptions, Ltd., a subsidiary of MedQuist Inc., and certain other subsidiaries of MedQuist Inc., or collectively, the Loan Parties, entered into a credit agreement, or the Acquisition Credit Facility, with General Electric Capital Corporation, CapitalSource Bank, and Fifth Third Bank. The Acquisition Credit Facility provided for up to \$100.0 million in senior secured credit facilities, consisting of a \$50.0 million term loan, and a revolving credit facility of up to \$50.0 million. The credit facilities were secured by a first priority lien on substantially all of the property of the Loan Parties. Borrowings under the revolving credit facility were able to be made from time to time, subject to availability under such facility, until the fourth anniversary of the closing date. Amounts borrowed under the Acquisition Credit Facility bore interest at a rate selected by MedQuist Transcriptions, Ltd. equal to the Base Rate or the Eurodollar Rate (each as defined in the Acquisition Credit Facility agreement) plus a margin. At September 30, 2010, the revolving credit facility and the term loan had interest rates of 6.25% and 6.75%, respectively. The Acquisition Credit Facility was repaid in full on October 14, 2010 in connection with the Recapitalization Transactions.

In connection with the Spheris Acquisition, MedQuist Inc. also entered into the Acquisition Subordinated Promissory Note, with Spheris Inc. The note was to mature in five years from the date of the Spheris Acquisition. The face amount of the Acquisition Subordinated Promissory Note was \$17.5 million with provisions for prepayment at

discounted amounts, ranging from 77.5% of the principal if paid within six months, 87.5% from six to nine months, 97.5% from nine to twelve months, 102.0% between the first and second year, 101.0% between the second and third year and 100.0% thereafter. For purposes of the purchase price allocation, the note was discounted at 77.5% of the principal, or \$13.6 million. The Acquisition Subordinated Promissory Note bore

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interest at 8.0% for the first six months. The Acquisition Subordinated Promissory Note was repaid at 77.5% of the face amount on October 14, 2010 in connection with the Recapitalization Transactions.

In connection with the MedQuist Inc. Acquisition, we issued the 6% Convertible Notes to Philips. The 6% Convertible Notes were extinguished on October 14, 2010 in connection with the Recapitalization Transactions.

We are party to a credit agreement with ICICI Bank, Mumbai, India in the amount of \$2.8 million, at interest rates ranging from LIBOR plus 2.5% and 15.5%, respectively, which is secured by CBay Systems (India) Pvt. Ltd. s, or CBay India, current assets and fixed assets. The amount outstanding as of September 30, 2010, December 31, 2009 and 2008 was \$341,000, \$1.4 million and \$1.7 million, respectively. For the nine months ended September 30, 2010 and the years ended December 31, 2009, 2008 and 2007 we recorded \$81,000, \$205,000, \$98,000 and \$36,000, respectively, of interest expense in our consolidated statements of operations.

We had revolving lines of credit from K Bank. Subject to certain terms and conditions of the agreement with K Bank, the agreement provided a revolving line of credit of a maximum of \$5.7 million. These revolving lines of credit with K Bank were repaid in full on October 14, 2010 in connection with the Recapitalization Transactions.

We are party to a credit agreement with IndusInd Bank, Mumbai, India of \$3.2 million at interest rates of LIBOR plus 3%, which is secured by current assets and fixed assets of CBay India. The amount outstanding under this credit agreement as of September 30, 2010 and December 31, 2009 was \$3.2 million and \$0, respectively.

Subsequent to the Corporate Reorganization

In connection with the Corporate Reorganization, 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 parties thereto, consisting of (i) a \$200.0 million Term Loan and (ii) a \$25.0 million Revolving Credit Facility. The Senior Secured Credit Facility is secured by a first priority lien on substantially all existing and after-acquired property of the borrowers and the guarantors. The Term Loan is repayable in equal quarterly installments of \$5.0 million commencing on the first fiscal quarter after the closing date, with the balance payable 5 years from the closing date. The term loan interest rate is LIBOR plus 5.50% with a LIBOR floor of 1.75% and is payable monthly. We may also structure borrowings as Eurodollar loans with an interest rate based on LIBOR rates. Currently, the LIBOR floor is in effect. We may prepay the term loan with certain prepayment penalties. Mandatory prepayments are required when we generate excess cash flows as defined under the Senior Secured Credit Facility. Under the Senior Secured Credit Facility, we are required to maintain (i) a minimum consolidated interest coverage ratio, initially, of 2.75x and increasing over the term of the facility to 4.00x, (ii) a maximum total leverage ratio, initially of 4.00x and declining over the term of the facility to 1.50x and (iii) a maximum consolidated senior leverage ratio, initially of 3.00x and declining over the term of the facility to 1.00x.

In addition to the Senior Secured Credit Agreement, in connection with the Corporate Reorganization, on September 30, 2010, MedQuist Inc., as issuer, MedQuist Transcriptions, Ltd. and CBay Inc. as co-issuers and guarantors, and we and certain of our other subsidiaries, as guarantors, entered into the Note Purchase Agreement for the issuance of \$85.0 million aggregate principal amount of 13% Senior Subordinated Notes due 2016 to BlackRock Kelso Capital Corporation, PennantPark Investment Corporation, Citibank, N.A., and THL Credit, Inc. Interest on the notes is payable in quarterly installments at the issuers option at either (i) 13% in cash or (ii) 12% in cash plus 2% in the form of additional senior subordinated notes. Closing and funding of the Senior Secured Credit Facility and the Senior Subordinated Notes occurred on October 14, 2010. See Description of Indebtedness for a more detailed description of the Senior Secured Credit Facility and the Senior Subordinated Notes.

Proceeds from the Senior Secured Credit Facility and the Senior Subordinated Notes were used by MedQuist Inc. to repay \$80.0 million of indebtedness under the Acquisition Credit Facility, to repay \$13.6 million indebtedness under the Acquisition Subordinated Promissory Note and to pay a \$176.5 million special dividend to its stockholders. We received \$122.6 million of this special dividend and used \$104.1 million to extinguish our 6% Convertible Notes issued in connection with the MedQuist Inc. Acquisition and \$3.7 million to extinguish other lines of credit.

Table of Contents***Operating activities***

Cash flow provided by operating activities was \$32.1 million for the nine months ended September 30, 2009 and \$28.7 million for the same period in 2010. For 2009, changes in operating assets and liabilities resulted in a net cash flow of \$5.0 million. The primary components of that inflow were a \$5.8 million lower accounts receivable balance due to lower revenue and the timing of collections and a \$4.6 million higher accrued compensation balance due to higher accrued but unpaid incentive compensation, partially offset by a cash usage resulting from lower accrued expenses and current liabilities balance. For the nine months ended September 30, 2010 changes in operating assets and liabilities resulted in a use of cash of \$12.2 million, consisting primarily of \$4.5 million in higher other current assets due to an increase in deferred financing fees and \$9.1 million due to decreased accrued expenses and other current liabilities. This was primarily due to payments for assumed liabilities of Spheris and settlement costs related to the Kaiser litigation. Partially offsetting those outflows were cash inflows of \$2.1 million related to an increased accounts payable balance and \$2.5 million of higher accrued compensation.

Cash flow provided by operating activities was \$3.3 million, (\$2.6) million and \$42.7 million for the years ended December 31, 2007, 2008 and 2009, respectively. Changes in operating assets and liabilities resulted in net cash flow of \$1.9 million in 2007, net use of cash of \$7.9 million for 2008, and net cash flow of \$2.5 million for 2009. For 2007, the primary changes were an outflow of \$5.0 million from higher accounts receivable balances as a result of an increase in direct billings to third party customers offset by an inflow of \$6.2 million from lower other current assets due to the receipt of amounts from a related party billed in the prior year. For 2008, the primary components of the \$7.9 million use of cash were a \$10.9 million cash outflow related to a decrease in accrued expenses and other current liabilities and lower other non-current liabilities of \$4.8 million. This was due to payments to customers under MedQuist Inc.'s customer accommodation program and the settlement of a previously accrued litigation. These outflows were partially offset by cash inflows from an increase in accounts payable of \$2.0 million and deferred revenue of \$3.4 million. The increase in deferred revenue represents cash received for maintenance contracts and certain product sales in advance of the recognition of the associated revenue. For 2009, the primary components of the \$2.5 million cash flow from operating assets and liabilities were \$3.8 million related to improved receivables collections and lower receivable balances due to lower revenue, and a cash inflow of \$2.2 million from other current assets. These inflows were partially offset by outflows of \$2.1 million related to deferred revenue primarily due to lower maintenance contract revenue and a \$3.6 million outflow as a result of a decrease in accrued expenses and other current liabilities primarily due to the payment of accrued expenses associated with the MedQuist Inc. Acquisition.

Investing activities

Cash used in investing activities was \$8.2 million for the nine months ended September 30, 2009 which reflects the purchase of property and equipment and additions to intangible assets (primarily capitalized software). Cash used by investing activities was \$107.3 million for the nine months ended September 30, 2010. The Spheris Acquisition accounted for \$97.7 million and purchases of property and equipment and intangible assets accounted for \$9.6 million of the 2010 cash used by investing activities. Cash used by investing activities was \$18.5 million, \$76.5 million and \$12.2 million for the year ended December 31, 2007, 2008 and 2009 respectively. Payments for acquisitions and interests in affiliates were \$10.2 million, \$69.3 million and \$2.7 million for 2007, 2008 and 2009, respectively, and the remaining cash used in investing activities primarily related to the purchase of property and equipment.

Financing activities

Cash used by financing activities was \$43.9 million for the nine months ended September 30, 2009. This was due to the dividend paid by MedQuist Inc. to non-controlling shareholders of \$15.3 million and the repayment of a bridge note related to the MedQuist Inc. Acquisition. For the nine months ended September 30, 2010 cash provided by financing activities was \$73.2 million primarily related to the financing of Spheris Acquisition and subsequent partial

repayment of the Acquisition Credit Facility. Financing activities used \$44.4 million for the year ended December 31, 2009 representing dividends of \$15.3 million to noncontrolling interests and \$28.6 million related to repayments of loans. For the year ended December 31, 2008 cash provided by financing activities was \$121.4 million which was primarily the result of the \$124.0 million investment by our majority

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stockholder. For the year ended December 31, 2007, the cash provided by financing activities was \$16.1 million of which the primary components were the proceeds from the sale of stock offset by repayments of indebtedness.

Contractual obligations

The following table summarizes our obligations to make future payments under current contracts as of December 31, 2009 (in thousands):

	Total	Payment due by period			After
		Less than 1 Year	1-3 Years	3-5 Years	
		(In thousands)			
Operating lease obligations	\$ 20,770	\$ 5,561	\$ 13,152	\$ 2,057	
Purchase obligations ⁽¹⁾	10,869	8,666	2,203		
Long-term debt, including current maturities	107,340	6,207	3,040	98,093	
Total contractual obligations	\$ 138,979	\$ 20,434	\$ 18,395	\$ 100,150	

⁽¹⁾ Purchase obligations are for telecommunication contracts (\$9.6 million), software development cost (\$1.0 million) and other recurring purchase obligations (\$250,000).

Our debt obligations changed materially as of September 30, 2010 because of the incurrence of the debt associated with the Spheris Acquisition. The following table summarizes our obligations to make future payments of principal (excluding interest) under debt obligations as of September 30, 2010 (in thousands):

2010	\$ 13,090
2011	23,467
2012	117,292
2013	1,087
2014	35,278
2015 and thereafter	13,958
Total	\$ 204,172

Our debt obligations changed materially subsequent to September 30, 2010 because of the incurrence and refinancing of debt obligations then outstanding. The following table summarizes our obligations to make future payments of principal (excluding interest) under debt obligations as of September 30, 2010 on a pro forma basis after giving effect to the Recapitalization Transactions (in thousands):

2010	\$ 9,932
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2011	23,337
2012	20,832
2013	20,408
2014	20,278
2015 and thereafter	200,061
Total	\$ 294,848

Off-balance sheet arrangements

We are not involved in any off-balance sheet arrangements that have or are reasonably likely to have a material current or future impact on our financial condition, changes in financial condition, revenue or expense, results of operations, liquidity, capital expenditures, or capital resources.

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Quantitative and qualitative disclosures about market risk

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in interest rates. We do not hold or issue financial instruments for trading purposes. Our offshore production costs are subject to foreign exchange fluctuation as these costs are primarily paid in Indian Rupees. We have entered in to foreign exchange contracts to offset such fluctuation. As of September 30, 2010, we had forward Indian rupee purchase contracts totaling \$5.3 million at an average contract price of 47.01 Indian rupees. Such contracts have various maturities through April 14, 2011.

Interest rate sensitivity

We earn interest income from our balances of cash and cash equivalents. This interest income is subject to market risk related to changes in interest rates, which affects primarily our investment portfolio. We invest in instruments that meet high credit quality standards, as specified in our investment policy.

The Term Loan of our Senior Secured Credit Facility bears interest at LIBOR plus 5.50% with a LIBOR floor of 1.75%. Our interest expense associated with this loan will increase if LIBOR increases. Because the LIBOR floor is currently in effect, a 1.25% increase in LIBOR above current LIBOR levels would not increase our effective interest rate. A 1% increase in LIBOR above this floor would result in an approximate \$2.0 million annual increase in our interest expense.

Recent accounting pronouncements

In June 2009, the Financial Accounting Standards Board, or FASB, issued, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*. This establishes the codification as the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under federal securities laws are also sources of authoritative GAAP for SEC registrants. All guidance contained in the Codification carries an equal level of authority.

In September 2009, the FASB ratified two consensus affecting revenue recognition:

- n The first consensus, *Revenue Recognition – Multiple-Element Arrangements*, sets forth requirements that must be met for an entity to recognize revenue from the sale of a delivered item that is part of a multiple-element arrangement when other items have not yet been delivered. One of those current requirements is that there be objective and reliable evidence of the standalone selling price of the undelivered items, which must be supported by either vendor-specific objective evidence, or VSOE, or third-party evidence, or TPE. This consensus eliminates the requirement that all undelivered elements have VSOE or TPE before an entity can recognize the portion of an overall arrangement fee that is attributable to items that already have been delivered. In the absence of VSOE or TPE of the standalone selling price for one or more delivered or undelivered elements in a multiple-element arrangement, entities will be required to estimate the selling prices of those elements. The overall arrangement fee will be allocated to each element (both delivered and undelivered items) based on their relative selling prices, regardless of whether those selling prices are evidenced by VSOE or TPE or are based on the entity's estimated selling price. Application of the residual method of allocating an overall arrangement fee between delivered and undelivered elements will no longer be permitted.
- n The second consensus, *Software-Revenue Recognition*, addresses the accounting for a transaction involving software to exclude from its scope tangible products that contain both software and non-software components that function together to deliver a product's functionality.

The consensuses are effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. We are evaluating the potential impact of these requirements on our financial statements.

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Changes in independent auditors

In October 2008, we informed Grant Thornton, India, or Grant Thornton, that Grant Thornton was being dismissed as our principal accountants effective immediately. We determined to use the same accountants as our subsidiary, MedQuist Inc. after the respective audit committees of MedQuist Inc. and MedQuist Holdings Inc. (formerly CBaySystems Holdings Limited) evaluated our options and selected KPMG LLP, or KPMG. Our decision to dismiss Grant Thornton was approved by our audit committee.

Grant Thornton's audit reports on our consolidated financial statements as of and for the years ended December 31, 2007 and 2006 did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles.

During the years ended December 31, 2007 and 2006, and in the subsequent interim period preceding Grant Thornton's dismissal, there were: (i) no disagreements between us and Grant Thornton on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Grant Thornton, would have caused Grant Thornton to make reference to the subject matter of the disagreement in their reports on the financial statements for such years, and; (ii) no reportable events within the meaning of Item 304(a)(1)(v) of Regulation S-K.

We requested that Grant Thornton furnish a letter addressed to the SEC stating whether or not it has reviewed and agrees with the above statements. A copy of Grant Thornton's letter dated December 2, 2010 is included as an exhibit to the registration statement of which this prospectus is part.

In October 2008, we engaged KPMG as our new principal accountants for the year ending December 31, 2008. Our decision to engage KPMG was approved by our audit committee. In deciding to engage KPMG, our audit committee reviewed auditor independence issues and prior commercial relationships with KPMG and concluded that KPMG has no commercial relationship with us that would impair its independence for the year ended December 31, 2008. During the years ended December 31, 2007 and 2006, and in the subsequent interim period through October 2008, neither we nor anyone acting on our behalf has consulted with KPMG on any of the matters or events set forth in Item 304(a)(2) of Regulation S-K.

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Business

Overview

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

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

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

We have realized significant increases in both revenue and profitability as the result of two large acquisitions, MedQuist Inc., in which we acquired a majority interest in August 2008, and Spheris, which we acquired in April 2010. From 2007 to 2009, our net revenue increased from \$57.7 million to \$371.8 million. Over this same period, our Adjusted EBITDA increased from \$0.7 million to \$59.7 million, and our Adjusted EBITDA margins expanded from 1.1% to 16.1%. For a reconciliation of our net income (loss) attributable to MedQuist Holdings Inc. to Adjusted EBITDA, see Selected Consolidated Financial and Other Data.

Our industry

Growth of clinical documentation in the United States

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

representing a compound annual growth rate of 6.3%. At the same time, U.S. healthcare providers remain under substantial pressure to reduce costs while maintaining or improving the quality of care.

Accurate and timely clinical documentation has become a critical requirement of the growing U.S. healthcare system. Medicare, Medicaid, and insurance companies demand extensive patient care documentation. The HITECH Act includes numerous incentives to promote the adoption and meaningful use of electronic health records, or EHRs, across the healthcare industry. Consequently, healthcare providers are increasingly using EHRs to input, store,

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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.

Importance of the physician narrative

Physicians generally use one of two methods to capture clinical data in a digital format: dictation and on-screen data entry. Dictation allows a physician to use his or her voice to document patient interactions, which is then converted into a text format or EHR record. On-screen data entry enables a physician to populate templates or drop-down menus in an EHR system, typically with a handheld or other hardware device.

In many hospital settings, dictation is the most popular method for capturing clinical data because of the many advantages it provides over on-screen data entry. From an efficiency standpoint, a physician's time is typically the most expensive labor component of a clinical documentation process, and reducing the time required for data capture lowers costs. It is generally faster to dictate than enter data on-screen, and dictation frees up the physician to do other tasks in parallel. From a documentation standpoint, dictation allows for a flexible narration of patient interactions. Templates and drop-down menus typically restrict input to a structured format. While dictation can be converted into structured format later, it provides a more flexible method for data capture.

Market opportunity

The need to convert and manage the physician narrative represents a substantial market opportunity. Historically, in-house hospital labor was used to transcribe clinical reports using analog recordings from physicians. Later, healthcare providers began to outsource production to domestic providers and use digital formats. Today, advanced automation technologies, such as ASR and workflow platforms, and low-cost offshore resources are available to drive substantial improvements in productivity and cost.

Outsourcing enables healthcare providers to reduce costs, gain access to leading technologies, accelerate turn-around times, improve accuracy, and fulfill security and compliance requirements. In a March 2010 report, ValueNotes estimated that spending on outsourced transcription services by hospitals, clinics, and physician practices in the United States reached \$5.4 billion in 2009. ValueNotes further projected that the market for outsourced transcription would grow 8.2% per annum to \$8.0 billion by 2014. As this market expands, ValueNotes projects that outsourcing will grow relative to in-house alternatives from 33% of production in 2009 to 38% by 2014.

Market segmentation and trends

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. Some vendors also focus more on pure technology, offering ASR software, with partnerships for third-party services, though most of these vendors lack production scale.

Over the last five years, technological automation and a rise in offshore capabilities have substantially decreased the cost of production and have further differentiated outsourcing providers. ASR has been a key technological driver of productivity gains. ASR converts the physician narrative into a text format which is available for editing. The effective use of this technology lowers the cost of production relative to conventional transcription services by replacing transcription labor with editing, which, while still required, is much less time consuming. Another key driver for cost reductions has been the increased use of offshore infrastructure and resources. Historically, most U.S. healthcare providers that outsourced their production did so to domestic service providers. With the advent of

internet-based technologies and improvements in the quality and training of offshore personnel, the clinical documentation industry has seen a shift towards offshore resources to reduce costs. India is by far the most popular destination for outsourcing given relatively low wages and a highly educated English-speaking workforce.

As the industry's cost of production has declined through increases in technological automation and offshore capabilities, the average market price for medical transcription services has also declined. This has allowed

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healthcare providers to participate in these economic gains. However, we believe that participants in our industry must expand their technology platforms and offshore capabilities to remain competitive.

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 more than 2,400 hospitals, clinics and physician practices throughout the United States, including 40% of hospitals with more than 500 licensed beds. We have a long-standing history with our customers, and as of September 30, 2010, approximately 98% of our revenue was from recurring services.
- n **Highly-efficient operating model** Over the past two years, we have driven down our cost structure through the use of technology automation, standardized processes, and offshore resources. Our use of ASR, which has grown from 39% of our volume in the fourth quarter of 2008 to 67% in the third quarter of 2010, has increased our productivity. Additionally, our expanding footprint in India has enabled us to increase our offshore production from 28% of our volume to 42% over this same period. The financial impact of these measures has been an improvement in gross margins during this timeframe from 33.8% to 38.5%. We have grown our volume, excluding volume provided by the Spheris Acquisition, by 2.3% over this same period while sharing cost savings with our customers in the form of lower prices.
- 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. For small-to-medium sized physician practices, we offer an easy-to-use web-based clinical documentation platform, CBayScribe, to expand our market share in this segment, which we believe to be underpenetrated. In order to increase penetration within our existing customer base, we intend to continue targeting additional healthcare clinical areas and facilities of our current customers. Additionally, as healthcare providers centralize their purchasing decisions, we believe that our ability to deliver outstanding services for large, complex requirements provides us with increasing

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access to new sales opportunities within our existing customer base and through existing customer relationships.

- n **Continue to develop and enhance our integrated solutions** We seek to differentiate our integrated solutions through sophisticated technology and process improvement. We have over 100 employees dedicated to research and development. Over the last year, we launched numerous enhancements, including a front end speech platform for general medicine, additional EHR system integration, and advanced performance monitoring.
- 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 33.8% in the fourth quarter of 2008, our first fiscal quarter after we acquired MedQuist Inc., to 38.5% in the third quarter of 2010, and our Adjusted EBITDA margins have expanded from 9.5% to 21.4% for the same periods. Our management team has proven its ability to implement continuous process improvements and we intend to further increase offshore production and our use of technological automation, including ASR, to lower costs and enhance our profitability.
- 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 our solutions, consolidate costs, and expand our value proposition to our customers.

Our solutions

Clinical documentation solutions for healthcare providers

We provide enterprise-class solutions for healthcare providers ranging from fully-integrated end-to-end managed services to stand-alone offerings. These solutions represent the large majority of our revenues. Our solutions enable our customers to easily access advanced technologies with confidence that their clinical documentation requirements will be completed accurately and quickly. Our industry-leading solutions integrate voice capture and transmission, automated speech recognition, transcription services, workflow management, and document management and distribution capabilities.

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With proprietary and licensed technologies, we enable our customers to efficiently manage their narrative-based documentation through customizable workflows. A typical workflow includes the following steps:

- n **Capture** As the first step in a workflow process, users can dictate into one of several input devices, including a variety of handheld dictation devices, smartphone applications, or standard telephones. PC-based dictation stations can also be used for users who prefer to edit their own files from speech recognition. By supporting a wide array of capture methods, we provide flexibility to our customers to decide which approach works best with their workflow.
- n **Manage** Captured voice files are merged with patient information from our customers' information systems and loaded into our enterprise platform for processing. Our platform balances production resources across both in-house and outsourced personnel, and its web-based management capabilities allow administrators to easily manage workflows from anywhere at any time. We generate draft reports using ASR technology which are reviewed by our MEs. We can also use conventional transcription services from our MTs. To maintain high quality and efficiency, our platform automatically matches voice files from various specialties and acuity levels to the MTs or MEs with the appropriate skill sets. It also includes random quality checks to give timely feedback to our personnel. Turn-around time is an important metric for our customers, and so the system optimizes processing to ensure we fulfill our contracted service level agreements, which typically range from one hour to 48 hours.
- n **Analyze** Completed reports are routed back to physicians or other healthcare professionals for review, final editing (as required), and authentication. These reports are then available to drive additional value added services, such as coding, data abstraction, and billing services. We provide customers with sophisticated reporting capabilities and integrated electronic signature solutions to simplify and accelerate the review of their clinical reports. We use Quantify™, our patent-pending natural language processing technology, to convert final reports into structured documentation formats. These structured formats allow data to be loaded into an EHR system, easily analyzed for clinical documentation improvement initiatives, or used for quality measures for reporting to government agencies. In addition, reports can drive revenue

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cycle management processes through our web-based CodeRunnerCAC platform, which provides a complete coding workflow and workforce management solution.

- n **Distribute** After being approved by the physician, electronic records are distributed. We provide a fully featured distribution solution for printing, faxing and electronic distribution to referring physicians. We have developed thousands of interfaces with major, mid-level and proprietary hospital information systems, radiology information systems, health information repositories and electronic health record systems. Our solution supports HL7 and XML-based formats which further allows us to meet the needs of each individual customer. Throughout the entire workflow, our managed service platform maintains security measures and audit trails in full compliance with HIPAA privacy and security standards and regulations and the protection of the confidentiality of patient information.

In delivering these customized workflows, we offer a variety of software products. These can work either as stand-alone solutions or as integrated solutions with our other managed services. These solutions include:

- n **Enterprise platform** Our core platform provides a powerful and flexible transcription solution that integrates the process of dictation, transcription, speech recognition, and document delivery into a unified clinical information management workflow. We offer the platform typically as a managed service. For those customers that prefer to use their own services, we also offer it on a license basis. Our platform provides a high performance and highly customizable clinical documentation workflow. It integrates with every major hospital system vendor, such as Epic, Cerner, and Meditech, and we developed thousands of interfaces with customer systems.
- n **SpeechQ** Our front end speech recognition solution enables physicians to dictate, edit, and sign their reports in real-time. With workflows customized for numerous medical practices, such as radiology and general medicine, SpeechQ offers end-to-end workflows that combine voice commands and dictation. SpeechQ integrates with our enterprise platform in scenarios where a physician prefers to send text to our editors for review. Additionally, it interfaces with EHR and other healthcare systems to allow patient demographic information to be automatically populated, updated, and distributed.
- n **DocQVoice** Our web-based enterprise digital voice capture and transport solution is deployed at the customer's location and integrates with both our enterprise platform and legacy dictation systems.

Clinical documentation solutions for physician group practices, clinics and small hospitals

Small healthcare providers, such as physician group practices, clinics, and small hospitals, have many of the same requirements as larger providers, but they frequently lack in-house expertise in IT systems. For these providers, we offer fully-integrated end-to-end managed services that have been tailored for their requirements. We market these offerings under CBayScribe. Through this service, we provide online access to advanced technologies through a web-based platform. This gives small healthcare providers access to functionality that was previously only available to larger hospitals. With much of the same functionality as our enterprise platform, CBayScribe gives smaller healthcare providers the same confidence and capabilities to manage their clinical documentation in an accurate and timely fashion.

Our proprietary and licensed technologies enable small healthcare providers to efficiently manage their narrative-based documentation through numerous workflows. Like our solutions for large healthcare providers, CBayScribe utilizes and maintains security measures and audit trails that establish our compliance with and assist our customers in their compliance with privacy and security standards and HIPAA regulations.

Revenue cycle management

We offer coding and other revenue cycle management solutions to improve customers' reimbursement, compliance and other revenue cycle processes. CodeRunner, our internet-based coding workflow, offers coding services which are used by certain of the largest healthcare institutions in the industry. We recently added computer assisted coding to CodeRunner which, like speech recognition, provides the customer with improved productivity, increased accuracy and more consistent coding. In addition, in 2013 there is a mandate to change to the ICD-10 coding

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system which will increase the number of code possibilities five-fold. The only way healthcare organizations can effectively deal with this change is to adopt technology. We provide total departmental outsourcing of coding, on-site temporary assistance and remote-coding services through both VPN-enabled access to customer systems and CodeRunner. We also offer complete recovery audit and consulting services, as well as traditional coding audit services. These solutions enable our customers to utilize an end-to-end solution from dictation to billing. Revenue cycle management is a small part of our business.

Selling and marketing

As of September 30, 2010, we employed more than 100 personnel in our sales force and account management organization. Our sales force is focused on new customer sales opportunities including both the conversion of customers that are using in-house solutions as well as the displacement of competitive offerings. This sales organization employs consultative sales techniques to deliver customized programs and solutions that respond to the customer's unique requirements. Our account management organization is responsible for continuity of our current customer relationships and the expansion of those relationships to include additional services, facilities, or work types.

We complement our sales efforts with numerous marketing initiatives, including:

- n telemarketing and direct mail programs;
- n attending and sponsoring industry trade shows of national organizations, such as the American Health Information Management Association, Healthcare Information and Management Systems Society, Association for Healthcare Documentation Integrity, Radiological Society of North America, Society for Imaging Informatics in Medicine, and Medical Transcription Industry Alliance;
- n participating in work groups and leadership committees of the industry associations; and
- n advertising in trade journals related to our industry.

We market our integrated clinical documentation solutions using multiple brands. For health systems, hospitals and large group medical practices, we primarily market our offerings through the MedQuist Inc. brand. For small-to-medium sized physician practices, we primarily use the CBayScribe brand.

Operations

We serve our customers 24 hours a day, seven days a week with our integrated clinical documentation solutions. We use ASR in most of our production, which we complement with skilled, English-speaking MTs and MEs.

Approximately 14,000 of our MTs and MEs are located in the United States and India. We believe this is the largest workforce of any company providing clinical documentation services. The size of our global pool of resources allow us to quickly and efficiently provide customers with the capacity needed to implement comprehensive, scalable solutions.

Technology

Technology development

We devote substantial resources to research and development to ensure that our solutions meet both current and future customer requirements. As of September 30, 2010, we employed a development staff of over 90 employees. Our development staff has expertise in multiple disciplines, including service oriented architectures, web-based clients, high volume transactional databases, data warehouses, web services and integration with third-party systems. We also outsource development for specific technologies, such as ASR, capture-assisted codes, encoders, databases, portal

technologies and reporting. Much of the technology in our integrated solutions is proprietary. Our development personnel follow a rigorous development methodology that ensures repeatable, high quality and timely delivery of solutions.

ASR is a key component of our narrative-based solutions, and we license software for a portion of our ASR capabilities. We dual source ASR software licenses.

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Technology operations

Together with our subsidiaries, we currently operate data centers in the United States and in India. These data centers have internal and external redundancy to protect data and maintain service levels. We have three production data centers, two of which are owned and maintained by third parties. The services provided by these third party vendors are generally available commercially at comparable rates from other vendors. We operate six non-production data centers which are located in existing office locations at reduced rates. Our data centers are scalable to service additional customers without significant capital investment.

Our clinical documentation solutions are hosted by us and accessed using high-speed internet connections or private network connections. We have devoted significant resources to producing software applications and managed services to meet the functionality and performance expectations of our customers. We use commercially available hardware and a combination of proprietary and commercially-available licensed software to provide our clinical documentation solutions.

Competition

Because we integrate technologies and services, we compete with companies in a number of different sectors. These competitors include:

- n in-house service departments of healthcare providers, which we believe produce the majority of clinical documentation today based on the physician narrative;
- n national medical transcription service providers, such as Focus Informatics, Inc. (a subsidiary of Nuance Communications, Inc., or Nuance), Heartland Information Services, Transcend Services, Inc., and Webmedex, Inc.;
- n local or regional medical transcription service organizations;
- n ASR software vendors, such as Nuance and Multimodal Technologies, Inc., or Multimodal, which market ASR as a means to reduce clinical documentation labor; and
- n EHR software vendors which promote their systems as a replacement to narrative-based input by using on-screen templates and drop-down boxes for data entry.

Competition for our integrated clinical documentation solutions is based primarily on the following factors:

- n accuracy and timeliness of documentation produced;
- n pricing;
- n ability to provide fully-integrated end-to-end solutions;
- n ease of upgrades and ability to add complementary offerings;
- n capacity to handle large volumes and complex workflows;
- n physician acceptance and productivity;
- n analytics provided to customers;
- n domestic or offshore production capabilities;
- n time to implement for new customers; and
- n financial stability.

We believe we compete effectively on all of the above criteria. We provide fully integrated end-to-end managed services that translate the physician narrative into a customized electronic record with high accuracy and low turn-around time. We believe that our production cost structure allows us to offer competitive prices while continuing to invest in the development of new technologies and services. We have the largest production capacity in our industry, which we believe strengthens our operational capabilities and assists us in meeting customer demands for

timely implementation of our solutions for new accounts.

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Government regulation

The provision of clinical documentation solutions is heavily regulated by federal and state statutes and regulations. We and our healthcare customers must comply with a variety of requirements, including HIPAA and other restrictions regarding privacy, confidentiality, and security of health information.

We have structured our operations to comply with HIPAA and other regulatory and contractual requirements. We have implemented appropriate safeguards related to the access, use, or disclosure of PHI, to address the privacy and security of PHI consistent with our regulatory and contractual requirements. We also train our personnel regarding HIPAA and other requirements. We have made and continue to make investments in systems to support customer operations that are regulated by HIPAA and other regulations. Because these standards are subject to interpretation and change, we cannot predict the future impact of HIPAA or other regulations on our business and operations.

HIPAA and HITECH Act

HIPAA establishes a set of national privacy and security standards for protecting the privacy, confidentiality and security of PHI. Under HIPAA, health plans, healthcare clearinghouses, and healthcare providers, together referred to as covered entities for purposes of HIPAA, and their business associates must meet certain standards in order to protect individually identifiable health information. The HITECH Act which was enacted into law on February 17, 2009 as part of the ARRA, enhances and strengthens the HIPAA privacy and security standards and makes certain provisions of HIPAA applicable to business associates of covered entities.

As part of the operation of our business, our customers provide us with certain PHI, and we are considered to be a business associate of most of our customers for purposes of HIPAA. The provisions of HIPAA require our customers to have agreements in place with us whereby we are required to appropriately safeguard the PHI we create or receive on their behalf. As a business associate, we also have statutory and regulatory obligations under HIPAA. We are bound by our business associate agreements to use and disclose PHI in a manner consistent with HIPAA in providing services to those covered entities.

We and our customers are also subject to HIPAA security regulations that require the implementation of certain administrative, physical and technical safeguards to ensure the confidentiality, integrity and availability of 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. These requirements include implementing administrative, physical and technical safeguards that reasonably and appropriately protect the confidentiality, integrity and availability of such EPHI. To comply with our regulatory and contractual obligations, we may have to reorganize processes and invest in new technologies. On February 17, 2010, we became directly subject to HIPAA's criminal and civil penalties for any breaches of our privacy and security obligations.

Other restrictions regarding privacy, confidentiality, and security of health information

In addition to HIPAA, numerous other state and federal laws govern the collection, dissemination, use, access to, confidentiality and security of PHI. In addition, Congress and some states are considering new laws and regulations that further protect the privacy and security of medical records or medical information. In many cases, these state laws are not preempted by the HIPAA privacy and security standards.

Intellectual property

We rely on a combination of copyright, patent, trademark, trade secret and other intellectual property laws, nondisclosure agreements, license agreements, contractual provisions and other measures to protect our proprietary

rights. We have a number of registered trademarks in the United States and abroad, including CBay®, MedQuist® and SpeechQ®. We have common law rights over a number of unregistered trademarks. We also own a limited number of United States and foreign patents and patent applications that relate to our products, processes and technologies.

We dual source license ASR software that we incorporate into our DEP, SpeechQ for Radiology and SpeechQ for General Medicine proprietary products.

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MedQuist Inc. licenses speech recognition and processing software from Nuance pursuant to a licensing agreement entered into in November 2009. Under its agreement with Nuance, MedQuist Inc. pays a licensing fee based upon a per line charge for each transcribed line of text processed using the software licensed from Nuance. MedQuist Inc.'s licensing agreement with Nuance expires in June 2015. Thereafter, upon written notice to Nuance, MedQuist Inc. has the right to renew the licensing agreement for two successive periods of five years each on the same terms (except pricing) and conditions of the licensing agreement then in effect.

Nuance granted MedQuist Inc. co-ownership rights to and interests in its SpeechQ product in exchange for a fixed sum, pursuant to a supply agreement entered into in November 2009. The supply agreement also provides that MedQuist Inc. receive, in exchange for periodic fees, the exclusive right in the United States, Canada and certain Caribbean islands to sell, service and deliver SpeechQ. MedQuist Inc.'s supply agreement with Nuance expires in June 2015. Upon written notice to Nuance, MedQuist Inc. has the right to renew the agreement for two successive terms of five years each on the same terms (except pricing) and conditions of the agreement then in effect.

MedQuist Inc. also licenses the speech recognition and processing software used for SpeechQ from Nuance, under a separate licensing agreement entered into in November 2009. Under this agreement, MedQuist Inc. pays a licensing fee based on total number of individual users or named-user licenses per customer order. This agreement expires in June 2015. Thereafter, upon written notice to Nuance, MedQuist Inc. has the right to renew the licensing agreement for two successive periods of five years each on the same terms (except pricing) and conditions of the licensing agreement then in effect.

We also license speech recognition and processing software from Multimodal. Our principal license agreement with Multimodal was entered into by MedQuist Inc. in March 2010. Under that licensing agreement, MedQuist Inc. pays Multimodal a monthly fee in exchange for a fixed number of minutes of recording. Each minute of recording that exceeds the fixed number is charged at a specified rate per minute. MedQuist Inc.'s agreement with Multimodal expires in April 2013. Thereafter, the agreement automatically renews and is extended for up to seven additional successive one-year periods, unless MedQuist Inc. notifies Multimodal in writing of its election not to extend at least sixty days prior to the last day of the term. We are in discussions with Multimodal regarding an amendment to the licensing agreement that would modify the structure of the term of the agreement. As part of that modified structure, MedQuist Inc. would have the ability to use software licensed under the agreement through April 2021. In the event of a change of control that results in a direct competitor of Multimodal having, directly or indirectly, a 50% or greater ownership interest in MedQuist Inc. or 50% or more of the voting control of MedQuist Inc., or in the event we, through any acquisition of a direct competitor of Multimodal, begin selling or licensing a software product other than Multimodal's that is directly competitive with such technology, Multimodal shall have the right to terminate its agreement with MedQuist Inc.

Employees

As of September 30, 2010, we had approximately 6,700 employees in the United States and approximately 5,700 in India. Most of our employees are MTs and MEs involved in the production and quality assurance of clinical documentation. We have approximately 5,900 such specialists in the United States, virtually all of whom work from home, and approximately 5,000 in India, who primarily work at company-operated facilities. In addition, we engage approximately 3,000 MTs and MEs who are not our employees. Our large production capacity allows us to service the needs of large, complex healthcare organizations, and we estimate it is nearly three times as high as our next largest competitor.

We believe we have good relationships with our employees. Our employees are not subject to collective bargaining agreements or union representation.

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Legal proceedings

When we acquired MedQuist Inc. in August 2008, MedQuist Inc. was involved in a number of legal matters, including customer and stockholder issues and regulatory investigations. Substantially all of these legal matters have been resolved. As of September 30, 2010, one legal matter remains open related to MedQuist Inc.'s billing practices prior to the MedQuist Inc. Acquisition. The SEC is pursuing civil litigation against MedQuist Inc.'s former chief financial officer, whose employment ended with MedQuist Inc. in July 2004. Pursuant to its by-laws, MedQuist Inc. has been providing indemnification for the legal fees of this individual.

From time to time, we are involved in legal proceedings or regulatory investigations arising in the ordinary course of our business. We are not currently a party to any material legal proceedings that we believe would likely have a material adverse effect on our financial condition, results of operations or cash flows. See Note 14 to our audited consolidated financial statements included elsewhere in this prospectus.

Properties

We lease 34 facilities in the U.S. and India representing approximately 677,550 square feet including our administrative headquarters for our United States operations, which is located in an approximately 48,000 square foot facility in Franklin, Tennessee and our sales, administrative and research and development office, which is located in an approximately 19,500 square foot facility in Norcross, Georgia.

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Set forth below are the names and ages as of December 31, 2010 and positions of the persons who will serve as our directors and executive officers upon the consummation of our proposed U.S. initial public offering.

Name	Age	Position
Robert M. Aquilina	55	Chairman and Chief Executive Officer
V. Raman Kumar	49	Vice Chairman and Director of MedQuist Holdings Inc. and Chief Executive Officer of CBay India
Michael Seedman	54	Chief Technology Officer and Director
Clyde Swoger	51	Chief Financial Officer
Peter Masanotti	56	President and Chief Executive Officer of MedQuist Inc.
Michael F. Clark	48	Co-Chief Operating Officer of MedQuist Inc.
Anthony James	44	Chief Financial Officer and Co-Chief Operating Officer of MedQuist Inc.
Frank Baker	38	Director
Peter Berger	61	Director
Merle Gilmore	62	Director
Jeffrey Hendren	50	Director
Kenneth John McLachlan	61	Director
James Patrick Nolan	50	Director

Robert M. Aquilina, Chairman and Chief Executive Officer

Mr. Aquilina has served as the Chairman of our board of directors since August 2008 and as Chief Executive Officer since October 2010. He also serves as chairman of the MedQuist Inc. board of directors and its compensation committee. He has also served as an Executive Partner, a senior operating consulting role, to SAC PCG since 2007. From 2002 to 2004, he served as an Industrial Partner with Ripplewood Holdings LLC, or Ripplewood, a private equity firm based in New York, and held the role of Co-Chairman of Flag Telecom Group Ltd. Mr. Aquilina was a board member of Japan Telecom Inc. from 2003 to 2004. Prior to these positions, Mr. Aquilina was a senior operating executive of AT&T, Inc. with a 21-year career. His last post at AT&T, ending in 2001 was as Co-President of AT&T Consumer Services and a member of the Chairman's Operating Group. Within AT&T, Mr. Aquilina held a variety of senior positions including President of Europe, Middle East & Africa, Vice Chairman of AT&T Unisource, Vice Chairman of WorldPartners, Chairman of AT&T-UK, and General Manager of Global Data Services. Mr. Aquilina has been a Member of Cooper Union's Board of Trustees since 2000. Mr. Aquilina received an M.B.A. from The University of Chicago and a B.Sc. in Engineering degree from The Cooper Union for the Advancement of Science & Art in New York (Cooper Union).

V. Raman Kumar, Vice Chairman and Director of MedQuist Holdings Inc. and Chief Executive Officer of CBay India

Mr. Kumar is our co-founder and serves as a director. He has served as our Vice Chairman since February 2007 and, from February 2007 to October 2010, was also our Chief Executive Officer. He has also served as the President of CBay Inc. since December 2008, as Chairman & President of CBay Systems & Services Inc. since April 2010 and as Executive Chairman & Chief Executive of CBay Systems (India) Private Limited since July 2010. Prior to his current position at CBay Systems (India) Private Limited, Mr. Kumar served as its Chairman & Managing Director from October 2005 to July 2010. Prior to our founding in 1997, he worked as a Senior Vice President (International Trade Finance and Marketing) at the Essar Group, a multinational conglomerate. Mr. Kumar also currently serves on the board of directors of CBay Inc., CBay Systems & Services Inc. as well as several other of our subsidiaries. Mr. Kumar has a BA (Honors) and Masters Degree in History from St. Stephens s College, New Delhi, India.

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Michael Seedman, Chief Technology Officer and Director

Mr. Seedman has served as our Chief Technology Officer and as a director since August 2008. He also serves on the MedQuist Inc. board of directors. He has more than 35 years of senior executive management, leadership and technological innovation expertise and experience. Mr. Seedman has served as an Executive Partner, a senior operating consulting role, to SAC PCG since 2007. In January 2000, he founded Seedman and Associates, a private equity firm, where he worked until 2007. From 2002 to 2005, he served as the founder and President of Chrysalis Technology LLC. He was an Industrial Partner with Ripplewood from September 1997 to June 2003, where he served on the D&M Holdings Inc. board of directors from 1999 to 2003 and was Chairman of the Board for Digital Networks North America from 2000 to 2003. Prior to this, Mr. Seedman founded and was the Chairman of Entrega Technologies (acquired by Xircom), a computer peripheral designer and manufacturer, in 1997. From 1993 to 1997, Mr. Seedman was the Senior Vice President and General Manager of U.S. Robotics Personal Communications Division (acquired by 3Com Corporation). Prior to this, he served as CEO and President of Practical Peripherals, which he founded in 1981 and sold to Hayes Microcomputer, Inc. in 1989. Mr. Seedman has served as a director of several public and private companies and currently serves as a director of Renew Systems Inc., Cleversafe Inc. and LS Research, LLC. Mr. Seedman attended the University of Southern California from 1974 to 1979 in Business and Accounting.

Clyde Swoger, Chief Financial Officer

Mr. Swoger has served as our Chief Financial Officer since August 2008. Mr. Swoger has also served as a senior operating consultant to SAC PCG since August 2007, assisting with the identification and evaluation of acquisition opportunities. Mr. Swoger founded Creative Business Solutions LLC, a start-up management consulting firm, in September 2006, where he currently serves as President. Between 2004 and July 2006 Mr. Swoger provided consulting and management services to several start-up companies. From 2001 to 2003, Mr. Swoger served as Senior Vice President and General Manager of DeVilbiss Air Power Company (Pentair). He also held the position of Vice President of Business Development of Pentair Tools Group in 2001. Prior to this, Mr. Swoger held various executive positions in Sanford Corporation and Kohler International Ltd including Vice President Business Development and Group Controller. Mr. Swoger has a B.Sc. in Materials Engineering and an M.B.A. from the University of Michigan.

Peter L. Masanotti, President and Chief Executive Officer of MedQuist Inc.

Mr. Masanotti has served as MedQuist Inc.'s Chief Executive Officer since September 2008 and as MedQuist Inc.'s President since November 2008. Prior to this, Mr. Masanotti was Managing Director and Global Head of Business Process Sourcing at Deutsche Bank, an international bank, since May 2007, where he was responsible for offshore and onshore labor productivity and efficiency for the investment banking platform. From July 2005 through May 2007, Mr. Masanotti was the Chief Operating Officer and Executive Vice President of Office Tiger LLC, a business outsourcing firm which services major investment banks and Fortune 500 companies. From December 2001 to May 2005, Mr. Masanotti served as Chief Operating Officer of Geller & Company, a privately held finance and accounting outsourcing firm. He also held executive positions at Baltimore Technologies Inc., a Dublin, Ireland-based e-security solutions provider, and at International Telecommunication Data Systems Inc., a leading billing and customer care solutions provider to the wireless telecommunication industry. Mr. Masanotti has a B.A. in economics from the University of Connecticut-Storrs. He is also a graduate of the Temple University School of Law.

Michael F. Clark, Co-Chief Operating Officer of MedQuist Inc.

Mr. Clark has served as MedQuist Inc.'s Co-Chief Operating Officer since June 2009. From February 2005 to June 2009, Mr. Clark served as MedQuist Inc.'s Senior Vice President of Operations. From November 2003 until February 2005, Mr. Clark served as MedQuist Inc.'s Senior Vice President of Operations for its Western Division. From May

2002 until November 2003, Mr. Clark served as MedQuist Inc.'s Vice President of Operations for its Southwest Division and from January 1998 until July 2000, he served as MedQuist Inc.'s Region Vice President for the Southeast. Mr. Clark joined MedQuist Inc. in 1998 through MedQuist Inc.'s acquisition of MRC Group, where he served as Vice President, Marketing and Corporate Services. From May 2001 until May 2002, Mr. Clark also served as Chief Operating Officer for eScribe, a firm that outsources the HIM function in hospitals. Mr. Clark

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has a B.S. in Marketing and International Business from Miami University in Oxford, Ohio and an M.B.A. from the University of Miami in Coral Gables, Florida.

Anthony James, Chief Financial Officer and Co-Chief Operating Officer of MedQuist Inc.

Mr. James has served as MedQuist Inc.'s Co-Chief Operating Officer since June 2010, following MedQuist Inc.'s acquisition of Spheris and, in November 2010, was named MedQuist Inc.'s Chief Financial Officer. Mr. James served as the Chief Operating Officer for Spheris from 2006 to April 2010. From 2001 to 2006, Mr. James served as Spheris Chief Financial Officer and from 1991 to 2001, he served as its Corporate Controller. Prior to this, Mr. James worked in a variety of financial roles over a seven-year tenure with Mariner Post-Acute Network, a long-term healthcare company. Mr. James is a certified public accountant and has a B.A. in Accounting from the University of Northern Iowa.

Frank Baker, Director

Mr. Baker has served as a director since August 2008. He also serves as a non-executive director of MedQuist Inc. Mr. Baker is a co-founder of SAC PCG and has been a Managing Director since 2007. From 1999 to 2006, Mr. Baker was at Ripplewood, a New York based private equity firm, and RHJ International, a financial services company incorporated under the laws of Belgium, where he was responsible for making various private equity investments. Prior to joining Ripplewood, Mr. Baker spent over three years in investment banking as an Associate at J.P. Morgan Securities Inc. in its Capital Markets Group and as an Analyst at Goldman, Sachs & Co. in its mergers and acquisitions department. Mr. Baker also currently serves as director of Cosmos Bank, Taiwan. Mr. Baker has a B.A. in Economics from the University of Chicago and an M.B.A. from Harvard Business School.

Peter Berger, Director

Mr. Berger has served as a director since August 2008. He also serves as a non-executive director of MedQuist Inc. Mr. Berger is a co-founder of SAC PCG and has been a Managing Director since 2006. From 1995 to 1998 and 2000 to 2006, Mr. Berger was a founding member of Ripplewood, a New York based private equity firm, and served as both a Managing Director of Ripplewood and as a Special Senior Advisor to the Board of RHJ International, a financial services company incorporated under the laws of Belgium. From 1999 to 2000, Mr. Berger served as Managing Director and Chief Executive Officer of Mediacom Ventures LLC, a boutique investment advisory firm. From 1989 to 1991, he served as a Managing Director in investment banking at Bear Stearns Companies. Prior to this, Mr. Berger was a senior partner and global head of the Corporate Finance Group at Arthur Andersen & Co., where he began his career in 1974. He also served as Non-Executive Chairman of the Board of Kepner-Tregoe, Inc., a management consulting company. Mr. Berger also currently serves as director of Cosmos Bank, Taiwan. Mr. Berger has a B.Sc. from Boston University and an M.B.A. from Columbia University Graduate School of Business.

Merle L. Gilmore, Director

Mr. Gilmore has served as a director since August 2008. He has been President of LKR Technology Partners, LLC since 2001. Mr. Gilmore served as an Industrial Partner of Ripplewood from 2001 to 2008 and has been an Executive Partner, a senior operating consultant role, of SAC PCG since 2009. Mr. Gilmore was a senior executive of Motorola, Inc., holding numerous senior management positions including Executive Vice President and President of the Land Mobile Products Sector from 1993 to 1997, Executive Vice President and President for Europe, Middle East and Africa from 1997 to 1998 and Executive Vice President and President of the Communications Enterprise from 1998 to 2000. Mr. Gilmore has been a director of Revenew Systems LLC, a marketing company, since 2006. In April, 2010 he was named Chairman of the Board of Airvana Network Solutions, Inc. He was previously a member of the Proxim Corp., Japan Telecom, Inc. and Mediabolic, Inc. boards of directors and the Chairman of the Board and a

representative officer of D&M Holdings Inc. from 2001 to 2006. Mr. Gilmore received his B.S. in Electrical Engineering from the University of Illinois and his M.S. in Electrical Engineering from Florida Atlantic University.

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Jeffrey Hendren, Director

Mr. Hendren has served as a director since August 2008 and as Vice Chairman of Finance since May 2010. He is a co-founder of SAC PCG and has been a Managing Director since 2007. From 1997 to 2007, Mr. Hendren was a Managing Director at Ripplewood, a New York based private equity firm, and RHJ International, a financial services company incorporated under the laws of Belgium, where he was responsible for making various private equity investments and was also a director of RHJ International, which was publicly traded on the Brussels Stock Exchange. Before joining Ripplewood and RHJ International, Mr. Hendren was a member of Goldman, Sachs & Co.'s mergers and acquisitions department from 1989 to 1997. From 1981 to 1988, Mr. Hendren held various positions at Georgia Pacific Corp, a manufacturer and marketer of paper and building products. Mr. Hendren also currently serves as a director of Cosmos Bank, Taiwan and served as its acting chairman from February 2009 to December 2009 and its acting president from March 2009 to December 2009. Mr. Hendren has a B.Sc. from Indiana University and an M.B.A. from Harvard Business School.

Kenneth John McLachlan, Director

Mr. McLachlan has served as a director since May 2007. He is the founder and has been the chairman McLachlan & Associates since January 1992. Prior to that, he held leadership positions at companies such as PricewaterhouseCoopers, a consulting firm, Boehringer Mannheim, a pharmaceuticals company, and Mackie Plc. Mr. McLachlan has held directorships at various UK international private companies, including Vitaflo International Ltd. He is a qualified Chartered Accountant in Scotland and a Registered Accountant in the Netherlands. He is also a Fellow of the Institute of Taxation in the UK.

James Patrick Nolan, Director

Mr. Nolan has served as a director since August 2008. He has been Executive Vice President at Royal Philips Electronics and Head of Mergers & Acquisitions since June 2005. From 2000-2005, Mr. Nolan served as an executive in the Mergers and Acquisitions department at Royal Phillips Electronics. Prior to joining Royal Phillips Electronics, Mr. Nolan held merger and acquisition roles at companies including Credit Commercial de France, a commercial bank, Coopers & Lybrand Management Consultants and Rabobank Internations, a financial services provider. He has held several board positions including being a board member of Navteq Inc., the world's leading digital navigation software company, and SHL Telemedicine Ltd., an IT-based healthcare company. Mr. Nolan qualified as a barrister after graduating in Law from the University of Oxford in the United Kingdom and has an MBA from INSEAD, France.

There are no family relationships among any of our executive officers and directors.

We currently expect that, following the Corporate Reorganization, we will appoint Mr. Masanotti as our Chief Executive Officer and Mr. James as our Chief Financial Officer. In that event, we expect that Mr. Aquilina would continue to serve as our Chairman. Mr. Swoger would cease to serve as one of our executive officers but would continue to assist us with accounting matters.

Director qualifications

When determining that each of Messrs. Aquilina, Kumar, Seedman, Baker, Berger, Gilmore, Hendren, McLachlan and Nolan is particularly well-suited to serve on our board of directors and that each individual has the experience, qualifications, attributes and skills, taken as a whole, to enable our board of directors to satisfy its oversight responsibilities effectively in light of our business and structure, we considered the experience and qualifications described above under Management. We also noted that, as executive officers, Messrs. Aquilina and Kumar bring a

management perspective to board deliberations and provide valuable information about the status of our day-to-day operations. Additionally, Mr. Kumar is a founder of our company and has played an integral role in our successful growth. Our directors contribute the following individual strengths:

Mr. Aquilina: We considered Mr. Aquilina's experience chairing a board of directors, in particular, that of our majority owned subsidiary, MedQuist Inc. Mr. Aquilina also brings perspective, having served on other boards of directors and has extensive professional experience in engineering.

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Mr. Kumar: We considered Mr. Kumar's unique familiarity with our business, structure, culture and history as a founder of our business as well as his extensive management experience and experience holding directorships at various private companies.

Mr. Seedman: In addition to his insights as our Chief Technology Officer, we considered Mr. Seedman's entrepreneurial and executive experience as the founder of several companies in the financial and technology industries and his significant executive management and leadership experience.

Mr. Baker: We considered Mr. Baker's extensive financial experience as a private equity investor and his experience serving on the board of directors of various public and private companies.

Mr. Berger: We considered Mr. Berger's extensive financial experience as a private equity investor and his experience serving on the board of directors of various public and private companies.

Mr. Gilmore: We considered Mr. Gilmore's engineering background, his experience as a senior executive of Motorola, Inc. and his experience serving on the board of directors of various public companies.

Mr. Hendren: We considered Mr. Hendren's extensive financial experience as a private equity investor and his experience serving on the board of directors of various public and private companies.

Mr. McLachlan: We considered Mr. McLachlan's managerial and entrepreneurial skills, his expertise in tax and accounting and his experience serving on the board of directors of various international private companies.

Mr. Nolan: We considered Mr. Nolan's significant expertise in mergers and acquisitions and his experience with the software and healthcare industries.

Board of directors

Our board of directors, or board, currently consists of nine directors. Messrs. McLachlan and Nolan are independent directors under the Corporate Governance Standards of The NASDAQ Global Market and the independence requirements of Rule 10A-3 under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Within twelve months after our common stock is listed on The NASDAQ Global Market, we expect that a majority of our board members will be independent as such term is defined in Rule 10A-3(b)(i) under the Exchange Act and in The NASDAQ Listing Rule 5605(a)(2).

Committees of the board

Our board currently includes an audit committee, a remuneration committee and a nomination committee. After the Corporate Reorganization and the completion of our proposed U.S. initial public offering, the committees of our board will consist of an audit committee, a remuneration committee and a nomination and corporate governance committee.

Audit committee

Our audit committee currently consists of Messrs. McLachlan and Berger. Mr. McLachlan qualifies as an independent director under the corporate governance standards of The NASDAQ Global Market and the independence requirements of Rule 10A-3 under the Exchange Act. We expect to have a second independent member within 90 days of the completion of our proposed U.S. initial public offering and a third independent member within one year of the completion of our proposed U.S. initial public offering so that all of our audit committee members will be independent as such term is defined in Rule 10A-3(b)(i) under the Exchange Act and in NASDAQ Listing

Rule 5605(a)(2). The independent member of our audit committee, upon the completion of our proposed U.S. initial public offering, will qualify as an audit committee financial expert as such term is defined in Item 407(d)(5) of Regulation S-K.

The purpose of the audit committee will be to assist our board in overseeing and monitoring (1) the quality and integrity of our financial statements, (2) our compliance with legal and regulatory requirements, (3) our

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independent registered public accounting firm's qualifications and independence, (4) the performance of our internal audit function and (5) the performance of our independent registered public accounting firm.

Our board will adopt a written charter for the audit committee, which will be available on our website at the time of listing.

Remuneration committee

Our remuneration committee currently consists of Messrs. Baker, Hendren, Aquilina and Gilmore. We expect to have an independent director under the corporate governance standards of The NASDAQ Global Market at the completion of our proposed U.S. initial public offering, a second independent member within 90 days of the completion of our proposed U.S. initial public offering and the remaining members as independent within one year of the completion of our proposed U.S. initial public offering so that all of our remuneration committee members will be independent as such term is defined in NASDAQ Listing Rule 5605(a)(2). The purpose of the remuneration committee is to assist our board in discharging its responsibilities relating to (1) setting our compensation program and compensation of our executive officers and directors and (2) monitoring our incentive and equity-based compensation plans. Following the completion of our proposed U.S. initial public offering, the remuneration committee will also assist our board in preparing the compensation committee report required to be included in our proxy statement under the rules and regulations of the SEC.

Our board will adopt a written charter for the remuneration committee, which will be available on our website at the time of listing.

Nomination committee

Our nomination committee currently consists of Messrs. Berger, Baker, Hendren and McLachlan. Mr. McLachlan qualifies as an independent director under the corporate governance standards of The NASDAQ Global Market. We expect to have a second independent member within 90 days of the completion of our proposed U.S. initial public offering and the remaining members as independent within one year of the completion of our proposed U.S. initial public offering so that all of our nomination and corporate governance committee members will be independent as such term is defined in NASDAQ Listing Rule 5605(a)(2). The purpose of our nomination committee is to assist our board in discharging its responsibilities relating to (1) developing and recommending criteria for selecting new directors and (2) screening and recommending to the board individuals qualified to become executive officers.

Our board will adopt a written charter for the nominating committee, which will be available on our website at the time of listing.

Duties of directors

Under Delaware law, our directors will have a duty of loyalty to act honestly and in good faith with a view to our best interests. Our directors will also have a duty to exercise the skill they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our certificate of incorporation and by-laws. A stockholder has the right to seek damages if a duty owed by our directors is breached. You should refer to [Description of Capital Stock](#) for additional information on our standard corporate governance under Delaware law.

Remuneration committee interlocks and insider participation

We do not anticipate any interlocking relationships between any member of our remuneration committee and any of our executive officers that would require disclosure under the applicable rules promulgated under the federal securities laws.

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Code of business conduct and ethics

We expect that, prior to the completion of the offering, our board will adopt a code of business conduct and ethics applicable to our directors, officers and employees, in accordance with applicable rules and regulations of the SEC and The NASDAQ Global Market.

Compensation discussion and analysis

Named executive officers

For the fiscal year ended December 31, 2010, the following individuals constitute our named executive officers, or NEOs:

- n Robert Aquilina, our Chairman and Chief Executive Officer;
- n V. Raman Kumar, our Vice Chairman;
- n Clyde Swoger, our Chief Financial Officer;
- n Michael Seedman, our Chief Technology Officer; and
- n Peter Masanotti, President and Chief Executive Officer of MedQuist Inc.

Remuneration committee

Our remuneration committee currently consists of Messrs. Baker, Aquilina and Gilmore. The key responsibilities of the remuneration committee are to consider and recommend to our board the framework for the remuneration of our executive officers. The remuneration committee is also required to consider and recommend to our board the total individual remuneration package of each employee director and executive officer, including bonuses, incentive payments and stock options or other equity and equity-based awards. The remuneration committee is also empowered to review the design of all equity and equity-based incentive plans and recommend the approval of such plans to our board. None of the directors votes on decisions concerning his or her own remuneration.

MedQuist Inc. compensation committee

MedQuist Inc., our majority-owned subsidiary, has a separately constituted compensation committee composed of Messrs. Aquilina, Baker, Berger and Pinckert. Mr. Pinckert is an independent director of MedQuist Inc. and also serves as the Chairman of the MedQuist Inc. audit committee. The key responsibilities of the compensation committee are to make recommendations to the MedQuist Inc. board of directors regarding the following:

- n the corporate and individual goals and objectives relevant to the compensation of MedQuist Inc. s executive officers;
- n the evaluation of MedQuist Inc. s corporate performance and the performance of its executive officers in light of such goals and objectives; and
- n the compensation of MedQuist Inc. s executive officers based on such evaluations.

Compensation philosophy

We provide our NEOs with incentives tied to the achievement of our corporate objectives or, in the case of Mr. Masanotti, objectives that are tied to the performance of MedQuist Inc.

The remuneration and compensation committees have each separately established a total compensation philosophy and structure designed to accomplish the following objectives:

- n attract, retain and motivate executives who can thrive in a competitive environment of continuous change and who can achieve positive business results in light of challenging circumstances;
- n provide executives with a total compensation package that recognizes individual contributions, as well as overall business results; and

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- n promote and reward the achievement of objectives that our board or the MedQuist Inc. board, as applicable, and management believe will lead to long-term growth in shareholder value.

To achieve these objectives, we intend to maintain compensation arrangements that tie a substantial portion of our NEOs' overall compensation to the achievement of our key strategic, operational and financial goals or to our individual business divisions, as applicable.

Role of named executive officers in setting compensation

Our NEOs do not play a role in their own compensation determinations, other than discussing individual performance objectives with members of the remuneration or compensation committee, as applicable.

Elements of compensation

Our and MedQuist Inc.'s executive compensation programs utilize four primary elements to accomplish the objectives described above:

- n base salary;
- n annual cash incentives linked to corporate and individual performance;
- n long-term incentives in the form of equity-based awards;
- n severance and/or change in control benefits; and
- n perquisites.

We believe that we can meet the objectives of our executive compensation program by achieving a balance among these elements that is competitive with our industry peers and creates appropriate incentives for our NEOs. Actual compensation levels are a function of both corporate and individual performance as described under each compensation element set forth below. In making compensation determinations, the remuneration and compensation committees consider the competitiveness of compensation both in terms of individual pay elements and the aggregate compensation package provided to our NEOs. However, neither we nor MedQuist Inc. engage in any formal benchmarking or specifically target a percentile of compensation within any peer groups as a reference point on which to base compensation decisions.

Base salary

We provide our NEOs with base salary in the form of fixed cash compensation to compensate them for services rendered during the fiscal year. The current salaries for our NEOs were negotiated at the time that they were hired and are set forth in their employment agreements, which were negotiated individually with each executive. The remuneration and compensation committees believe that the initial salaries of our NEOs were set at levels competitive with individuals with similar responsibilities in similarly-sized public companies in the healthcare IT sector. The base salary of each of our NEOs is reviewed annually by the remuneration or compensation committee, as applicable, to determine if any salary adjustments are appropriate. Generally, in making a determination of whether to make base salary adjustments, the remuneration and compensation committees consider the following factors:

- n success in meeting our (or, in the case of Mr. Masanotti, MedQuist Inc.'s) strategic operational and financial goals;
- n an assessment of such executive officer's individual performance; and
- n changes in scope of responsibilities of such executive officer.

In addition, the remuneration and compensation committees consider internal equity within our organization and the aggregate levels of compensation earned by our NEOs.

None of our NEOs received base salary increases during 2009 since each of them had commenced employment in the second half of 2008 in accordance with newly negotiated employment arrangements. In addition, no base salary adjustments for our NEOs were made for 2010 or 2011 in light of the difficult economic climate and

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because it was determined that the salaries were sufficient to retain and incentivize our executives. The current base salaries of our NEOs are as follows:

Name	2011 Annual base salary rate (\$)
Robert Aquilina	\$ 500,000
V. Raman Kumar	\$ 500,000
Clyde Swoger	\$ 300,000
Michael Seedman	\$ 120,000
Peter Masanotti	\$ 500,000

Annual cash compensation performance-based incentive bonus program

We believe that performance-based cash incentives play an essential role to motivate our NEOs to achieve defined annual goals. The objectives of our and MedQuist Inc.'s annual management incentive plans are to:

- n align the interests of executives and senior management with our strategic plan and critical performance goals;
- n motivate and reward achievement of specific, measurable annual individual and corporate performance objectives;
- n provide payouts commensurate with corporate performance;
- n provide competitive total compensation opportunities; and
- n enable us to attract, motivate and retain talented executive management.

Our incentive bonus plans are designed to reward our executives for the achievement of pre-established annual financial targets and for personal performance. The financial objectives are established for each individual NEO based upon the scope of his responsibility. Specifically, Messrs. Aquilina, Swoger and Seedman's bonuses were based upon our consolidated performance (including MedQuist Inc.), Mr. Kumar's bonus was based upon the performance of our operations (excluding MedQuist Inc.) in 2009 and upon consolidated performance, including MedQuist Inc., in 2010. Mr. Masanotti's bonus was based on the performance of MedQuist Inc. alone.

2009 incentive plans

Each of our NEOs was eligible to earn an annual bonus up to either a predetermined dollar amount or a percentage of such executive's base salary, as set forth in each NEO's employment agreement. Our NEOs are eligible to earn their annual bonus based upon the achievement of target performance objectives under our 2009 Incentive Plan and, for Mr. Masanotti, under the MedQuist Inc. 2009 Incentive Plan (together with our 2009 Incentive Plan, the 2009 Plans), as follows:

Executive	Maximum bonus for 2009 and 2010
Robert Aquilina	\$ 750,000

V. Raman Kumar	\$ 750,000
Clyde Swoger	\$ 400,000
Michael Seedman	\$ 180,000
Peter Masanotti	\$ 700,000 ⁽¹⁾

⁽¹⁾ Represents 140% of base salary.

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Payments of incentive awards were based on the achievement of a combination of corporate performance objectives which were established for each NEO and an assessment of individual performance toward achievement of such corporate objectives as a way to communicate and measure our performance expectations and to maintain and unify our executives' focus on our key strategic objectives. The actual bonus payable for a particular year is bifurcated into a corporate performance-based element and a discretionary element based on the remuneration and compensation committees' subjective assessment of the applicable NEO's individual performance in relation to the achievement of pre-established net revenues and adjusted EBITDA goals established exclusively for the 2009 Plans. As noted below, the individual incentive pool was funded at 30% of the total of all participants' aggregate maximum incentives and was allocated to eligible participants at the discretion of our board in respect of the 2009 Incentive Plan and the MedQuist Inc. board in respect of the MedQuist Inc. 2009 Incentive Plan. For 2009, each NEO's cash bonus was based upon the achievement of the following criteria, with the percentage weightings as set forth below:

Objective	Weighting
Net revenues	35%
Adjusted EBITDA	35%
Personal performance	30%

Adjusted EBITDA is a non-GAAP financial measure that is defined for purposes of the 2009 Plans as net income (loss) attributable to MedQuist Holdings Inc., MedQuist Inc. or Spheris, as applicable, plus net income (loss) attributable to non-controlling interests, income taxes, interest expense, depreciation and amortization, cost of legal proceedings and settlements, acquisition related charges, goodwill impairment charges, restructuring charges, equity in income (loss) of affiliated company, asset impairment charges, severance costs, certain unusual or nonrecurring items and the effect of our PFS business. The adjusted EBITDA metric utilized under the bonus program was calculated differently than the Adjusted EBITDA figures disclosed in the section Management's Discussion and Analysis of Financial Condition and Results of Operations. Specifically, the bonus program metric was based on the sum of the adjusted EBITDA generated by the individual business units and, as such, the calculation of bonus targets and the actual performance did not include certain adjustments associated with accrual reversals, purchase accounting adjustments and certain corporate expenses. These adjustments were considered outside the operational control of the management and, therefore, were not included in the calculation of the bonus targets or actual performance against the targets.

The adjusted EBITDA for bonus calculation purposes can be reconciled to the Adjusted EBITDA reported elsewhere in the preliminary prospectus as follows:

Adjusted EBITDA	\$ 59.7 million
n Adjustment to remove non-operational items ⁽¹⁾	2.2 million
n Adjustment to remove consolidated items ⁽²⁾	2.8 million
n Adjustment to remove certain corporate expenses	5.5 million
n Adjustment for effect of PFS business	0.4 million
Amount used for bonus calculation	\$ 70.6 million

- (1) Reflects removal of asset impairment, severance and accrual reversals
- (2) Reflects removal of impact of purchase accounting adjustments

The corporate performance-based element of the annual bonus incentive was calculated on the basis of achieving net revenues and adjusted EBITDA targets under the 2009 Plans, based on internal financial goals set in connection with the remuneration and compensation committees' consideration and approval of the annual operating plans for 2009 for us and for MedQuist Inc., respectively. The range of potential payouts under the 2009 Plans reflected the level of achievement of the applicable financial goals for 2009. No payout was available for performance below 80% of the adjusted EBITDA target and/or below 90% of the net revenues target. The maximum payout for each performance metric was capped at 170% of the pro-rated maximum bonus amount (and, with respect to the

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corporate performance targets, which maximum applied for performance in excess of 115% of the adjusted EBITDA target and/or for performance in excess of 110% of the net revenues target).

Actual corporate performance was measured against the targeted levels for each of the two financial objectives under the 2009 Plans and weighted in accordance with the weightings set forth above. In addition, the remuneration and compensation committees assessed each NEO's personal performance, with the potential payout percentage ranging from 0% to 170% for the individual performance portion of the annual bonus incentive. However, unlike the corporate performance portion of the annual bonus incentive, assessment of personal performance was discretionary and was not tied to any pre-determined individual performance objectives. Notwithstanding the foregoing, in no event could the total payout, based on an assessment of both corporate and personal performance, exceed the maximum bonus amount for each NEO set forth in his employment agreement. In exercising their discretion with respect to determining the payment for the portion of the 2009 Plans relating to personal performance, the remuneration and compensation committees considered each NEO's compensation toward achieving the short- and long-term objectives for our business, including the degree of achievement of the applicable net revenue and adjusted EBITDA metrics for the 2009 fiscal year. The remuneration and compensation committees have substantial discretion in performing this assessment. During 2009, the remuneration committee considered Mr. Kumar's favorable performance in expanding our offshore production capacity in its decision to award him the maximum amount allocated for the personal performance portion of his bonus award. The remuneration committee considered the limited progress of certain financial and administrative initiatives in deciding that Mr. Swoger would not receive any bonus payment for the personal performance portion of his bonus award. With respect to the remaining NEOs, the remuneration and compensation committees, as applicable, determined that the level of bonus payments for the personal performance portion of the bonus award should approximate the overall degree of achievement of the applicable revenue and adjusted EBITDA metrics for the 2009 fiscal year for us and MedQuist Inc., respectively.

For fiscal 2009, as established exclusively for our 2009 Incentive Plan, our consolidated net revenues goal was \$389.4 million and the adjusted EBITDA goal was \$69.1 million, which targets were achieved at 46% and 110%, respectively for the 2009 fiscal year. For fiscal 2009, the net revenues goal for our operations excluding MedQuist Inc. was \$85.8 million and the adjusted EBITDA goal for our operations excluding MedQuist Inc. was \$17.3 million, neither of which targets was achieved. For fiscal 2009, as established exclusively for the MedQuist Inc. 2009 Incentive Plan, the net revenues goal was \$315.6 million and the adjusted EBITDA goal was \$52.8 million, which targets were achieved at 97% and 110%, respectively.

The actual bonus payment made to each of the NEOs was based upon the actual performance for the quantifiable financial performance objectives as well as a subjective assessment of the individual's performance. In addition to determining the applicable payout percentages based on the achievement of the applicable corporate financial goals for our NEOs, set forth above, the remuneration and compensation committees determined the level of achievement of each NEO's personal performance, and then approved the overall bonus payment for 2009. Based on actual performance measured against plan objectives, as well as the committees' subjective assessment of each NEO's personal performance, the remuneration and compensation committees, as applicable, approved the following cash incentive payments for 2009:

Executive	Net revenues	Adjusted EBITDA	Personal	Total 2009 incentive bonus payout (\$) (% of maximum)
Robert Aquilina	\$ 120,750 (46%)	\$ 289,013 (110%)	\$ 175,500 (78%)	\$ 585,263 (78%)
V. Raman Kumar	\$ 0 (0%)	\$ 0 (0%)	\$ 382,500 (170%)	\$ 382,500 (51%)

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Clyde Swoger	\$ 64,400 (46%)	\$ 154,140 (110%)	\$ 0 (0%)	\$ 218,500 (55%)
Michael Seedman	\$ 28,980 (46%)	\$ 69,363 (110%)	\$ 42,120 (78%)	\$ 140,463 (78%)
Peter Masanotti	\$ 238,385 (97%)	\$ 269,500 (110%)	\$ 192,115 (92%)	\$ 700,000 (100%)

The foregoing table also shows the payment as a percentage of the maximum bonus for each NEO.

The bonus payments are normally paid by the end of the first quarter of the year following the year in which the bonus is earned. If for any reason the bonus payment is delayed, it generally accrues interest between

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March 31st and the actual date of payment, which shall not be later than December 31, 2010, at the rate of 7% per year.

2010 management incentive plans

The maximum bonus opportunities under the 2010 management incentive plans for us and MedQuist Inc., or the 2010 Plans, remained unchanged from 2009 levels for each of our NEOs. However, the remuneration and compensation committees had approved several changes to the 2010 Plans to take into account certain changes in title and scope of responsibilities for Mr. Kumar, as well as our and MedQuist Inc.'s increased emphasis on the importance of EBITDA as a measure of corporate performance for all of the NEOs. Specifically, the financial performance objectives for Mr. Kumar for fiscal year 2010 were based on our consolidated financial performance, including MedQuist Inc. operations. Additionally, the percentage weightings for the corporate and personal objectives under the 2010 Plans for all of the NEOs were changed as follows:

Executive	Adjusted EBITDA	Net revenues	Personal objectives
Robert Aquilina	50%	25%	25%
V. Raman Kumar	50%	10%	40%
Clyde Swoger	50%	10%	40%
Michael Seedman	50%	10%	40%
Peter Masanotti	50%	25%	25%

As noted above, payments of incentive awards for 2010 (which will be made in March 2011) will be based on the achievement of a combination of corporate performance objectives which were established for each NEO, and an assessment of individual performance toward the achievement of such corporate objectives. No payout under the 2010 Plans will be available for performance below 100% of the adjusted EBITDA target. In addition, no payout will be available with respect to the net revenue portion of the incentive award for performance below 95% of the revenue target. The maximum payout for each element of the incentive award will be capped at 170% of the maximum amount which may be earned by each NEO with respect to each element of the total incentive award for 2010.

Equity-based incentive plans

Equity incentive awards

Our equity award program is the primary vehicle for offering long-term incentives to our NEOs. Historically, all of our equity awards have been in the form of stock options. We believe that equity-based compensation provides our NEOs with a direct interest in our long-term performance, creates an ownership culture and aligns the interests of our NEOs and our stockholders. Grants of stock options, including those to our NEOs, are approved by our board and are granted at an exercise price at our above the fair market value of our common stock on the date of grant. Options are generally subject to a time-based vesting schedule, which furthers our objective of employee retention, as it provides an incentive to our executives to remain in our employ during the vesting period. Similarly, MedQuist Inc. has implemented its own equity award program to offer long-term incentives to its executives, including Mr. Masanotti who holds options granted under a MedQuist Inc. equity incentive plan, as described in greater detail below.

Options granted to named executive officers under the 2007 plan

Messrs. Aquilina, Kumar, Swoger and Seedman were awarded stock options under our 2007 Equity Incentive Plan, or the 2007 Plan, pursuant to the provisions of their employment agreements executed in August 2008 in connection with the completion of the MedQuist Inc. Acquisition. Such stock options were granted by our board on August 6, 2008 with an exercise price of £3.15 per share. The options are subject to the following vesting schedule: one-third of the shares vested on August 6, 2009, and one-sixth of the shares vest every six months thereafter, such that the options will be fully vested on August 6, 2011. Any unvested options will automatically vest if the executive's employment is terminated without cause or the executive quits for good reason (as each such term is defined in the executive's employment agreement). As noted above, subject to the NEO's continued service, all unvested options will accelerate automatically upon a change in control (as such term is defined in the executive's option agreement). Generally, an executive can exercise vested options following a termination of employment without cause or a resignation with or without good reason for a period of 90 days

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following such termination; however, this period will be extended to 12 months in the event of death or disability. Pursuant to the terms of the Management Stockholders Agreement, each executive is subject to a customary lock-up for a period of 180 days following our proposed U.S. initial public offering.

Stand-Alone executive option award

On June 12, 2007, our board approved a grant of options over 311,129 shares of our common stock to Mr. Kumar outside of the 2007 Plan. The options were granted in three tranches, of which only options over 56,373 shares remain outstanding and exercisable. The options were granted with an exercise price of \$7.88 per share, which was equal to the price at which our common stock was issued in our initial public offering on AIM. The options vested on June 18, 2007, the date on which our shares were admitted for trading on AIM. The options will remain exercisable for a period of six months from the date of termination of Mr. Kumar's employment (except a termination for cause, u