

XPO Logistics, Inc.
 Form 10-Q
 November 07, 2014
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UNITED STATES
 SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2014

TRANSITION REPORTS PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
 Commission file number: 001-32172

XPO Logistics, Inc.
 (Exact name of registrant as specified in its charter)

Delaware
 (State or other jurisdiction of incorporation or organization) 03-0450326
 (I.R.S. Employer Identification No.)

Five Greenwich Office Park
 Greenwich, CT 06831
 (Address of principal executive offices) (Zip code)
 (855) 976-4636

(Registrant's telephone number, including area code)
 (Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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As of November 4, 2014, there were 64,448,865 shares of the registrant's common stock, par value \$0.001 per share, outstanding.

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Part I—Financial Information

Item 1. Financial Statements.

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XPO Logistics, Inc.

Condensed Consolidated Balance Sheets

(In thousands, except share data)

	September 30, 2014 (Unaudited)	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 680,101	\$ 21,524
Accounts receivable, net of allowances of \$8,148 and \$3,539, respectively	475,323	134,227
Prepaid expenses	16,682	3,935
Deferred tax asset, current	8,581	3,041
Income tax receivable	13,217	—
Other current assets	9,875	7,304
Total current assets	1,203,779	170,031
Property and equipment, net of \$33,392 and \$11,803 in accumulated depreciation, respectively	224,138	56,571
Goodwill	918,485	363,448
Identifiable intangible assets, net of \$54,560 and \$15,411 in accumulated amortization, respectively	363,004	185,179
Deferred tax asset, long-term	76	72
Restricted cash	10,315	2,141
Other long-term assets	26,496	2,799
Total long-term assets	1,542,514	610,210
Total assets	\$ 2,746,293	\$ 780,241
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 241,354	\$ 71,391
Accrued salaries and wages	45,577	11,741
Accrued expenses, other	47,772	9,489
Current maturities of long-term debt	2,907	2,028
Other current liabilities	7,960	4,684
Total current liabilities	345,570	99,333
Senior notes due 2019	500,000	—
Convertible senior notes	102,339	106,268
Revolving credit facility and other long-term debt, net of current maturities	229	75,373
Deferred tax liability, long-term	83,813	15,200
Other long-term liabilities	61,854	28,224
Total long-term liabilities	748,235	225,065
Commitments and contingencies		
Stockholders' equity:		
Series A convertible perpetual preferred stock, \$.001 par value; 10,000,000 shares; 73,335 and 74,175 shares issued and outstanding at September 30, 2014 and December 31, 2013, respectively	42,258	42,737
Series B convertible perpetual preferred stock, \$.001 par value; 371,848 shares; 371,848 and 0 shares issued and outstanding at September 30, 2014 and December 31, 2013, respectively	—	—
	64	30

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Common stock, \$.001 par value; 150,000,000 shares authorized; 64,486,445 issued and outstanding at September 30, 2014 and 30,583,073 and 30,538,073 shares issued and outstanding, respectively, at December 31, 2013

Additional paid-in capital	1,413,860	524,972
Treasury stock, at cost, 0 and 45,000 shares held at September 30, 2014 and December 31, 2013, respectively	—	(107)
Accumulated deficit	(167,592)	(111,789)
Total stockholders' equity	1,652,488	455,843
Total liabilities and stockholders' equity	\$2,746,293	\$780,241

See accompanying notes to condensed consolidated financial statements.

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XPO Logistics, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)
(In thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenue	\$662,470	\$193,982	\$1,525,882	\$445,071
Operating expenses				
Cost of purchased transportation and services	487,365	159,147	1,170,509	374,636
Direct operating expense	71,026	2,077	102,118	2,077
Sales, general and administrative expense	117,717	51,177	300,148	112,159
Total operating expenses	676,108	212,401	1,572,775	488,872
Operating loss	(13,638)	(18,419)	(46,893)	(43,801)
Other expense	296	235	546	294
Interest expense	17,842	6,415	31,303	12,585
Loss before income tax provision	(31,776)	(25,069)	(78,742)	(56,680)
Income tax benefit	(20,077)	(19,044)	(25,147)	(18,748)
Net loss	(11,699)	(6,025)	(53,595)	(37,932)
Cumulative preferred dividends	(733)	(743)	(2,208)	(2,229)
Net loss available to common shareholders	\$(12,432)	\$(6,768)	\$(55,803)	\$(40,161)
Basic loss per share				
Net loss	\$(0.23)	\$(0.28)	\$(1.13)	\$(1.99)
Diluted loss per share				
Net loss	\$(0.23)	\$(0.28)	\$(1.13)	\$(1.99)
Weighted average common shares outstanding				
Basic weighted average common shares outstanding	54,470	24,222	49,497	20,167
Diluted weighted average common shares outstanding	54,470	24,222	49,497	20,167

See accompanying notes to condensed consolidated financial statements.

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XPO Logistics, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(In thousands)

	Nine Months Ended September 30,	
	2014	2013
Operating activities		
Net loss	\$(53,595	) \$(37,932
Adjustments to reconcile net loss to net cash from operating activities		
Provisions for allowance for doubtful accounts	5,108	1,855
Depreciation and amortization	63,790	11,743
Stock compensation expense	5,636	3,374
Accretion of debt	4,199	4,437
Deferred tax expense	(28,686	) (18,882
Other	2,147	(201
Changes in assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(73,472	) (28,096
Income tax payable	2,889	(662
Prepaid expense and other current assets	3,027	(2,373
Other long-term assets	(1,688	) (97
Accounts payable	39,714	(1,725
Accrued expenses and other liabilities	17,674	7,014
Cash flows used by operating activities	(13,257	) (61,545
Investing activities		
Acquisition of businesses, net of cash acquired	(813,657	) (352,266
Payment for purchases of property and equipment	(21,600	) (6,535
Other	339	125
Cash flows used by investing activities	(834,918	) (358,676
Financing activities		
Proceeds from common stock offerings, net	733,954	239,660
Proceeds from issuance of preferred stock, net	363,898	—
Proceeds from issuance of senior notes, net	489,641	—
Proceeds from borrowing on revolving credit facility	130,000	—
Repayment of borrowings on revolving credit facility	(205,000) —
Dividends paid to preferred stockholders	(2,208	) (2,229
Payments of tax withholdings for restricted shares	(2,501	) (1,585
Other	(1,032	) (659
Cash flows provided by financing activities	1,506,752	235,187
Net increase (decrease) in cash	658,577	(185,034
Cash and cash equivalents, beginning of period	21,524	252,293
Cash and cash equivalents, end of period	\$680,101	\$67,259
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$15,282	\$6,611
Cash (received) paid for income taxes	\$(1,091	) \$907
Equity portion of acquisition purchase price	\$138,252	\$10,446
See accompanying notes to condensed consolidated financial statements.		

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XPO Logistics, Inc.

Condensed Consolidated Statements of Changes in Stockholders' Equity

For the Nine Months Ended September 30, 2014

(Unaudited)

(In thousands)

	Series A Preferred Stock		Series B Preferred Stock	Common Stock	Treasury Stock	Paid-In	Accumulated	Total	
	Shares	Amount	Shares	Amount	Shares	Capital	Deficit		
Balance, December 31, 2013	74	\$42,737	—	\$—	30 (45)	\$(107)	\$524,972	\$(111,789)	\$453,183
Net loss	—	—	—	—	—	—	—	(53,595)	\$(53,595)
Exercise of warrants and stock options and other	—	—	—	330	—	—	(1,983)	—	\$(1,653)
Conversion of preferred stock to common stock	(1)	(479)	—	120	—	—	479	—	\$—
Proceeds from issuance of preferred stock, net of issuance costs	—	—	372	363,898	—	—	—	—	363,898
		Massachusetts 0.1%							
AAA	355	Massachusetts Hsg. Fin. Agcy. Hsg. Projs., Ser. A, 5.95%, 10/01/08, AMBAC	08/04 @ 101	357,279					
		Michigan 6.5%							
AAA	1,665	Detroit, GO, 3.50%, 4/01/09, MBIA	No Opt. Call	1,686,845					
AAA	6,315	Detroit City Sch. Dist., GO, Sch. Bldg. & Site Impvt., Ser. A, 4.00%, 5/01/09, FGIC	No Opt. Call	6,539,435					
AAA	3,2903	Lake Orion, Cmnty. Sch. Dist., AMBAC, 6.60%, 5/01/05	N/A	3,457,165					
AAA	3,2853	6.70%, 5/01/05	N/A	3,454,572					
AAA	3,000	Michigan Trunk Line, Ser. A, 4.125%, 11/01/08, FSA	No Opt. Call	3,120,810					
AAA	2,535	Washtenaw Cmnty. Coll., 4.00%, 4/01/09, MBIA	No Opt. Call	2,623,598					
AAA	2,695	West Ottawa Pub. Sch. Dist., GO, Ser. B, 3.50%, 5/01/09, FGIC	No Opt. Call	2,731,005					

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AAA	2,000	Western Twنشps. Util. Auth. Sewage Disp. Sys., 5.00%, 1/01/09, FGIC	No Opt. Call	2,149,420
AAA	3,400	Wyandotte Elec., 6.25%, 10/01/08, MBIA	No Opt. Call	3,654,966
				29,417,816
				29,417,816
		Mississippi 0.5%		
AAA	2,175	De Soto Cnty. Sch. Dist., GO, 3.25%, 2/01/09, FSA	No Opt. Call	2,175,000
		Nevada 3.0%		
AAA	6,270	Clark Cnty. Sch. Dist, Ser. A, 4.00%, 6/01/09, FGIC	No Opt. Call	6,496,598
AAA	2,245	Las Vegas Clark Cnty. Library Dist., 4.75%, 2/01/09, FGIC	No Opt. Call	2,391,935
AAA	2,085	Nevada Dept. of Bus. & Ind., Las Vegas Monorail Proj., AMBAC, Zero Coupon, 1/01/09	No Opt. Call	1,753,777
AAA	3,585	Zero Coupon, 1/01/10	No Opt. Call	2,858,751
				13,501,061
				13,501,061
		New Jersey 8.0%		
AAA	1,220	Monmouth Cnty. Impvt. Auth., Gov't. Loan, 3.10%, 4/15/09, AMBAC	No Opt. Call	1,216,291
AAA	1,000	5.00%, 12/01/08, FSA	No Opt. Call	1,081,490
AAA	1,220	New Jersey Econ. Dev. Auth., Ser. A, MBIA, Econ. Recovery Fund, 4.50%, 3/15/09	No Opt. Call	1,290,284
AAA	30,2753	Mkt. Transp. Fac. Rev., 5.80%, 7/01/04	N/A	30,880,500
AAA	1,750	New Jersey Transp. Trust Fund Auth., Transp. Sys., Ser. C, 5.25%, 12/15/08, AMBAC	No Opt. Call	1,900,518
				36,369,083
				36,369,083
		New Mexico 1.1%		
AAA	2,030	Farmington Util. Sys., Ser. A, 3.50%, 5/15/09, FSA	No Opt. Call	2,057,344
AAA	2,825	New Mexico Fin. Auth., Pub. Proj., Ser. A, 3.80%, 6/01/08, MBIA	No Opt. Call	2,907,603

 4,964,947

See Notes to Financial Statements.

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BlackRock Insured Municipal 2008 Term Trust (BRM) (continued)

Rating ¹	Principal Amount (000)	Description	Option Call Provisions ²	Value
New York 14.9%				
AAA	\$ 2,000	Erie Cnty., Public Impvt., Ser. A, 4.50%, 3/15/09, FGIC	No Opt. Call	\$ 2,120,600
AAA	15,915	New York, GO, Ser. F, 5.25%, 9/15/09, MBIA	09/08 @ 101	17,251,701
		New York City, GO, Ser. E, MBIA,		
AAA	5,000	6.125%, 8/01/06	No Opt. Call	5,377,950
AAA	15,500	6.20%, 8/01/07	No Opt. Call	17,096,965
		New York City, Ser. G, MBIA,		
AAA	2,8903	5.75%, 2/01/06	N/A	3,100,479
AAA	2,110	5.75%, 2/01/08	02/06 @ 101.5	2,240,229
AAA	4,250	New York City Hlth. & Hosp. Corp., Hlth. Sys. Svcs., Ser. A, 3.50%, 2/15/09, AMBAC	No Opt. Call	4,287,910
		New York Env. Fac. Corp., PCR, Ser. D,		
AAA	2,5453	6.50%, 11/15/04	N/A	2,643,721
AAA	2,3703	6.50%, 11/15/04	N/A	2,461,932
AAA	1,2153	6.50%, 11/15/04	N/A	1,262,130
AAA	9503	6.50%, 11/15/04	N/A	986,851
AAA	1,030	6.50%, 5/15/07	11/04 @ 102	1,068,985
AAA	80	6.50%, 11/15/07	11/04 @ 102	83,028
		New York Thruway Auth. Svc. Contract Rev., Local Highway and Bridge, Ser. A, MBIA,		
AAA	6803	5.40%, 1/01/05	N/A	707,152
AAA	2,715	5.40%, 1/01/09	01/05 @ 102	2,817,953
AAA	4,000	Port Auth. of NY & NJ, Ser. 129, 2.875%, 11/01/08, FSA	No Opt. Call	3,979,600
				<hr/> 67,487,186 <hr/>
North Carolina 8.4%				
AAA	1,0003	Cumberland Cnty., COP, Civic Ctr. Proj., Ser. A, 6.375%, 12/01/04, AMBAC	N/A	1,040,620
		No. Carolina Eastn. Mun. Pwr. Agcy., Sys. Rev., Ser. B,		
AAA	13,500	6.125%, 1/01/09, FGIC	No Opt. Call	15,139,035
AAA	5,000	7.00%, 1/01/08, CAPMAC	No Opt. Call	5,657,300
AAA	14,675	7.25%, 1/01/07, CAPMAC	No Opt. Call	16,284,994
				<hr/> 38,121,949 <hr/>
Ohio 1.3%				
AAA	2,4103	Cleveland, GO, 6.40%, 11/15/04, MBIA	N/A	2,502,158

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		Ohio Bldg. Auth., Ser. A,		
AAA	1,0003	Juvenile Correctional Proj., 6.50%, 10/01/04, AMBAC	N/A	1,032,500
AAA	2,000	Workers Comp. Facs., 5.00%, 4/01/09, FGIC	No Opt. Call	2,157,180
				<hr/>
				5,691,838
		Oregon \square 1.9%		
AAA	1,285	Lane Cnty. Sch. Dist., No. 4, 3.00%, 1/01/09, FSA	No Opt. Call	1,276,982
		Oregon Dept. of Admin. Svcs., FSA,		
AAA	2,905	COP, 5.00%, 11/01/08	No Opt. Call	3,130,108
AAA	2,255	Lottery Rev., Ser. C, 3.125%, 4/01/09	No Opt. Call	2,252,610
AAA	2,000	Washington & Clackamas Cntys. Sch. Dist., GO, 3.75%, 6/15/08, MBIA	No Opt. Call	2,059,100
				<hr/>
				8,718,800
		Pennsylvania \square 11.8%		
AAA	1,460	Bensalem Twnshp. Sch. Dist., GO, 3.25%, 8/15/09, FGIC	No Opt. Call	1,460,190
AAA	1,500	Bristol Twnshp. Sch. Dist., 4.25%, 2/15/09, FGIC	No Opt. Call	1,567,035
		Dauphin Cnty. Gen. Auth., HAPSCO-Western Pennsylvania Hosp. Proj., MBIA,		
AAA	6,910	Ser. A, 6.25%, 7/01/08	08/04 @ 100	6,928,242
AAA	3,530	Ser. B, 6.25%, 7/01/08	ETM	3,763,757
AAA	3,500	Indiana Cnty. Indl. Dev. Auth., PCR, Elec. & Gas Corp., Ser. A, 6.00%, 6/01/06, MBIA	No Opt. Call	3,747,800
AAA	16,250	Lehigh Cnty. Indl. Dev. Auth., PCR, 3.125%, 11/01/08, AMBAC	No Opt. Call	16,284,775
		Pennsylvania Dept. of Gen. Svcs., COP, FSA,		
AAA	2,075	4.50%, 5/01/08	No Opt. Call	2,186,448
AAA	2,120	4.50%, 11/01/08	No Opt. Call	2,237,278
AAA	2,165	4.50%, 5/01/09	No Opt. Call	2,289,964
AAA	2,220	4.50%, 11/01/09	No Opt. Call	2,349,471
AAA	3,175	Philadelphia, GO, 4.10%, 9/15/08, FSA	No Opt. Call	3,302,444
AAA	3,125	Pittsburgh Pub. Parking Auth., Parking Rev., 3.25%, 12/01/08, AMBAC	No Opt. Call	3,141,469
AAA	3,955	West Chester Area Sch. Dist., GO, Ser. AA, 3.65%, 1/15/09, MBIA	07/07 @ 100	4,029,947
				<hr/>
				53,288,820
		South Carolina \square 0.8%		
AAA	2,020	Chester Cnty. Sch. Dist., 3.25%, 2/01/09, FSA	No Opt. Call	2,028,545
AAA	1,705	Lexington Cnty. Sch. Dist. 1, COP, 3.50%, 3/01/09, AMBAC	No Opt. Call	1,730,677
				<hr/>
				3,759,222

See Notes to Financial Statements.

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Rating1	Amount (000)	Description	Option Call Provisions2	Value
		Tennessee 0.2%		
AAA	\$ 1,000	Clarksville Wtr., Swr & Gas Rev., 4.30%, 2/01/09, FSA	No Opt. Call	\$ 1,046,450
		Texas 24.6%		
AAA	5,380	Austin, GO, Pub. Impvt., 3.50%, 9/01/08, FSA	No Opt. Call	5,468,985
		Austin Util. Sys.,		
AAA	11,515	Ser. A, Zero Coupon, 11/15/08, MBIA	No Opt. Call	9,910,039
AAA	5,000	Ser. A, Zero Coupon, 11/15/09, AMBAC	No Opt. Call	4,091,200
AAA	5,000	Ser. A, Zero Coupon, 11/15/09, MBIA	No Opt. Call	4,091,200
AAA	5,000	6.625%, 11/15/08, AMBAC	No Opt. Call	5,676,300
		Coppell Indpt. Sch. Dist., MBIA,		
AAA	1,430	6.10%, 8/15/09	ETM	1,620,004
AAA	620	6.10%, 8/15/09	08/04 @ 100	623,162
AAA	2,500	Dallas Wtrwks. & Swr. Sys., 3.50%, 4/01/09, FSA	No Opt. Call	2,527,300
AAA	2,000	Houston, Pub. Impvt., Ser. A-1, 5.00%, 3/01/09, MBIA	No Opt. Call	2,153,700
AAA	4,390	Houston Indpt. Sch. Dist., Zero Coupon, 8/15/09, AMBAC	No Opt. Call	3,636,588
		Lower Colorado River Auth.,		
AAA	2,010	3.50%, 5/15/09, MBIA	No Opt. Call	2,032,552
AAA	2,690	5.25%, 5/15/09, FSA	No Opt. Call	2,930,298
AAA	1,650	Lubbock Cnty., 3.50%, 2/15/09, FGIC	No Opt. Call	1,666,830
AAA	1,500	North Texas Tollway Auth., Ser. C, 5.00%, 1/01/09, FSA	No Opt. Call	1,608,825
AAA	6,000	San Antonio Elec. & Gas, Ser. B, Zero Coupon, 2/01/10, FGIC	ETM	4,818,960
AAA	9,050	Tarrant Regl. Wtr. Dist., Impvt., 3.50%, 3/01/09, FSA	No Opt. Call	9,147,106
		Texas Mun. Pwr. Agcy.,		
AAA	980	Zero Coupon, 9/01/08, AMBAC	ETM	856,853
AAA	14,020	Zero Coupon, 9/01/08, AMBAC	No Opt. Call	12,175,809
AAA	1,045	Zero Coupon, 9/01/09, AMBAC	ETM	874,362
AAA	15,130	Zero Coupon, 9/01/09, AMBAC	No Opt. Call	12,500,255
AAA	7,0003	5.00%, 9/01/04, FGIC	N/A	7,040,880
		Texas Pub. Fin. Auth.,		
AAA	2,270	3.50%, 2/01/09, FGIC	No Opt. Call	2,293,926
AAA	3,000	Ser. A, 5.50%, 2/01/09, AMBAC	02/08 @ 101	3,274,710
AAA	5,900	Ser. B, 6.25%, 2/01/09, AMBAC	No Opt. Call	6,633,134
AAA	1,825	Williamson Cnty., GO, Ser. B, 5.00%, 2/15/09, FSA	No Opt. Call	1,959,941
AAA	2,275	Ysleta Indpt. Sch. Dist., GO, Zero Coupon, 8/15/08	No Opt. Call	1,977,089
				<u>111,590,008</u>
		Utah 3.6%		
		Intermountain Pwr. Agcy., Sply., Ser. B, MBIA,		
AAA	2,215	6.00%, 7/01/07	ETM	2,433,377
AAA	1,285	6.00%, 7/01/07	No Opt. Call	1,403,554
AAA	1,5503	Salt Lake Cnty. Mun. Bldg. Auth., Ser. A, 6.05%, 10/01/04, MBIA	N/A	1,583,279
AAA	10,3003	Utah, GO, Ser. F, 5.00%, 7/01/07	N/A	11,021,103
				<u>16,441,313</u>

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Washington 10.5%				
AAA	1,250	Clark Cnty. Pub. Util. Dist., No. 1 Elec. Rev., 5.00%, 1/01/09, MBIA King Cnty., GO,	No Opt. Call	1,340,688
AAA	3,060	Pub. Transp. Sales Tax, 3.50%, 12/01/08, FSA	No Opt. Call	3,101,065
AAA	12,850	Ser. D, 5.55%, 12/01/08, MBIA	12/07 @ 102	14,129,860
AAA	5,710	Seattle Impvt. Ltd. Tax, 4.00%, 7/01/08, FSA Washington Hlth. Care Fac. Auth., Catholic Hlth. Initiatives, Ser. A, MBIA,	No Opt. Call	5,912,134
AAA	1,010	5.30%, 12/01/08	No Opt. Call	1,093,436
AAA	1,000	5.40%, 12/01/10	06/10 @ 101	1,098,430
AAA	2,045	Washington Motor Vehicle Fuel Tax, GO, 4.00%, 7/01/09, MBIA Washington Pub. Pwr. Sply.,	No Opt. Call	2,114,428
AAA	11,000	Ser. A, 5.80%, 7/01/07, FSA	No Opt. Call	11,952,160
AAA	5,550	Nuclear Proj. No. 3, Zero Coupon, 7/01/07, MBIA	No Opt. Call	5,037,679
AAA	2,000	Nuclear Proj. No. 3, Zero Coupon, 7/01/08, MBIA	No Opt. Call	1,740,300
				47,520,180
West Virginia 1.5%				
AAA	1,550	West Virginia Econ. Dev. Auth., Correctional Juvenile & Pub., Ser. A, 4.25%, 6/01/08, MBIA West Virginia Higher Ed. Policy Comm. Rev., Ser. A, MBIA,	No Opt. Call	1,617,905
AAA	2,455	State College Fac., 5.00%, 4/01/09	No Opt. Call	2,642,341
AAA	2,135	Univ. Facs., 5.00%, 4/01/09	No Opt. Call	2,297,922
				6,558,168

See Notes to Financial Statements.

BlackRock Insured Municipal 2008 Term Trust (BRM) (continued)

Rating1	Principal Amount (000)	Description	Option Call Provisions2	Value
Wisconsin 3.1%				
Wisconsin, GO,				
AAA	\$ 7,705	Ser. A, 4.00%, 5/01/09, FGIC	No Opt. Call	\$ 7,975,369
AAA	6,080	Ser. C, 4.00%, 5/01/09, MBIA	No Opt. Call	6,293,347
				14,268,716
Wyoming 0.6%				
Albany Cnty. Impvts. Statutory Trust, COP, MBIA,				
AAA	1,270	3.75%, 1/15/09	No Opt. Call	1,296,530
AAA	1,395	3.75%, 7/15/09	No Opt. Call	1,424,044
				2,720,574

Total Long-Term Investments (cost \$648,286,546)				680,132,434
SHORT-TERM INVESTMENTS				
Kansas				
1.0%				
A1+	4,6554	Kansas Dept. Transp. Hwy, Ser. B-1, 1.08%, 7/01/04, FRDD	N/A	4,655,000
Michigan				
0.4%				
Detroit, Sewage Disp. Rev.,				
A1+	9954	Ser. A, 1.03%, 7/07/04, MBIA, FRWD	N/A	995,000
A1+	5004	Ser. C-1, 1.08%, 7/01/04, FSA, FRWD	N/A	500,000
1,495,000				
Ohio				
2.9%				
VMIG1	5,0004	Hamilton Ohio Elec. Rev., Ser. B, 1.08%, 7/01/04, FSA, FRWD	N/A	5,000,000
VMIG1	8,1054	Univ. of Akron, 1.08%, 7/01/04, FGIC, FRWD	N/A	8,105,000
13,105,000				
Puerto Rico				
1.2%				
A1	3,0004	Puerto Rico Comnwlth. Gov't. Dev. Bank, 1.02%, 7/01/04, MBIA, FRDD	N/A	3,000,000
A1	2,5004	Puerto Rico Comnwlth. Hwy. & Transp. Auth., Transp. Rev., Ser. A, 1.00%, 7/07/04, AMBAC, FRWD	N/A	2,500,000
5,500,000				
Shares (000)				
Money Market Fund				
2.1%				
9,600		AIM Tax Free Investment Co. Cash Reserve Portfolio	N/A	9,600,000
Total Short-Term Investments (cost \$34,355,000)				
Total Investments				
157.5% (cost \$682,641,546)				
Other assets in excess of liabilities				2.3%
Preferred shares at redemption value, including dividends payable				(59.8)%
Net Assets Applicable to Common Shareholders				
100%				
				\$ 453,688,791

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

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

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

⁴ For purposes of amortized cost valuation, the maturity date of this instrument is considered to be the earlier of the next date on which the security can be redeemed at par, or the next date on which the rate of interest is adjusted. Rate shown as of June 30, 2004.

Securities that are covered by insurance, which ensures the timely payment of principal and interest, represent approximately 93.2% of the Trust's total investments.

KEY TO ABBREVIATIONS

AMBAC	☐	American Municipal Bond Assurance Corporation	FRWD	☐	Floating Rate Weekly Demand
CAPMAC	☐	Capital Markets Assurance Company	FSA	☐	Financial Security Assurance
COP	☐	Certificate of Participation	GO	☐	General Obligation
ETM	☐	Escrowed to Maturity	MBIA	☐	Municipal Bond Insurance Association
FGIC	☐	Financial Guaranty Insurance Company	PCR	☐	Pollution Control Revenue
FRDD	☐	Floating Rate Daily Demand			

See Notes to Financial Statements.

**PORTFOLIO OF INVESTMENTS (unaudited)
JUNE 30, 2004**

BlackRock Insured Municipal Term Trust (BMT)

Rating ¹	Principal Amount (000)	Description	Option Call Provisions ²	Value
LONG-TERM INVESTMENTS ☐156.3%				
Alabama ☐0.9%				
AAA	\$ 1,410	Alabama Fed. Hwy. Fin. Auth., Grant Antic., Ser. A, 4.50%, 3/01/11, MBIA	No Opt. Call	\$ 1,476,707
AAA	1,000	Birmingham Jefferson Civic Ctr. Auth., Ser. A, 4.375%, 1/01/11, FSA	No Opt. Call	1,039,110
				2,515,817
Alaska ☐7.9%				
AAA	14,345	Anchorage, GO, Ser. B, 4.125%, 7/01/11, MBIA	No Opt. Call	14,690,428
AAA	6,000	4.625%, 7/01/10, FGIC	No Opt. Call	6,347,520
AAA	1,260	Univ. of Alaska, Ser. K, 3.75%, 10/01/10, FGIC	No Opt. Call	1,270,949
				22,308,897
Arizona ☐3.1%				

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AAA	1,000	Arizona St. Univ., 4.20%, 7/01/11, FGIC	No Opt. Call	1,032,390
AAA	1,030	Mesa, GO, Ser. A, 3.75%, 7/01/10, FGIC	No Opt. Call	1,045,852
AAA	6,340	Pima Cnty. Str. & Hwy., 4.25%, 7/01/11, FGIC	07/08 @ 101	6,518,598
				<hr/>
				8,596,840
				<hr/>
		Arkansas 0.2%		
AAA	500	Little Rock, Cap. Impvt., 4.00%, 4/01/11, FSA	No Opt. Call	510,320
				<hr/>
		California 8.4%		
		California, GO, FGIC,		
AAA	4,3553	6.80%, 11/01/04	NA	4,519,183
AAA	145	6.80%, 11/01/10	11/04 @ 102	150,200
		California Dept. of Wtr. Res., Pwr. Sply. Rev., Ser. A,		
AAA	5,000	3.60%, 5/01/10, AMBAC	No Opt. Call	5,053,900
AAA	3,500	3.70%, 5/01/11, MBIA	No Opt. Call	3,522,820
AAA	6,100	Contra Costa Trans. Auth., Sales Tax Rev., 6.50%, 3/01/09, FGIC	ETM	6,823,399
AAA	3,065	Los Angeles Cnty., Asset Leasing Corp., 6.05%, 12/01/10, AMBAC	No Opt. Call	3,530,574
				<hr/>