IRON MOUNTAIN INC
Form 10-Q
November 08, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended September 30, 2011

OR

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

For the Transition Period from to
Commission file number 1-13045

IRON MOUNTAIN INCORPORATED

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**23-2588479**
(State or other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

745 Atlantic Avenue, Boston, MA 02111
(Address of Principal Executive Offices, Including Zip Code)

(617) 535-4766
(Registrant's Telephone Number, Including Area Code)

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 ý No o

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a small 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 ý	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

Number of shares of the registrant's Common Stock at October 24, 2011: 185,617,679

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INCORPORATED

CONSOLIDATED BALANCE SHEETS

(In Thousands, except Share and Per Share Data)

(Unaudited)

	December 31, 2010	September 30, 2011
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 258,693	$ 480,879
Restricted cash	35,105	35,109
Accounts receivable (less allowances of $21,545 and $23,012, as of December 31, 2010 and September 30, 2011, respectively)	533,070	548,422
Deferred income taxes	37,565	50,955
Prepaid expenses and other	138,643	132,315
Assets of discontinued operations (see Note 10)	202,726	12,263
Total Current Assets	1,205,802	1,259,943
Property, Plant and Equipment:		
Property, plant and equipment	4,178,652	4,208,018
Less Accumulated depreciation	(1,702,825)	(1,812,051)
Property, Plant and Equipment, net	2,475,827	2,395,967
Other Assets, net:		
Goodwill	2,282,137	2,259,087
Customer relationships and acquisition costs	387,779	417,825
Deferred financing costs	29,146	37,169
Other	29,042	21,452
Total Other Assets, net	2,728,104	2,735,533
Total Assets	$ 6,409,733	$ 6,391,443
LIABILITIES AND EQUITY		
Current Liabilities:		
Current portion of long-term debt	$ 96,603	$ 63,193
Accounts payable	145,089	130,470
Accrued expenses	385,056	392,420
Deferred revenue	173,676	166,096
Liabilities of discontinued operations (see Note 10)	57,222	2,510
Total Current Liabilities	857,646	754,689
Long-term Debt, net of current portion	2,912,465	3,257,213
Other Long-term Liabilities	86,605	52,695
Deferred Rent	95,860	95,567
Deferred Income Taxes	493,895	517,578
Commitments and Contingencies (see Note 8)		
Equity:		
Iron Mountain Incorporated Stockholders' Equity:		
Preferred stock (par value $0.01; authorized 10,000,000 shares; none issued and outstanding)		
Common stock (par value $0.01; authorized 400,000,000 shares; issued and outstanding 200,064,066 shares and 186,615,930 shares, as of December 31, 2010 and September 30, 2011, respectively)	2,001	1,866
Additional paid-in capital	1,228,655	774,821
Retained earnings	695,707	924,087
Accumulated other comprehensive items, net	29,482	5,552

Total Iron Mountain Incorporated Stockholders' Equity		1,955,845		1,706,326
Noncontrolling Interests		7,417		7,375
Total Equity		1,963,262		1,713,701
Total Liabilities and Equity	$	6,409,733	$	6,391,443

The accompanying notes are an integral part of these consolidated financial statements.

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IRON MOUNTAIN INCORPORATED

CONSOLIDATED STATEMENTS OF OPERATIONS

(In Thousands, except Per Share Data)

(Unaudited)

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2011
Revenues:		
Storage (see Note 2.q.)	$ 403,670	$ 428,748
Service (see Note 2.q.)	327,462	343,334
Total Revenues	731,132	772,082
Operating Expenses:		
Cost of sales (excluding depreciation and amortization)	299,622	309,703
Selling, general and administrative	180,156	210,110
Depreciation and amortization	77,235	77,838
Intangible impairments	76,500	53,000
(Gain) Loss on disposal/write-down of property, plant and equipment, net	(9,379)	4,634
Total Operating Expenses	624,134	655,285
Operating Income (Loss)	106,998	116,797
Interest Expense, Net (includes Interest Income of $162 and $614 for the three months ended September 30, 2010 and 2011, respectively)	52,054	50,433
Other Expense (Income), Net	(1,856)	16,635
Income (Loss) from Continuing Operations Before Provision (Benefit) for Income Taxes	56,800	49,729
Provision (Benefit) for Income Taxes	29,310	16,258
Income (Loss) from Continuing Operations	27,490	33,471
Income (Loss) from Discontinued Operations (see Note 10), Net of Tax	(178,307)	(2,457)
Gain (Loss) on Sale of Discontinued Operations (see Note 10), Net of Tax		6,911
Net Income (Loss)	(150,817)	37,925
Less: Net Income (Loss) Attributable to Noncontrolling Interests	2,959	587
Net Income (Loss) Attributable to Iron Mountain Incorporated	$ (153,776)	$ 37,338
Earnings (Losses) per Share Basic:		
Income (Loss) from Continuing Operations	$ 0.14	$ 0.17
Total Income (Loss) from Discontinued Operations	$ (0.89)	$ 0.02
Net Income (Loss) Attributable to Iron Mountain Incorporated	$ (0.76)	$ 0.19
Earnings (Losses) per Share Diluted:		
Income (Loss) from Continuing Operations	$ 0.14	$ 0.17
Total Income (Loss) from Discontinued Operations	$ (0.89)	$ 0.02
Net Income (Loss) Attributable to Iron Mountain Incorporated	$ (0.76)	$ 0.19

Weighted Average Common Shares Outstanding Basic	201,249	195,610
Weighted Average Common Shares Outstanding Diluted	201,249	196,717
Dividends Declared per Common Share	$ 0.0625	$ 0.2500

The accompanying notes are an integral part of these consolidated financial statements.

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IRON MOUNTAIN INCORPORATED

CONSOLIDATED STATEMENTS OF OPERATIONS (Continued)

(In Thousands, except Per Share Data)

(Unaudited)

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2011
Revenues:		
Storage (see Note 2.q.)	$ 1,200,048	$ 1,266,399
Service (see Note 2.q.)	981,447	1,018,864
Total Revenues	2,181,495	2,285,263
Operating Expenses:		
Cost of sales (excluding depreciation and amortization)	905,392	940,568
Selling, general and administrative	576,716	649,806
Depreciation and amortization	228,348	238,695
Intangible impairments	76,500	53,000
(Gain) Loss on disposal/write-down of property, plant and equipment, net	(10,535)	5,146
Total Operating Expenses	1,776,421	1,887,215
Operating Income (Loss)	405,074	398,048
Interest Expense, Net (includes Interest Income of $952 and $1,658 for the nine months ended September 30, 2010 and 2011, respectively)	157,587	148,431
Other Expense (Income), Net	11,052	10,339
Income (Loss) from Continuing Operations Before Provision (Benefit) for Income Taxes	236,435	239,278
Provision (Benefit) for Income Taxes	126,792	63,116
Income (Loss) from Continuing Operations	109,643	176,162
Income (Loss) from Discontinued Operations (see Note 10), Net of Tax	(192,869)	(10,831)
Gain (Loss) on Sale of Discontinued Operations (see Note 10), Net of Tax		200,260
Net Income (Loss)	(83,226)	365,591
Less: Net Income (Loss) Attributable to Noncontrolling Interests	3,692	2,109
Net Income (Loss) Attributable to Iron Mountain Incorporated	$ (86,918)	$ 363,482
Earnings (Losses) per Share Basic:		
Income (Loss) from Continuing Operations	$ 0.54	$ 0.88
Total Income (Loss) from Discontinued Operations	$ (0.95)	$ 0.95
Net Income (Loss) Attributable to Iron Mountain Incorporated	$ (0.43)	$ 1.83
Earnings (Losses) per Share Diluted:		
Income (Loss) from Continuing Operations	$ 0.54	$ 0.88
Total Income (Loss) from Discontinued Operations	$ (0.95)	$ 0.95
Net Income (Loss) Attributable to Iron Mountain Incorporated	$ (0.43)	$ 1.81

Weighted Average Common Shares Outstanding Basic	202,612	199,164
Weighted Average Common Shares Outstanding Diluted	202,612	200,427
Dividends Declared per Common Share	$ 0.1875	$ 0.6875

The accompanying notes are an integral part of these consolidated financial statements.

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IRON MOUNTAIN INCORPORATED

CONSOLIDATED STATEMENTS OF EQUITY

(In Thousands, except Share Data)

(Unaudited)

			Iron Mountain Incorporated Stockholders' Equity					
		Comprehensive Income	Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	Noncontrolling
	Total	(Loss)	Shares	Amounts	Capital	Earnings	Items, Net	Interests
Balance, December 31, 2009	$ 2,157,471	$	203,546,757	$ 2,035	$ 1,298,657	$ 825,014	$ 27,661	$ 4,104
Issuance of shares under employee stock purchase plan and option plans and stock-based compensation, including tax benefit of $1,913	29,992		876,710	9	29,983			
Stock options issued in connection with an acquisition	1,997				1,997			
Stock repurchases	(94,662)		(3,990,634)	(39)	(94,623)			
Parent cash dividends (see Note 9)	(37,893)					(37,893)		
Comprehensive Income (Loss):								
Currency translation adjustment	(5,015)	(5,015)					(5,344)	329
Net income (loss)	(83,226)	(83,226)				(86,918)		3,692
Comprehensive Income (Loss)		$ (88,241)						
Noncontrolling interests dividends	(1,452)							(1,452)
Balance, September 30, 2010	$ 1,967,212		200,432,833	$ 2,005	$ 1,236,014	$ 700,203	$ 22,317	$ 6,673

			Iron Mountain Incorporated Stockholders' Equity					
		Comprehensive Income	Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	Noncontrolling
	Total	(Loss)	Shares	Amounts	Capital	Earnings	Items, Net	Interests
Balance, December 31, 2010	$ 1,963,262	$	200,064,066	$ 2,001	$ 1,228,655	$ 695,707	$ 29,482	$ 7,417
Issuance of shares under employee stock purchase plan and option plans and stock-based compensation, including tax benefit	94,486		3,753,404	37	94,449			

of $578								
Stock repurchases	(548,455)		(17,201,540)	(172)	(548,283)			
Parent cash dividends (see Note 9)	(135,102)					(135,102)		
Comprehensive Income (Loss):								
Currency translation adjustment	(24,814)	(24,814)					(23,930)	(884)
Net income (loss)	365,591	365,591				363,482		2,109
Comprehensive Income (Loss)		$ 340,777						
Noncontrolling interests equity contributions	217							217
Noncontrolling interests dividends	(1,484)							(1,484)
Balance, September 30, 2011	$ 1,713,701		186,615,930	$ 1,866	$ 774,821	$ 924,087	$ 5,552	$ 7,375

The accompanying notes are an integral part of these consolidated financial statements.

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IRON MOUNTAIN INCORPORATED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In Thousands)

(Unaudited)

	Three Months Ended September 30,	
	2010	**2011**
Net (Loss) Income	$ (150,817)	$ 37,925
Other Comprehensive Income (Loss):		
Foreign Currency Translation Adjustments	46,993	(66,288)
Total Other Comprehensive Income (Loss)	46,993	(66,288)
Comprehensive (Loss) Income	(103,824)	(28,363)
Comprehensive Income (Loss) Attributable to Noncontrolling Interests	3,672	(452)
Comprehensive (Loss) Income Attributable to Iron Mountain Incorporated	$ (107,496)	$ (27,911)

	Nine Months Ended September 30,	
	2010	**2011**
Net (Loss) Income	$ (83,226)	$ 365,591
Other Comprehensive Income (Loss):		
Foreign Currency Translation Adjustments	(5,015)	(24,814)
Total Other Comprehensive (Loss) Income	(5,015)	(24,814)
Comprehensive (Loss) Income	(88,241)	340,777
Comprehensive Income (Loss) Attributable to Noncontrolling Interests	4,021	1,225
Comprehensive (Loss) Income Attributable to Iron Mountain Incorporated	$ (92,262)	$ 339,552

The accompanying notes are an integral part of these consolidated financial statements.

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IRON MOUNTAIN INCORPORATED

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

(Unaudited)

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2011
Cash Flows from Operating Activities:		
Net income (loss)	$ (83,226)	$ 365,591
(Income) Loss from discontinued operations (see Note 10)	192,869	10,831
(Gain) Loss on sale of discontinued operations (see Note 10)		(200,260)
Adjustments to reconcile net income (loss) to cash flows from operating activities:		
Depreciation	209,438	217,343
Amortization (includes deferred financing costs and bond discount of $3,985 and $4,520 for the nine months ended September 30, 2010 and 2011, respectively)	22,895	25,872
Intangible impairments	76,500	53,000
Stock-based compensation expense	13,130	12,442
Provision for deferred income taxes	42,706	14,095
Loss on early extinguishment of debt, net	1,792	993
(Gain) Loss on disposal/writedown of property, plant and equipment, net	(10,535)	5,146
Foreign currency transactions and other, net	20,174	12,090
Changes in Assets and Liabilities (exclusive of acquisitions):		
Accounts receivable	467	(17,153)
Prepaid expenses and other current assets	(8,606)	(4,092)
Accounts payable	(2,947)	875
Accrued expenses, deferred revenue and other current liabilities	(56,890)	(41,541)
Other assets and long-term liabilities	12,944	(5,009)
Cash Flows from Operating Activities Continuing Operations	430,711	450,223
Cash Flows from Operating Activities Discontinued Operations	14,325	(39,265)
Cash Flows from Operating Activities	445,036	410,958
Cash Flows from Investing Activities:		
Capital expenditures	(189,942)	(148,335)
Cash paid for acquisitions, net of cash acquired	(13,222)	(75,172)
Investment in restricted cash	(35,102)	(4)
Additions to customer relationship and acquisition costs	(10,042)	(16,869)
Proceeds from sales of property and equipment and other, net	17,989	3,810
Cash Flows from Investing Activities Continuing Operations	(230,319)	(236,570)
Cash Flows from Investing Activities Discontinued Operations	(122,237)	371,338
Cash Flows from Investing Activities	(352,556)	134,768
Cash Flows from Financing Activities:		
Repayment of revolving credit and term loan facilities and other debt	(89,975)	(1,940,741)
Proceeds from revolving credit and term loan facilities and other debt	42,604	2,057,835
Early retirement of senior subordinated notes	(202,584)	(231,255)
Net proceeds from sales of senior subordinated notes		394,000
Debt financing (repayment to) and equity contribution from (distribution to) noncontrolling interests, net	52	531
Stock repurchases	(93,693)	(548,455)
Parent cash dividends	(25,361)	(125,739)
Proceeds from exercise of stock options and employee stock purchase plan	12,440	81,887
Excess tax benefits from stock-based compensation	1,913	578
Payment of debt financing costs		(8,860)
Cash Flows from Financing Activities Continuing Operations	(354,604)	(320,219)
Cash Flows from Financing Activities Discontinued Operations	(440)	(415)

Cash Flows from Financing Activities	(355,044)	(320,634)
Effect of Exchange Rates on Cash and Cash Equivalents	81	(2,906)
(Decrease) Increase in Cash and Cash Equivalents	(262,483)	222,186
Cash and Cash Equivalents, Beginning of Period	446,656	258,693
Cash and Cash Equivalents, End of Period	$ 184,173	$ 480,879
Supplemental Information:		
Cash Paid for Interest	$ 186,356	$ 162,426
Cash Paid for Income Taxes	$ 104,351	$ 124,680
Non-Cash Investing and Financing Activities:		
Capital Leases	$ 24,949	$ 25,062
Accrued Capital Expenditures	$ 25,901	$ 20,141
Dividends Payable	$ 12,532	$ 46,877
Unsettled Purchases of Parent Common Stock	$ 970	$ 10,852

The accompanying notes are an integral part of these consolidated financial statements.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(1) General

The interim consolidated financial statements are presented herein without audit and, in the opinion of management, reflect all adjustments of a normal recurring nature necessary for a fair presentation. Interim results are not necessarily indicative of results for a full year. We are a global, full-service provider of information management and related services for all media in various locations throughout North America, Europe, Latin America and Asia Pacific. We have a diversified customer base comprised of commercial, legal, banking, health care, accounting, insurance, entertainment and government organizations.

The unaudited consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been omitted pursuant to those rules and regulations, but we believe that the disclosures included herein are adequate to make the information presented not misleading. The consolidated financial statements and notes included herein should be read in conjunction with the annual consolidated financial statements and notes for the year ended December 31, 2010 included in our Current Report on Form 8-K filed on September 19, 2011.

In August 2010, Iron Mountain Incorporated ("IMI") divested the domain name management product line of our digital business (the "Domain Name Product Line"). On June 2, 2011, IMI completed the sale (the "Digital Sale") of our online backup and recovery, digital archiving and eDiscovery solutions businesses of our digital business (the "Digital Business") to Autonomy Corporation plc, a corporation formed under the laws of England and Wales ("Autonomy"), pursuant to a purchase and sale agreement dated as of May 15, 2011 among IMI, certain subsidiaries of IMI and Autonomy (the "Digital Sale Agreement"). The financial position, operating results and cash flows of the Domain Name Product Line and the Digital Business, for all periods presented, including the gains on the sales, have been reported as discontinued operations for financial reporting purposes. Additionally, in May 2011, IMI committed to a plan to sell our records management business in New Zealand (the "New Zealand Business"). The New Zealand Business was sold on October 3, 2011. The financial position, operating results and cash flows of the New Zealand Business, for all periods presented, have been reported as discontinued operations for financial reporting purposes. See "Note 10. Discontinued Operations" for a further discussion of these events.

(2) Summary of Significant Accounting Policies

a. Principles of Consolidation

The accompanying financial statements reflect our financial position, results of operations and cash flows on a consolidated basis. All intercompany account balances have been eliminated.

b. Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents include cash on hand and cash invested in short-term securities, which have remaining maturities at the date of purchase of less than 90 days. Cash and cash equivalents are carried at cost, which approximates fair value.

IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

We have restricted cash associated with a collateral trust agreement with our insurance carrier that was entered into in 2010 related to our worker's compensation self-insurance program. The restricted cash subject to this agreement was $35,105 and $35,109 as of December 31, 2010 and September 30, 2011, respectively, and is included in current assets on our consolidated balance sheets. Restricted cash consists primarily of U.S. Treasuries.

c. Foreign Currency

Local currencies are considered the functional currencies for our operations outside the United States, with the exception of certain foreign holding companies and our financing center in Switzerland, whose functional currencies are the U.S. dollar. In those instances where the local currency is the functional currency, assets and liabilities are translated at period-end exchange rates, and revenues and expenses are translated at average exchange rates for the applicable period. Resulting translation adjustments are reflected in the accumulated other comprehensive items, net component of Iron Mountain Incorporated Stockholders' Equity and Noncontrolling Interests. The gain or loss on foreign currency transactions, calculated as the difference between the historical exchange rate and the exchange rate at the applicable measurement date, including those related to (a) our $7^1/_4$% GBP Senior Subordinated Notes due 2014, (b) our $6^3/_4$ Euro Senior Subordinated Notes due 2018, (c) the borrowings in certain foreign currencies under our revolving credit agreement, and (d) certain foreign currency denominated intercompany obligations of our foreign subsidiaries to us and between our foreign subsidiaries, which are not considered permanently invested, are included in other expense (income), net, on our consolidated statements of operations. The total gain or loss on foreign currency transactions amounted to a net gain of $3,972 and net loss of $4,979 for the three and nine months ended September 30, 2010, respectively. The total gain or loss on foreign currency transactions amounted to a net loss of $15,624 and $14,381 for the three and nine months ended September 30, 2011, respectively.

d. Goodwill and Other Intangible Assets

Goodwill and intangible assets with indefinite lives are not amortized but are reviewed annually for impairment or more frequently if impairment indicators arise. Other than goodwill, we currently have no intangible assets that have indefinite lives and which are not amortized. Separable intangible assets that are not deemed to have indefinite lives are amortized over their useful lives. We periodically assess whether events or circumstances warrant a change in the life over which our intangible assets are amortized.

We have selected October 1 as our annual goodwill impairment review date. We performed our most recent annual goodwill impairment review as of October 1, 2010 and noted no impairment of goodwill. As of December 31, 2010 and September 30, 2011, no factors were identified, other than those factors related to our European operations discussed below, that would alter our October 1, 2010 goodwill assessment. In making this assessment, we relied on a number of factors including operating results, business plans, anticipated future cash flows, transactions and marketplace data. There are inherent uncertainties related to these factors and our judgment in applying them to the analysis of goodwill impairment. When changes occur in the composition of one or more reporting units, the goodwill is reassigned to the reporting units affected based on their relative fair values. As discussed at

IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

Note 10, we recorded a goodwill impairment charge in 2010 associated with our former worldwide digital business reporting unit. For the year ended December 31, 2010, we allocated $85,909 of this charge ($76,500 in the third quarter of 2010 and $9,409 in the fourth quarter of 2010) to the technology escrow services business based on a relative fair value basis. This charge continues to be included in our continuing results of operations as a component of intangible impairments in our consolidated statements of operations as we retained this business following the Digital Sale. Our technology escrow services business, which had been reported in our former worldwide digital business reporting segment, is now reported as a component of our North American Physical Business segment.

In September 2011, as a result of certain changes we made in the manner in which our European operations will be managed, we reorganized our reporting structure and reassigned goodwill among the revised reporting units. Previously, we tested goodwill impairment at the European level on a combined basis. As a result of the management and reporting changes, we concluded that we have three reporting units for our European operations: (1) the United Kingdom, Ireland and Norway ("UKI"), (2) Belgium, France, Germany, Italy, Luxembourg, Netherlands and Spain ("Western Europe") and (3) the remaining countries in Europe ("Central Europe"). Due to these changes, we will perform all future goodwill impairment analysis on the new reporting unit basis. As a result of the restructuring of our reporting units, we concluded that we had an interim triggering event, and, therefore, we performed an interim goodwill impairment test for UKI, Western Europe and Central Europe in the third quarter of 2011. As required by GAAP, prior to our goodwill impairment analysis we performed an impairment test on the long-lived assets within our Western Europe reporting unit. The undiscounted cash flows from our Italian operations were lower than the carrying value of the long-lived assets associated with these operations and resulted in the requirement to fair value the long-lived assets of this lower level component. As a result, we recorded write-offs of other intangible assets, primarily customer relationship values, of $8,000 during the quarter ending September 30, 2011, associated with our Italian operations which are a component of our Western Europe reporting unit. We also recorded certain write-downs to property, plant and equipment (primarily racking) long-lived assets in Italy as more fully discussed at Note 2.p. Additionally, we concluded that the goodwill of our UKI and Central Europe reporting units were not impaired. Our UKI and Central Europe reporting units have fair values that exceed their carrying values by 15.1% and 5.0%, respectively, as of August 31, 2011. Central Europe is still in the investment stage and accordingly its fair value does not exceed its carrying value by a significant margin at this point in time. A deterioration of the UKI or Central Europe businesses or the businesses not achieving the forecasted results could lead to impairments in future periods. Our Western Europe reporting unit's fair value was less than its carrying value, and, as a result, we recorded a provisional goodwill impairment charge included as a component of intangible impairments in our consolidated statements of operations for the quarter ending September 30, 2011 of $45,000. An estimated tax benefit of approximately $6,500 was recorded associated with the Western Europe provisional goodwill impairment charge. The provisional charge is subject to refinement of forecast assumptions and results and valuation analyses necessary to calculate an implied fair value for goodwill. After the provisional impairment, the remaining Western Europe reporting unit goodwill is $52,588. We will finalize the provisional charge and record any necessary adjustments in the fourth quarter of 2011 (including to the estimated tax benefit).

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

Our reporting units at which level we performed our goodwill impairment analysis as of October 1, 2010 were as follows: North America; Europe; Latin America; Australia and Joint Ventures (which includes India, the various joint ventures in Southeast Asia and Russia (referred to as "Joint Ventures")). As of December 31, 2010, the carrying value of goodwill, net amounted to $1,750,420, $440,920, $29,787 and $61,010 for North America, Europe, Latin America and Australia, respectively. Our Joint Ventures reporting unit had no goodwill as of December 31, 2010. Our reporting units at which level we will perform our goodwill impairment analysis as of October 1, 2011 are as follows: North America; UKI; Western Europe; Central Europe; Latin America; Australia; and Joint Ventures. As of September 30, 2011, the carrying value of goodwill, net amounted to $1,742,856, $312,741, $52,588, $63,714, $27,347, and $59,841 for North America, UKI, Western Europe, Central Europe, Latin America and Australia, respectively. Our Joint Ventures reporting unit has no goodwill as of September 30, 2011.

Reporting unit valuations have been calculated using an income approach based on the present value of future cash flows of each reporting unit or a combined approach based on the present value of future cash flows and market and transaction multiples of revenues and earnings. The income approach incorporates many assumptions including future growth rates, discount factors, expected capital expenditures and income tax cash flows. Changes in economic and operating conditions impacting these assumptions could result in goodwill impairments in future periods.

The changes in the carrying value of goodwill attributable to each reportable operating segment for the nine months ended September 30, 2011 is as follows:

	North American Physical Business	International Physical Business	Total Consolidated
Balance as of December 31, 2010	$ 1,750,420	$ 531,717	$ 2,282,137
Deductible goodwill acquired during the year	1,398		1,398
Non-deductible goodwill acquired during the year		35,207	35,207
Goodwill impairment		(45,000)	(45,000)
Fair value and other adjustments(1)	161	(939)	(778)
Currency effects	(9,123)	(4,754)	(13,877)
Balance as of September 30, 2011(2)	$ 1,742,856	$ 516,231	$ 2,259,087

(1) Fair value and other adjustments primarily include $(836) of adjustments to property, plant and equipment, net, customer relationships and deferred income taxes, as well as $58 of cash paid related to prior years' acquisitions.

(2) Net of cumulative goodwill impairment charges of $85,909 (recorded in 2010) and $45,000 (recorded in 2011) in our North American Physical Business segment and International Physical Business segment, respectively, through September 30, 2011.

IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

The components of our amortizable intangible assets at September 30, 2011 are as follows:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer Relationships and Acquisition Costs	$ 592,833	$ (175,008)	$ 417,825
Core Technology(1)	3,786	(2,285)	1,501
Trademarks and Non-Compete Agreements(1)	3,061	(2,349)	712
Deferred Financing Costs	54,610	(17,441)	37,169
Total	$ 654,290	$ (197,083)	$ 457,207

(1) Included in other assets, net in the accompanying consolidated balance sheet.

Amortization expense associated with amortizable intangible assets (including deferred financing costs) was $7,595 and $22,819 for the three and nine months ended September 30, 2010, respectively, and was $8,640 and $25,147 for the three and nine months ended September 30, 2011, respectively.

e. Stock-Based Compensation

We record stock-based compensation expense, utilizing the straight-line method, for the cost of stock options, restricted stock, restricted stock units, performance units and shares of stock issued under the employee stock purchase plan (together, "Employee Stock-Based Awards").

Stock-based compensation expense for Employee Stock-Based Awards included in the accompanying consolidated statements of operations for the three and nine months ended September 30, 2010 was $4,750, including $737 in discontinued operations, ($3,819 after tax or $0.02 per basic and diluted share), and $15,559, including $2,429 in discontinued operations, ($12,240 after tax or $0.06 per basic and diluted share), respectively. Stock-based compensation expense for Employee Stock-Based Awards for the three and nine months ended September 30, 2011 was $4,403 ($2,479 after tax or $0.01 per basic and diluted share), and $12,702, including $260 in discontinued operations, ($5,213 after tax or $0.03 per basic and diluted share), respectively.

Stock-based compensation expense for Employee Stock Based Awards included in the accompanying consolidated statements of operations related to continuing operations is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2011	2010	2011
Cost of sales (excluding depreciation and amortization)	$ 302	$ 240	$ 442	$ 560
Selling, general and administrative expenses	3,711	4,163	12,688	11,882
Total stock-based compensation	$ 4,013	$ 4,403	$ 13,130	$ 12,442

IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

The benefits associated with the tax deductions in excess of recognized compensation cost are required to be reported as a financing cash flow. This requirement reduces reported operating cash flows and increases reported financing cash flows. As a result, net financing cash flows from continuing operations included $1,913 and $578 for the nine months ended September 30, 2010 and 2011, respectively, from the benefits of tax deductions in excess of recognized compensation cost. We used the short form method to calculate the Additional Paid-in Capital ("APIC") pool. The tax benefit of any resulting excess tax deduction increases the APIC pool. Any resulting tax deficiency is deducted from the APIC pool.

Stock Options

Under our various stock option plans, options were granted with exercise prices equal to the market price of the stock on the date of grant. The majority of our options become exercisable ratably over a period of five years and generally have a contractual life of ten years, unless the holder's employment is terminated. Certain of the options we issue become exercisable ratably over a period of ten years and have a contractual life of 12 years, unless the holder's employment is terminated. As of September 30, 2011, ten-year vesting options represent 7.1% of total outstanding options. Beginning in 2011, certain of the options we issue become exercisable ratably over a period of three years and have a contractual life of ten years, unless the holder's employment is terminated. As of September 30, 2011, three-year vesting options represent 10.1% of total outstanding options. Our directors are considered employees for purposes of our stock option plans and stock option reporting. Options granted to our non-employee directors generally become exercisable after one year.

The weighted average fair value of options granted for the nine months ended September 30, 2010 and 2011 was $7.93 and $7.43 per share, respectively. These values were estimated on the date of grant using the Black-Scholes option pricing model. The following table summarizes the weighted average assumptions used for grants in the respective period:

	Nine Months Ended September 30,	
Weighted Average Assumptions	**2010**	**2011**
Expected volatility	32.7%	33.4%
Risk-free interest rate	2.50%	2.46%
Expected dividend yield	1%	3%
Expected life of option	6.4 years	6.3 years

Expected volatility is calculated utilizing daily historical volatility over a period that equates to the expected life of the option. The risk-free interest rate was based on the U.S. Treasury interest rates whose term is consistent with the expected life of the stock options. Beginning in the first quarter of 2010, expected dividend yield was considered in the option pricing model as a result of our new dividend program. The expected life (estimated period of time outstanding) of the stock options granted is estimated using the historical exercise behavior of employees.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

A summary of option activity for the nine months ended September 30, 2011 is as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic value
Outstanding at December 31, 2010	12,140,560	$ 24.30		
Granted	1,014,434	28.54		
Exercised	(3,649,848)	21.84		
Forfeited	(2,157,253)	25.92		
Expired	(110,142)	27.81		
Outstanding at September 30, 2011	7,237,751	$ 25.61	6.92	$ 45,135
Options exercisable at September 30, 2011	3,685,125	$ 24.97	5.79	$ 25,523
Options expected to vest	3,254,161	$ 26.30	8.07	$ 17,897

The following table provides the aggregate intrinsic value of stock options exercised for the three and nine months ended September 30, 2010 and 2011:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2011	2010	2011
Aggregate intrinsic value of stock options exercised	$ 2,856	$ 7,869	$ 8,820	$ 36,778

Restricted Stock and Restricted Stock Units

Under our various stock option plans, we may also issue grants of restricted stock or restricted stock units ("RSUs"). Our restricted stock and RSUs generally have a three to five year vesting period. The fair value of restricted stock and RSUs is the excess of the market price of our common stock at the date of grant over the purchase price (which is typically zero).

A summary of restricted stock and RSUs activity for the nine months ended September 30, 2011 is as follows:

	Restricted Stock and RSUs	Weighted-Average Grant-Date Fair Value
Non-vested at December 31, 2010	168,221	$ 22.53
Granted	466,854	29.79
Vested	(29,472)	23.76
Forfeited	(118,219)	26.38
Non-vested at September 30, 2011	487,384	$ 28.48

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

The total fair value of restricted stock vested for the three and nine months ended September 30, 2010 was $0 and $13, respectively. The total fair value of restricted stock vested for the three and nine months ended September 30, 2011 was $0 and $13, respectively. No RSUs vested during the three and nine months ended September 30, 2010. The total fair value of RSUs vested for the three and nine months ended September 30, 2011 was $225 and $687, respectively.

Performance Units

Under our various stock option plans, we may also issue grants of performance units ("PUs"). The number of PUs earned will be determined based on our performance against predefined targets of calendar year revenue growth and return on invested capital ("ROIC"). The range of payout is zero to 150% of the number of granted PUs. The number of PUs earned will be determined based on actual performance at the end of the one-year performance period, and the award will be settled in shares of our common stock, subject to vesting, three years from the date of the original grant. Additionally, employees who are employed through the one-year anniversary of the date of grant and who reach both 55 years of age and 10 years of qualifying service (the "retirement criteria") shall immediately and completely vest in any PUs earned based on the actual achievement against the predefined targets as discussed above. As a result, PUs will be expensed over the shorter of (a) achievement of the retirement criteria, which such achievement may occur as early as one year after the date of grant, or (b) a maximum of three years.

In the first nine months of 2011, we issued 154,239 PUs. During the one-year performance period, we will forecast the likelihood of achieving the annual revenue growth and ROIC predefined targets in order to calculate the expected PUs to be earned. We will record a compensation charge based on either the forecasted PUs to be earned (during the one-year performance period) or the actual PUs earned (at the one-year anniversary date) over the vesting period for each individual grant as described above. The performance unit liability is remeasured at each fiscal quarter-end during the vesting period using the estimated percentage of units earned multiplied by the closing market price of our common stock on the current period-end date and is pro-rated based on the amount of time passed in the vesting period. As of September 30, 2011, we expected 102% achievement of the predefined revenue and ROIC targets associated with the grants made in the first nine months of 2011 and the closing market price of our common stock was $31.62.

A summary of PU activity for the nine months ended September 30, 2011 is as follows:

	PUs
Non-vested at December 31, 2010	
Granted	154,239
Vested	
Forfeited	(40,985)
Non-vested at September 30, 2011	113,254

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

Employee Stock Purchase Plan

We offer an employee stock purchase plan in which participation is available to substantially all U.S. and Canadian employees who meet certain service eligibility requirements (the "ESPP"). The ESPP provides a way for our eligible employees to become stockholders on favorable terms. The ESPP provides for the purchase of our common stock by eligible employees through successive offering periods. We generally have two six-month offering periods per year, the first of which begins June 1 and ends November 30 and the second of which begins December 1 and ends May 31. During each offering period, participating employees accumulate after-tax payroll contributions, up to a maximum of 15% of their compensation, to pay the exercise price of their options. Participating employees may withdraw from an offering period before the purchase date and obtain a refund of the amounts withheld as payroll deductions. At the end of the offering period, outstanding options are exercised, and each employee's accumulated contributions are used to purchase our common stock. The price for shares purchased under the ESPP is 95% of the fair market price at the end of the offering period, without a look-back feature. As a result, we do not recognize compensation cost for the ESPP shares purchased. For the nine months ended September 30, 2010 and 2011, there were 137,200 shares and 82,267 shares, respectively, purchased under the ESPP. The number of shares available for purchase under the ESPP at September 30, 2011 was 472,053.

As of September 30, 2011, unrecognized compensation cost related to the unvested portion of our Employee Stock-Based Awards was $41,671 and is expected to be recognized over a weighted-average period of 3.0 years.

We generally issue shares for the exercises of stock options, restricted stock, RSUs, PUs and shares under our ESPP from unissued reserved shares.

f. Income (Loss) Per Share Basic and Diluted

Basic income (loss) per common share is calculated by dividing income (loss) by the weighted average number of common shares outstanding. The calculation of diluted income (loss) per share is consistent with that of basic income (loss) per share but gives effect to all potential common shares (that is, securities such as options, warrants or convertible securities) that were outstanding during the period, unless the effect is antidilutive.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

The following table presents the calculation of basic and diluted income (loss) per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2011**	**2010**	**2011**
Income (Loss) from continuing operations	$ 27,490	$ 33,471	$ 109,643	$ 176,162
Total Income (Loss) from discontinued operations (see Note 10)	$ (178,307)	$ 4,454	$ (192,869)	$ 189,429
Net income (loss) attributable to Iron Mountain Incorporated	$ (153,776)	$ 37,338	$ (86,918)	$ 363,482
Weighted-average shares basic	201,249,000	195,610,000	202,612,000	199,164,000
Effect of dilutive potential stock options		993,683		1,175,735
Effect of dilutive potential restricted stock, RSUs and PUs		112,969		87,149
Weighted-average shares diluted	201,249,000	196,716,652	202,612,000	200,426,884
Earnings (Losses) per share basic:				
Income (Loss) from continuing operations	$ 0.14	$ 0.17	$ 0.54	$ 0.88
Total Income (Loss) from discontinued operations (see Note 10)	$ (0.89)	$ 0.02	$ (0.95)	$ 0.95
Net income (loss) attributable to Iron Mountain Incorporated basic	$ (0.76)	$ 0.19	$ (0.43)	$ 1.83
Earnings (Losses) per share diluted:				
Income (Loss) from continuing operations	$ 0.14	$ 0.17	$ 0.54	$ 0.88
Total Income (Loss) from discontinued operations (see Note 10)	$ (0.89)	$ 0.02	$ (0.95)	$ 0.95
Net income (loss) attributable to Iron Mountain Incorporated diluted	$ (0.76)	$ 0.19	$ (0.43)	$ 1.81
Antidilutive stock options, RSUs and PUs, excluded from the calculation	10,904,632	1,810,859	9,193,357	4,212,799

g. Revenues

Our revenues consist of storage revenues as well as service revenues and are reflected net of sales and value added taxes. Storage revenues, which are considered a key performance indicator for the information management services industry, consist primarily of recurring periodic charges related to the storage of materials or data (generally on a per unit basis). Service revenues are comprised of charges for related core service activities and a wide array of complementary products and services. Included in core service revenues are: (1) the handling of records, including the addition of new records, temporary

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

removal of records from storage, refiling of removed records and the destruction of records; (2) courier operations, consisting primarily of the pickup and delivery of records upon customer request; (3) secure shredding of sensitive documents; and (4) other recurring services, including hybrid services and recurring project revenues. Our complementary services revenues include special project work, customer termination and permanent withdrawal fees, data restoration projects, fulfillment services, consulting services, technology services and product sales (including specially designed storage containers and related supplies). Our secure shredding revenues include the sale of recycled paper (included in complementary services revenues), the price of which can fluctuate from period to period, adding to the volatility and reducing the predictability of that revenue stream.

We recognize revenue when the following criteria are met: persuasive evidence of an arrangement exists, services have been rendered, the sales price is fixed or determinable, and collectability of the resulting receivable is reasonably assured. Storage and service revenues are recognized in the month the respective storage or service is provided and customers are generally billed on a monthly basis on contractually agreed-upon terms. Amounts related to future storage or prepaid service contracts for customers where storage fees or services are billed in advance are accounted for as deferred revenue and recognized ratably over the applicable storage or service period or when the service is performed. Revenue from the sales of products, which is included as a component of service revenues, is recognized when shipped to the customer and title has passed to the customer.

h. Allowance for Doubtful Accounts and Credit Memo Reserves

We maintain an allowance for doubtful accounts and credit memos for estimated losses resulting from the potential inability of our customers to make required payments and disputes regarding billing and service issues. When calculating the allowance, we consider our past loss experience, current and prior trends in our aged receivables and credit memo activity, current economic conditions, and specific circumstances of individual receivable balances. If the financial condition of our customers were to significantly change, resulting in a significant improvement or impairment of their ability to make payments, an adjustment of the allowance may be required. We consider accounts receivable to be delinquent after such time as reasonable means of collection have been exhausted. We charge-off uncollectible balances as circumstances warrant, generally, no later than one year past due.

i. Income Taxes

Our effective tax rates for the three and nine months ended September 30, 2010 were 51.6% and 53.6%, respectively. Our effective tax rates for the three and nine months ended September 30, 2011 were 32.7% and 26.4%, respectively. The primary reconciling item between the federal statutory rate of 35% and our overall effective tax rate for the three and nine months ended September 30, 2010 is a goodwill impairment charge included in income from continuing operations as a component of intangible impairments in our consolidated statements of operations, of which a majority was non-deductible for tax purposes. The negative impact of U.S. legislative changes reducing the expected utilization of foreign tax credits was offset by the recognition of certain previously unrecognized tax benefits due to expirations of statute of limitation periods and settlements with tax authorities in various jurisdictions. Additionally, to a lesser extent, state income taxes (net of federal benefit) and

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

differences in the rates of tax at which our foreign earnings are subject, including foreign exchange gains and losses in different jurisdictions with different tax rates, are also reconciling items and impact our effective tax rate. The primary reconciling item between the federal statutory rate of 35% and our overall effective tax rate for the three and nine months ended September 30, 2011 was a positive impact provided by the recognition of certain previously unrecognized tax benefits due to expirations of statute of limitation periods and settlements with tax authorities in various jurisdictions. During the three and nine months ended September 30, 2011, we recognized previously unrecognized tax benefits due to expirations of statute of limitation periods and settlements with tax authorities in various jurisdictions of $31,935 and $36,150, respectively. We believe that it is reasonably possible that an amount of up to approximately $5,748 of our unrecognized tax positions may be recognized by September 30, 2012 as a result of a lapse of statute of limitations or upon closing and settling certain audits in various worldwide jurisdictions. This benefit was partially offset by a goodwill impairment charge included in income from continuing operations as a component of intangible impairments in our consolidated statements of operations, of which a majority was non-deductible for tax purposes. Additionally, to a lesser extent, state income taxes (net of federal benefit) and differences in the rates of tax at which our foreign earnings are subject, including foreign exchange gains and losses in different jurisdictions with different tax rates, are reconciling items that impact our effective tax rate.

We provide for income taxes during interim periods based on our estimate of the effective tax rate for the year. Discrete items and changes in our estimate of the annual effective tax rate are recorded in the period they occur. Our effective tax rate is subject to variability in the future due to, among other items: (1) changes in the mix of income from foreign jurisdictions; (2) tax law changes; (3) volatility in foreign exchange gains and (losses); (4) the timing of the establishment and reversal of tax reserves; and (5) our ability to utilize foreign tax credits that we generate. We are subject to income taxes in the U.S. and numerous foreign jurisdictions. We are subject to examination by various tax authorities in jurisdictions in which we have significant business operations. We regularly assess the likelihood of additional assessments by tax authorities and provide for these matters as appropriate. Although we believe our tax estimates are appropriate, the final determination of tax audits and any related litigation could result in changes in our estimates.

Accounting for income taxes requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the tax and financial reporting basis of assets and liabilities and for loss and credit carryforwards. Valuation allowances are provided when recovery of deferred tax assets is not considered more likely than not.

We have elected to recognize interest and penalties associated with uncertain tax positions as a component of the provision (benefit) for income taxes in the accompanying consolidated statements of operations. We recorded a reduction of $4,214 and $1,464 for gross interest and penalties for the three and nine months ended September 30, 2010, respectively. We recorded a reduction of $6,497 and $7,753 for gross interest and penalties for the three and nine months ended September 30, 2011, respectively. We had $11,610 and $3,553 accrued for the payment of interest and penalties as of December 31, 2010 and September 30, 2011, respectively.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

j. Concentrations of Credit Risk

Financial instruments that potentially subject us to market risk consist principally of cash and cash equivalents (including money market funds and time deposits), restricted cash (primarily U.S. Treasuries) and accounts receivable. The only significant concentrations of liquid investments as of December 31, 2010 and September 30, 2011 relate to cash and cash equivalents and restricted cash held on deposit with seven and three, respectively, global banks and four "Triple A" rated money market funds which we consider to be large, highly-rated investment-grade institutions. As per our risk management investment policy, we limit exposure to concentration of credit risk by limiting the amount invested in any one mutual fund or financial institution to a maximum of $50,000. As of December 31, 2010 and September 30, 2011, our cash and cash equivalents and restricted cash balance was $293,798 and $515,988, respectively, including money market funds and time deposits amounting to $241,151 and $459,789, respectively. A substantial portion of these money market funds are invested in U.S. Treasuries.

k. Fair Value Measurements

Entities are permitted under GAAP to elect to measure many financial instruments and certain other items at either fair value or cost. We did not elect the fair value measurement option for any of our financial assets or liabilities.

Our financial assets or liabilities are measured using inputs from the three levels of the fair value hierarchy. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The three levels of the fair value hierarchy are as follows:

Level 1 Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that we have the ability to access atthe measurement date.

Level 2 Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3 Unobservable inputs that reflect our assumptions about the assumptions that market participants would use in pricing the asset or liability.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

The following tables provide the assets and liabilities carried at fair value measured on a recurring basis as of December 31, 2010 and September 30, 2011, respectively:

Description	Total Carrying Value at December 31, 2010	Fair Value Measurements at December 31, 2010 Using: Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Money Market Funds(1)	$ 107,129	$	$ 107,129	$
Time Deposits(1)	134,022		134,022	
Trading Securities	9,215	8,527(2)	688(1)	
Derivative Assets(3)	2,500		2,500	
Derivative Liabilities(3)	2,440		2,440	

Description	Total Carrying Value at September 30, 2011	Fair Value Measurements at September 30, 2011 Using: Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Money Market Funds(1)	$ 410,109	$	$ 410,109	$
Time Deposits(1)	49,680		49,680	
Trading Securities	9,473	8,234(2)	1,239(1)	
Derivative Assets(3)	14,142		14,142	
Derivative Liabilities(3)	5,257		5,257	

(1) Money market funds and time deposits (including certain trading securities) are measured based on quoted prices for similar assets and/or subsequent transactions.

(2) Securities are measured at fair value using quoted market prices.

(3) Our derivative assets and liabilities primarily relate to short-term (six months or less) foreign currency contracts that we have entered into to hedge our intercompany exposures denominated in British pounds sterling, Australian dollars and Canadian dollars. We calculate the fair value of such forward contracts by adjusting the spot rate utilized at the balance sheet date for translation purposes by an estimate of the forward points observed in active markets.

Disclosures are required in the financial statements for items measured at fair value on a non-recurring basis. We did not have any material items that are measured at fair value on a non-recurring basis for the three and nine months ended September 30, 2011, except for the matters discussed at Note 2.d. and 2.p.

l. New Accounting Pronouncements

In July 2011, the Financial Accounting Standards Board (the "FASB") issued amended guidance that revises the manner in which entities present comprehensive income in their financial statements.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

The new guidance removes the presentation options currently available in Accounting Standards Codification ("ASC") 220 and requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. Under the two-statement approach, the first statement would include components of net income, which is consistent with the income statement format used currently under ASC 220, and the second statement would include components of other comprehensive income ("OCI"). Under either method, entities must display adjustments for items that are reclassified from OCI to net income in both net income and OCI. The amended guidance does not change the current option for entities to present components of OCI gross or net of the effect of income taxes, provided that such tax effects are presented in the statement in which OCI is presented or disclosed in the notes to the financial statements. The amended guidance does not change the items that must be reported in OCI. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 and must be applied retrospectively for all periods presented in the financial statements. Early adoption of the amended guidance is permitted; however, we do not intend to early adopt. Adoption is not expected to have a material impact on our consolidated financial statements or results of operations.

m. Use of Estimates

The preparation of financial statements in conformity with GAAP requires us to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the financial statements and for the period then ended. On an on-going basis, we evaluate the estimates used. We base our estimates on historical experience, actuarial estimates, current conditions and various other assumptions that we believe to be reasonable under the circumstances. These estimates form the basis for making judgments about the carrying values of assets and liabilities and are not readily apparent from other sources. Actual results may differ from these estimates.

n. Accumulated Other Comprehensive Items, Net

Accumulated other comprehensive items, net consists of foreign currency translation adjustments as of December, 31, 2010 and September 30, 2011, respectively.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

o. Other Expense (Income), Net

Other expense (income), net consists of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2011**	**2010**	**2011**
Foreign currency transaction (gains) losses, net	$ (3,972)	$ 15,624	$ 4,979	$ 14,381
Debt extinguishment expense, net	1,792		1,792	993
Other, net	324	1,011	4,281	(5,035)
	$ (1,856)	$ 16,635	$ 11,052	$ 10,339

p. Property, Plant and Equipment

We develop various software applications for internal use. Computer software costs associated with internal use software are expensed as incurred until certain capitalization criteria are met. Payroll and related costs for employees who are directly associated with, and who devote time to, the development of internal use computer software projects (to the extent time is spent directly on the project) are capitalized. Capitalization begins when the design stage of the application has been completed and it is probable that the project will be completed and used to perform the function intended. Depreciation begins when the software is placed in service. Computer software costs that are capitalized are periodically evaluated for impairment. During the nine months ended September 30, 2011, we wrote off approximately $1,200 (primarily in our International Physical segment) of previously deferred software costs, which were comprised primarily of internal labor costs, associated with internal use software development projects that were discontinued after implementation, which resulted in a loss on disposal/write-down of property, plant and equipment, net in the accompanying consolidated statement of operations.

During the quarter ending September 30, 2011, we disposed of a facility in Canada and recorded a gain of approximately $3,200 which is included in (gain) loss on disposal/write-down of property, plant and equipment, net in our consolidated statement of operations. Additionally, in the quarter ending September 30, 2011, we discontinued the use of certain third-party software licenses, which resulted in a loss of approximately $2,300 (approximately $1,850 associated with our International Physical Business segment and approximately $450 associated with our North American Physical Business segment) included in (gain) loss on disposal/write-down of property, plant and equipment, net in our consolidated statement of operations. Finally, in conjunction with our goodwill impairment analysis associated with our Western Europe reporting unit, we recorded approximately $6,600 of impairments associated with long-lived asset write-downs (primarily racking) as of September 30, 2011 associated with our Italian operations, which is included in (gain) loss on disposal/write-down of property, plant and equipment, net in our consolidated statement of operations.

IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

q. Reclassifications

In conjunction with our implementation of a new enterprise management reporting system in the fourth quarter of 2010, we noted inconsistencies in the mapping of certain revenue accounts between storage and service. As a result, we have adjusted previously reported amounts to reduce storage revenues by $7,336 and $21,407 and increase service revenues by a corresponding amount for the three and nine months ended September 30, 2010, respectively. There was no change in total consolidated reported revenues.

(3) Derivative Instruments and Hedging Activities

Every derivative instrument is required to be recorded in the balance sheet as either an asset or a liability measured at its fair value. Periodically, we acquire derivative instruments that are intended to hedge either cash flows or values which are subject to foreign exchange or other market price risk and not for trading purposes. We have formally documented our hedging relationships, including identification of the hedging instruments and the hedged items, as well as our risk management objectives and strategies for undertaking each hedge transaction. Given the recurring nature of our revenues and the long-term nature of our asset base, we have the ability and the preference to use long-term, fixed interest rate debt to finance our business, thereby preserving our long-term returns on invested capital. We target approximately 75% of our debt portfolio to be fixed with respect to interest rates. Occasionally, we may use interest rate swaps as a tool to maintain our targeted level of fixed rate debt. In addition, we may use borrowings in foreign currencies, either obtained in the U.S. or by our foreign subsidiaries, to hedge foreign currency risk associated with our international investments. Sometimes we enter into currency swaps to temporarily hedge an overseas investment, such as a major acquisition, while we arrange permanent financing or to hedge our exposures due to foreign currency exchange movements related to our intercompany accounts with and between our foreign subsidiaries. As of December 31, 2010 and September 30, 2011, none of our derivative instruments contained credit-risk related contingent features.

We have entered into a number of separate forward contracts to hedge our exposures in British pounds sterling, Australian dollars and Canadian dollars. As of September 30, 2011, we had an outstanding forward contract to purchase $201,097 U.S. dollars and sell 125,000 British pounds sterling to hedge our intercompany exposures with Iron Mountain Europe (Group) Limited ("IME"). In the fourth quarter of 2010, we entered into a forward contract to hedge our exposures in Australian dollars. As of September 30, 2011, we had an outstanding forward contract to purchase $77,674 U.S. dollars and sell 72,000 Australian dollars to hedge our intercompany exposures with our Australian subsidiary. Additionally, in the third quarter of 2011, we entered into a forward contract to hedge our exposures in Canadian dollars. As of September 30, 2011, we had an outstanding forward contract to purchase 100,000 Canadian dollars and sell $101,554 U.S. dollars to hedge our intercompany exposures with our Canadian subsidiary. At the maturity of the forward contracts, we may enter into new forward contracts to hedge movements in the underlying currencies. At the time of settlement, we either pay or receive the net settlement amount from the forward contract and recognize this amount in other (income) expense, net in the accompanying statement of operations as a realized foreign exchange gain or loss. At the end of each month, we mark the outstanding forward contracts to market and record an

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(3) Derivative Instruments and Hedging Activities (Continued)

unrealized foreign exchange gain or loss for the mark-to-market valuation. We have not designated these forward contracts as hedges. During the three and nine months ended September 30, 2010, there were $3,280 in net cash disbursements and $6,726 in net cash receipts, respectively, included in cash from operating activities from continuing operations related to settlements associated with these foreign currency forward contracts. During the three and nine months ended September 30, 2011, there were $68 in net cash receipts and $9,116 in net cash disbursements, respectively, included in cash from operating activities from continuing operations related to settlements associated with these foreign currency forward contracts. The following table provides the fair value of our derivative instruments as of December 31, 2010 and September 30, 2011 and their gains and losses for the three and nine months ended September 30, 2010 and 2011:

Asset Derivatives

	December 31, 2010		September 30, 2011	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives Not Designated as Hedging Instruments				
Foreign exchange contracts	Current assets	$ 2,500	Current assets	$ 14,142
Total		$ 2,500		$ 14,142

Liability Derivatives

	December 31, 2010		September 30, 2011	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives Not Designated as Hedging Instruments				
Foreign exchange contracts	Current liabilities	$ 2,440	Current liabilities	$ 5,257
Total		$ 2,440		$ 5,257

		Amount of (Gain) Loss Recognized in Income on Derivatives			
		Three Months Ended September 30,		Nine Months Ended September 30,	
Derivatives Not Designated as Hedging Instruments	**Location of (Gain) Loss Recognized in Income on Derivative**	**2010**	**2011**	**2010**	**2011**
Foreign exchange contracts	Other expense (income), net	$ 10,022	$ (5,971)	$ 3,127	$ 299
Total		$ 10,022	$ (5,971)	$ 3,127	$ 299

In the third quarter of 2007, we designated a portion of our $6^{3}/_{4}$% Euro Senior Subordinated Notes due 2018 issued by Iron Mountain Incorporated (the "$6^{3}/_{4}$% Euro Notes") as a hedge of net investment of certain of our Euro denominated subsidiaries. For the nine months ended September 30, 2010 and

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(3) Derivative Instruments and Hedging Activities (Continued)

2011, we designated on average 75,667 and 79,889 Euros, respectively, of the $6^{3}/_{4}$% Euro Notes as a hedge of net investment of certain of our Euro denominated subsidiaries. As a result, we recorded foreign exchange losses of $10,305 ($6,442, net of tax) and foreign exchange gains $5,331 ($3,332, net of tax) for the three and nine months ended September 30, 2010, respectively, related to the change in fair value of such debt due to currency translation adjustments, which is a component of accumulated other comprehensive items, net included in stockholders' equity. We recorded foreign exchange gains of $11,271 ($7,057, net of tax) and $3,063 ($1,928, net of tax) for the three and nine months ended September 30, 2011, respectively, related to the change in fair value of such debt due to currency translation adjustments, which is a component of accumulated other comprehensive items, net included in stockholders' equity. As of September 30, 2011, net gains of $9,907 are recorded in accumulated other comprehensive items, net associated with this net investment hedge.

(4) Acquisitions

We account for acquisitions using the purchase method of accounting, and, accordingly, the results of operations for each acquisition have been included in our consolidated results from their respective acquisition dates. Cash consideration for our various acquisitions was primarily provided through borrowings under our credit facilities and cash equivalents on-hand. The unaudited pro forma results of operations for the period ended September 30, 2011 are not presented due to the insignificant impact of the 2011 acquisitions on our consolidated results of operations.

In January 2011, we acquired the remaining 80% interest of our joint venture in Poland (Iron Mountain Poland Holdings Limited) in a stock transaction for an estimated purchase price of approximately $80,000, including an initial cash purchase price of $35,000. As a result, we now own 100% of our Polish operations, which provide storage and records management services. The terms of the purchase and sale agreement also required a second payment based upon the audited financial results of the joint venture. This payment of $42,259 was based upon a formula defined in the purchase and sale agreement and was paid in the second quarter of 2011. Additionally, the purchase and sale agreement provides for an escrow hold back of $400 and the payment of up to a maximum of $2,500 of contingent consideration to be paid in July 2012 based upon the satisfaction of certain performance criteria. The carrying value of the 20% interest that we previously held and accounted for under the equity method of accounting amounted to approximately $5,774, and the fair value of such interest on the date of the acquisition of the additional 80% interest was approximately $11,694 and resulted in a gain being recorded to other (income) expense, net of approximately $5,920 during the nine months ended September 30, 2011. The fair value of our previously held equity interest was derived by reducing the total estimated consideration for the 80% equity interest purchased by 40%, which represents management's estimate of the control premium paid, in order to derive the fair value of $11,694 for the 20% noncontrolling equity interest which we previously held. We determined that a 40% control premium was appropriate after considering the size and location of the business acquired, the potential future profits expected to be generated by the Polish entity and publicly available market data. One of the members of our board of directors and several of his family members hold an indirect equity interest in one of the shareholders that received proceeds in connection with this transaction. As a result of this equity interest, such board member, together with several of his family members,

IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(4) Acquisitions (Continued)

received approximately 24% of the purchase price that we paid in connection with this transaction and will receive the same percentage of any future contingent consideration.

A summary of the cumulative consideration paid and the preliminary allocation of the purchase price paid for acquisitions in 2011 through September 30, 2011 is as follows:

Cash Paid (gross of cash acquired)(1)	$	80,439
Contingent Consideration		2,900
Fair Value of Previously Held Equity Interest		11,694
Total Consideration		95,033
Fair Value of Identifiable Assets Acquired:		
Cash, Accounts Receivable, Prepaid Expenses and Other		7,918
Property, Plant and Equipment(2)		6,002
Customer Relationship Assets(3)		59,100
Other Assets		653
Liabilities Assumed(4)		(15,245)
Total Fair Value of Identifiable Net Assets Acquired		58,428
Recorded Goodwill	$	36,605

(1) Contingent and other payments of $8,540 and $58, respectively, related to acquisitions made in previous years are included in cash paid for acquisitions in the consolidated statements of cash flows for the nine months ended September 30, 2010 and 2011.

(2) Consists primarily of racking, leasehold improvements and computer hardware and software.

(3) The weighted average lives of customer relationship assets associated with acquisitions to date in 2011 were 20 years.

(4) Consists primarily of accounts payable, accrued expenses, deferred revenue and deferred income taxes.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(5) Long-term Debt

Long-term debt consists of the following:

	December 31, 2010		September 30, 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
IMI Revolving Credit Facility(1)	$	$	$	$
IMI Term Loan Facility(1)	396,200	396,200		
New Revolving Credit Facility(1)			48,028	48,028
New Term Loan Facility(1)			493,750	493,750
7 1/4% GBP Senior Subordinated Notes due 2014 (the "7 1/4% notes")(2)(3)	232,530	234,855	234,015	226,995
7 3/4% Senior Subordinated Notes due 2015 (the "7 3/4% notes due 2015")(2)(3)	233,234	231,683		
6 5/8% Senior Subordinated Notes due 2016 (the "6 5/8% notes")(2)(3)	317,529	321,592	317,900	318,000
7 1/2% CAD Senior Subordinated Notes due 2017 (the "Subsidiary Notes")(2)(4)	175,306	182,099	168,096	166,415
8 3/4% Senior Subordinated Notes due 2018 (the "8 3/4% notes")(2)(3)	200,000	209,625	200,000	203,120
8% Senior Subordinated Notes due 2018 (the "8% notes")(2)(3)	49,777	53,756	49,798	45,637
6 3/4% Euro Senior Subordinated Notes due 2018 (the "6 3/4% notes")(2)(3)	338,129	337,631	342,580	299,653
7 3/4% Senior Subordinated Notes due 2019 (the "7 3/4% notes due 2019")(2)(3)			400,000	394,500
8% Senior Subordinated Notes due 2020 (the "8% notes due 2020")(2)(3)	300,000	316,313	300,000	302,250
8 3/8% Senior Subordinated Notes due 2021 (the "8 3/8% notes")(2)(3)	548,174	589,188	548,303	559,625
Real Estate Mortgages, Capital Leases and Other(5)	218,189	218,189	217,936	217,936
Total Long-term Debt	3,009,068		3,320,406	
Less Current Portion	(96,603)		(63,193)	
Long-term Debt, Net of Current Portion	$ 2,912,465		$ 3,257,213	

(1) The capital stock or other equity interests of most of our U.S. subsidiaries, and up to 66% of the capital stock or other equity interests of our first-tier foreign subsidiaries, are pledged to secure these debt instruments, together with all intercompany obligations of foreign subsidiaries owed to us or to one of our U.S. subsidiary guarantors. The fair value of this long-term debt approximates the carrying value (as borrowings under these debt instruments are based on current variable market interest rates as of December 31, 2010 and September 30, 2011, respectively).

IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(5) Long-term Debt (Continued)

(2) The fair values of these debt instruments are based on quoted market prices for these notes on December 31, 2010 and September 30, 2011, respectively.

(3) Collectively referred to as the Parent Notes. IMI is the direct obligor on the Parent Notes, which are fully and unconditionally guaranteed, on a senior subordinated basis, by substantially all of its direct and indirect wholly owned U.S. subsidiaries (the "Guarantors"). These guarantees are joint and several obligations of the Guarantors. Iron Mountain Canada Corporation ("Canada Company") and the remainder of our subsidiaries do not guarantee the Parent Notes.

(4) Canada Company is the direct obligor on the Subsidiary Notes, which are fully and unconditionally guaranteed on a senior subordinated basis by IMI and the Guarantors. These guarantees are joint and several obligations of IMI and the Guarantors.

(5) We believe the fair value of this debt approximates its carrying value.

On June 27, 2011, we entered into a new credit agreement to replace the IMI revolving credit facility and the IMI term loan facility, each entered into on April 16, 2007. The new credit agreement consists of (i) revolving credit facilities under which we can borrow, subject to certain limitations as defined in the new credit agreement, up to an aggregate amount of $725,000 (including Canadian dollar, British pound sterling and Euros, among other currencies) (the "New Revolving Credit Facility") and (ii) a $500,000 term loan facility (the "New Term Loan Facility", and collectively with the New Revolving Credit Facility, the "New Credit Agreement"). We have the right to increase the aggregate amount available to be borrowed under the New Credit Agreement up to a maximum of $1,800,000. The New Revolving Credit Facility is supported by a group of 19 banks. IMI, Iron Mountain Information Management, Inc. ("IMIM"), Canada Company, IME, Iron Mountain Australia Pty Ltd., Iron Mountain Switzerland Gmbh and any other subsidiary of IMIM designated by IMIM (the "Other Subsidiaries") may, with the consent of the administrative agent, as defined in the New Credit Agreement, borrow under certain of the following tranches of the New Revolving Credit Facility: (a) tranche one in the amount of $400,000 is available to IMI and IMIM in U.S. dollars, British pound sterling and Euros, (b) tranche two in the amount of $150,000 is available to IMI or IMIM in either U.S. dollars or Canadian dollars and available to Canada Company in Canadian dollars and (c) tranche three in the amount of $175,000 is available to IMI or IMIM and the Other Subsidiaries in U.S. dollars, Canadian dollars, British pounds sterling, Euros and Australian dollars, among others. The New Revolving Credit Facility terminates on June 27, 2016, at which point all revolving credit loans under such facility become due. With respect to the New Term Loan Facility, loan payments are required through maturity on June 27, 2016 in equal quarterly installments of the aggregate annual amounts based upon the following percentage of the original principal amount in the table below (except that

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(Unaudited)

(5) Long-term Debt (Continued)

each of the first three quarterly installments in the fifth year shall be 10% of the original principal amount and the final quarterly installment in the fifth year shall be 35% of the original principal):

Year Ending	Percentage
June 30, 2012	5%
June 30, 2013	5%
June 30, 2014	10%
June 30, 2015	15%
June 27, 2016	65%

The New Term Loan Facility may be prepaid without penalty or premium, in whole or in part, at any time. IMI and IMIM guarantee the obligations of each of the subsidiary borrowers. The capital stock or other equity interests of most of the U.S. subsidiaries, and up to 66% of the capital stock or other equity interests of our first-tier foreign subsidiaries, are pledged to secure the New Credit Agreement, together with all intercompany obligations of foreign subsidiaries owed to us or to one of our U.S. subsidiary guarantors. The interest rate on borrowings under the New Credit Agreement varies depending on our choice of interest rate and currency options, plus an applicable margin, which varies based on certain financial ratios. Additionally, the New Credit Agreement requires the payment of a commitment fee on the unused portion of the revolving credit facility, which fee ranges from between 0.3% to 0.5% based on certain financial ratios, as well as fees associated with any outstanding letters of credit. Proceeds from the New Credit Agreement are for general corporate purposes and were used to repay the previous revolving credit and term loan facilities. We recorded a charge of $1,843 to other expense (income), net in the second quarter of 2011 related to the early retirement of the previous revolving credit and term loan facilities, representing a write-off of deferred financings costs. As of September 30, 2011, we had $48,028 of outstanding borrowings under the New Revolving Credit Facility, all of which was denominated in Canadian dollars (CAD 50,000); we also had various outstanding letters of credit totaling $6,013. The remaining availability on September 30, 2011, based on IMI's leverage ratio, which is calculated based on the last 12 months' earnings before interest, taxes, depreciation and amortization ("EBITDA"), and other adjustments as defined in the New Credit Agreement and current external debt, under the New Revolving Credit Facility was $670,959. The interest rate in effect under the New Revolving Credit Facility and New Term Loan Facility was 3.0% and 1.9%, respectively, as of September 30, 2011. For the three and nine months ended September 30, 2010, we recorded commitment fees of $599 and $1,751, respectively, and for the three and nine months ended September 30, 2011, we recorded commitment fees of $613 and $1,465, respectively, based on the unused balances under our revolving credit facilities.

In January 2011, we redeemed the remaining $231,255 aggregate principal amount outstanding of our $7^3/_4$% Senior Subordinated Notes due 2015 at a redemption price of one thousand dollars for each one thousand dollars of principal amount of notes redeemed, plus accrued and unpaid interest. We recorded a gain to other expense (income), net of $850 in the first quarter of 2011 related to the early extinguishment of the $7^3/_4$% notes being redeemed. This gain consists of original issue premiums, net of deferred financing costs related to the $7^3/_4$% notes that were redeemed.

IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(5) Long-term Debt (Continued)

In September 2011, we completed an underwritten public offering of $400,000 in aggregate principal amount of our $7^3/_4$% Senior Subordinated Notes due 2019, which were issued at 100% of par. Our net proceeds of $394,000 after paying the underwriters' discounts and commissions, will be used for general corporate purposes, including funding a portion of the shareholder payout commitments we have made and possible future acquisitions and investments.

The New Credit Agreement, our indentures and other agreements governing our indebtedness contain certain restrictive financial and operating covenants, including covenants that restrict our ability to complete acquisitions, pay cash dividends, incur indebtedness, make investments, sell assets and take certain other corporate actions. The covenants do not contain a rating trigger. Therefore, a change in our debt rating would not trigger a default under the New Credit Agreement, our indentures or other agreements governing our indebtedness. The New Credit Agreement, as well as our indentures, use EBITDA-based calculations as primary measures of financial performance, including leverage and fixed charge coverage ratios. IMI's revolving credit and term leverage ratio was 2.9 and 3.0 as of December 31, 2010 and September 30, 2011, respectively, compared to a maximum allowable ratio of 5.5. Similarly, our bond leverage ratio, per the indentures, was 3.4 and 3.8 as of December 31, 2010 and September 30, 2011, respectively, compared to a maximum allowable ratio of 6.5. IMI's revolving credit and term loan fixed charge coverage ratio was 1.6 as of September 30, 2011, compared to a minimum allowable ratio of 1.2. Noncompliance with these leverage ratios and the fixed charge coverage ratio would have a material adverse effect on our financial condition and liquidity.

(6) Selected Consolidated Financial Statements of Parent, Guarantors, Canada Company and Non-Guarantors

The following data summarizes the consolidating results of IMI on the equity method of accounting as of December 31, 2010 and September 30, 2011 and for the three and nine months ended September 30, 2010 and 2011.

The Parent Notes and the Subsidiary Notes are guaranteed by the subsidiaries referred to below as the "Guarantors." These subsidiaries are 100% owned by IMI. The guarantees are full and unconditional, as well as joint and several.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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(Unaudited)

(6) Selected Consolidated Financial Statements of Parent, Guarantors, Canada Company and Non-Guarantors (Continued)

Additionally, IMI guarantees the Subsidiary Notes, which were issued by Canada Company. Canada Company does not guarantee the Parent Notes. The other subsidiaries that do not guarantee the Parent Notes or the Subsidiary Notes are referred to below as the "Non-Guarantors."

	December 31, 2010					
	Parent	Guarantors	Canada Company	Non-Guarantors	Eliminations	Consolidated
Assets						
Current Assets:						
Cash and Cash Equivalents	$ 13,909	$ 121,584	$ 37,652	$ 85,548	$	$ 258,693
Restricted Cash	35,105					35,105
Accounts Receivable		327,842	41,562	163,666		533,070
Intercompany Receivable	1,344,802		9,281		(1,354,083)	
Assets of Discontinued Operations (see Note 10)		184,790		17,936		202,726
Other Current Assets	2,601	121,681	10,878	41,048		176,208
Total Current Assets	1,396,417	755,897	99,373	308,198	(1,354,083)	1,205,802
Property, Plant and Equipment, Net		1,522,073	208,020	745,734		2,475,827
Other Assets, Net:						
Long-term Notes Receivable from Affiliates and Intercompany Receivable	1,381,546	1,000			(1,382,546)	
Investment in Subsidiaries	1,863,957	1,599,133			(3,463,090)	
Goodwill		1,525,960	203,345	552,832		2,282,137
Other	27,304	236,497	13,601	168,679	(114)	445,967
Total Other Assets, Net	3,272,807	3,362,590	216,946	721,511	(4,845,750)	2,728,104
Total Assets	$ 4,669,224	$ 5,640,560	$ 524,339	$ 1,775,443	$ (6,199,833)	$ 6,409,733
Liabilities and Equity						
Intercompany Payable	$	$ 1,325,593	$	$ 28,490	$ (1,354,083)	$
Current Portion of Long-term Debt	56,407	24,393	2,606	13,197		96,603
Total Other Current Liabilities	92,339	388,242	42,614	180,626		703,821

Liabilities of Discontinued Operations (see Note 10)		53,374		3,848		57,222
Long-term Debt, Net of Current Portion	2,559,780	67,504	191,010	94,171		2,912,465
Long-term Notes Payable to Affiliates and Intercompany Payable	1,000	1,381,546			(1,382,546)	
Other Long-term Liabilities	3,853	551,961	27,585	93,075	(114)	676,360
Commitments and Contingencies (see Note 8)						
Total Iron Mountain Incorporated Stockholders' Equity	1,955,845	1,847,947	260,524	1,354,619	(3,463,090)	1,955,845
Noncontrolling Interests				7,417		7,417
Total Equity	1,955,845	1,847,947	260,524	1,362,036	(3,463,090)	1,963,262
Total Liabilities and Equity	$ 4,669,224	$ 5,640,560	$ 524,339	$ 1,775,443	$ (6,199,833)	$ 6,409,733

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(6) Selected Consolidated Financial Statements of Parent, Guarantors, Canada Company and Non-Guarantors (Continued)

	September 30, 2011					
	Parent	Guarantors	Canada Company	Non-Guarantors	Eliminations	Consolidated
Assets						
Current Assets:						
Cash and Cash Equivalents	$ 378,062	$ 12,760	$ 5,095	$ 84,962	$	$ 480,879
Restricted Cash	35,109					35,109
Accounts Receivable		340,016	41,902	166,504		548,422
Intercompany Receivable	1,174,656		102,597		(1,277,253)	
Assets of Discontinued Operations (see Note 10)				12,263		12,263
Other Current Assets	6,390	126,364	4,963	45,553		183,270
Total Current Assets	1,594,217	479,140	154,557	309,282	(1,277,253)	1,259,943