IRON MOUNTAIN INC
Form 10-Q
May 10, 2012

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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 March 31, 2012

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 (State or other Jurisdiction of Incorporation or Organization)	**23-2588479** (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 April 23, 2012: 171,199,613

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Part I. Financial Information

Item 1. Unaudited Consolidated Financial Statements

IRON MOUNTAIN INCORPORATED

CONSOLIDATED BALANCE SHEETS

(In Thousands, except Share and Per Share Data)

(Unaudited)

	December 31, 2011	March 31, 2012
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 179,845	$ 178,293
Restricted cash	35,110	35,112
Accounts receivable (less allowances of $23,277 and $23,206 as of December 31, 2011 and March 31, 2012, respectively)	543,467	558,357
Deferred income taxes	43,235	42,289
Prepaid expenses and other	105,537	110,654
Assets of discontinued operations	7,256	7,294
Total Current Assets	914,450	931,999
Property, Plant and Equipment:		
Property, plant and equipment	4,232,594	4,244,184
Less Accumulated depreciation	(1,825,511)	(1,841,526)
Property, Plant and Equipment, net	2,407,083	2,402,658
Other Assets, net:		
Goodwill	2,254,268	2,282,621
Customer relationships and acquisition costs	410,149	416,318
Deferred financing costs	35,798	34,435
Other	19,510	18,591
Total Other Assets, net	2,719,725	2,751,965
Total Assets	$ 6,041,258	$ 6,086,622
LIABILITIES AND EQUITY		
Current Liabilities:		
Current portion of long-term debt	$ 73,320	$ 63,229
Accounts payable	156,381	139,236
Accrued expenses	418,831	363,715
Deferred revenue	197,181	204,101
Liabilities of discontinued operations	3,317	7,859
Total Current Liabilities	849,030	778,140
Long-term Debt, net of current portion	3,280,268	3,390,447
Other Long-term Liabilities	53,169	57,697
Deferred Rent	97,177	97,585
Deferred Income Taxes	507,358	493,950
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)		
	1,721	1,712

Common stock (par value $0.01; authorized 400,000,000 shares; issued and outstanding 172,140,966 shares and 171,182,398 shares as of December 31, 2011 and March 31, 2012, respectively)				
Additional paid-in capital		343,603		317,492
Retained earnings		902,567		915,126
Accumulated other comprehensive items, net		(2,203)		25,286
Total Iron Mountain Incorporated Stockholders' Equity		1,245,688		1,259,616
Noncontrolling Interests		8,568		9,187
Total Equity		1,254,256		1,268,803
Total Liabilities and Equity	$	6,041,258	$	6,086,622

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 March 31, 2011	Three Months Ended March 31, 2012
Revenues:		
Storage	$ 415,705	$ 425,341
Service	330,304	321,157
Total Revenues	746,009	746,498
Operating Expenses:		
Cost of sales (excluding depreciation and amortization)	315,955	315,298
Selling, general and administrative	212,755	210,660
Depreciation and amortization	80,163	78,008
(Gain) Loss on disposal/write-down of property, plant and equipment, net	(464)	719
Total Operating Expenses	608,409	604,685
Operating Income (Loss)	137,600	141,813
Interest Expense, Net (includes Interest Income of $551 and $545 for the three months ended March 31, 2011 and 2012, respectively)	48,618	58,784
Other (Income) Expense, Net	(8,958)	(3,304)
Income (Loss) from Continuing Operations Before Provision (Benefit) for Income Taxes	97,940	86,333
Provision (Benefit) for Income Taxes	16,764	25,260
Income (Loss) from Continuing Operations	81,176	61,073
Income (Loss) from Discontinued Operations, Net of Tax	(6,557)	(5,093)
Net Income (Loss)	74,619	55,980
Less: Net Income (Loss) Attributable to Noncontrolling Interests	1,159	630
Net Income (Loss) Attributable to Iron Mountain Incorporated	$ 73,460	$ 55,350
Earnings (Losses) per Share Basic:		
Income (Loss) from Continuing Operations	$ 0.41	$ 0.36
Total Income (Loss) from Discontinued Operations	$ (0.03)	$ (0.03)
Net Income (Loss) Attributable to Iron Mountain Incorporated	$ 0.37	$ 0.32
Earnings (Losses) per Share Diluted:		
Income (Loss) from Continuing Operations	$ 0.40	$ 0.35
Total Income (Loss) from Discontinued Operations	$ (0.03)	$ (0.03)
Net Income (Loss) Attributable to Iron Mountain Incorporated	$ 0.37	$ 0.32
Weighted Average Common Shares Outstanding Basic	200,228	171,320

Weighted Average Common Shares Outstanding Diluted		201,251		172,223
Dividends Declared per Common Share	$	0.1875	$	0.2500

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 March 31,	
	2011	**2012**
Net Income (Loss)	$ 74,619	$ 55,980
Other Comprehensive Income (Loss):		
Foreign Currency Translation Adjustments	22,478	27,947
Total Other Comprehensive Income (Loss)	22,478	27,947
Comprehensive Income (Loss)	97,097	83,927
Comprehensive Income (Loss) Attributable to Noncontrolling Interests	1,119	1,088
Comprehensive Income (Loss) Attributable to Iron Mountain Incorporated	$ 95,978	$ 82,839

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						
		Common Stock						
	Total	Shares	Amounts	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Items, Net	Noncontrolling Interests
Balance, December 31, 2010	$ 1,952,865	200,064,066	$ 2,001	$ 1,228,655	$ 685,310	$ 29,482	$ 7,417
Issuance of shares under employee stock purchase plan and option plans and stock-based compensation, including tax benefit of $1,017	16,232	578,218	6	16,226			
Stock repurchases	(10,971)	(384,169)	(4)	(10,967)			
Parent cash dividends declared	(37,601)				(37,601)		
Comprehensive Income (Loss):							
Currency translation adjustment	22,478					22,518	(40)
Net income (loss)	74,619				73,460		1,159
Comprehensive Income (Loss)							
Noncontrolling interests dividends	(33)						(33)
Balance, March 31, 2011	$ 2,017,589	200,258,115	$ 2,003	$ 1,233,914	$ 721,169	$ 52,000	$ 8,503

		Iron Mountain Incorporated Stockholders' Equity					
		Common Stock					
	Total	Shares	Amounts	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Items, Net	Noncontrolling Interests
Balance, December 31, 2011	$ 1,254,256	172,140,966	$ 1,721	$ 343,603	$ 902,567	$ (2,203)	$ 8,568
Issuance of shares under employee stock purchase plan and option plans and stock-based compensation, including tax benefit of $190	8,568	144,581	2	8,566			
Stock repurchases	(34,688)	(1,103,149)	(11)	(34,677)			
Parent cash dividends declared	(42,791)				(42,791)		
Comprehensive Income (Loss):							
Currency translation adjustment	27,947					27,489	458
Net income (loss)	55,980				55,350		630
Comprehensive Income (Loss)							
Noncontrolling interests equity contributions	39						39
Noncontrolling interests dividends	(508)						(508)
Balance, March 31, 2012	$ 1,268,803	171,182,398	$ 1,712	$ 317,492	$ 915,126	$ 25,286	$ 9,187

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)

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2012
Cash Flows from Operating Activities:		
Net income (loss)	$ 74,619	$ 55,980
Loss (Income) from discontinued operations	6,557	5,093
Adjustments to reconcile net income (loss) to cash flows from operating activities:		
Depreciation	73,338	70,149
Amortization (includes deferred financing costs and bond discount of $1,426 and $1,742 for the three months ended March 31, 2011 and 2012, respectively)	8,251	9,601
Stock-based compensation expense	4,439	9,800
(Benefit) Provision for deferred income taxes	(7,903)	(9,814)
(Gain) Loss on early extinguishment of debt	(850)	
(Gain) Loss on disposal/write-down of property, plant and equipment, net	(464)	719
Foreign currency transactions and other, net	(8,434)	(1,020)
Changes in Assets and Liabilities (exclusive of acquisitions):		
Accounts receivable	(22,858)	(8,831)
Prepaid expenses and other current assets	13,157	(13,630)
Accounts payable	(5,419)	(2,433)
Accrued expenses, deferred revenue and other current liabilities	(24,744)	(36,629)
Other assets and long-term liabilities	729	74
Cash Flows from Operating Activities-Continuing Operations	110,418	79,059
Cash Flows from Operating Activities-Discontinued Operations	8,919	(4,175)
Cash Flows from Operating Activities	119,337	74,884
Cash Flows from Investing Activities:		
Capital expenditures	(52,208)	(55,916)
Cash paid for acquisitions, net of cash acquired	(34,705)	(8,818)
Investment in restricted cash	(2)	(2)
Additions to customer relationship and acquisition costs	(2,893)	(3,008)
Investment in joint ventures	(50)	
Proceeds from sales of property and equipment and other, net	166	1,853
Cash Flows from Investing Activities-Continuing Operations	(89,692)	(65,891)
Cash Flows from Investing Activities-Discontinued Operations	(9,299)	(1,141)
Cash Flows from Investing Activities	(98,991)	(67,032)
Cash Flows from Financing Activities:		
Repayment of revolving credit and term loan facilities and other debt	(428,548)	(635,539)
Proceeds from revolving credit and term loan facilities and other debt	607,418	701,105
Early retirement of senior subordinated notes	(231,255)	
Debt financing (repayment to) and equity contribution from (distribution to) noncontrolling interests, net	131	191
Stock repurchases	(10,970)	(38,052)
Parent cash dividends	(37,514)	(43,180)
Proceeds from exercise of stock options and employee stock purchase plan	9,164	1,321
Excess tax benefits from stock-based compensation	1,017	190
Payment of debt financing costs		(93)
Cash Flows from Financing Activities-Continuing Operations	(90,557)	(14,057)
Cash Flows from Financing Activities-Discontinued Operations	46	(39)

Cash Flows from Financing Activities	(90,511)	(14,096)
Effect of Exchange Rates on Cash and Cash Equivalents	1,289	4,692
(Decrease) Increase in Cash and Cash Equivalents	(68,876)	(1,552)
Cash and Cash Equivalents, Beginning of Period	258,693	179,845
Cash and Cash Equivalents, End of Period	$ 189,817	$ 178,293
Supplemental Information:		
Cash Paid for Interest	$ 65,008	$ 56,083
Cash Paid for Income Taxes	$ 20,575	$ 38,060
Non-Cash Investing and Financing Activities:		
Capital Leases	$ 6,039	$ 2,499
Accrued Capital Expenditures	$ 21,095	$ 21,166
Dividends Payable	$ 37,601	$ 42,791

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 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. Iron Mountain Incorporated ("IMI") is 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, 2011 included in our Annual Report on Form 10-K filed on February 28, 2012.

On June 2, 2011, we 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"). Additionally, on October 3, 2011, we sold our records management business in New Zealand (the "New Zealand Business"), and in December 2011, we committed to a plan to sell our records management business in Italy (the "Italian Business"), which we sold on April 27, 2012. The financial position, operating results and cash flows of the Digital Business, New Zealand Business and the Italian Business, including the gain on the sale of the Digital Business and New Zealand Business, for all periods presented, have been reported as discontinued operations for financial reporting purposes. See Note 10 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, 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.

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

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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)

cash subject to this agreement was $35,110 and $35,112 as of December 31, 2011 and March 31, 2012, 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 U.S., 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 (1) our $7^1/_4$% GBP Senior Subordinated Notes due 2014, (2) our $6^3/_4$% Euro Senior Subordinated Notes due 2018, (3) the borrowings in certain foreign currencies under our revolving credit agreement and (4) 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 $3,096 and $2,575 for the three months ended March 31, 2011 and 2012, 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 annually assess whether a change in the life over which our intangible assets are amortized is necessary or more frequently if events or circumstances warrant.

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, 2011 and noted no impairment of goodwill. However, as a result of an interim triggering event as discussed below, we recorded a provisional goodwill impairment charge in the third quarter of 2011 associated with our Western European operations that was finalized in the fourth quarter of 2011. As of December 31, 2011 and March 31, 2012, no factors were identified that would alter our October 1, 2011 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.

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)

In September 2011, as a result of certain changes we made in the manner in which our European operations are 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) United Kingdom, Ireland and Norway ("UKI"); (2) Belgium, France, Germany, 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 analyses 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 of August 31, 2011. As required by GAAP, prior to our goodwill impairment analysis, we performed an impairment assessment on the long-lived assets within our UKI, Western Europe and Central Europe reporting units and noted no impairment, except for the Italian Business, which was included in our Western Europe reporting unit, and which is now included in discontinued operations as discussed in Note 10. Based on our analysis, we concluded that the goodwill of our UKI and Central Europe reporting units was not impaired. Our UKI and Central Europe reporting units had fair values that exceeded their carrying values by 15.1% and 4.9%, 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 their failure to achieve 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 goodwill impairment charge of $46,500 included as a component of intangible impairments from continuing operations in our consolidated statements of operations for the year ended December 31, 2011. See Note 10 for the portion of the charge allocated to the Italian Business based on a relative fair value basis.

Our reporting units at which level we performed our goodwill impairment analysis as of October 1, 2011 were as follows: North America; UKI; Western Europe; Central Europe; Latin America; Australia; and Joint Ventures (which includes India, our various joint ventures in Southeast Asia and Russia (referred to as "Joint Ventures")). As of December 31, 2011, the carrying value of goodwill, net amounted to $1,748,879, $306,150, $46,439, $63,781, $27,322, and $61,697 for North America, UKI, Western Europe, Central Europe, Latin America and Australia, respectively. Our Joint Ventures reporting unit has no goodwill as of December 31, 2011 and March 31, 2012. Our North America, Latin America and Australia reporting units had estimated fair values as of October 1, 2011 that exceeded their carrying values by greater than 40%. As of March 31, 2012, the carrying value of goodwill, net amounted to $1,758,722, $315,616, $47,891, $69,384, $28,461, and $62,547 for North America, UKI, Western Europe, Central Europe, Latin America and Australia, respectively.

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

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)

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 three months ended March 31, 2012 is as follows:

	North American Business	International Business	Total Consolidated
Gross Balance as of December 31, 2011	$ 2,010,241	$ 564,044	$ 2,574,285
Deductible goodwill acquired during the year	4,818		4,818
Currency effects	5,289	18,883	24,172
Gross Balance as of March 31, 2012	$ 2,020,348	$ 582,927	$ 2,603,275
Accumulated Amortization Balance as of December 31, 2011	$ 261,362	$ 58,655	$ 320,017
Currency effects	264	373	637
Accumulated Amortization Balance as of March 31, 2012	$ 261,626	$ 59,028	$ 320,654
Net Balance as of December 31, 2011	$ 1,748,879	$ 505,389	$ 2,254,268
Net Balance as of March 31, 2012	$ 1,758,722	$ 523,899	$ 2,282,621
Accumulated Goodwill Impairment Balance as of December 31, 2011	$ 85,909	$ 46,500	$ 132,409
Accumulated Goodwill Impairment Balance as of March 31, 2012	$ 85,909	$ 46,500	$ 132,409

The components of our amortizable intangible assets as of March 31, 2012 are as follows:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer Relationships and Acquisition Costs	$ 612,560	$ (196,242)	$ 416,318
Core Technology(1)	3,760	(2,583)	1,177
Trademarks and Non-Compete Agreements(1)	3,075	(2,562)	513
Deferred Financing Costs	55,008	(20,573)	34,435
Total	$ 674,403	$ (221,960)	$ 452,443

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

Amortization expense associated with amortizable intangible assets (including deferred financing costs) was $8,251 and $9,601 for the three months ended March 31, 2011 and 2012, respectively.

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)

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 months ended March 31, 2011 and 2012 was $5,033, including $594 in discontinued operations, ($3,164 after tax or $0.02 per basic and diluted share) and $9,800 ($6,847 after tax or $0.04 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 March 31,	
	2011	2012
Cost of sales (excluding depreciation and amortization)	$ 275	$ 215
Selling, general and administrative expenses	4,164	9,585
Total stock-based compensation	$ 4,439	$ 9,800

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 $1,017 and $190 for the three months ended March 31, 2011 and 2012, respectively, from the benefits of tax deductions in excess of recognized compensation cost. The tax benefit of any resulting excess tax deduction increases the Additional Paid-in Capital ("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 sooner 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 sooner terminated. As of March 31, 2012, ten-year vesting options represent 7.5% 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 sooner terminated. As of March 31, 2012, three-year vesting options represented 11.3% of total outstanding options. Our non-employee 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.

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 weighted average fair value of options granted for the three months ended March 31, 2011 and 2012 was $7.34 and $7.00 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:

Weighted Average Assumptions	Three Months Ended March 31, 2011	2012
Expected volatility	33.4%	33.8%
Risk-free interest rate	2.51%	1.23%
Expected dividend yield	3%	3%
Expected life	6.3 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. Expected dividend yield is considered in the option pricing model and represents our current expected per share dividends over the current trade price of our common stock. The expected life (estimated period of time outstanding) of the stock options granted is estimated using the historical exercise behavior of employees.

A summary of option activity for the three months ended March 31, 2012 is as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic value
Outstanding at December 31, 2011	7,118,458	$ 25.73		
Granted	21,472	28.86		
Exercised	(103,868)	20.47		
Forfeited	(90,076)	25.92		
Expired	(9,510)	30.33		
Outstanding at March 31, 2012	6,936,476	$ 25.81	6.47	$ 23,729
Options exercisable at March 31, 2012	4,082,790	$ 25.48	5.57	$ 15,598
Options expected to vest	2,643,329	$ 26.31	7.75	$ 7,504

The following table provides the aggregate intrinsic value of stock options exercised for the three months ended March 31, 2011 and 2012:

	Three Months Ended March 31, 2011	2012
Aggregate intrinsic value of stock options exercised	$ 6,047	$ 1,064

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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)

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 three months ended March 31, 2012 is as follows:

	Restricted Stock and RSUs	Weighted-Average Grant-Date Fair Value
Non-vested at December 31, 2011	610,951	$ 28.85
Granted	655,809	28.86
Vested	(139,477)	28.36
Forfeited	(11,550)	28.75
Non-vested at March 31, 2012	1,115,733	$ 28.92

No restricted stock vested during the three months ended March 31, 2011 and 2012, respectively. No RSUs vested during the three months ended March 31, 2011 and $3,979 vested during the three months ended March 31, 2012.

Performance Units

Under our various stock option plans, we may also issue grants of performance units ("PUs"). The number of PUs earned is determined based on our performance against predefined targets, which for 2011 and 2012 were 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 is 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 cliff vesting, three years from the date of the original PU 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 (1) the vesting period, (2) achievement of the retirement criteria, which such achievement may occur as early as one year after the date of grant, or (3) a maximum of three years.

During 2012, we issued 221,781 PUs. During the one-year performance period, we will forecast the likelihood of achieving the predefined annual revenue growth and ROIC 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 PU liability is remeasured at each fiscal quarter-end during the vesting period using the estimated percentage of

IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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(2) Summary of Significant Accounting Policies (Continued)

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. The total fair value of earned PUs that vested during the first quarter of 2012 was $2,825. As of March 31, 2012, we expected 100% achievement of the predefined revenue and ROIC targets associated with the grants made in 2012, and the closing market price of our common stock was $28.80.

A summary of PU activity for the three months ended March 31, 2012 is as follows:

	PUs Original Awards	PUs Adjustment(1)	Total PUs Awards	Weighted-Average Grant-Date Fair Value
Non-vested at December 31, 2011	112,749		112,749	$ 29.06
Granted	221,781	12,012	233,793	28.87
Vested	(96,120)	(1,938)	(98,058)	28.46
Forfeited	(291)		(291)	28.11
Non-vested at March 31, 2012	238,119	10,074	248,193	$ 29.11

(1) Represents the additional number of PUs based on either (a) the final performance criteria achievement at the end of the one-year performance period or (b) a change in estimated awards based on the forecasted performance against the predefined targets.

Employee Stock Purchase Plan

We offer an employee stock purchase plan (the "ESPP") in which participation is available to substantially all U.S. and Canadian employees who meet certain service eligibility requirements. 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. In the three months ended March 31, 2011 and 2012, there were no offering periods which ended under the ESPP and no shares were issued.

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(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

The number of shares available for purchase under the ESPP at March 31, 2012 was 399,761.

As of March 31, 2012, unrecognized compensation cost related to the unvested portion of our Employee Stock-Based Awards was $55,291 and is expected to be recognized over a weighted-average period of 2.8 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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(2) Summary of Significant Accounting Policies (Continued)

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

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2012
Income (Loss) from continuing operations	$ 81,176	$ 61,073
Total income (loss) from discontinued operations (see Note 10)	$ (6,557)	$ (5,093)
Net income (loss) attributable to Iron Mountain Incorporated	$ 73,460	$ 55,350
Weighted-average shares basic	200,228,000	171,320,000
Effect of dilutive potential stock options	995,149	720,788
Effect of dilutive potential restricted stock, RSUs and PUs	27,659	181,867
Weighted-average shares diluted	201,250,808	172,222,655
Earnings (Losses) per share basic:		
Income (Loss) from continuing operations	$ 0.41	$ 0.36
Total income (loss) from discontinued operations (see Note 10)	$ (0.03)	$ (0.03)
Net income (loss) attributable to Iron Mountain Incorporated basic	$ 0.37	$ 0.32
Earnings (Losses) per share diluted:		
Income (Loss) from continuing operations	$ 0.40	$ 0.35
Total income (loss) from discontinued operations (see Note 10)	$ (0.03)	$ (0.03)
Net income (loss) attributable to Iron Mountain Incorporated diluted	$ 0.37	$ 0.32
Antidilutive stock options, RSUs and PUs, excluded from the calculation	8,701,049	2,045,616

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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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, which relate to physical and digital records, 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 products are shipped to the customer and title has passed to the customer. Revenues from the sales of products have historically not been significant.

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 potential 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 months ended March 31, 2011 and 2012 were 17.1% and 29.3%, respectively. The primary reconciling items between the federal statutory rate of 35% and our overall effective tax rate are 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. During the three months ended March 31, 2011, foreign currency losses were recorded in higher tax jurisdictions associated with our marking-to-market of debt and derivative instruments while foreign currency gains were recorded in lower tax jurisdictions associated with our marking-to-market of intercompany loan positions, which reduced our 2011 effective tax rate

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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(2) Summary of Significant Accounting Policies (Continued)

by 12.6%. In addition, the recognition of certain previously unrecognized tax benefits due to settlements with tax authorities in various jurisdictions reduced the 2011 tax rate by 2.0%. During the three months ended March 31, 2012, foreign currency losses were recorded in higher tax jurisdictions associated with our marking-to-market of debt and derivative instruments while foreign currency gains were recorded in lower tax jurisdictions associated with our marking-to-market of intercompany loan positions, which reduced our 2012 effective tax rate by 8.9%.

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 (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 $609 and $249 for gross interest and penalties for the three months ended March 31, 2011 and 2012, respectively. We had $2,819 and $2,570 accrued for the payment of interest and penalties as of December 31, 2011 and March 31, 2012, respectively.

We have not recorded deferred taxes on book over tax outside basis differences related to certain foreign subsidiaries because such basis differences are not expected to reverse in the foreseeable future and we intend to reinvest indefinitely outside the U.S. These basis differences arose primarily through the undistributed book earnings of our foreign subsidiaries. The basis differences could be reversed through a sale of the subsidiaries, each of which would result in an increase in our provision for income taxes. As of March 31, 2012, we had approximately $75,000 of undistributed earnings within our foreign subsidiaries. It is not practicable to calculate the amount of unrecognized deferred tax liability on the amount of undistributed earnings.

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 both December 31, 2011 and March 31, 2012 relate to cash and cash equivalents and restricted cash held on

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(2) Summary of Significant Accounting Policies (Continued)

deposit with five global banks and one "Triple A" rated money market fund, 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, 2011 and March 31, 2012, our cash and cash equivalents and restricted cash balance was $214,955 and $213,405, respectively, including a money market fund and time deposits amounting to $181,823 and $166,343, respectively. A substantial portion of the money market fund is 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 at the 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.

The following tables provide the assets and liabilities carried at fair value measured on a recurring basis as of December 31, 2011 and March 31, 2012, respectively:

		Fair Value Measurements at December 31, 2011 Using		
Description	**Total Carrying Value at December 31, 2011**	**Quoted prices in active markets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Money Market Funds(1)	$ 35,110	$	$ 35,110	$
Time Deposits(1)	146,713		146,713	
Trading Securities	9,124	8,497(2)	627(1)	
Derivative Assets(3)	2,803		2,803	
Derivative Liabilities(3)	435		435	

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(2) Summary of Significant Accounting Policies (Continued)

Description	Total Carrying Value at March 31, 2012	Fair Value Measurements at March 31, 2012 Using Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Money Market Funds(1)	$ 35,112	$	$ 35,112	$
Time Deposits(1)	131,231		131,231	
Trading Securities	9,763	9,143(2)	620(1)	
Derivative Assets(3)	72		72	
Derivative Liabilities(3)	4,172		4,172	

(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 and Australian 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 months ended March 31, 2012.

l. New Accounting Pronouncements

In September 2011, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2011-08, *Intangibles Goodwill and Other (Topic 350): Testing Goodwill for Impairment*. ASU 2011-08 allows, but does not require, entities to first assess qualitatively whether it is necessary to perform the two-step goodwill impairment test. If an entity believes, as a result of its qualitative assessment, that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the quantitative two-step impairment test is required; otherwise, no further testing is required. We adopted ASU 2011-08 as of January 1, 2012. The adoption of ASU 2011-08 did not have an impact on our consolidated financial position, results of operations or cash flows.

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.

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(2) Summary of Significant Accounting Policies (Continued)

n. Accumulated Other Comprehensive Items, Net

Accumulated other comprehensive items, net consists of foreign currency translation adjustments as of December, 31, 2011 and March 31, 2012, respectively.

o. Other Expense (Income), Net

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

	Three Months Ended March 31,	
	2011	2012
Foreign currency transaction (gains) losses, net	$ (3,096)	$ (2,575)
Debt extinguishment (income) expense, net	(850)	
Other, net	(5,012)	(729)
	$ (8,958)	$ (3,304)

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 and depreciated over the estimated useful life of the software. Capitalization begins when the design stage of the application has been completed and it is probable that the application 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.

Consolidated loss on disposal/write-down of property, plant and equipment, net of $719 for the three months ended March 31, 2012 consisted primarily of write-offs associated with our European and Latin American operations. Consolidated gain on disposal/write-down of property, plant and equipment, net of $464 for the three months ended March 31, 2011 consisted primarily of gains related to vehicle dispositions in North America.

(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 that 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

IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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(3) Derivative Instruments and Hedging Activities (Continued)

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 exposure due to foreign currency exchange movements related to our intercompany accounts with and between our foreign subsidiaries. As of December 31, 2011 and March 31, 2012, 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 and Australian dollars. As of March 31, 2012, we had an outstanding forward contract to purchase $195,851 U.S. dollars and sell 125,000 British pounds sterling to hedge our intercompany exposures with our European operations. As of March 31, 2012, we had an outstanding forward contract to purchase $77,415 U.S. dollars and sell 75,000 Australian dollars to hedge our intercompany exposures with our Australian 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 unrealized foreign exchange gain or loss for the mark-to-market valuation. We have not designated these forward contracts as hedges. During the three months ended March 31, 2011 and 2012, there was $3,625 and $1,503 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, 2011 and March 31, 2012 and their gains and losses for the three months ended March 31, 2011 and 2012:

	Asset Derivatives			
	December 31, 2011		March 31, 2012	
Derivatives Not Designated as Hedging Instruments	**Balance Sheet Location**	**Fair Value**	**Balance Sheet Location**	**Fair Value**
Foreign exchange contracts	Current assets	$ 2,803	Current assets	$ 72
Total		$ 2,803		$ 72

	Liability Derivatives			
	December 31, 2011		March 31, 2012	
Derivatives Not Designated as Hedging Instruments	**Balance Sheet Location**	**Fair Value**	**Balance Sheet Location**	**Fair Value**
Foreign exchange contracts	Current liabilities	$ 435	Current liabilities	$ 4,172
Total		$ 435		$ 4,172

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(3) Derivative Instruments and Hedging Activities (Continued)

Derivatives Not Designated as Hedging Instruments	Location of (Gain) Loss Recognized in Income on Derivative	Amount of (Gain) Loss Recognized in Income on Derivatives Three Months Ended March 31, 2011	2012
Foreign exchange contracts	Other expense (income), net	$ 4,921	$ 7,971
Total		$ 4,921	$ 7,971

We have designated a portion of our 6$^{3}/_{4}$% Euro Senior Subordinated Notes due 2018 issued by IMI (the "6$^{3}/_{4}$% Notes") as a hedge of net investment of certain of our Euro denominated subsidiaries. For the three months ended March 31, 2011 and 2012, we designated on average 75,667 and 102,333 Euros, respectively, of the 6$^{3}/_{4}$% Notes as a hedge of net investment of certain of our Euro denominated subsidiaries. As a result, we recorded foreign exchange losses of $6,300 ($3,938, net of tax) and $3,755 ($2,345, net of tax) for the three months ended March 31, 2011 and 2012, 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 March 31, 2012, cumulative net gains of $11,045, net of tax are recorded in accumulated other comprehensive items, net associated with this net investment hedge.

(4) Acquisitions

We account for acquisitions using the acquisition 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 March 31, 2012 are not presented due to the insignificant impact of the 2012 acquisitions on our consolidated results of operations.

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(4) Acquisitions (Continued)

A summary of the cumulative consideration paid and the preliminary allocation of the purchase price paid for acquisitions in 2012 through March 31, 2012 is as follows:

Cash Paid (gross of cash acquired)	$ 8,818
Total Consideration	8,818
Fair Value of Identifiable Assets Acquired:	
Property, Plant and Equipment(1)	82
Customer Relationship Assets(2)	4,900
Liabilities Assumed(3)	(982)
Total Fair Value of Identifiable Net Assets Acquired	4,000
Recorded Goodwill	$ 4,818

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

(2) The weighted average life of customer relationship assets associated with acquisitions to date in 2012 was 18 years.

(3) Consists primarily of accrued expenses and deferred revenue.

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(5) Debt

Long-term debt consists of the following:

	December 31, 2011 Carrying Amount	December 31, 2011 Fair Value	March 31, 2012 Carrying Amount	March 31, 2012 Fair Value
Revolving Credit Facility(1)	$ 96,000	$ 96,000	$ 190,000	$ 190,000
Term Loan Facility(1)	487,500	487,500	481,250	481,250
$7^1/_4$% GBP Senior Subordinated Notes due 2014 (the "$7^1/_4$% Notes")(2)(3)	233,115	233,115	240,210	240,210
$6^5/_8$% Senior Subordinated Notes due 2016 (the "$6^5/_8$% Notes")(2)(3)	318,025	320,400	318,147	319,392
$7^1/_2$% CAD Senior Subordinated Notes due 2017 (the "Subsidiary Notes")(2)(4)	171,273	174,698	175,245	180,940
$8^3/_4$% Senior Subordinated Notes due 2018 (the "$8^3/_4$% Notes")(2)(3)	200,000	209,000	200,000	206,870
8% Senior Subordinated Notes due 2018 (the "8% Notes")(2)(3)	49,806	47,607	49,813	54,140
$6^3/_4$% Euro Senior Subordinated Notes due 2018 (the "$6^3/_4$% Notes")(2)(3)	328,750	312,352	338,508	343,623
$7^3/_4$% Senior Subordinated Notes due 2019 (the "$7^3/_4$% Notes due 2019")(2)(3)	400,000	422,750	400,000	437,000
8% Senior Subordinated Notes due 2020 (the "8% Notes due 2020")(2)(3)	300,000	313,313	300,000	317,625
$8^3/_8$% Senior Subordinated Notes due 2021 (the "$8^3/_8$% Notes")(2)(3)	548,346	586,438	548,389	598,813
Real Estate Mortgages, Capital Leases and Other(5)	220,773	220,773	212,114	212,114
Total Long-term Debt	3,353,588		3,453,676	
Less Current Portion	(73,320)		(63,229)	
Long-term Debt, Net of Current Portion	$ 3,280,268		$ 3,390,447	

(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, 2011 and March 31, 2012, respectively).

(2) The fair values of these debt instruments are based on quoted market prices for these notes on December 31, 2011 and March 31, 2012, respectively.

(3) Collectively, 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

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(5) Debt (Continued)

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 credit agreement that consists of (1) revolving credit facilities under which we can borrow, subject to certain limitations as defined in the credit agreement, up to an aggregate amount of $725,000 (including Canadian dollars, British pounds sterling and Euros, among other currencies) (the "Revolving Credit Facility") and (2) a $500,000 term loan facility (the "Term Loan Facility," and collectively with the Revolving Credit Facility, the "Credit Agreement"). We have the right to increase the aggregate amount available to be borrowed under the Credit Agreement up to a maximum of $1,800,000. The 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 Credit Agreement, borrow under certain of the following tranches of the Revolving Credit Facility: (1) tranche one in the amount of $400,000 is available to IMI and IMIM in U.S. dollars, British pounds sterling and Euros, (2) 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 (3) 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 Revolving Credit Facility terminates on June 27, 2016, at which point all revolving credit loans under such facility become due. With respect to the 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 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 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 Credit Agreement,

IRON MOUNTAIN INCORPORATED

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(In Thousands, Except Share and Per Share Data)

(Unaudited)

(5) Debt (Continued)

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 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 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. There are also fees associated with any outstanding letters of credit. As of March 31, 2012, we had $190,000 of outstanding borrowings under the Revolving Credit Facility, all of which was denominated in U.S. dollars; we also had various outstanding letters of credit totaling $6,217. The remaining availability on March 31, 2012, 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 Credit Agreement and current external debt, under the Revolving Credit Facility was $528,783. The interest rate in effect under both the Revolving Credit Facility and Term Loan Facility was 2.3% as of March 31, 2012. For the three months ended March 31, 2011 and 2012, we recorded commitment fees and letters of credit fees of $489 and $600, respectively, based on the unused balances under our revolving credit facilities and outstanding letters of credit.

The 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 Credit Agreement, our indentures or other agreements governing our indebtedness. The 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 3.4 and 3.5 as of December 31, 2011 and March 31, 2012, respectively, compared to a maximum allowable ratio of 5.5. Similarly, our bond leverage ratio, per the indentures, was 3.9 and 4.5 as of December 31, 2011 and March 31, 2012, respectively, compared to a maximum allowable ratio of 6.5. IMI's revolving credit and term loan fixed charge coverage ratio was 1.5 as of both December 31, 2011 and March 31, 2012 compared to a minimum allowable ratio of 1.2. Noncompliance with these leverage and fixed charge coverage ratios 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, 2011 and March 31, 2012 and for the three months ended March 31, 2011 and 2012.

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

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(In Thousands, Except Share and Per Share Data)

(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, 2011					
	Parent	Guarantors	Canada Company	Non-Guarantors	Eliminations	Consolidated
Assets						
Current Assets:						
Cash and Cash Equivalents	$ 3,428	$ 10,750	$ 68,907	$ 96,760	$	$ 179,845
Restricted Cash	35,110					35,110
Accounts Receivable		334,658	40,115	168,694		543,467
Intercompany Receivable	905,451		4,639		(910,090)	
Assets of Discontinued Operations				7,256		7,256
Other Current Assets	2,016	103,899	3,323	40,538	(1,004)	148,772
Total Current Assets	946,005	449,307	116,984	313,248	(911,094)	914,450
Property, Plant and Equipment, Net	1,490	1,480,785	200,755	724,053		2,407,083
Other Assets, Net:						
Long-term Notes Receivable from Affiliates and Intercompany Receivable	928,182	1,000	2,961	15,010	(947,153)	
Investment in Subsidiaries	1,828,712	1,563,690			(3,392,402)	
Goodwill		1,529,359	196,989	527,920		2,254,268
Other	27,226	240,557	9,804	187,870		465,457
Total Other Assets, Net	2,784,120	3,334,606	209,754	730,800	(4,339,555)	2,719,725
Total Assets	$ 3,731,615	$ 5,264,698	$ 527,493	$ 1,768,101	$ (5,250,649)	$ 6,041,258
Liabilities and Equity						
Intercompany Payable	$	$ 856,808	$	$ 53,282	$ (910,090)	$
Current Portion of Long-term Debt	658	46,967	2,658	23,037		73,320
Liabilities of Discontinued Operations				3,317		3,317
Total Other Current Liabilities	100,921	453,648	31,407	187,421	(1,004)	772,393
Long-term Debt, Net of Current Portion	2,378,040	630,118	185,953	86,157		3,280,268
Long-term Notes Payable to Affiliates and Intercompany Payable	1,000	946,153			(947,153)	
Other Long-term Liabilities	5,308	528,897	31,418	92,081		657,704
Commitments and Contingencies (See Note 8)						
Total Iron Mountain Incorporated Stockholders' Equity	1,245,688	1,802,107	276,057	1,314,238	(3,392,402)	1,245,688
Noncontrolling Interests				8,568		8,568
Total Equity	1,245,688	1,802,107	276,057	1,322,806	(3,392,402)	1,254,256

Total Liabilities and Equity	$ 3,731,615	$ 5,264,698	$ 527,493	$ 1,768,101	$ (5,250,649)	$ 6,041,258

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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)

	March 31, 2012					
	Parent	Guarantors	Canada Company	Non-Guarantors	Eliminations	Consolidated
Assets						
Current Assets:						
Cash and Cash Equivalents	$ 71	$ 8,052	$ 68,178	$ 101,992	$	$ 178,293
Restricted Cash	35,112					35,112
Accounts Receivable		341,827	42,752	173,778		558,357
Intercompany Receivable	862,748		7,983		(870,731)	
Assets of Discontinued Operations				7,294		7,294
Other Current Assets	48	107,763	5,354	40,805	(1,027)	152,943
Total Current Assets	897,979	457,642	124,267	323,869	(871,758)	931,999
Property, Plant and Equipment, Net	1,450	1,458,216	205,166	737,826		2,402,658
Other Assets, Net:						
Long-term Notes Receivable from Affiliates and Intercompany Receivable	982,167	1,000	5,494		(988,661)	
Investment in Subsidiaries	1,863,354	1,595,137			(3,458,491)	
Goodwill		1,534,176	201,558	546,887		2,282,621
Other	26,084	250,484	9,766	183,010		469,344
Total Other Assets, Net	2,871,605	3,380,797	216,818	729,897	(4,447,152)	2,751,965
Total Assets	$ 3,771,034	$ 5,296,655	$ 546,251	$ 1,791,592	$ (5,318,910)	$ 6,086,622
Liabilities and Equity						
Intercompany Payable	$	$ 808,307	$	$ 62,424	$ (870,731)	$
Current Portion of Long-term Debt	670	43,408	2,747	16,404		63,229
Liabilities of Discontinued Operations				7,859		7,859
Total Other Current Liabilities	107,840	403,010	28,491	168,738	(1,027)	707,052
Long-term Debt, Net of Current Portion	2,395,066	716,601	190,186	88,594		3,390,447
Long-term Notes Payable to Affiliates and Intercompany Payable	1,000	983,987		3,674	(988,661)	
Other Long-term Liabilities	6,842	507,788	34,474	100,128		649,232
Commitments and Contingencies (See Note 8)						
Total Iron Mountain Incorporated Stockholders' Equity	1,259,616	1,833,554	290,353	1,334,584	(3,458,491)	1,259,616
Noncontrolling Interests				9,187		9,187
Total Equity	1,259,616	1,833,554	290,353	1,343,771	(3,458,491)	1,268,803
Total Liabilities and Equity	$ 3,771,034	$ 5,296,655	$ 546,251	$ 1,791,592	$ (5,318,910)	$ 6,086,622

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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)

	Three Months Ended March 31, 2011					
	Parent	Guarantors	Canada Company	Non-Guarantors	Eliminations	Consolidated
Revenues:						
Storage	$	$ 282,713	$ 30,115	$ 102,877	$	$ 415,705
Service		208,912	28,934	92,458		330,304
Total Revenues		491,625	59,049	195,335		746,009
Operating Expenses:						
Cost of Sales (Excluding Depreciation and Amortization)		198,125	23,732	94,098		315,955
Selling, General and Administrative	134	142,556	10,161	59,904		212,755
Depreciation and Amortization	40	49,151	5,105	25,867		80,163
(Gain) Loss on Disposal/Write-down of Property, Plant and Equipment, Net		(461)	(10)	7		(464)
Total Operating Expenses	174	389,371	38,988	179,876		608,409
Operating (Loss) Income	(174)	102,254	20,061	15,459		137,600
Interest Expense (Income), Net	43,186	(20,095)	10,167	15,360		48,618
Other Expense (Income), Net	30,828	(643)	(47)	(39,096)		(8,958)
(Loss) Income from Continuing Operations Before Provision (Benefit) for Income Taxes	(74,188)	122,992	9,941	39,195		97,940
Provision (Benefit) for Income Taxes		6,911	7,572	2,281		16,764
Equity in the (Earnings) Losses of Subsidiaries, Net of Tax	(147,648)	(32,684)(1)			180,332(1)	
Income (Loss) from Continuing Operations	73,460	148,765(1)	2,369	36,914	(180,332)(1)	81,176
(Loss) Income from Discontinued Operations, Net of Tax		(2,470)		(4,087)		(6,557)
Net Income (Loss)	73,460	146,295(1)	2,369	32,827	(180,332)(1)	74,619
Less: Net Income (Loss) Attributable to Noncontrolling Interests				1,159		1,159
Net Income (Loss) Attributable to Iron Mountain Incorporated	$ 73,460	$ 146,295	$ 2,369	$ 31,668	$ (180,332)	$ 73,460
Net Income (Loss)	$ 73,460	$ 146,295	$ 2,369	$ 32,827	$ (180,332)	$ 74,619
Other Comprehensive Income (Loss):						
Foreign Currency Translation Adjustments	(3,938)	(2,435)	5,909	22,942		22,478

Total Other Comprehensive Income (Loss)	(3,938)	(2,435)	5,909	22,942		22,478
Comprehensive Income (Loss)	69,522	143,860	8,278	55,769	(180,332)	97,097
Comprehensive Income (Loss) Attributable to Noncontrolling Interests				1,119		1,119
Comprehensive Income (Loss) Attributable to Iron Mountain Incorporated	$ 69,522	$ 143,860	$ 8,278	$ 54,650	$ (180,332)	$ 95,978

(1) In the preparation of our current filing, we identified and corrected an error in the previously reported amount of the Guarantors' equity in the (earnings) losses of subsidiaries, net of tax for the three months ended March 31, 2011. Previously reported Guarantors' equity in the (earnings) losses of subsidiaries, net of tax, Guarantors' income

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

from continuing operations and Guarantors' net income were $17,231, $98,850 and $96,380, respectively, and the correction results in an increase in the equity in earnings, income from continuing operations and net income of the Guarantors of $49,915 with an offsetting increase for those line items in the eliminations column. Accordingly, there was no impact on the Parent, Canada Company, Non-Guarantors or consolidated results previously reported. Additionally, there was no change in the operating income or income from continuing operations before income taxes of the Guarantors. Our previously reported amount of the Guarantors' equity in the (earnings) losses of subsidiaries, net of tax for the six months ended June 30, 2011 was appropriately reported, however, the three months ended June 30, 2011 was impacted by the same amount but in the opposite direction. We will correct the three months ended June 30, 2011 figures in our 2012 second quarter filing which will result in a decrease in the equity in earnings, income from continuing operations and net income of the Guarantors' of $49,915. Our three months ended June 30, 2011 Guarantors' equity in the (earnings) losses of subsidiaries, net of tax, income from continuing operations and net income will be changed and disclosed in our second quarter 2012 filing to $(10,601), $114,285 and $297,236, respectively, with an offsetting decrease for those line items in the eliminations column.

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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)

	Three Months Ended March 31, 2012					
	Parent	Guarantors	Canada Company	Non-Guarantors	Eliminations	Consolidated
Revenues:						
Storage	$	$ 287,587	$ 30,475	$ 107,279	$	$ 425,341
Service		200,361	29,401	91,395		321,157
Total Revenues		487,948	59,876	198,674		746,498
Operating Expenses:						
Cost of Sales (Excluding Depreciation and Amortization)		193,215	25,041	97,042		315,298
Selling, General and Administrative	18	147,862	9,185	53,595		210,660
Depreciation and Amortization	75	48,086	4,563	25,284		78,008
(Gain) Loss on Disposal/Write-down of Property, Plant and Equipment, Net		(155)	42	832		719
Total Operating Expenses	93	389,008	38,831	176,753		604,685
Operating (Loss) Income	(93)	98,940	21,045	21,921		141,813
Interest Expense (Income), Net	47,091	(4,234)	11,466	4,461		58,784
Other Expense (Income), Net	19,585	(1,260)		(21,629)		(3,304)
(Loss) Income from Continuing Operations Before Provision (Benefit) for Income Taxes	(66,769)	104,434	9,579	39,089		86,333
Provision (Benefit) for Income Taxes		17,084	4,523	3,653		25,260
Equity in the (Earnings) Losses of Subsidiaries, Net of Tax	(122,119)	(33,131)			155,250	
Income (Loss) from Continuing Operations	55,350	120,481	5,056	35,436	(155,250)	61,073
Income (Loss) from Discontinued Operations, Net of Tax		464		(5,557)		(5,093)
Net Income (Loss)	55,350	120,945	5,056	29,879	(155,250)	55,980
Less: Net Income (Loss) Attributable to Noncontrolling Interests				630		630
Net Income (Loss) Attributable to Iron Mountain Incorporated	$ 55,350	$ 120,945	$ 5,056	$ 29,249	$ (155,250)	$ 55,350
Net Income (Loss)	$ 55,350	$ 120,945	$ 5,056	$ 29,879	$ (155,250)	$ 55,980
Other Comprehensive Income (Loss):						
Foreign Currency Translation Adjustments	(2,343)	1,057	6,474	22,759		27,947
Total Other Comprehensive Income (Loss)	(2,343)	1,057	6,474	22,759		27,947
Comprehensive Income (Loss)	53,007	122,002	11,530	52,638	(155,250)	83,927
Comprehensive Income (Loss) Attributable to Noncontrolling Interests				1,088		1,088
Comprehensive Income (Loss) Attributable to Iron Mountain Incorporated	$ 53,007	$ 122,002	$ 11,530	$ 51,550	$ (155,250)	$ 82,839

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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)

	Three Months Ended March 31, 2011					
	Parent	Guarantors	Canada Company	Non-Guarantors	Eliminations	Consolidated
Cash Flows from Operating Activities:						
Cash Flows from Operating Activities-Continuing Operations	$ (53,891)	$ 142,876	$ 5,183	$ 16,250	$	$ 110,418
Cash Flows from Operating Activities-Discontinued Operations		8,146		773		8,919
Cash Flows from Operating Activities	(53,891)	151,022	5,183	17,023		119,337
Cash Flows from Investing Activities:						
Capital expenditures		(32,028)	(2,262)	(17,918)		(52,208)
Cash paid for acquisitions, net of cash acquired		(4,971)	(58)	(29,676)		(34,705)
Intercompany loans to subsidiaries	132,655	(24,524)			(108,131)	
Investment in subsidiaries	(1,000)	(1,000)			2,000	
Investment in restricted cash	(2)					(2)
Additions to customer relationship and acquisition costs		(2,095)	(121)	(677)		(2,893)
Investment in joint ventures				(50)		(50)
Proceeds from sales of property and equipment and other, net		119	10	37		166
Cash Flows from Investing Activities-Continuing Operations	131,653	(64,499)	(2,431)	(48,284)	(106,131)	(89,692)
Cash Flows from Investing Activities-Discontinued Operations		(9,115)		(184)		(9,299)
Cash Flows from Investing Activities	131,653	(73,614)	(2,431)	(48,468)	(106,131)	(98,991)
Cash Flows from Financing Activities:						
Repayment of revolving credit and term loan facilities and other debt	(361,015)	(10,435)	(735)	(56,363)		(428,548)
Proceeds from revolving credit and term loan facilities and other debt	540,000			67,418		607,418
Early retirement of senior subordinated notes	(231,255)					(231,255)
Debt financing (repayment to) and equity contribution from (distribution to) noncontrolling interests, net				131		131
Intercompany loans from parent		(135,177)	(2,067)	29,113	108,131	
Equity contribution from parent		1,000		1,000	(2,000)	
Stock repurchases	(10,970)					(10,970)
Parent cash dividends	(37,514)					(37,514)
Proceeds from exercise of stock options and employee stock purchase plan	9,164					9,164
Excess tax benefits from stock-based compensation	1,017					1,017
Cash Flows from Financing Activities-Continuing Operations	(90,573)	(144,612)	(2,802)	41,299	106,131	(90,557)
Cash Flows from Financing Activities-Discontinued Operations				46		46
Cash Flows from Financing Activities	(90,573)	(144,612)	(2,802)	41,345	106,131	(90,511)
Effect of exchange rates on cash and cash equivalents			1,132	157		1,289
(Decrease) Increase in cash and cash equivalents	(12,811)	(67,204)	1,082	10,057		(68,876)
Cash and cash equivalents, beginning of period	13,909	121,584	37,652	85,548		258,693
Cash and cash equivalents, end of period	$ 1,098	$ 54,380	$ 38,734	$ 95,605	$	$ 189,817

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

	Three Months Ended March 31, 2012					
	Parent	Guarantors	Canada Company	Non-Guarantors	Eliminations	Consolidated
Cash Flows from Operating Activities:						