

BlackRock Taxable Municipal Bond Trust
Form N-Q
December 21, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-Q

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY**

Investment Company Act file number 811-22426

Name of Fund: BlackRock Taxable Municipal Bond Trust (BBN)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: John M. Perlowski, Chief Executive Officer, BlackRock Taxable
Municipal Bond Trust, 55 East 52nd Street, New York, NY 10055

Registrant's telephone number, including area code: (800) 882-0052, Option 4

Date of fiscal year end: 07/31/2018

Date of reporting period: 10/31/2017

Item 1 Schedule of Investments

Schedule of Investments (unaudited)

BlackRock Taxable Municipal Bond Trust (BBN)

October 31, 2017

(Percentages shown are based on Net Assets)

<i>Security</i>	<i>Par (000)</i>	<i>Value</i>
Corporate Bonds		
Diversified Financial Services 0.2%		
Western Group Housing LP, 6.75%, 03/15/57 ^(a)	\$ 2,494	\$ 3,180,044
Education 1.2%		
American University, 3.86%, 10/01/47	3,810	3,819,142
Wesleyan University, 4.78%, 07/01/16	11,000	11,541,682
		15,360,824
Health Care Providers & Services 2.8%		
AHS Hospital Corp., 5.02%, 07/01/45	5,084	6,033,972
Kaiser Foundation Hospitals, 4.15%, 05/01/47	11,691	12,482,265
New York and Presbyterian Hospital, 3.56%, 08/01/36	2,500	2,447,374
Northwell Healthcare, Inc., 4.26%, 11/01/47	7,770	7,768,227
Ochsner Clinic Foundation, 5.90%, 05/15/45	5,000	6,223,886
RWJ Barnabas Health, Inc., 3.95%, 07/01/46	3,097	3,073,661
		38,029,385
Total Corporate Bonds 4.2%		56,570,253
Municipal Bonds		
Arizona 2.2%		
Salt River Project Agricultural Improvement & Power District, RB, Build America Bonds, Series A, 4.84%, 01/01/41 ^(b)	25,000	29,609,250
California 32.9%		
Bay Area Toll Authority, RB, Build America Bonds, San Francisco Toll Bridge: Series S-1, 6.92%, 4/01/40	13,700	19,453,315
Series S-1, 7.04%, 4/01/50	1,920	2,955,648
Series S-3, 6.91%, 10/01/50	14,000	21,307,720
City of San Francisco California, Public Utilities Commission Water Revenue, RB, Build America Bonds, Sub-Series E, 6.00%, 11/01/40 ^(b)	21,255	27,051,876
City of San Jose California, Refunding ARB, Norman Y Mineta San Jose International Airport SJC, Series B (AGM), 6.60%, 03/01/41 ^(b)	10,000	11,107,500
	<i>Par (000)</i>	<i>Value</i>
<i>Security</i>		
California (continued)		

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County of Alameda California Joint Powers Authority, RB, Build America Bonds, Recovery Zone, Series A, 7.05%, 12/01/44 ^(b)	\$ 11,000	\$ 16,288,140
County of Orange California Local Transportation Authority, Refunding RB, Build America Bonds, Series A, 6.91%, 02/15/41	5,000	6,937,900
County of Sonoma California, Refunding RB, Pension Obligation, Series A, 6.00%, 12/01/29	14,345	16,992,657
Los Angeles Community College District California, GO, Build America Bonds, 6.60%, 08/01/42 ^(b)	10,000	14,524,400
Los Angeles Department of Water & Power, RB, Build America Bonds ^(b) : 6.17%, 7/01/40	37,500	41,233,875
7.00%, 7/01/41	17,225	19,286,144
Metropolitan Water District of Southern California, RB, Build America Bonds, Series A, 6.95%, 07/01/40 ^(b)	12,000	13,419,120
Palomar Community College District, GO, Build America Bonds, Series B-1, 7.19%, 08/01/45	7,500	8,528,700
Rancho Water District Financing Authority, RB, Build America Bonds, Series A, 6.34%, 08/01/40	20,000	22,254,400
Riverside Community College District Foundation, GO, Build America Bonds, Series D-1, 7.02%, 08/01/40 ^(b)	11,000	12,373,680
San Diego County Regional Airport Authority, ARB, Series B, 5.59%, 07/01/43	4,000	4,438,040
San Diego County Regional Airport Authority, Refunding ARB, Build America Bonds, Sub-Series C, 6.63%, 07/01/40	32,100	35,431,659
State of California, GO, Build America Bonds: 7.30%, 10/01/39 ^(b)	5,445	8,033,825
Various Purpose, 7.55%, 4/01/39	9,035	13,928,175
Various Purpose, 7.60%, 11/01/40	15,000	23,539,650
Various Purposes, 7.63%, 3/01/40 ^(b)	8,950	13,767,248

SCHEDULES OF INVESTMENTS

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Schedule of Investments (unaudited) (continued)

BlackRock Taxable Municipal Bond Trust (BBN)

October 31, 2017

(Percentages shown are based on Net Assets)

<i>Security</i>	<i>Par (000)</i>	<i>Value</i>
California (continued)		
State of California Public Works Board, RB, Build America Bonds, Series G-2, 8.36%, 10/01/34	\$ 18,145	\$ 27,669,492
University of California, RB, Build America Bonds ^(b) :		
5.95%, 5/15/45	24,000	30,944,640
6.30%, 5/15/50	27,010	32,725,316
		444,193,120
Colorado 3.3%		
City & County of Denver Colorado School District No. 1, COP, Refunding, Denver Colorado Public Schools, Series B, 7.02%, 12/15/37	6,000	8,175,360
Regional Transportation District, COP, Build America Bonds, Series B, 7.67%, 06/01/40 ^(b)	23,000	30,333,780
State of Colorado, COP, Build America Bonds, Building Excellent Schools, Series E, 7.02%, 03/15/31	5,000	5,683,500
		44,192,640
District of Columbia 3.4%		
Metropolitan Washington Airports Authority, ARB, Dulles Toll Road Revenue, Build America Bonds, 7.46%, 10/01/46	9,235	13,333,216
Metropolitan Washington Airports Authority Dulles Toll Road Revenue, ARB, Build America Bonds, Series D, 8.00%, 10/01/47	10,750	15,177,925
Washington Convention & Sports Authority, Refunding RB, Series C, 7.00%, 10/01/40	15,000	16,801,650
		45,312,791
Florida 4.4%		
City of Sunrise Florida Utility System, Refunding RB, Build America Bonds, Series B, 5.91%, 10/01/35 ^(b)	23,000	24,882,550
County of Miami-Dade Florida Educational Facilities Authority, Refunding RB, Series B, 5.07%, 04/01/50	12,250	13,434,697
County of Pasco Florida Water & Sewer, RB, Build America Bonds, Series B, 6.76%, 10/01/39	1,500	1,634,745
	<i>Par (000)</i>	<i>Value</i>
Security		
Florida (continued)		
Sumter Landing Community Development District, RB, Taxable Senior Recreational, Series 2016, 4.17%, 10/01/47	\$ 2,575	\$ 2,718,376
Town of Davie Florida Water & Sewer, RB, Build America Bonds, Series B (AGM), 6.85%, 10/01/40	2,500	2,773,450
Village Center Community Development District, Refunding RB, 5.02%, 11/01/36 ^(a)	13,500	14,218,335
		59,662,153

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Georgia 5.3%

Municipal Electric Authority of Georgia Plant Vogtle Units 3 & 4, Refunding RB, Build America Bonds, Series A:

6.64%, 4/01/57	27,084	34,290,511
6.66%, 4/01/57	20,665	25,675,436
7.06%, 4/01/57	10,000	12,129,500
		72,095,447

Hawaii 2.5%

University of Hawaii, RB, Build America Bonds, Series B-1, 6.03%, 10/01/40^(b)

30,500 33,758,925

Illinois 17.7%

Chicago Transit Authority, RB:

Build America Bonds, Series B,

6.20%, 12/01/40^(b) 16,015 20,259,936

Pension Funding, Series A, 6.90%, 12/01/40 4,075 5,411,600

Pension Funding, Series B, 6.90%, 12/01/40 4,900 6,507,200

City of Chicago Illinois, GO:

Build America Bonds, Series B, 7.52%, 1/01/40 10,000 11,583,300

Taxable Project, Recovery Zone, Series D, 6.26%, 1/01/40 13,900 14,453,637

City of Chicago Illinois, Refunding ARB, O Hare International Airport, General 3rd Lien,

Build America Bonds, Series B:

6.85%, 1/01/38^(b) 30,110 32,751,550

6.40%, 1/01/40 1,500 2,039,880

City of Chicago Illinois Wastewater Transmission, RB, Build America Bonds, Series B,

6.90%, 01/01/40^(b) 36,000 45,850,680

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Illinois (continued)		
City of Chicago Illinois Waterworks Transmission, RB, Build America Bonds, 2nd Lien, Series B, 6.74%, 11/01/40	\$ 15,250	\$ 19,737,922
Illinois Finance Authority, RB, Carle Foundation, Series A, 5.75%, 08/15/34	5,000	5,635,750
Illinois Municipal Electric Agency, RB, Build America Bonds, Series A, 7.29%, 02/01/35	15,000	19,508,550
Northern Illinois Municipal Power Agency, RB, Build America Bonds, Prairie State Project, Series A, 7.82%, 01/01/40	5,000	6,481,850
State of Illinois, GO, Build America Bonds: 6.73%, 4/01/35	6,320	7,126,116
7.35%, 7/01/35	35,855	41,909,834
		239,257,805
Indiana 1.7%		
Indiana Finance Authority, RB, Build America Bonds, Series B, 6.60%, 02/01/39	7,900	10,460,706
Indiana Municipal Power Agency, RB, Build America Bonds, Direct Payment, Series A, 5.59%, 01/01/42	10,000	12,187,200
		22,647,906
Kentucky 1.3%		
City of Wickliffe Kentucky, RB, MeadWestvaco Corp., 7.67%, 01/15/27 ^(a)	13,800	17,231,247
Massachusetts 0.7%		
Commonwealth of Massachusetts Transportation Fund Revenue, RB, Build America Bonds, Recovery Zone, Series B, 5.73%, 06/01/40 ^(b)	5,000	6,441,100
Massachusetts HFA, Refunding RB, Series D, 7.02%, 12/01/42	2,270	2,405,701
		8,846,801
Michigan 1.7%		
Michigan State University, RB, Build America Bonds, General, Series A, 6.17%, 02/15/50	5,500	6,640,095
	<i>Par (000)</i>	<i>Value</i>
Michigan (continued)		
Michigan Tobacco Settlement Finance Authority, RB, Series A, 7.31%, 06/01/34	\$ 16,500	\$ 16,309,920
		22,950,015
Minnesota 1.2%		
Southern Minnesota Municipal Power Agency, Refunding RB, Build America Bonds, Series A, 5.93%, 01/01/43	8,000	9,420,080
Western Minnesota Municipal Power Agency, RB, Build America Bonds, Series C, 6.77%, 01/01/46	5,000	7,050,900
		16,470,980
Mississippi 0.5%		

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Mississippi Development Bank, RB, Build America Bonds, Garvee, Series B, 6.41%, 01/01/40	5,000	6,621,650
Missouri 1.8%		
Missouri Joint Municipal Electric Utility Commission, RB, Build America Bonds, Plum Point Project, Series A, 7.73%, 01/01/39	11,000	14,788,510
University of Missouri, RB, Build America Bonds, Curators of the University, Series A, 5.79%, 11/01/41 ^(b)	7,000	9,309,020
		24,097,530
Nevada 1.1%		
City of North Las Vegas Nevada, GO, Build America Bonds, 6.57%, 06/01/40	1,420	1,464,716
County of Clark Nevada Department of Aviation, ARB, Build America Bonds: Series B, 6.88%, 7/01/42 ^(b)	10,000	10,794,100
Series C, 6.82%, 7/01/45	2,000	2,915,240
		15,174,056
New Jersey 13.3%		
County of Camden New Jersey Improvement Authority, LRB, Build America Bonds, Cooper Medical School of Rowan University Project, Series A, 7.75%, 07/01/34	5,000	5,502,250
New Jersey EDA, RB: Build America Bonds, Series CC-1, 6.43%, 12/15/35	6,000	6,237,720
Series A (NPFGC), 7.43%, 2/15/29 ^(b)	20,974	26,069,424

Schedule of Investments (unaudited) (continued)

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New Jersey (continued)		
New Jersey State Housing & Mortgage Finance Agency, RB, M/F Housing, Series C (AGM), 6.65%, 11/01/44	\$ 14,360	\$ 14,618,480
New Jersey State Turnpike Authority, RB, Build America Bonds:		
Series A, 7.10%, 1/01/41 ^(b)	34,000	50,145,920
Series F, 7.41%, 1/01/40	6,790	10,330,102
New Jersey Transportation Trust Fund Authority, RB, Build America Bonds:		
Series B, 6.88%, 12/15/39	12,525	13,043,785
Series C, 5.75%, 12/15/28	4,500	5,174,820
Series C, 6.10%, 12/15/28 ^(b)	45,900	48,159,198
		179,281,699
New York 17.8%		
City of New York New York, GO, Build America Bonds, Sub-Series C-1, 5.82%, 10/01/31 ^(b)	15,000	16,528,500
City of New York New York Municipal Water Finance Authority, RB, Build America Bonds, 2nd General Resolution, Series DD, 6.45%, 06/15/41	6,300	6,952,491
City of New York New York Municipal Water Finance Authority, Refunding RB, Build America Bonds, 2nd General Resolution:		
Series AA, 5.79%, 6/15/41 ^(b)	25,000	27,204,500
Series CC, 6.28%, 6/15/42 ^(b)	20,000	22,312,200
Series EE, 6.49%, 6/15/42	2,000	2,205,320
Series GG, 6.12%, 6/15/42	2,445	2,674,659
City of New York New York Transitional Finance Authority, RB, Build America Bonds, Future Tax Secured:		
Sub-Series B-1, 5.57%, 11/01/38 ^(b)	19,000	23,737,460
Sub-Series C-2, 6.27%, 8/01/39	14,795	15,825,472
County of Nassau New York Tobacco Settlement Corp., Refunding RB, Series A1, 6.83%, 06/01/21	9,231	9,011,978
<i>Security</i>	<i>Par (000)</i>	<i>Value</i>
New York (continued)		
Metropolitan Transportation Authority, RB, Build America Bonds:		
6.67%, 11/15/39	\$ 4,620	\$ 6,503,343
Series C, 7.34%, 11/15/39	13,245	20,249,751
Series C-1, 6.69%, 11/15/40	13,000	18,192,850
Series E, 6.81%, 11/15/40	6,000	8,473,860
Port Authority of New York & New Jersey, ARB:		
192nd Series, 4.81%, 10/15/65	14,825	17,492,907
Consolidated, 160th Series, 5.65%, 11/01/40	2,750	3,571,232
Consolidated, 168th Series, 4.93%, 10/01/51	8,860	10,662,124
	15,000	18,276,600

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State of New York Dormitory Authority, RB, Build America Bonds, General Purpose, Series H, 5.39%, 03/15/40 ^(b)		
State of New York Dormitory Authority, Refunding RB, Touro College & University, Series B, 5.75%, 01/01/29	10,300	10,153,637
		240,028,884
Ohio 7.2%		
American Municipal Power, Inc., RB, Build America Bonds, Combined Hydroelectric Projects, Series B, 7.83%, 02/15/41	10,000	15,205,700
American Municipal Power, Inc., Refunding RB, Build America Bonds, Series B, 6.45%, 02/15/44	10,000	13,339,100
County of Franklin Ohio Convention Facilities Authority, RB, Build America Bonds, 6.64%, 12/01/42 ^(b)	30,575	38,690,522
County of Hamilton Ohio Sewer System Revenue, RB, Build America Bonds, Series B, 6.50%, 12/01/34	7,000	7,600,110
Mariemont City School District, GO, Refunding, Build America Bonds, Series B, 6.55%, 12/01/47 ^(b)	10,055	10,937,427
Ohio University, RB, General Receipts, Athens, 5.59%, 12/01/14	10,100	11,750,340
		97,523,199
Oklahoma 0.3%		
Oklahoma Municipal Power Authority, RB, Build America Bonds, 6.44%, 01/01/45	3,500	4,479,195

Schedule of Investments (unaudited) (continued)

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<i>Security</i>	<i>Par (000)</i>	<i>Value</i>
Pennsylvania 2.6%		
Commonwealth Financing Authority, RB, Series A, 4.14%, 06/01/38	\$ 6,200	\$ 6,462,756
Pennsylvania Economic Development Financing Authority, RB, Build America Bonds, Series B, 6.53%, 06/15/39	23,050	28,984,222

Tom McInerney - *InterActiveCorp - CRO*

We spent less than \$100 million on the purchase with a very small

Barry Diller - *InterActiveCorp - Chairman; CEO*

Far less, far, far, far less.

Tom McInerney - *InterActiveCorp - CRO*

Far, far, far less.

Anthony Noto - *Goldman Sachs - Analyst*

So, is \$106 million a good proxy for the sort of run rate, sort of all else being equal?

Barry Diller - *InterActiveCorp - Chairman; CEO*

No. I don't - sorry. Tom?

Tom McInerney - *InterActiveCorp - CRO*

I think the growth we saw in this quarter is real. And we closed Lending Tree loans, which is, you know, the integration of that is a big piece of the growth, in December of last year and we expect to continue, at least for the near-term, this rate of growth directionally and don't take the literal percentage in Q1, which was extraordinary, and extrapolate that over the entire year but we expect to get good growth out of our lending business over the course of '05.

Barry Diller - *InterActiveCorp - Chairman; CEO*

And they're just beginning. This is very, very fresh and working out the integration between the Lending Tree exchange and the LTL business. LTL's ability to - to essentially hire and train people on the floor is something of a gating issue, but it's one of those very good issues. They're - they're expanding and expanding and expanding to take in the volume, the increased volume that has come.

So, I think it's very early days for us, very, very early days, but the prospects are greater, of course, and I think you can see it in the figures. They're greater, of course, than we had anticipated at the early stage.

Anthony Noto - *Goldman Sachs - Analyst*

The second question was on Hotels.com and if we could just get an update in two regards: One, on the integration, on the technology with Expedia, in terms of inventory and merchandising management. And then second, you know, the bookings growth year-over-year is down 2%,

which I know is slightly better than the 4% declines seen in the fourth quarter, but I imagine the net revenue growth at Hotels.com is probably worse than down 2%, because you're pricing both volume issues and rate issues. So,

I just wondered if you could give us a little bit more clarity beyond the gross bookings line as it relates specifically to Hotels.com. Thanks.

Dara Khosrowshahi - InterActiveCorp - President; CEO-IAC Travel

I think on Hotels.com, the technology integration is going well. The back end, essentially, that's going to be the common back end to both Hotels.com and Expedia, is built out and now is a process of moving over the content, moving over the inventory from one site to the other, and making sure that we don't miss a beat on that.

That is something that will be happening kind of late Q2/Q3. It is—it is a very significant executional job. You've got kind of 20,000 or so hotels on Hotels.com that you're going to have to move over to—over to our new system and we're well underway, but there is that confusion there.

As far as the gross bookings for Hotels.com, the top line is an improvement, but we have a long way to go. We're working on a site redesign. We're also now focusing Hotels.com, not just on hotel products, but on our lodging product, which is broader than most of our competition. So, for example, we launched a site called VacationSpot, which focuses on condominium-type rentals, hotels with kitchens, et cetera. And we're getting Bed and Breakfast inventory on Hotels.com.

So, we think that is pushing the idea of being a hotel specialist. We think having inventory that our competition doesn't have is—is a step in the right direction and hopefully will show up in gross bookings going forward.

Barry Diller - InterActiveCorp - Chairman; CEO

Thanks, next question.

Operator

Thank you. That will come from Paul Keung with CIBC. Please go ahead.

Paul Keung - CIBC World Markets - Analyst

Yes, thanks. Good morning.

Barry Diller - InterActiveCorp - Chairman; CEO

Good morning.

Paul Keung - CIBC World Markets - Analyst

I have a couple of questions. I guess, first one relates to a comment made earlier by Tom regarding the softness in April. Is that slowing growth specific to HSN? Did you see that extend to [inaudible] and Travel and univerticals [ph]? And then the second question is on local services. Can you give us an update on the integration of EPI, CitySearch, ServiceMagic, and specifically, is what returns have you seen thus far from the integration of your local sales force there?

Tom McInerney - InterActiveCorp - CRO

For the common, Paul, was very specific to HSN and in that business, given the nature of it, it's always a little hard to extrapolate what's environmental and what is just specific to things we have going on in a quarter. We were up slightly in April. Cornerstone had a very good April, so, it did not extend to our other businesses in retailing or in nonretailing. I think it was certainly not extremely negative. I mentioned it only

because the Q1 results were so strong that it was one of the things that tempered our outlook just a touch on Q2, and it remains the same. I think gas prices have certainly taken a toll on the consumer and that's the one thing we can point to.

Barry Diller - *InterActiveCorp - Chairman; CEO*

On our local media effort, CitySearch and ServiceMagic continue the integration program of the exact match, which has really just begun, a short while ago, has just become integrated and EPI continues its full range of initiatives. I would say that if you looked at it, the big issue is, of course, getting to this break-even goal for CitySearch, which, as we say, we believe increasingly, with some of us increasingly believe that in the next quarter, we will break even at CitySearch and it will be sustained.

We see the next real pieces are with ServiceMagic to expand their network, which, again, is an issue of them being able to hire people on the floor so that they can expand the number of businesses that are in their network. That's going at pace.

And EPI is both establishing a new brand. I would say both tinkering with its basic book, making it fresher, and doing very well with its Rewards program and its initial emerging online effort. So that's kind of in that area in that priority.

Next question, please.

Operator

Thank you, that will be from Justin Post with Merrill Lynch. Please go ahead.

Justin Post - *Merrill Lynch - Analyst*

Wondering if you could talk a little bit about the marketing efficiencies in travel? And then maybe a little bit more about gross profit on HSN, just to see if there's a fundamental change in your business. As far as marketing efficiencies, obviously traffic was up quite a bit to travel. Just wondering, if you are doing things more efficient, if you can talk a little bit about that. It doesn't feel like there will be lasting effects of that, but maybe you can clarify that a little bit more.

And then, on the gross profit, was there a specific product that really drove the year-over-year increase in the first quarter? I might have missed that.

Dara Khosrowshahi - *InterActiveCorp - President; CEO-IAC Travel*

On the marketing efficiencies, I don't want to by any means indicate that that all of the marketing efficiency is due to timing. We are very much focused this year on driving marketing efficiencies across our businesses and especially on Expedia.com, the North American business, our folks there are doing a great job. Our search engine marketing is is, I'd say more efficient, has been getting better. And we're very much focused on conversion, on what kind of placements we purchased. On on kind of the language, on that we used. And I think that very specific focus has paid off on search engine optimizations in another area that we're focused on, that's working.

So, I'd say in general our online marketing is doing quite well and we think our offline messaging is is quite effective, as well. So, my our expectation for the year is certainly that we will achieve some marketing efficiencies.

Barry Diller - *InterActiveCorp - Chairman; CEO*

We're certainly making I mean all over the place real, real strides in making the marketing actually more efficient. I mean, so yes, Tom, go ahead.

Tom McInerney - *InterActiveCorp - CRO*

On the HSN gross profit, there's a number of things that go into that. I would say there was no one product or even product classification that drove it. We really just had the confluence of a really good quarter on both product margin, which is literally the price less the cost of the product, and the other elements of gross profit that go in there, including the filming costs and things like that. As I say, the initiatives that our team is utilizing to drive that: better product quality, lower return rates, increased scale and efficiency in our fulfillment operations, are all very real.

So, it's good stuff that's behind it and it's not just kind of a one-time aberrational thing. That said, you can't, for all the obvious reasons, count on that kind of gross profit expansion quarter after quarter, but I think like Dara's remarks up front, it's the kind of thing that can happen when we're firing on all cylinders and this quarter it happened.

Justin Post - *Merrill Lynch - Analyst*

Great, and one follow-up real quick. On the TripAdvisor, it looks like you added it in on a revenue basis this quarter. I don't think it had a material impact. Was there a material revenue impact from adding it in on a year-over-year basis in the quarter?

Dara Khosrowshahi - *InterActiveCorp - President; CEO-IAC Travel*

For New Expedia, I'm guessing that the revenue impact will be about 2 points. Not a big number.

Barry Diller - *InterActiveCorp - Chairman; CEO*

Thank you. Next question, please.

Operator

Thank you. That will be from Michael Millman with Soleil Securities. Please go ahead.

Michael Millman - *Soleil Securities - Analyst*

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Thank you, that's Soleil Securities. I guess a couple of questions. Last night, one of the companies in the travel space indicated that they were seeing European online adoption at a much slower rate than they saw in the U.S., a comparable stage in development, and I was wondering if you could comment on that.

Also, I was curious about whether the Spitzer or how you saw the Spitzer probe on spyware affecting, generally, Search or maybe profitability in Search. On the agency

Barry Diller - *InterActiveCorp - Chairman; CEO*

Well, that's a couple. Let's do those. So, Dara?

Dara Khosrowshahi - *InterActiveCorp - President; CEO-IAC Travel*

Okay. As far as European online adoption rates, we haven't seen anything broad there. We certainly have seen some weakness in the general U.K. retail and travel markets in Q1. But, I think we're gaining share there and executing very, very well and frankly we're hitting on all cylinders, in the German, the French, Italian market. So, to the extent that there's a surprisingly lower online adoption rate is not something that we have specifically seen, at least broadly in Europe, but it's something that we will look into.

Barry Diller - *InterActiveCorp - Chairman; CEO*

As far as the issues on spyware and adware that have recently been raised, relative to I know, the Attorney General has dove into, we are confident that Ask Jeeves doesn't have an issue with either spyware or adware, full stop. It is an issue, obviously, but it is not our issue. And that's that. Next question, please?

Operator

Thank you. That will come from Robert Peck with Bear Stearns. Please go ahead.

Robert Peck - *Bear Stearns - Analyst*

Yes, most of my questions have already been answered. But on some one-time items, can you give us a little more color on HSN International and how much of the impact was from Euvia?

Also, as well, can you talk about Ticketing and maybe try to quantify how much of the impact was from former the NHL. The missed NHL season? And then I have one follow-up.

Dara Khosrowshahi - *InterActiveCorp - President; CEO-IAC Travel*

Sure. Euvia, we reflected Euvia as a discontinued op in the quarter. So, none of those recorded results were electronic, retail, interagency, and International was from was from the Euvia operation. Basically we're making some progress after a very difficult 2004 at HSE24, which is our German home shopping business. We saw modest sales growth in Q1 and good poster on the profit side and we're optimistic, guardedly optimistic, but optimistic for the balance of the year.

We also have a nascent business in the U.K.. It's very early stage, but it's contributing well to growth and modest profits, which is a quiz business. Interactive quiz business in the U.K. So, both of those things are really what drove the Q1 results.

The NHL was not a big impact for Ticketmaster in the quarter. I will pull the exact numbers in a second, but it was, I think less than a million ticket impact and was not a key driver of the results.

Barry Diller - *InterActiveCorp - Chairman; CEO*

Next question.

Operator

Thank you. That will come from Jeetil Patel with Deutsche Bank. Please go ahead.

Jeetil Patel - *Deutsche Bank Securities - Analyst*

Yes, thank you. Two question. First of all, on the travel business, I guess I m trying to better understand the dynamics here, which obviously, supply has been somewhat of a constraining factor in the marketplace, as you look at your travel business on a intermediate term basis and at the same time, you re increasing your marketing expenses in the short run to stimulate demand. Can you talk about

Barry Diller - *InterActiveCorp - Chairman; CEO*

No, we re not

Jeetil Patel - *Deutsche Bank Securities - Analyst*

Well, I mean marketing going up in Q2. It seems like can you talk about how that factors in? Is that just more seasonal in nature that's driving that?

And secondly, as you look at the travel business, do you think that as we get into the back half of the year, we'll finally see some stabilization on the pure raw margin side, particularly as you compare against last year's kind of starting the beginning of the decline on the raw margin line, as you look at the back half of this year.

Dara Khosrowshahi - *InterActiveCorp - President; CEO-IAC Travel*

On the marketing side again, I want to stress that we do expect to get overall marketing efficiencies as far as our spend goes. And when you compare Q1 and Q2, it is a timing issue, it's a change in the strategy as far as how we're spending on marketing this year, and whereas last year we started off much more aggressively and arguably lost a bit of share as the year wore on, this year, we're starting a little more conservatively. The marketing spend has been very successful. Clearly, we're pretty happy with our comp line, both on a domestic and an international basis, and we're spending deeper into the year, which we think should give us good momentum going forward on the gross bookings side. So, I think, you know, on the marketing side, we're we're very, very happy with execution.

The inventory issue typically the inventory this quarter has been very good. And we're executing well against it. And, you know, that becomes more of a challenge as the year wears on, but we think we think we're totally up for it. It's too soon to tell how that's going how that's going to shape out.

What was the second question? Oh, on raw margins. It's tough to tell. I think that part of our job as your management, is to drive efficiency into this business as it grows. And and as the travel market grows, as the online travel market grows faster with that, we get real efficiencies with scale and we get to take some of those efficiencies and I think we give some of those efficiencies back to our supplier. We give a whole lot of those efficiencies back to our customers. That's why we've been more aggressive in Packaging pricing, for example. And then we get to pocket some of those efficiencies. And for us, our job as management is to balance those, and frankly, take care of those three constituencies. We expect to do that going forward.

Barry Diller - *InterActiveCorp - Chairman; CEO*

Thank you, next question.

Operator

Thank you. That will come from Mark Mahaney with American Technologies. Go ahead, please.

Mark Mahaney - *American Technologies - Analyst*

Thank you very much. Two quick questions. What's the right organic Travel revenue growth for the March quarter relative to the 17% reported in December? And secondly, when could what's a reasonable expectation for when Hotels.com booking will start to stabilize and grow again? Is it the fourth quarter? Or are you willing to put a stake in the sand? Thank you very much.

Barry Diller - *InterActiveCorp - Chairman; CEO*

Maybe you've got to start again, Dara. Unfortunately I put us on mute. Not at the very, very beginning. Sorry!

Dara Khosrowshahi - *InterActiveCorp - President; CEO-IAC Travel*

For the organic growth rate, as far as revenue, this quarter was around 15%, if you exclude TripAdvisor. For New Expedia, I don't know what the comp is for Q4 and as we move on, hopefully we can get you better comparables going backwards and forwards.

Barry Diller - *InterActiveCorp - Chairman; CEO*

Margin?

Dara Khosrowshahi - *InterActiveCorp - President; CEO-IAC Travel*

Yes, and

Barry Diller - *InterActiveCorp - Chairman; CEO*

I think well, hopefully you've got it out there and if you haven't, somebody can follow up with it. Hotels, sorry.

Dara Khosrowshahi - *InterActiveCorp - President; CEO-IAC Travel*

On Hotels.com, gross bookings, we expect those comps to improve as the year goes on. And Q1, you have to note that Hotels.com comps versus last year of Q1, are very, very [inaudible]. Last year Q1 they had 44% gross bookings growth. That gross bookings growth came down as the year went on. So, our expectation is for you to see improvement in Hotels.com's gross bookings growth later in the year as, frankly, with each quarter going forward.

Barry Diller - *InterActiveCorp - Chairman; CEO*

Next question, please.

Operator

Thank you. That will come from Douglas Anmuth with Lehman Brothers. Go ahead, please.

Douglas Anmuth - *Lehman Brothers - Analyst*

Thank you. I just wanted to go back to the Financial Services business, given that it drove a good amount of upside during the quarter here.

Barry Diller - *InterActiveCorp - Chairman; CEO*

Sure.

Douglas Anmuth - *Lehman Brothers - Analyst*

Around the origination business: Can you talk in a little bit more detail about how you are limiting the risk exposure from the loans that you're taking on? And then secondly, is there any update on the MSN travel contract that runs through next month, I believe? Thank you.

Barry Diller - *InterActiveCorp - Chairman; CEO*

Tom, why don't you I mean, I can tell you just overall, this is a topic for us that since the very beginning of getting into this brokerage business, the direct, that we were all on top of before we got into it. We've got all sorts of mechanisms, checks, balances, et cetera, dealing with risk. We think overall, and our board shares this, that there is minimal risk in our getting into this business. But Tom, do you want to elaborate on that in any way?

Tom McInerney - *InterActiveCorp* - *CRO*

Yes. The basic mechanics of the business are they are entering into interest rate locks and subsequently closing a loan with the consumer and immediately selling it. And so, a couple of points. One is, they actually own the loan and have any risk that comes with the loan, for basically no period of time. They're selling it as soon as they fund it, other than pulling together the paperwork and completing the process. So, in Lending Tree loan's history, I think they've had a problem from a credit perspective with one loan out of 30,000 or something like that, and that one, they still haven't suffered a loss on. There's not a lending risk, in that sense.

And the other risk that we look at and manage that we're entirely comfortable with, is just interest rate risk, because obviously interest rates could move for that brief period of time because they're, in essence, hedging as soon as they make any kind of commitment, and either liquid and obviously markets and everything, that goes away.

So, it's something, as Barry said, we look very closely at. We've looked at the history for the years they've been in business and currently and they're closing in their name, but they're essentially getting rid of the loan immediately. So, it's not a lending operation in that sense. They own it, but we [inaudible].

Barry Diller - *InterActiveCorp* - *Chairman; CEO*

And on MSN. MSN is a great partner and we're confident we will renew with them.

Douglas Anmuth - *Lehman Brothers* - *Analyst*

Great, thank you.

Barry Diller - *InterActiveCorp* - *Chairman; CEO*

Next question.

Operator

Thank you. We will go to Scott Kessler with Standard and Poor's. Go ahead, please.

Scott Kessler - *Standard & Poor's - Analyst*

Thank you very much. Two quick questions. The first is, when should the reworking of Hotels.com be completed? And second, are you satisfied at this point with the assets you have in the travel business? Or are you going to look to do some acquisitions perhaps after the spin-off? Thanks a lot.

Dara Khosrowshahi - *InterActiveCorp - President; CEO-IAC Travel*

On Hotels.com, listen, it's going to be an ongoing process. I think that you will see that the user experience you will see something different on the site, et cetera, in the Q4/Q1 timeframe and every day the team is there working on this transformation and improving the experience.

Barry Diller - *InterActiveCorp - Chairman; CEO*

The thing is, it's a very good brand, Hotels.com. What happened to Hotels.com, obviously is, for a period of time it lost its supply advantage and its price advantage. But it's a very good brand in the eyes of the consumer. The work that they're doing, which is to become the hotel expert in every which way and then market accordingly, I think is going to have a good effect on what is already a good brand. Go ahead.

Dara Khosrowshahi - *InterActiveCorp - President; CEO-IAC Travel*

And also just to add on Hotels.com, we have enjoyed an improvement in visitor share for the past four months, so, we certainly think from a consumer standpoint, we are seeing encouraging trends. What was your second question

Scott Kessler - *Standard & Poor s - Analyst*

Wanted to know about acquisitions.

Dara Khosrowshahi - *InterActiveCorp - President; CEO-IAC Travel*

Yes, the acquisitions, we re certainly happy with the asset base we have right now. And we are confident going forward.

Scott Kessler - *Standard & Poor s - Analyst*

There s nothing, though, you crave?

Dara Khosrowshahi - *InterActiveCorp - President; CEO-IAC Travel*

No.

Barry Diller - *InterActiveCorp - Chairman; CEO*

Okay, we will do one more question, please.

Operator

Thank you. That will come from Martin Pyykkonen with Janco Partners. Go ahead, please.

Martin Pyykkonen - *Janco Partners*. - *Analyst*

Thanks. Two OIBA kind of questions. First one on ECT corporate travel. As you go out over the next year or even into two years or so, I'm curious and I'm assuming that would accrete to overall travel margins, partly because I think you're focused on kind of the sweet part of middle market, where the costs don't get exorbitant to serve, but I wanted to get a sense if that's true on any kind of scale.

And then, secondly for Barry, on the legal media. If you look at the last two full years, OIBA margin for that has been about 10%, but obviously, there is a very sharp seasonality and I'm curious again if you look a year or two out on a full-year basis, if 10% has been the range the last couple of years, where you think that might trend to or normalize at? Thanks.

Dara Khosrowshahi - *InterActiveCorp* - *President; CEO-IAC Travel*

Just on ECT, we're still in investment mode in ECT. It's it's an area that we believe has huge growth ahead of it. So, it's net negative at OIBA this year. We fully expect to heat break-even later in if the year. And after that it certainly will contribute to our margins going forward.

Barry Diller - *InterActiveCorp* - *Chairman; CEO*

I expect that this will grow, it should grow. Once we reach, again, break-even, once these other initiatives of ours get in line, it's leverage and scale. I mean, the beauty of the businesses we're in is once you get to critical mass and you start scaling it, margins really ought to follow. I can't tell you exactly when, exactly where, what, but I think with what the momentum is now, I think it's an inevitable result.

Martin Pyykkonen - Janco Partners. - Analyst

Not to pin you to a guidance kind of question, but on local media, if it's about 10% full-year now and Travel, we see can be sustained around 30%, can it go towards the travel kind of margin range? Is that kind of the internal view? Or short of that or greater than that?

Tom McInerney - InterActiveCorp - CRO

Just one it's Tom. Just one comment. You may be looking at local, as we recorded it last year. It included TripAdvisor. So, if you if you back TripAdvisor out of that, the local business as it's currently constructed, it will go forward with really a low single digit margin, which reflected the fact that we had losses last year for the full year in the CitySearch business. And when you take Barry's comments about imminent profitability at CitySearch, couple that with what we very much hope and expect will be a much better year at EPI and the initiatives at ServiceMagic, we expect significant margin improvement in local kind of apples-to-apples, once you take TripAdvisor out in 2005.

It's way too premature to say where that goes, longer term. We're just turning the corner on profitability in one component of that, but the characteristics of the business should lead to a very good margin leverage over time.

Barry Diller - InterActiveCorp - Chairman; CEO

Thank you all very much. We appreciate your coming on the call and talking with us and we will see you all again next quarter.

Operator

Thank you. Ladies and gentlemen, that does conclude our conference for today. Thank you for your participation and for using AT&T Executive Teleconference. You may now disconnect.

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