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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, 2014

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.)

One Federal Street, Boston, Massachusetts 02110
(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 smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer 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 outstanding at October 24, 2014: 193,704,227

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IRON MOUNTAIN INCORPORATED

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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, 2013	September 30, 2014
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 120,526	$ 183,988
Restricted cash	33,860	33,860
Accounts receivable (less allowances of $34,645 and $34,353 as of December 31, 2013 and September 30, 2014, respectively)	616,797	618,996
Deferred income taxes	17,623	10,636
Prepaid expenses and other	144,801	128,906
Total Current Assets	933,607	976,386
Property, Plant and Equipment:		
Property, plant and equipment	4,631,067	4,665,309
Less Accumulated depreciation	(2,052,807)	(2,104,605)
Property, Plant and Equipment, net	2,578,260	2,560,704
Other Assets, net:		
Goodwill	2,463,352	2,421,065
Customer relationships and acquisition costs	605,484	601,295
Deferred financing costs	45,607	50,962
Other	26,695	25,927
Total Other Assets, net	3,141,138	3,099,249
Total Assets	$ 6,653,005	$ 6,636,339

LIABILITIES AND EQUITY		
Current Liabilities:		
Current portion of long-term debt	$ 52,583	$ 60,799
Accounts payable	216,456	141,645
Accrued expenses	461,338	1,163,236
Deferred revenue	238,724	232,628
Total Current Liabilities	969,101	1,598,308
Long-term Debt, net of current portion	4,119,139	4,331,686

Other Long-term Liabilities	68,219	72,354
Deferred Rent	104,244	105,369
Deferred Income Taxes	340,568	60,960
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 191,426,920 shares and 193,678,594 shares as of December 31, 2013 and September 30, 2014, respectively)	1,914	1,937
Additional paid-in capital	980,164	1,017,428
Earnings in excess of distributions (Distributions in excess of earnings)	67,820	(516,361)
Accumulated other comprehensive items, net	(8,660)	(47,232)
Total Iron Mountain Incorporated Stockholders' Equity	1,041,238	455,772
Noncontrolling Interests	10,496	11,890
Total Equity	1,051,734	467,662
Total Liabilities and Equity	$ 6,653,005	$ 6,636,339

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, 2013	Three Months Ended September 30, 2014
Revenues:		
Storage rental	$ 445,317	$ 469,064
Service	309,997	313,633
Total Revenues	755,314	782,697
Operating Expenses:		
Cost of sales (excluding depreciation and amortization)	310,665	335,506
Selling, general and administrative	225,205	216,337
Depreciation and amortization	79,659	89,194
(Gain) Loss on disposal/write-down of property, plant and equipment (excluding real estate), net	(173)	184
Total Operating Expenses	615,356	641,221
Operating Income (Loss)	139,958	141,476
Interest Expense, Net (includes Interest Income of $1,075 and $1,158 for the three months ended September 30, 2013 and 2014, respectively)	64,485	63,220
Other Expense (Income), Net	45,953	22,508
Income (Loss) from Continuing Operations Before Provision (Benefit) for Income Taxes and (Gain) Loss on Sale of Real Estate	29,520	55,748
Provision (Benefit) for Income Taxes	24,190	54,890
(Gain) Loss from Sale of Real Estate, Net of Tax		
Income (Loss) from Continuing Operations	5,330	858
(Loss) Income from Discontinued Operations, Net of Tax	(571)	
Net Income (Loss)	4,759	858
Less: Net Income (Loss) Attributable to Noncontrolling Interests	910	792
Net Income (Loss) Attributable to Iron Mountain Incorporated	$ 3,849	$ 66
Earnings (Losses) per Share Basic:		
Income (Loss) from Continuing Operations	$ 0.03	$ 0.00

Total (Loss) Income from Discontinued Operations	$	(0.00)	$	0.00
Net Income (Loss) Attributable to Iron Mountain Incorporated	$	0.02	$	0.00
Earnings (Losses) per Share Diluted:				
Income (Loss) from Continuing Operations	$	0.03	$	0.00
Total (Loss) Income from Discontinued Operations	$	(0.00)	$	0.00
Net Income (Loss) Attributable to Iron Mountain Incorporated	$	0.02	$	0.00
Weighted Average Common Shares Outstanding Basic		191,332		193,360
Weighted Average Common Shares Outstanding Diluted		192,268		194,905
Dividends Declared per Common Share	$	0.2700	$	4.0960

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,	
	2013	**2014**
Revenues:		
Storage rental	$ 1,329,357	$ 1,394,842
Service	927,059	944,873
Total Revenues	2,256,416	2,339,715
Operating Expenses:		
Cost of sales (excluding depreciation and amortization)	952,797	1,007,612
Selling, general and administrative	673,187	644,924
Depreciation and amortization	238,788	264,568
(Gain) Loss on disposal/write-down of property, plant and equipment (excluding real estate), net	(528)	1,229
Total Operating Expenses	1,864,244	1,918,333
Operating Income (Loss)	392,172	421,382
Interest Expense, Net (includes Interest Income of $2,118 and $4,062 for the nine months ended September 30, 2013 and 2014, respectively)	190,656	187,733
Other Expense (Income), Net	63,967	22,987
Income (Loss) from Continuing Operations Before Provision (Benefit) for Income Taxes and (Gain) Loss on Sale of Real Estate	137,549	210,662
Provision (Benefit) for Income Taxes	88,144	(98,151)
(Gain) Loss from Sale of Real Estate, Net of Tax	(1,417)	(7,468)
Income (Loss) from Continuing Operations	50,822	316,281
Income (Loss) from Discontinued Operations, Net of Tax	1,515	(938)
Net Income (Loss)	52,337	315,343
Less: Net Income (Loss) Attributable to Noncontrolling Interests	2,934	1,973
Net Income (Loss) Attributable to Iron Mountain Incorporated	$ 49,403	$ 313,370
Earnings (Losses) per Share Basic:		
Income (Loss) from Continuing Operations	$ 0.27	$ 1.64

Total Income (Loss) from Discontinued Operations	$	0.01	$	(0.00)
Net Income (Loss) Attributable to Iron Mountain Incorporated	$	0.26	$	1.63
Earnings (Losses) per Share Diluted:				
Income (Loss) from Continuing Operations	$	0.26	$	1.63
Total Income (Loss) from Discontinued Operations	$	0.01	$	(0.00)
Net Income (Loss) Attributable to Iron Mountain Incorporated	$	0.26	$	1.62
Weighted Average Common Shares Outstanding Basic		190,789		192,540
Weighted Average Common Shares Outstanding Diluted		192,315		193,833
Dividends Declared per Common Share	$	0.8100	$	4.6527

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,	
	2013	**2014**
Net Income (Loss)	$ 4,759	$ 858
Other Comprehensive Income (Loss):		
Foreign Currency Translation Adjustments	17,023	(45,423)
Market Value Adjustments for Securities		(291)
Total Other Comprehensive Income (Loss)	17,023	(45,714)
Comprehensive Income (Loss)	21,782	(44,856)
Comprehensive Income (Loss) Attributable to Noncontrolling Interests	733	(25)
Comprehensive Income (Loss) Attributable to Iron Mountain Incorporated	$ 21,049	$ (44,831)

	Nine Months Ended September 30,	
	2013	**2014**
Net Income (Loss)	$ 52,337	$ 315,343
Other Comprehensive (Loss) Income:		
Foreign Currency Translation Adjustments	(25,811)	(39,109)
Market Value Adjustments for Securities		257
Total Other Comprehensive (Loss) Income	(25,811)	(38,852)
Comprehensive Income (Loss)	26,526	276,491
Comprehensive Income (Loss) Attributable to Noncontrolling Interests	1,934	1,693
Comprehensive Income (Loss) Attributable to Iron Mountain Incorporated	$ 24,592	$ 274,798

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	Earnings in in Excess of Distributions (Distributions in Excess of Earnings)	Accumulated Other Comprehensive Items, Net	Noncontrolling Interests
Balance, December 31, 2012	$ 1,157,148	190,005,788	$ 1,900	$ 942,199	$ 180,258	$ 20,314	$ 12,477
Issuance of shares under employee stock purchase plan and option plans and stock-based compensation, including tax benefit of $2,499	40,256	1,207,072	12	40,244			
Parent cash dividends declared	(156,693)				(156,693)		
Currency translation adjustment	(25,811)					(24,811)	(1,000)
Net income (loss)	52,337				49,403		2,934
Noncontrolling interests equity contributions	743						743
Noncontrolling interests dividends	(1,708)						(1,708)
Balance, September 30, 2013	$ 1,066,272	191,212,860	$ 1,912	$ 982,443	$ 72,968	$ (4,497)	$ 13,446

		Iron Mountain Incorporated Stockholders' Equity					
		Common Stock					
	Total	Shares	Amounts	Additional Paid-in Capital	Earnings in in Excess of Distributions (Distributions in Excess of Earnings)	Accumulated Other Comprehensive Items, Net	Noncontrolling Interests
Balance, December 31, 2013	$ 1,051,734	191,426,920	$ 1,914	$ 980,164	$ 67,820	$ (8,660)	$ 10,496
Issuance of shares under employee stock purchase plan and option plans and stock-based compensation, including tax benefit of $40	52,838	2,251,674	23	52,815			
Parent cash dividends declared	(197,551)				(197,551)		
Special distribution in connection with conversion to REIT (see Note 9)	(700,000)				(700,000)		
Currency translation adjustment	(39,109)					(38,829)	(280)
Market value adjustments for securities	257					257	
Net income (loss)	315,343				313,370		1,973
Noncontrolling interests dividends	(1,032)						(1,032)
Purchase of noncontrolling interests	(20,376)			(17,653)			(2,723)
Divestiture of noncontrolling interests	5,558			2,102			3,456
Balance, September 30, 2014	$ 467,662	193,678,594	$ 1,937	$ 1,017,428	$ (516,361)	$ (47,232)	$ 11,890

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, 2013	Nine Months Ended September 30, 2014
Cash Flows from Operating Activities:		
Net income (loss)	$ 52,337	$ 315,343
(Income) loss from discontinued operations	(1,515)	938
Adjustments to reconcile net income (loss) to cash flows from operating activities:		
Depreciation	210,678	227,876
Amortization (includes deferred financing costs and bond discount of $5,283 and $5,535, for the nine months ended September 30, 2013 and 2014, respectively)	33,393	42,227
Stock-based compensation expense	23,016	23,129
Provision (Benefit) for deferred income taxes	61,327	(258,411)
Loss on early extinguishment of debt, net	43,318	
(Gain) Loss on disposal/write-down of property, plant and equipment, net (including real estate)	(2,375)	(8,218)
Foreign currency transactions and other, net	43,763	37,292
Changes in Assets and Liabilities (exclusive of acquisitions):		
Accounts receivable	(37,867)	(9,361)
Prepaid expenses and other	(60,601)	25,309
Accounts payable	19,172	(27,307)
Accrued expenses and deferred revenue	(54,914)	(77,102)
Other assets and long-term liabilities	3,897	10,137
Cash Flows from Operating Activities Continuing Operations	333,629	301,852
Cash Flows from Operating Activities Discontinued Operations	953	
Cash Flows from Operating Activities	334,582	301,852
Cash Flows from Investing Activities:		
Capital expenditures	(204,872)	(277,386)
Cash paid for acquisitions, net of cash acquired	(122,681)	(46,366)
Investment in restricted cash	(1)	
Additions to customer relationship and acquisition costs	(16,573)	(25,847)
Proceeds from sales of property and equipment and other, net (including real estate)	2,402	18,307
Cash Flows from Investing Activities Continuing Operations	(341,725)	(331,292)
Cash Flows from Investing Activities Discontinued Operations	(4,937)	
Cash Flows from Investing Activities	(346,662)	(331,292)
Cash Flows from Financing Activities:		
Repayment of revolving credit and term loan facilities and other debt	(3,447,542)	(8,225,563)
Proceeds from revolving credit and term loan facilities and other debt	3,445,387	8,061,747
Early retirement of senior subordinated notes	(685,134)	(247,275)
Net proceeds from sales of senior notes	782,307	642,417
Debt financing (repayment to) and equity contribution from (distribution to) noncontrolling interests, net	1,066	(14,715)
Parent cash dividends	(155,027)	(157,018)
Proceeds from exercise of stock options and employee stock purchase plan	14,726	37,356
Excess tax benefits from stock-based compensation	2,499	40

Payment of debt financing and stock issuance costs		(8,087)		(2,156)
Cash Flows from Financing Activities Continuing Operations		(49,805)		94,833
Cash Flows from Financing Activities Discontinued Operations				
Cash Flows from Financing Activities		(49,805)		94,833
Effect of Exchange Rates on Cash and Cash Equivalents		(9,499)		(1,931)
(Decrease) Increase in Cash and Cash Equivalents		(71,384)		63,462
Cash and Cash Equivalents, Beginning of Period		243,415		120,526
Cash and Cash Equivalents, End of Period	$	172,031	$	183,988
Supplemental Information:				
Cash Paid for Interest	$	196,811	$	210,770
Cash Paid for Income Taxes	$	88,154	$	124,251
Non-Cash Investing and Financing Activities:				
Capital Leases	$	48,909	$	18,903
Accrued Capital Expenditures	$	30,419	$	30,484
Dividends Payable	$	54,705	$	795,671

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

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, a Delaware corporation ("IMI"), and its subsidiaries ("we" or "us") store records, primarily paper documents and data backup media, and provide information management services in various locations throughout North America, Europe, Latin America and Asia Pacific. We have a diversified customer base consisting 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 United States Securities and Exchange Commission (the "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 thereto, which are included herein, should be read in conjunction with the Consolidated Financial Statements and Notes thereto for the year ended December 31, 2013 included in our Current Report on Form 8-K filed with the SEC on May 5, 2014.

We previously disclosed that, as part of our plan to convert to a real estate investment trust ("REIT") for federal income tax purposes and elect REIT status effective January 1, 2014 (the "Conversion Plan"), we sought private letter rulings ("PLRs") from the U.S. Internal Revenue Service (the "IRS") relating to numerous technical tax issues, including classification of our steel racking structures as qualified real estate assets. We submitted the PLR requests in the third quarter of 2012, and on June 25, 2014, we announced that we received the favorable PLRs from the IRS necessary for our conversion to a REIT. After receipt of the PLRs, our board of directors unanimously approved our conversion to a REIT for our taxable year beginning January 1, 2014. As such, we intend to elect REIT status effective January 1, 2014.

On June 2, 2011, we sold (the "Digital Sale") 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 April 27, 2012, we sold our records management operations in Italy. The financial position, operating results and cash flows of the Digital Business and our Italian operations, including the gain on the sale of the Digital Business and the loss on the sale of our Italian operations, for all periods presented, have been reported as discontinued operations for financial reporting purposes. See Note 10 for a further discussion of these events.

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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

a. Principles of Consolidation

The accompanying financial statements reflect our financial position, results of operations, comprehensive income (loss), equity and cash flows on a consolidated basis. All intercompany transactions and account balances have been eliminated.

b. Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents include cash on hand and cash invested in highly liquid 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 related to our workers' compensation self-insurance program. The restricted cash subject to this agreement was $33,860 as of both December 31, 2013 and September 30, 2014, 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 the functional currencies for our operations outside the U.S., with the exception of certain foreign holding companies and our financing centers in Switzerland, whose functional currency is 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 in the accompanying Consolidated Balance Sheets. 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 previously outstanding 7$^1/_4$% GBP Senior Subordinated Notes due 2014 (the "7$^1/_4$% Notes"), (2) our 6$^3/_4$% Euro Senior Subordinated Notes due 2018 (the "6$^3/_4$% Notes"), (3) the borrowings in certain foreign currencies under our revolving credit facility 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, in the accompanying Consolidated Statements of Operations. The total gain or loss on foreign currency transactions amounted to a net loss of $2,612 and $22,543 for the three and nine months ended September 30, 2013, respectively. The total gain or loss on foreign currency transactions amounted to a net loss of $23,500 and $25,591 for the three and nine months ended September 30, 2014, 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

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)

that are not deemed to have indefinite lives are amortized over their useful lives. We annually, or more frequently if events or circumstances warrant, assess whether a change in the lives over which our intangible assets are amortized is necessary.

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, 2013 and concluded there was no impairment of goodwill at such date. As of December 31, 2013 and September 30, 2014, no factors were identified that would alter our October 1, 2013 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.

Our reporting units at which level we performed our goodwill impairment analysis as of October 1, 2013 were as follows: (1) North America; (2) United Kingdom, Ireland, Norway, Belgium, France, Germany, Luxembourg, Netherlands and Spain ("Western Europe"); (3) the remaining countries in Europe in which we operate, excluding Russia and the Ukraine ("Emerging Markets"); (4) Latin America; (5) Australia, China, Hong Kong and Singapore ("Asia Pacific"); and (6) India, Russia and the Ukraine ("Emerging Market Joint Ventures"). Based on our goodwill impairment assessment, all of our reporting units with goodwill had estimated fair values as of October 1, 2013 that exceeded their carrying values by greater than 15%. As of December 31, 2013, the carrying value of goodwill, net amounted to $1,849,440, $375,954, $88,599, $93,149 and $56,210 for North America, Western Europe, Emerging Markets, Latin America and Asia Pacific, respectively. Our Emerging Market Joint Ventures reporting unit had no goodwill as of December 31, 2013.

Beginning January 1, 2014, as a result of the changes in our reportable segments associated with our reorganization (see Note 7 for a description of our reportable operating segments), we now have 12 reporting units. Our North American Records and Information Management Business segment includes the following three reporting units: (1) North American Records and Information Management; (2) technology escrow services that protect and manage source code ("Intellectual Property Management") and (3) the storage, assembly and detailed reporting of customer marketing literature and delivery to sales offices, trade shows and prospective customers' sites based on current and prospective customer orders ("Fulfillment Services"). The North American Data Management Business segment is a separate reporting unit. The Emerging Businesses reporting unit (which primarily relates to our data center business in the United States and which is a component of Corporate and Other) is also a reporting unit. Additionally, the International Business segment consists of the following seven reporting units: (1) United Kingdom, Ireland, Norway, Austria, Belgium, France, Germany, Luxembourg, Netherlands, Spain and Switzerland ("New Western Europe"); (2) the remaining countries in Europe in which we operate, excluding Russia, the Ukraine and Denmark ("New Emerging Markets"); (3) Latin America; (4) Australia and Singapore; (5) China and Hong Kong ("Greater China"); (6) India; and (7) Russia, the Ukraine and Denmark. We have reassigned goodwill associated with the reporting units impacted by the reorganization among the new reporting units on a relative fair value basis. The fair value of each of our new reporting units was determined

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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)

based on the application of preliminary fair value multiples of revenue and earnings, which is our best estimate and preliminary assessment of the goodwill allocations to each of the new reporting units on a relative fair value basis.

The carrying value of goodwill, net for each of our reporting units as of September 30, 2014 is as follows:

	Carrying Value as of September 30, 2014
North American Records and Information Management(1)	$ 1,385,908
Intellectual Property Management(1)	50,439
Fulfillment Services(1)	8,407
North American Data Management(1)	361,190
Emerging Businesses	
New Western Europe	371,049
New Emerging Markets	90,393
Latin America	86,463
Australia and Singapore	63,234
Greater China	2,853
India	
Russia, Ukraine and Denmark	1,129
Total	$ 2,421,065

(1) We will finalize our preliminary estimates of fair value for these new reporting units once we finalize multi-year cash flow forecasts of such reporting units and conclude on fair value of each new reporting unit based on the combined weighting of both fair value multiples and discounted cash flow valuation techniques. To the extent final fair values of our new reporting units differ from our preliminary estimates, we will reassign goodwill amongst the new reporting units in a future period in which final information as of January 1, 2014 is available to complete the fair values and the corresponding allocation of goodwill amongst the new reporting units.

We concluded that we had an interim triggering event and, therefore, we performed an interim goodwill impairment test as of January 1, 2014 on the basis of these new reporting units during the first quarter of 2014. We concluded that the goodwill for each of our new reporting units was not impaired as of such date. While we continue to refine our preliminary estimates of fair value of certain of our new reporting units for purposes of reallocating goodwill, we do not believe that any such changes to preliminary fair value estimates will result in a change in our conclusion that there was no goodwill impairment as of January 1, 2014.

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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 changes in the carrying value of goodwill attributable to each reportable operating segment for the nine months ended September 30, 2014 are as follows:

	North American Records and Information Management Business	North American Data Management Business	International Business	Total Consolidated
Gross Balance as of December 31, 2013	$ 1,688,280	$ 422,070	$ 673,335	$ 2,783,685
Non-deductible goodwill acquired during the year			33,292	33,292
Fair value and other adjustments(1)	(26,898)	(6,724)	(1,829)	(35,451)
Currency effects	(8,311)	(2,078)	(30,744)	(41,133)
Gross Balance as of September 30, 2014	$ 1,653,071	$ 413,268	$ 674,054	$ 2,740,393
Accumulated Amortization Balance as of December 31, 2013	$ 208,729	$ 52,181	$ 59,423	$ 320,333
Currency effects	(412)	(103)	(490)	(1,005)
Accumulated Amortization Balance as of September 30, 2014	$ 208,317	$ 52,078	$ 58,933	$ 319,328
Net Balance as of December 31, 2013	$ 1,479,551	$ 369,889	$ 613,912	$ 2,463,352
Net Balance as of September 30, 2014	$ 1,444,754	$ 361,190	$ 615,121	$ 2,421,065
Accumulated Goodwill Impairment Balance as of December 31, 2013	$ 85,909	$	$ 46,500	$ 132,409

Accumulated Goodwill Impairment Balance as of September 30, 2014	$	85,909	$		$	46,500	$	132,409

(1) Total fair value and other adjustments primarily include $(32,752) in net adjustments to deferred income taxes and $(1,399) related to property, plant and equipment and other assumed liabilities, as well as $(1,300) of cash received related to certain 2013 acquisitions.

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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)

The components of our amortizable intangible assets as of September 30, 2014 are as follows:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer Relationships and Acquisition Costs	$ 902,893	$ (301,598)	$ 601,295
Core Technology(1)	3,649	(3,514)	135
Trademarks and Non-Compete Agreements(1)	6,254	(4,819)	1,435
Deferred Financing Costs	66,960	(15,998)	50,962
Total	$ 979,756	$ (325,929)	$ 653,827

(1) Included in Other Assets, net in the accompanying Consolidated Balance Sheets.

Amortization expense associated with amortizable intangible assets (including deferred financing costs) was $10,404 and $33,393 for the three and nine months ended September 30, 2013, respectively. Amortization expense associated with amortizable intangible assets (including deferred financing costs) was $14,269 and $42,227 for the three and nine months ended September 30, 2014, 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 ("RSUs"), performance units ("PUs") and shares of stock issued under our employee stock purchase plan ("ESPP") (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, 2013 was $9,423 ($6,590 after tax, or $0.03 per basic and diluted share) and $23,016 ($17,576 after tax, or $0.09 per basic and diluted share), respectively. Stock-based compensation expense for Employee Stock-Based Awards for the three and nine months ended September 30, 2014 was $8,671 ($6,132 after tax, or $0.03 per basic and diluted share) and $23,129 ($16,683 after tax, or $0.09 per basic and diluted share), 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)

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,	
	2013	2014	2013	2014
Cost of sales (excluding depreciation and amortization)	$ 115	$ 177	$ 257	$ 556
Selling, general and administrative expenses	9,308	8,494	22,759	22,573
Total stock-based compensation	$ 9,423	$ 8,671	$ 23,016	$ 23,129

The benefits associated with the tax deductions in excess of recognized compensation cost are required to be reported as financing activities in the accompanying Consolidated Statements of Cash Flows. This requirement reduces reported operating cash flows and increases reported financing cash flows. As a result, net financing cash flows from continuing operations included $2,499 and $40 for the nine months ended September 30, 2013 and 2014, respectively, from the benefits (deficiency) of tax deductions compared to 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 generally granted with exercise prices equal to the market price of the stock on the date of grant; however, in certain limited instances, options were granted at prices greater than 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 from the date of grant and generally have a contractual life of ten years from the date of grant, unless the holder's employment is terminated sooner. Certain of the options we issue become exercisable ratably over a period of ten years from the date of grant and have a contractual life of 12 years from the date of grant, unless the holder's employment is terminated sooner. As of September 30, 2014, ten-year vesting options represented 7.5% of total outstanding options. As of September 30, 2014, three-year vesting options represented 31.5% 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 one year from the date of grant.

The weighted average fair value of options granted for the nine months ended September 30, 2013 and 2014 was $7.69 and $5.60 per share, respectively. These values were estimated on the date of grant

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

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(2) Summary of Significant Accounting Policies (Continued)

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	**2013**	**2014**
Expected volatility	33.8%	33.9%
Risk-free interest rate	1.13%	2.06%
Expected dividend yield	3%	4%
Expected life	6.3 years	6.8 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 annualized 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 nine months ended September 30, 2014 is as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Average Intrinsic Value
Outstanding at December 31, 2013	5,145,739	$ 24.09		
Granted	525,268	30.56		
Adjustment associated with special dividends	360,814	N/A		
Exercised	(1,928,507)	23.32		
Forfeited	(171,925)	24.37		
Expired	(1,131)	30.15		
Outstanding at September 30, 2014	3,930,258	$ 23.10	5.28	$ 37,529
Options exercisable at September 30, 2014	2,872,682	$ 22.00	4.28	$ 30,599
Options expected to vest	1,001,076	$ 26.07	7.97	$ 6,589

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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(2) Summary of Significant Accounting Policies (Continued)

The following table provides the aggregate intrinsic value of stock options exercised for the three and nine months ended September 30, 2013 and 2014:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2014	2013	2014
Aggregate intrinsic value of stock options exercised	$ 318	$ 10,194	$ 10,414	$ 18,727

Restricted Stock and Restricted Stock Units

Under our various equity compensation plans, we may also grant restricted stock or RSUs. Our restricted stock and RSUs generally have a vesting period of between three and five years from the date of grant. All RSUs accrue dividend equivalents associated with the underlying stock as we declare dividends. Dividends will generally be paid to holders of RSUs in cash upon the vesting date of the associated RSU and will be forfeited if the RSU does not vest. We accrued approximately $378 and $1,476 of cash dividends on RSUs for the three and nine months ended September 30, 2013, respectively. We accrued approximately $680 and $1,530 of cash dividends on RSUs for the three and nine months ended September 30, 2014, respectively. We paid approximately $121 and $674 of cash dividends on RSUs for the three and nine months ended September 30, 2013, respectively. We paid approximately $124 and $1,178 of cash dividends on RSUs for the three and nine months ended September 30, 2014, respectively. 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 RSU activity for the nine months ended September 30, 2014 is as follows:

	Restricted Stock and RSUs	Weighted-Average Grant-Date Fair Value
Non-vested at December 31, 2013	1,435,230	$ 29.76
Granted	692,167	27.91
Vested	(606,358)	31.53
Forfeited	(176,184)	31.41
Non-vested at September 30, 2014	1,344,855	$ 27.79

The total fair value of restricted stock vested during the three and nine months ended September 30, 2013 was $0 and $1, respectively. The total fair value of restricted stock vested during the three and nine months ended September 30, 2014 was $0 and $1, respectively. The total fair value of RSUs vested during the three and nine months ended September 30, 2013 was $2,145 and $14,221, respectively. The total fair value of RSUs vested during the three and nine months ended September 30, 2014 was $1,566 and $19,114 respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

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(2) Summary of Significant Accounting Policies (Continued)

Performance Units

Under our various equity compensation plans, we may also make awards of PUs. For the majority of PUs, the number of PUs earned is determined based on our performance against predefined targets of revenue or revenue growth and return on invested capital ("ROIC"). The number of PUs earned may range from 0% to 150% (for PUs granted prior to 2014) and 0% to 200% (for PUs granted in 2014) of the initial award. The number of PUs earned is determined based on our actual performance as compared to the targets at the end of either the one-year performance period (for PUs granted prior to 2014) or the three-year performance period (for PUs granted in 2014). Certain PUs granted in 2013 and 2014 will be earned based on a market condition associated with the total return on our common stock in relation to a subset of the S&P 500 rather than the revenue growth and ROIC targets noted above. The number of PUs earned based on this market condition may range from 0% to 200% of the initial award. All of our PUs will be settled in shares of our common stock and are subject to cliff vesting three years from the date of the original PU grant. For those PUs subject to a one-year performance period, employees who subsequently terminate their employment after the end of the one-year performance period and on or after attaining age 55 and completing 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 (but delivery of the shares remains deferred). As a result, PUs subject to a one-year performance period are generally expensed over the shorter of (1) the vesting period, (2) achievement of the retirement criteria, which may occur as early as January 1 of the year following the year of grant or (3) a maximum of three years. Outstanding PUs accrue dividend equivalents associated with the underlying stock as we declare dividends. Dividends will generally be paid to holders of PUs in cash upon the settlement date of the associated PU and will be forfeited if the PU does not vest. We accrued approximately $146 and $535 of cash dividends on PUs for the three and nine months ended September 30, 2013, respectively. We accrued approximately $240 and $532 of cash dividends on PUs for the three and nine months ended September 30, 2014, respectively. There were no cash dividends paid on PUs for the three and nine months ended September 30, 2013. We paid approximately $0 and $312 of cash dividends on PUs for the three and nine months ended September 30, 2014, respectively.

During the nine months ended September 30, 2014, we issued 173,260 PUs. Our PUs are earned based on our performance against revenue or revenue growth and ROIC targets during their applicable performance period; therefore, we forecast the likelihood of achieving the predefined revenue or revenue growth and ROIC targets in order to calculate the expected PUs to be earned. We record a compensation charge based on either the forecasted PUs to be earned (during the applicable performance period) or the actual PUs earned (at the one-year anniversary date for PUs granted prior to 2014, and at the three-year anniversary date for PUs granted in 2014) over the vesting period for each of the awards. For the 2013 and 2014 PUs that will be earned based on a market condition, we utilized a Monte Carlo simulation to fair value these awards at the date of grant, and such fair value will be expensed over the three-year performance period. The total fair value of earned PUs that vested during the three and nine months ended September 30, 2013 was $88 and $996, respectively. The total fair value of earned PUs that vested during the three and nine months ended September 30,

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(2) Summary of Significant Accounting Policies (Continued)

2014 was $0 and $6,296, respectively. As of September 30, 2014, we expected 100% achievement of the predefined revenue and ROIC targets associated with the awards of PUs made in 2014.

A summary of PU activity for the nine months ended September 30, 2014 is as follows:

	Original PU Awards	PU Adjustment(1)	Total PU Awards	Weighted-Average Grant-Date Fair Value
Non-vested at December 31, 2013	334,548	(23,732)	310,816	$ 33.18
Granted	173,260	(49,776)	123,484	23.13
Vested	(194,389)	(24,269)	(218,658)	28.80
Forfeited	(29,922)		(29,922)	29.44
Non-vested at September 30, 2014	283,497	(97,777)	185,720	$ 32.26

(1) Represents an increase or decrease in the number of original PUs awarded based on either (a) the final performance criteria achievement at the end of the defined performance period of such PUs or (b) a change in estimated awards based on the forecasted performance against the predefined targets.

Employee Stock Purchase Plan

We offer an 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 have historically had two six-month offering periods per year, the first of which generally runs from June 1 through November 30 and the second of which generally runs from December 1 through 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 purchase price at the end of the offering. Participating employees may withdraw from an offering before the purchase date and obtain a refund of the amounts withheld as payroll deductions. At the end of the offering period, outstanding options under the ESPP 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 expense for the ESPP shares purchased. For the nine months ended September 30, 2013 and 2014, there were 74,732 shares and 69,567 shares, respectively, purchased under the ESPP. As of September 30, 2014, we have 930,433 shares available under the ESPP.

As of September 30, 2014, unrecognized compensation cost related to the unvested portion of our Employee Stock-Based Awards was $40,654 and is expected to be recognized over a weighted-average period of 2.0 years.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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(2) Summary of Significant Accounting Policies (Continued)

We generally issue shares of our common stock for the exercises of stock options, restricted stock, RSUs, PUs and shares of our common stock 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.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2014	2013	2014
Income (Loss) from continuing operations	$ 5,330	$ 858	$ 50,822	$ 316,281
Total (loss) income from discontinued operations (see Note 10)	$ (571)	$	$ 1,515	$ (938)
Net income (loss) attributable to Iron Mountain Incorporated	$ 3,849	$ 66	$ 49,403	$ 313,370
Weighted-average shares basic	191,332,000	193,360,000	190,789,000	192,540,000
Effect of dilutive potential stock options	597,275	1,023,890	1,109,935	823,036
Effect of dilutive potential restricted stock, RSUs and PUs	338,617	520,644	416,231	470,060
Weighted-average shares diluted	192,267,892	194,904,534	192,315,166	193,833,096
Earnings (Losses) per share basic:				
Income (Loss) from continuing operations	$ 0.03	$ 0.00	$ 0.27	$ 1.64

Total (loss) income from discontinued operations (see Note 10)	$	(0.00)	$	0.00	$	0.01	$	(0.00)
Net income (loss) attributable to Iron Mountain Incorporated basic	$	0.02	$	0.00	$	0.26	$	1.63
Earnings (Losses) per share diluted:								
Income (Loss) from continuing operations	$	0.03	$	0.00	$	0.26	$	1.63
Total (loss) income from discontinued operations (see Note 10)	$	(0.00)	$	0.00	$	0.01	$	(0.00)
Net income (loss) attributable to Iron Mountain Incorporated diluted	$	0.02	$	0.00	$	0.26	$	1.62
Antidilutive stock options, RSUs and PUs, excluded from the calculation		2,014,108		609,385		864,521		1,149,441

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(2) Summary of Significant Accounting Policies (Continued)

g. Revenues

Our revenues consist of storage rental revenues as well as service revenues and are reflected net of sales and value added taxes. Storage rental revenues, which are considered a key driver of financial performance for the storage and information management services industry, consist primarily of recurring periodic rental charges related to the storage of materials or data (generally on a per unit basis). Service revenues include charges for related service activities, which include: (1) the handling of records, including the addition of new records, temporary 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 the related sale of recycled paper, the price of which can fluctuate from period to period; (4) other services, including the scanning, imaging and document conversion services of active and inactive records, or Document Management Solutions ("DMS"), which relate to physical and digital records, and project revenues; (5) customer termination and permanent withdrawal fees; (6) data restoration projects; (7) special project work; (8) Fulfillment Services; (9) consulting services; and (10) technology services and product sales (including specially designed storage containers and related supplies).

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 rental and service revenues are recognized in the month the respective storage rental or service is provided, and customers are generally billed on a monthly basis on contractually agreed-upon terms. Amounts related to future storage rental or prepaid service contracts for customers where storage rental fees or services are billed in advance are accounted for as deferred revenue and recognized ratably over the period the applicable storage rental or service is provided or performed. Revenues from the sales of products, which are included as a component of service revenues, are recognized when products are shipped 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

As noted previously, on June 25, 2014, we announced that we received the favorable PLRs from the IRS necessary for our conversion to a REIT. In the PLRs, the IRS addressed and favorably ruled on our assets and revenue model, including regarding our steel racking structures as real estate for

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(2) Summary of Significant Accounting Policies (Continued)

REIT purposes under the Internal Revenue Code of 1986, as amended (the "Code"), our global operations and our transition plans from a C-corporation to a REIT. The PLRs are subject to certain qualifications and are based upon certain representations and statements made by us. If such representations and statements are untrue or incomplete in any material respect (including as a result of a material change in relevant facts), we may not be able to rely on the PLRs.

After receipt of the PLRs, our board of directors unanimously approved our conversion to a REIT for our taxable year beginning January 1, 2014. As such, we intend to elect REIT status effective January 1, 2014.

As a REIT, we are generally permitted to deduct from our federal taxable income the dividends we pay to our stockholders. The income represented by such dividends is not subject to federal taxation at the entity level but is taxed, if at all, at the stockholder level. Nevertheless, the income of our domestic taxable REIT subsidiaries ("TRS"), which hold our domestic operations that may not be REIT-compliant as currently operated and structured, is subject, as applicable, to federal and state corporate income tax. In addition, we and our subsidiaries continue to be subject to foreign income taxes in jurisdictions in which they hold assets or conduct operations, regardless of whether held or conducted through subsidiaries disregarded for federal tax purposes or TRS. We will also be subject to a separate corporate income tax on any gains recognized during a specified period (generally ten years) following the REIT conversion that are attributable to "built-in" gains with respect to the assets that we owned on January 1, 2014; this built-in gains tax will also be imposed on our depreciation recapture recognized into income in 2014 and subsequent taxable years as a result of accounting method changes commenced in our pre-REIT period. If we fail to maintain qualification for taxation as a REIT, we will be subject to federal income tax at regular corporate rates. Even if we qualify for taxation as a REIT, we may be subject to some federal, state, local and foreign taxes on our income and property in addition to taxes owed with respect to our TRS operations. In particular, while state income tax regimes often parallel the federal income tax regime for REITs, many states do not completely follow federal rules and some do not follow them at all.

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) our conversion to a REIT; (2) changes in the mix of income from foreign jurisdictions; (3) tax law changes; (4) volatility in foreign exchange gains (losses); (5) the timing of the establishment and reversal of tax reserves; and (6) our ability to utilize foreign tax credits and net operating losses 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 business operations or a taxable presence. 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 bases of

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(2) Summary of Significant Accounting Policies (Continued)

assets and liabilities and for loss and credit carryforwards. Valuation allowances are provided when recovery of deferred tax assets does not meet the more likely than not standard as defined in GAAP.

On September 13, 2013, the U.S. Department of the Treasury and the IRS released final tangible property regulations under Sections 162(a) and 263(a) of the Code regarding the deduction and capitalization of expenditures related to tangible property. In addition, proposed regulations under Section 168 of the Code regarding dispositions of tangible property have also been released. These final and proposed regulations are generally effective for our tax year beginning on January 1, 2014. Early adoption was available, and we adopted the regulations in 2013. The impact from these regulations will not have a material impact on our consolidated results of operations, cash flows and financial position.

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 an increase of $1,014 and $1,735 for gross interest and penalties for the three and nine months ended September 30, 2013, respectively. We recorded an increase of $246 and $581 for gross interest and penalties for the three and nine months ended September 30, 2014, respectively. We had $4,874 and $5,453 accrued for the payment of interest and penalties as of December 31, 2013 and September 30, 2014, respectively.

Our effective tax rate for each of the three and nine months ended September 30, 2013 was 81.9% and 64.1%, respectively. The primary reconciling items between the federal statutory rate of 35% and our overall effective tax rate in the three and nine months ended September 30, 2013 were 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 and state income taxes (net of federal tax benefit), and the repatriation in the fourth quarter of 2013, as discussed below. During the three months ended September 30, 2013, foreign currency gains were recorded in lower tax jurisdictions associated with our marking-to-market of intercompany loans while foreign currency losses were recorded in higher tax jurisdictions associated with our marking-to-market of debt and derivative instruments, which decreased our 2013 effective tax rate by 47.0%. During the three and nine months ended September 30, 2013, the repatriation discussed below increased our 2013 effective tax rate by 87.1% and 18.5%, respectively. On January 2, 2013, the American Taxpayer Relief Act of 2012 (the "ATRA") was signed into law. In part, the ATRA retroactively reinstated and extended the controlled foreign corporation look-through rule, which provides for the exception from January 1, 2012 to December 31, 2013 of certain foreign earnings from U.S. federal taxation as Subpart F income. As a result, our income tax provision for the first quarter of 2013 included a discrete tax benefit of $4,025 relating to the previously expired period from January 1, 2012 to December 31, 2012. Also, during the three and nine months ended September 30, 2013, we incurred nondeductible transaction costs related to our conversion to a REIT, which increased our 2013 effective tax rate by 10.1% and 4.7%, respectively.

During the three months ended September 30, 2013, we developed a plan to utilize both current and carryforward foreign tax credits by repatriating approximately $253,000 (approximately $53,000 of which was previously subject to U.S. taxes) from our foreign earnings. Due to uncertainty in our ability to fully utilize foreign tax credit carryforwards, we previously did not recognize a full benefit for such foreign tax credit carryforwards in our tax provision. We completed this plan in the fourth quarter of 2013. As a result, we recorded an increase in our tax provision from continuing operations in the

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(2) Summary of Significant Accounting Policies (Continued)

amount of approximately $71,400 in the three months ended September 30, 2013. This increase was offset by decreases of approximately $23,500 from 2013 foreign tax credits and approximately $21,900 from the reversal of valuation allowances related to foreign tax credit carryforwards, resulting in a net increase of approximately $26,000 in our tax provision from continuing operations.

As a result of our REIT conversion, we recorded a net tax benefit of $212,151 during the nine months ended September 30, 2014 for the revaluation of certain deferred tax assets and liabilities associated with the REIT conversion. Also, in the third quarter of 2014, we recorded an increase to the tax provision of $26,390 related to certain amended tax returns filed principally to reflect tax accounting method changes consistent with our REIT conversion. The primary other reconciling items between the federal statutory rate of 35% and our overall effective tax rate in the three and nine months ended September 30, 2014 was an increase of $13,226 and $49,310, respectively, in our tax provision from the repatriation discussed below and other net tax adjustments related to the REIT conversion including a tax benefit of $7,993 and $41,828, respectively, primarily related to the dividends paid deduction. Our effective tax rate will be significantly lower in 2014 as a result of the REIT conversion. As a REIT, we are entitled to a deduction for dividends paid, resulting in a substantial reduction of federal income tax expense. As a REIT, substantially all of our income tax expense will be incurred based on the earnings generated by our foreign subsidiaries and our U.S. TRSs.

The following table presents a reconciliation of significant components of deferred tax assets and liabilities from December 31, 2013 to September 30, 2014:

	December 31, 2013	Revaluation Associated with REIT Conversion	Current Year Activity(1)	September 30, 2014
Deferred Tax Assets:				
Accrued liabilities	$ 75,731	$ (48,087)	$ 3,701	$ 31,345
Deferred rent	25,624	(25,749)	1,976	1,851
Net operating loss carryforwards	81,124	(34,912)	14,050	60,262
Foreign tax credits	10,229	(9,207)	(1,022)	
Stock compensation	16,745	(17,942)	1,197	
Federal benefit of unrecognized tax benefits	20,263		(4,813)	15,450
Foreign currency and other adjustments	23,938	(34,552)	20,837	10,223
Valuation allowance	(40,278)		(2,732)	(43,010)
	213,376	(170,449)	33,194	76,121
Deferred Tax Liabilities:				
Other assets, principally due to differences in amortization	(367,936)	273,268	3,668	(91,000)
Plant and equipment, principally due to differences in depreciation	(168,385)	109,332	23,608	(35,445)
	(536,321)	382,600	27,276	(126,445)
Net Deferred Tax Asset/(Liability)	$ (322,945)	$ 212,151	$ 60,470	$ (50,324)

(1) Current year activity primarily consists of additional deferred tax assets and liabilities recognized due to changes in current year taxable temporary differences, purchase accounting and return to accrual adjustments related to the 2013 tax return.

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 had not previously provided incremental federal and certain state income taxes on net tax over book outside basis differences related to the earnings of our foreign subsidiaries because our intent, prior to our conversion to a REIT, was to reinvest our current and future undistributed earnings of certain foreign subsidiaries indefinitely outside the U.S. As a result of our conversion to a REIT, it is no longer our intent to indefinitely reinvest our current and future undistributed foreign earnings outside the U.S., and, therefore, in the second and third quarters of 2014, we recognized an increase in our tax provision from continuing operations in the amount of $36,084 and $13,226, respectively, representing incremental federal and state income taxes and foreign withholding taxes on such foreign earnings of $49,310 in total. As a REIT, future repatriation of incremental undistributed earnings of our foreign subsidiaries should not be subject to federal or state income tax, with the exception of foreign withholding taxes in limited instances; however, such future repatriations will require distribution as per REIT distribution rules which are then taxable, as appropriate, at the stockholder level.

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, 2013 and September 30, 2014 relate to cash and cash equivalents and restricted cash held on deposit with one global bank and one "Triple A" rated money market fund, and three global banks and three "Triple A" rated money market funds, respectively, all of 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 to a maximum of $50,000 or in any one financial institution to a maximum of $75,000. As of December 31, 2013 and September 30, 2014, our cash and cash equivalents and restricted cash balance was $154,386 and $217,848, respectively, including money market funds and time deposits amounting to $36,613 and $97,608, respectively. The money market funds are invested substantially in U.S. Treasuries, repurchase agreements and certificates of deposit.

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.

Our financial assets or liabilities are required to be 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.

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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)

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, 2013 and September 30, 2014, respectively:

		Fair Value Measurements at December 31, 2013 Using		
Description	**Total Carrying Value at December 31, 2013**	**Quoted prices in active markets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Money Market Funds(1)	$ 33,860	$	$ 33,860	$
Time Deposits(1)	2,753		2,753	
Trading Securities	13,386	12,785(2)	601(1)	
Derivative Assets(3)	72		72	
Derivative Liabilities(3)	5,592		5,592	

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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)

Description	Total Carrying Value at September 30, 2014	Fair Value Measurements at September 30, 2014 Using: Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Money Market Funds(1)	$ 79,795	$	$ 79,795	$
Time Deposits(1)	17,813		17,813	
Trading Securities	12,798	12,068(2)	730(1)	
Derivative Assets(3)	3		3	
Derivative Liabilities(3)	11,293		11,293	

(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, Euro 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 and nine months ended September 30, 2013 and 2014.

l. 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 ongoing 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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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

m. Accumulated Other Comprehensive Items, Net

The changes in accumulated other comprehensive items, net for the three months ended September 30, 2013 and 2014, respectively, are as follows:

	Foreign Currency Translation Adjustments	Market Value Adjustments for Securities	Total
Balance as of June 30, 2013	$ (21,697)	$	$ (21,697)
Other comprehensive income:			
Foreign currency translation adjustments	17,200		17,200
Total other comprehensive income	17,200		17,200
Balance as of September 30, 2013	$ (4,497)	$	$ (4,497)

	Foreign Currency Translation Adjustments	Market Value Adjustments for Securities	Total
Balance as of June 30, 2014	$ (3,809)	$ 1,474	$ (2,335)
Other comprehensive loss:			
Foreign currency translation adjustments	(44,606)		(44,606)
Market value adjustments for securities		(291)	(291)
Total other comprehensive loss	(44,606)	(291)	(44,897)
Balance as of September 30, 2014	$ (48,415)	$ 1,183	$ (47,232)

The changes in accumulated other comprehensive items, net for the nine months ended September 30, 2013 and 2014, respectively, are as follows:

	Foreign Currency Translation Adjustments	Market Value Adjustments for Securities	Total
Balance as of December 31, 2012	$ 20,314	$	$ 20,314
Other comprehensive loss:			
Foreign currency translation adjustments	(24,811)		(24,811)
Total other comprehensive loss	(24,811)		(24,811)
Balance as of September 30, 2013	$ (4,497)	$	$ (4,497)

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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)

	Foreign Currency Translation Adjustments	Market Value Adjustments for Securities	Total
Balance as of December 31, 2013	$ (9,586)	$ 926	$ (8,660)
Other comprehensive (loss) income:			
Foreign currency translation adjustments	(38,829)		(38,829)
Market value adjustments for securities		257	257
Total other comprehensive (loss) income	(38,829)	257	(38,572)
Balance as of September 30, 2014	$ (48,415)	$ 1,183	$ (47,232)

n. Other Expense (Income), Net

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2014	2013	2014
Foreign currency transaction losses (gains), net	$ 2,612	$ 23,500	$ 22,543	$ 25,591
Debt extinguishment expense, net	43,662		43,662	
Other, net	(321)	(992)	(2,238)	(2,604)
	$ 45,953	$ 22,508	$ 63,967	$ 22,987

o. Property, Plant and Equipment and Long-Lived Assets

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 directly associated with, and devoting time to, the development of internal use computer software projects (to the extent time is spent directly on the project) are capitalized. During the three and nine months ended September 30, 2013, we capitalized $9,326 and $32,073, respectively, of costs associated with the development of internal use computer software projects. During the three and nine months ended September 30, 2014, we capitalized $4,769 and $14,527, respectively, of costs associated with the development of internal use computer software projects. 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. Capitalization ends when the asset is ready for its intended use. Depreciation begins when the software is placed in service. Computer software costs that are capitalized are periodically evaluated for impairment.

We review long-lived assets and all amortizable intangible assets for impairment whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows of the operation to which the assets relate to their carrying amount. The operations are generally

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)

distinguished by the business segment and geographic region in which they operate. If the operation is determined to be unable to recover the carrying amount of its assets, then intangible assets are written down first, followed by the other long-lived assets of the operation, to fair value. Fair value is determined based on discounted cash flows or appraised values, depending upon the nature of the assets.

As a result of our conversion to a REIT and in accordance with SEC rules applicable to REITs, we no longer report (gain) loss from the sale of real estate as a component of operating income, but we will continue to report it as a component of income (loss) from continuing operations. We will continue to report the (gain) loss of property, plant and equipment (excluding real estate), along with any impairment, write-downs or involuntary conversions related to real estate, as a component of operating income. Previously reported amounts have been reclassified to conform to this presentation.

Consolidated gain on disposal/write-down of property, plant and equipment, net (excluding real estate) was $528 for the nine months ended September 30, 2013 and consisted primarily of gains associated with the retirement of leased vehicles accounted for as capital lease assets associated primarily with our North American Records and Information Management Business. Consolidated loss on disposal/write-down of property, plant and equipment, net (excluding real estate) was $1,229 for the nine months ended September 30, 2014 and consisted primarily of losses associated with the disposal of certain equipment associated with our North American Records and Information Management Business and International Business.

Consolidated gain on sale of real estate was $1,417, net of tax of $430, for the nine months ended September 30, 2013 associated with the sale of a building in the United Kingdom. Consolidated gain on sale of real estate was $7,468, net of tax of $1,991, for the nine months ended September 30, 2014 associated with the sale of two buildings in the United Kingdom.

p. New Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360)* ("ASU 2014-08"). ASU 2014-08 changes the criteria for a disposal to qualify as a discontinued operation and requires additional disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. ASU 2014-08 is effective for annual periods beginning on or after December 15, 2014. Early adoption is permitted, but only for disposals that have not been reported in the financial statements previously issued. We adopted ASU 2014-08 effective April 1, 2014.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). ASU 2014-09 provides additional guidance for management to reassess revenue recognition as it relates to: (1) transfer of control, (2) variable consideration, (3) allocation of transaction price based on relative standalone selling price, (3) licenses, (4) time value of money and (5) contract costs. Further disclosures will be required to provide a better understanding of revenue that has been recognized and revenue that is expected to be recognized in the future from existing

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)

contracts. ASU 2014-09 is effective for us on January 1, 2017, with no early adoption permitted. We are currently evaluating the impact ASU 2014-09 will have on our consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements Going Concern (Subtopic 205-40)* ("ASU 2014-15"). ASU 2014-15 requires management to assess an entity's ability to continue as a going concern by incorporating and expanding upon certain principles of current U.S. auditing standards. Specifically, the amendments (1) provide a definition of the term "substantial doubt", (2) require an evaluation every reporting period, including interim periods, (3) provide principles for considering the mitigating effect of management's plans, (4) require certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans, (5) require an express statement and other disclosures when substantial doubt is still present, and (6) require an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). ASU 2014-15 is effective for us on January 1, 2017, with early adoption permitted. We do not believe that this pronouncement will have an impact on our consolidated financial statements.

q. Immaterial Restatement

During the second quarter of 2014, we identified contract billing inaccuracies arising from a single location which occurred over numerous years that resulted in an overstatement of our prior years' reported revenue by $10,000 in the aggregate. Of this amount, $1,300 relates to the year ended December 31, 2013, $1,300 relates to the year ended December 31, 2012 and the remaining $7,400 relates to the periods prior to December 31, 2011. We have determined that no prior period financial statement was materially misstated as a result of these billing inaccuracies. As a result, we have restated beginning retained earnings as of December 31, 2012 for the cumulative impact of these billing inaccuracies, net of tax, prior to December 31, 2012 in the amount of $5,300. Additionally, we have restated our 2012 and 2013 Consolidated Statements of Equity, our 2013 Consolidated Balance Sheet and each of our Consolidated Statements of Operations and our Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2013 to reflect the impact of these billing inaccuracies in those particular periods. There was no change to the following lines of the Consolidated Statement of Cash Flows for the nine months ended September 30, 2013: (1) cash flows from operating activities, (2) cash flows from investing activities and (3) cash flows from financing activities.

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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)

The following table sets forth the effect of the immaterial restatement to certain line items of our Consolidated Statement of Operations for the three and nine months ended September 30, 2013:

	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2013
Storage Rental	$	$
Service	(325)	(975)
Total Revenues	$ (325)	$ (975)
Operating (Loss) Income	$ (325)	$ (975)
(Loss) Income from Continuing Operations before Provision (Benefit) for Income Taxes and (Loss) Gain on Sale of Real Estate	$ (325)	$ (975)
(Benefit) Provision for Income Taxes	$ (127)	$ (381)
(Loss) Income from Continuing Operations	$ (198)	$ (594)
Net (Loss) Income	$ (198)	$ (594)

Net (Loss) Income Attributable to Iron Mountain Incorporated	$	(198)	$	(594)
Earnings (Losses) per Share Basic:				
(Loss) Income from Continuing Operations	$	(0.00)	$	(0.00)
Net (Loss) Income Attributable to Iron Mountain Incorporated	$	(0.00)	$	(0.00)
Earnings (Losses) per Share Diluted:				
(Loss) Income from Continuing Operations	$	(0.00)	$	(0.00)
Net (Loss) Income Attributable to Iron Mountain Incorporated	$	(0.00)	$	(0.00)

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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)

The following table sets forth the effect of the immaterial restatement to certain line items of our Consolidated Balance Sheet as of December 31, 2013:

	December 31, 2013
Deferred Revenue	$ 10,000
Total Current Liabilities	$ 10,000
Deferred Income Tax Liabilities	$ (3,900)
Retained Earnings	$ (6,100)
Total Iron Mountain Incorporated Stockholders' Equity	$ (6,100)
Total Equity	$ (6,100)

Prospectively, we will process an immaterial restatement of our Consolidated Statements of Operations for the annual periods ended December 31, 2013 and 2012 when those statements are reproduced on a comparative basis in our Annual Report on Form 10-K for the year ending December 31, 2014. The effects of such restatement on previously reported annual amounts for the years ended December 31, 2013 and 2012 will be to reduce service revenues by $1,300 and $1,300, respectively and reduce net income from continuing operations by $800 and $786, respectively.

r.

Accrued Expenses

Accrued expenses with items greater than 5% of total current liabilities are shown separately and consist of the following:

	December 31, 2013	September 30, 2014
Interest	$ 71,971	$ 47,462
Payroll and vacation	91,519	69,638
Incentive compensation	58,562	50,648
Dividend (Note 9)	55,142	795,671
Self-insured liabilities	32,850	32,674
Other	151,294	167,143
Accrued expenses	$ 461,338	$ 1,163,236

(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

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(3) Derivative Instruments and Hedging Activities (Continued)

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 exposure due to foreign currency exchange movements related to our intercompany accounts with and between our foreign subsidiaries. As of December 31, 2013 and September 30, 2014, 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 Euros and Australian dollars. As of September 30, 2014, we had (1) outstanding forward contracts to purchase 194,500 Euros and sell $257,479 U.S. dollars to hedge our intercompany exposures with our European operations and (2) an outstanding forward contract to purchase $59,201 U.S. dollars and sell 68,000 Australian dollars to hedge our intercompany exposures with our Australian operations. 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 Consolidated Statements 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 the forward contracts as hedges. During the three and nine months ended September 30, 2013, there was $4,764 in net cash disbursements and $11,511 in net cash receipts, respectively, included in cash from operating activities from continuing operations related to settlements associated with foreign currency forward contracts. During the three and nine months ended September 30, 2014, there was $9,536 in net cash receipts and $4,993 in net cash payments, respectively, included in cash from operating activities from continuing operations related to settlements associated with foreign currency forward contracts.

Our policy is to record the fair value of each derivative instrument on a gross basis. The following table provides the fair value of our derivative instruments as of December 31, 2013 and September 30, 2014 and their gains and losses for the three and nine months ended September 30, 2013 and 2014:

	Asset Derivatives			
	December 31, 2013		**September 30, 2014**	
Derivatives Not Designated as Hedging Instruments	**Balance Sheet Location**	**Fair Value**	**Balance Sheet Location**	**Fair Value**
Foreign exchange contracts	Prepaid expenses and other	$ 72	Prepaid expenses and other	$ 3
Total		**$ 72**		**$ 3**

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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)

	Liability Derivatives			
	December 31, 2013		September 30, 2014	
Derivatives Not Designated as Hedging Instruments	**Balance Sheet Location**	**Fair Value**	**Balance Sheet Location**	**Fair Value**
Foreign exchange contracts	Accrued expenses	$ 5,592	Accrued expenses	$ 11,293
Total		**$ 5,592**		**$ 11,293**

		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**	**2013**	**2014**	**2013**	**2014**
Foreign exchange contracts	Other expense (income), net	$ 14,164	$ (4,025)	$ (6,059)	$ 10,625
Total		**$ 14,164**	**$ (4,025)**	**$ (6,059)**	**$ 10,625**

We have designated a portion of the $6^{3}/_{4}$% Notes as a hedge of net investment of certain of our Euro denominated subsidiaries. For the nine months ended September 30, 2013 and 2014, we designated on average 107,667 and 51,481 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 $5,467 ($3,333, net of tax) and foreign exchange losses of $3,374 ($2,057, net of tax) 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 Iron Mountain Incorporated Stockholders' Equity for the three and nine months ended September 30, 2013, respectively. We recorded foreign exchange gains of $3,729 ($3,729, net of tax) and foreign exchange gains of $4,537 ($4,480, net of tax) 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 Iron Mountain Incorporated Stockholders' Equity for the three and nine months ended September 30, 2014, respectively. As of September 30, 2014, cumulative net gains of $11,964, 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 assets and liabilities acquired were recorded at their estimated fair values and 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 (including revenue and earnings) for the current and prior periods are not presented due to the insignificant impact of the 2013 and 2014 acquisitions on our consolidated results of operations. Noteworthy 2014 acquisitions include the following:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(4) Acquisitions (Continued)

In January 2014, in order to enhance our international operations, we acquired Tape Management Services Pty Ltd, a storage and data management company with operations in Australia, for approximately $15,300.

In February 2014, in order to enhance our international operations, we acquired RM Arsiv Yönetim Hizmetleri Ticaret Anonim Sirketi, a storage rental and records management business with operations in Turkey, for approximately $21,200, of which $16,750 was paid in the first quarter of 2014, with the remainder to be paid out based upon a customary working capital adjustment and whether we make claims for indemnification against the former owners of the business.

In April 2014, in order to enhance our international operations, we acquired the stock of OSG Polska sp. z.o.o., a storage rental and records management business with operations in Poland, for approximately $13,700.

A summary of the cumulative consideration paid and the preliminary allocation of the purchase price paid for acquisitions in the first nine months of 2014 is as follows:

Cash Paid (gross of cash acquired)	$	48,667(1)
Fair Value of Previously Held Equity Interest		794
Total Consideration		49,461
Fair Value of Identifiable Assets Acquired:		
Cash, Accounts Receivable, Prepaid Expenses, Deferred Income Taxes and Other		5,847
Property, Plant and Equipment(2)		14,009
Customer Relationship Assets(3)		26,315
Other Assets		858
Liabilities Assumed and Deferred Income Taxes(4)		(30,860)
Total Fair Value of Identifiable Net Assets Acquired		16,169
Goodwill Initially Recorded	$	33,292

(1) Included in cash paid for acquisitions in the Consolidated Statements of Cash Flows for the nine months ended September 30, 2014 are net cash acquired of $(1,296) and contingent and other payments of $(1,005) related to acquisitions made in previous years.

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

(3) The weighted average lives of customer relationship assets associated with acquisitions to date in 2014 was approximately 12 years.

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

IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(4) Acquisitions (Continued)

Allocations of the purchase price paid for acquisitions made in 2014 were based on estimates of the fair value of net assets acquired and are subject to adjustment. We are not aware of any information that would indicate that the final purchase price allocations for 2014 acquisitions will differ meaningfully from preliminary estimates. The purchase price allocations of 2014 acquisitions are subject to finalization of the assessment of the fair value of intangible assets (primarily customer relationship assets), property, plant and equipment (primarily racking structures), operating leases, contingencies and income taxes (primarily deferred income taxes).

In September 2014, we purchased our joint venture partners' noncontrolling interests in the businesses we operate in Russia, the Ukraine and Denmark. The purchase price of approximately $24,500 is comprised of $17,900 paid at closing, $2,100 payable in 2017 and $4,500 payable in 2020. The components of the purchase price payable in 2017 and 2020 are reflected as non-cash items within our Consolidated Statement of Cash Flows for the nine months ended September 30, 2014. Of the $17,900 paid at closing, approximately $11,950 was associated with the underlying shares owned by our joint venture partners and approximately $5,950 was associated with the payment of outstanding loans between the joint venture and the joint venture partners.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(5) Debt

Long-term debt comprised the following:

	December 31, 2013		September 30, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revolving Credit Facility(1)	$ 675,717	$ 675,717	$ 277,316	$ 277,316
Term Loan(1)			250,000	250,000
$7^1/_4$% GBP Senior Subordinated Notes due 2014 (the "$7^1/_4$% Notes")(2)(3)	247,808	248,117		
$6^3/_4$% Euro Senior Subordinated Notes due 2018 (the "$6^3/_4$% Notes")(2)(3)	350,272	355,071	321,528	322,613
$7^3/_4$% Senior Subordinated Notes due 2019 (the "$7^3/_4$% Notes")(2)(3)	400,000	446,000	400,000	425,500
$8^3/_8$% Senior Subordinated Notes due 2021 (the "$8^3/_8$% Notes")(2)(3)	411,518	444,470	411,615	426,670
$6^1/_8$% CAD Senior Notes due 2021 (the "Senior Subsidiary Notes")(2)(4)	187,960	187,960	179,040	180,383
$6^1/_8$% GBP Senior Notes due 2022 (the "$6^1/_8$% Notes")(2)(5)			649,180	652,491
6% Senior Notes due 2023 (the "6% Notes")(2)(3)	600,000	614,820	600,000	616,500
$5^3/_4$% Senior Subordinated Notes due 2024 (the "$5^3/_4$% Notes")(2)(3)	1,000,000	930,000	1,000,000	987,500
Real Estate Mortgages, Capital Leases and Other(6)	298,447	298,447	303,806	303,806
Total Long-term Debt	4,171,722		4,392,485	
Less Current Portion	(52,583)		(60,799)	
Long-term Debt, Net of Current Portion	$ 4,119,139		$ 4,331,686	

(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 (including promissory notes) of subsidiaries owed to us or to one of our U.S. subsidiary guarantors. In addition, Iron Mountain Canada Operations ULC ("Canada Company") has pledged 66% of the capital stock of its subsidiaries, and all intercompany obligations (including promissory notes) owed to or held by it, to secure the Canadian dollar subfacility under the Revolving Credit Facility (defined below). The fair value (Level 3 of fair value hierarchy described at Note 2.k.) of these debt instruments approximates the carrying value (as borrowings under these debt instruments are based on current variable market interest rates (plus a margin that is subject to change based on our consolidated leverage ratio)), as of December 31, 2013 and September 30, 2014, respectively.

(2) The fair values (Level 1 of fair value hierarchy described at Note 2.k.) of these debt instruments are based on quoted market prices for these notes on December 31, 2013 and September 30, 2014, respectively.

(3)

Collectively, the "Parent Notes." IMI is the direct obligor on the Parent Notes, which are fully and unconditionally guaranteed, on a senior or senior subordinated basis, as the case may be, by substantially all of its direct and indirect 100% owned U.S. subsidiaries (the "Guarantors"). These guarantees are joint and several obligations of the Guarantors. Canada Company and the remainder of our subsidiaries do not guarantee the Parent Notes.

IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(5) Debt (Continued)

(4) Canada Company is the direct obligor on the Senior Subsidiary Notes, which are fully and unconditionally guaranteed, on a senior basis, by IMI and the Guarantors. These guarantees are joint and several obligations of IMI and the Guarantors. See Note 6 to Notes to Consolidated Financial Statements.

(5) Iron Mountain Europe PLC ("IME") is the direct obligor on the $6^1/_8$% Notes, which are fully and unconditionally guaranteed, on a senior basis, by IMI and the Guarantors. These guarantees are joint and several obligations of IMI and the Guarantors. See Note 6 to Notes to Consolidated Financial Statements.

(6) We believe the fair value (Level 3 of fair value hierarchy described at Note 2.k.) of this debt approximates its carrying value.

On August 7, 2013, we amended our existing credit agreement. The revolving credit facilities (the "Revolving Credit Facility") under our credit agreement, as amended (the "Credit Agreement"), allow IMI and certain of its U.S. and foreign subsidiaries to borrow in U.S. dollars and (subject to sublimits) a variety of other currencies (including Canadian dollars, British pounds sterling, Euros, Brazilian reais and Australian dollars, among other currencies) in an aggregate outstanding amount not to exceed $1,500,000. In addition, the Credit Agreement included an option to allow us to request additional commitments of up to $500,000, in the form of term loans or through increased commitments under the Revolving Credit Facility. On August 25, 2014, we entered into an incremental term loan activation notice under the Credit Agreement pursuant to which we increased the maximum amount permitted to be borrowed under the Credit Agreement from $1,500,000 to $1,900,000, and on September 24, 2014, we borrowed $250,000 of the increased borrowings in the form of a term loan under the Credit Agreement (the "Term Loan"). Commencing on December 31, 2014, the Term Loan will begin amortizing in quarterly installments in an amount equal to $625 per quarter, with the remaining balance due on June 27, 2016. The Term Loan may be prepaid without penalty or premium, in whole or in part, at any time. The Credit Agreement continues to include an option to allow us to request additional commitments of up to $250,000, in the form of term loans or through increased commitments under the Revolving Credit Facility.

The Credit Agreement terminates on June 27, 2016, at which point all obligations become due. IMI and the Guarantors guarantee all obligations under the Credit Agreement, and have pledged the capital stock or other equity interests of most of their U.S. subsidiaries, up to 66% of the capital stock or other equity interests of their first-tier foreign subsidiaries, and all intercompany obligations (including promissory notes) owed to or held by them to secure the Credit Agreement. In addition, Canada Company has pledged 66% of the capital stock of its subsidiaries, and all intercompany obligations (including promissory notes) owed to or held by it to secure the Canadian dollar subfacility under the Revolving Credit Facility. 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 our consolidated leverage ratio. 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 and fees associated with outstanding letters of credit. As of September 30, 2014, we had $277,316 and $250,000 of outstanding borrowings under the Revolving Credit Facility and the Term Loan, respectively. Of the $277,316 of outstanding borrowings under the Revolving Credit Facility, $130,250 was denominated in U.S. dollars, 60,000 was denominated in

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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)

Canadian dollars, 63,715 was denominated in Euros and 14,500 was denominated in Australian dollars. In addition, we also had various outstanding letters of credit totaling $8,587. The remaining amount available for borrowing under the Revolving Credit Facility as of September 30, 2014, based on IMI's leverage ratio, the last 12 months' earnings before interest, taxes, depreciation and amortization and rent expense ("EBITDAR"), other adjustments as defined in the Credit Agreement and current external debt, was $1,214,097 (which amount represents the maximum availability as of such date). The average interest rate in effect under the Credit Agreement was 2.6% as of September 30, 2014. The average interest rate in effect under the Revolving Credit Facility was 2.7% and ranged from 2.3% to 4.9% as of September 30, 2014 and the interest rate in effect under the Term Loan as of September 30, 2014 was 2.4%.

For the three and nine months ended September 30, 2013, we recorded commitment fees and letters of credit fees of $977 and $2,133, respectively, based on the unused balances under the Revolving Credit Facility and outstanding letters of credit. In addition, we recorded a charge of $43,662 to other expense (income), net in the third quarter of 2013 which consisted of a charge of $5,544 related to the amendment of our revolving credit and term loan facilities, representing a write-off of deferred financing costs and a charge of $38,118 related to the early extinguishment of (1) 175,000 CAD aggregate principal amount outstanding of the $7^1/_2$% CAD Senior Subordinated Notes due 2017, (2) $50,000 aggregate principal amount outstanding of the 8% Senior Subordinated Notes due 2018, (3) $300,000 aggregate principal amount outstanding of the 8% Senior Subordinated Notes due 2020, and (4) $137,500 aggregate principal amount of the $8^3/_8$% Notes. For the three and nine months ended September 30, 2014, we recorded commitment fees and letters of credit fees of $700 and $1,867, respectively, based on the unused balances under the Revolving Credit Facility and outstanding letters of credit.

In January 2014, we redeemed the 150,000 British pounds sterling (approximately $247,000) in aggregate principal amount outstanding of the $7^1/_4$% Notes at 100% of par, plus accrued and unpaid interest, utilizing borrowings under our Revolving Credit Facility and cash on-hand.

In September 2014, IME completed a private offering of 400,000 British pounds sterling in aggregate principal amount of the $6^1/_8$% Notes, which were issued at 100% of par. The net proceeds to IME of 394,000 British pounds sterling (approximately $642,000 based on an exchange rate of 1.63), after paying the initial purchasers' commissions and expenses, were used to repay amounts outstanding under our Revolving Credit Facility and for general corporate purposes.

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 uses EBITDAR-based calculations as the primary measures of financial performance, including leverage and fixed charge coverage ratios. IMI's Credit Agreement net total lease adjusted leverage ratio was 5.0 and 5.2 as of December 31, 2013 and September 30, 2014, respectively, compared to a maximum allowable ratio of 6.5, and its net

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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)

secured debt lease adjusted leverage ratio was 2.2 and 2.0 as of December 31, 2013 and September 30, 2014, respectively, compared to a maximum allowable ratio of 4.0. IMI's bond leverage ratio (which is not lease adjusted), per the indentures, was 5.1 and 5.3 as of December 31, 2013 and September 30, 2014, respectively, compared to a maximum allowable ratio of 6.5. IMI's Credit Agreement fixed charge coverage ratio was 2.5 as of both December 31, 2013 and September 30, 2014 compared to a minimum allowable ratio of 1.5 under the Credit Agreement. 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, 2013 and September 30, 2014 and for the three and nine months ended September 30, 2013 and 2014 and are prepared on the same basis as the consolidated financial statements.

The Parent Notes, Senior Subsidiary Notes and the $6^1/_8$% 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.

Additionally, IMI and the Guarantors guarantee the Senior Subsidiary Notes, which were issued by Canada Company, and the $6^1/_8$% Notes, which were issued by IME. Canada Company and IME do not guarantee the Parent Notes. The subsidiaries that do not guarantee the Parent Notes, the Senior Subsidiary Notes and the $6^1/_8$% Notes, including IME but excluding Canada Company, are referred to below as the Non-Guarantors.

In the normal course of business we periodically change the ownership structure of our subsidiaries to meet the requirements of our business. In the event of such changes, we recast the prior period financial information within this footnote to conform to the current period presentation in the period such changes occur. Generally, these changes do not alter the designation of the underlying subsidiaries as Guarantors or Non-Guarantors. However, they may change whether the underlying subsidiary is owned by the Parent, a Guarantor, Canada Company or a Non-Guarantor. If such a change occurs, the amount of investment in subsidiaries in the below balance sheets and equity in the earnings (losses) of subsidiaries, net of tax in the below statements of operations with respect to the relevant Parent, Guarantors, Canada Company, Non-Guarantors and Eliminations columns also would change.

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IRON MOUNTAIN INCORPORATED

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)

CONSOLIDATED BALANCE SHEETS

	December 31, 2013					
	Parent	Guarantors	Canada Company	Non-Guarantors	Eliminations	Consolidated
Assets						
Current Assets:						
Cash and Cash Equivalents	$ 1,243	$ 10,366	$ 1,094	$ 107,823	$	$ 120,526
Restricted Cash	33,860					33,860
Accounts Receivable		358,118	38,928	219,751		616,797
Intercompany Receivable	761,501		1,607		(763,108)	
Other Current Assets	1,120	98,717	5,995	56,622	(30)	162,424
Total Current Assets	797,724	467,201	47,624	384,196	(763,138)	933,607
Property, Plant and Equipment, Net	1,019	1,569,248	172,246	835,747		2,578,260
Other Assets, Net:						
Long-term Notes Receivable from Affiliates and Intercompany Receivable	1,775,570	1,000	2,672		(1,779,242)	
Investment in Subsidiaries	1,564,405	1,313,835	31,130	70,788	(2,980,158)	
Goodwill		1,638,534	187,259	637,559		2,463,352
Other	38,862	376,939	11,257	250,842	(114)	677,786
Total Other Assets, Net	3,378,837	3,330,308	232,318	959,189	(4,759,514)	3,141,138
Total Assets	$ 4,177,580	$ 5,366,757	$ 452,188	$ 2,179,132	$ (5,522,652)	$ 6,653,005
Liabilities and Equity						
Intercompany Payable	$	$ 581,029	$	$ 182,079	$ (763,108)	$
Current Portion of Long-term Debt		30,236		22,377	(30)	52,583
Total Other Current Liabilities	125,705	540,169	29,513	221,131		916,518
Long-term Debt, Net of Current Portion	3,009,597	508,382	289,105	312,055		4,119,139
Long-term Notes Payable to Affiliates and Intercompany Payable	1,000	1,772,144		6,098	(1,779,242)	
Other Long-term Liabilities	40	388,645	31,652	92,808	(114)	513,031
Commitments and Contingencies (See Note 8)						
Total Iron Mountain Incorporated Stockholders' Equity	1,041,238	1,546,152	101,918	1,332,088	(2,980,158)	1,041,238
Noncontrolling Interests				10,496		10,496

Total Equity	1,041,238	1,546,152	101,918	1,342,584	(2,980,158)	1,051,734
Total Liabilities and Equity	$ 4,177,580	$ 5,366,757	$ 452,188	$ 2,179,132	$ (5,522,652)	$ 6,653,005

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IRON MOUNTAIN INCORPORATED

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)

CONSOLIDATED BALANCE SHEETS (Continued)

	September 30, 2014					
	Parent	Guarantors	Canada Company	Non-Guarantors	Eliminations	Consolidated
Assets						
Current Assets:						
Cash and Cash Equivalents	$	$ 52,970	$ 4,602	$ 126,416	$	$ 183,988
Restricted Cash	33,860					33,860
Accounts Receivable		371,347	36,451	211,198		618,996
Intercompany Receivable	243,568				(243,568)	
Other Current Assets	132	76,797	3,282	59,365	(34)	139,542
Total Current Assets	277,560	501,114	44,335	396,979	(243,602)	976,386
Property, Plant and Equipment, Net	885	1,575,573	160,045	824,201		2,560,704
Other Assets, Net:						
Long-term Notes Receivable from Affiliates and Intercompany Receivable	2,788,541	295	2,542		(2,791,378)	
Investment in Subsidiaries	935,928	675,718	30,726	89,929	(1,732,301)	
Goodwill		1,604,911	178,372	637,782		2,421,065
Other	35,452	375,729	10,361	256,642		678,184
Total Other Assets, Net	3,759,921	2,656,653	222,001	984,353	(4,523,679)	3,099,249
Total Assets	$ 4,038,366	$ 4,733,340	$ 426,381	$ 2,205,533	$ (4,767,281)	$ 6,636,339
Liabilities and Equity						
Intercompany Payable	$	$ 93,005	$ 2,049	$ 148,514	$ (243,568)	$
Current Portion of Long-term Debt		32,502		28,331	(34)	60,799
Total Other Current Liabilities	848,451	444,651	32,851	211,556		1,537,509
Long-term Debt, Net of Current Portion	2,733,143	340,207	239,601	1,018,735		4,331,686
Long-term Notes Payable to Affiliates and Intercompany Payable	1,000	2,788,368		2,010	(2,791,378)	
Other Long-term Liabilities		120,472	31,225	86,986		238,683
Commitments and Contingencies (See Note 8)						

Total Iron Mountain Incorporated Stockholders' Equity	455,772	914,135	120,655	697,511	(1,732,301)	455,772
Noncontrolling Interests				11,890		11,890
Total Equity	455,772	914,135	120,655	709,401	(1,732,301)	467,662
Total Liabilities and Equity	$ 4,038,366	$ 4,733,340	$ 426,381	$ 2,205,533	$ (4,767,281)	$ 6,636,339

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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)

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended September 30, 2013					
	Parent	Guarantors	Canada Company	Non-Guarantors	Eliminations	Consolidated
Revenues:						
Storage Rental	$	$ 293,262	$ 32,258	$ 119,797	$	$ 445,317
Service		190,421	17,236	102,340		309,997
Intercompany Service				17,890	(17,890)	
Total Revenues		483,683	49,494	240,027	(17,890)	755,314
Operating Expenses:						
Cost of Sales (Excluding Depreciation and Amortization)		186,946	5,575	118,144		310,665
Intercompany Service Cost of Sales			17,890		(17,890)	
Selling, General and Administrative	77	159,668	3,412	62,048		225,205
Depreciation and Amortization	80	49,222	3,039	27,318		79,659
Loss (Gain) on Disposal/Write-down of Property, Plant and Equipment (Excluding Real Estate), net	5	(66)		(112)		(173)
Total Operating Expenses	162	395,770	29,916	207,398	(17,890)	615,356
Operating (Loss) Income	(162)	87,913	19,578	32,629		139,958
Interest Expense (Income), Net	52,070	(3,556)	9,192	6,779		64,485
Other Expense (Income), Net	67,524	5,921	5,473	(32,965)		45,953
(Loss) Income from Continuing Operations Before Provision (Benefit) for Income Taxes	(119,756)	85,548	4,913	58,815		29,520
Provision (Benefit) for Income Taxes		1,297	4,560	18,333		24,190
Equity in the (Earnings) Losses of Subsidiaries, Net of Tax	(123,605)	(39,094)	(2,742)	(353)	165,794	
Income (Loss) from Continuing Operations	3,849	123,345	3,095	40,835	(165,794)	5,330
Income (Loss) from Discontinued Operations, Net of Tax		35		(606)		(571)
Net Income (Loss)	3,849	123,380	3,095	40,229	(165,794)	4,759
Less: Net Income (Loss) Attributable to Noncontrolling Interest				910		910
Net Income (Loss) Attributable to Iron Mountain Incorporated	$ 3,849	$ 123,380	$ 3,095	$ 39,319	$ (165,794)	$ 3,849

Net Income (Loss)	$ 3,849	$ 123,380	$ 3,095	$ 40,229	$ (165,794)	$ 4,759
Other Comprehensive Income (Loss):						
Foreign Currency Translation Adjustments	(3,333)	(345)	9,189	11,512		17,023
Equity in Other Comprehensive Income (Loss) of Subsidiaries	20,533	20,978	(2,637)	9,189	(48,063)	
Total Other Comprehensive Income (Loss)	17,200	20,633	6,552	20,701	(48,063)	17,023
Comprehensive Income (Loss)	21,049	144,013	9,647	60,930	(213,857)	21,782
Comprehensive Income (Loss) Attributable to Noncontrolling Interests				733		733
Comprehensive Income (Loss) Attributable to Iron Mountain Incorporated	$ 21,049	$ 144,013	$ 9,647	$ 60,197	$ (213,857)	$ 21,049

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IRON MOUNTAIN INCORPORATED

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)

CONSOLIDATED STATEMENTS OF OPERATIONS (Continued)

	Three Months Ended September 30, 2014					
	Parent	Guarantors	Canada Company	Non-Guarantors	Eliminations	Consolidated
Revenues:						
Storage Rental	$	$ 302,695	$ 31,540	$ 134,829	$	$ 469,064
Service		186,906	17,582	109,145		313,633
Intercompany Service				16,679	(16,679)	
Total Revenues		489,601	49,122	260,653	(16,679)	782,697
Operating Expenses:						
Cost of Sales (Excluding Depreciation and Amortization)		197,079	5,181	133,246		335,506
Intercompany Service Cost of Sales			16,679		(16,679)	
Selling, General and Administrative	58	143,555	3,505	69,219		216,337
Depreciation and Amortization	46	54,040	2,989	32,119		89,194
(Gain) Loss on Disposal/Write-down of Property, Plant and Equipment (Excluding Real Estate), net		(12)	11	185		184
Total Operating Expenses	104	394,662	28,365	234,769	(16,679)	641,221
Operating (Loss) Income	(104)	94,939	20,757	25,884		141,476
Interest Expense (Income), Net	46,571	(9,730)	8,544	17,835		63,220
Other (Income) Expense, Net	(22,468)	(212,113)	(31)	257,120		22,508
(Loss) Income from Continuing Operations Before Provision (Benefit) for Income Taxes	(24,207)	316,782	12,244	(249,071)		55,748
Provision (Benefit) for Income Taxes		53,142	3,249	(1,501)		54,890
Equity in the (Earnings) Losses of Subsidiaries, Net of Tax	(24,273)	240,121	(432)	(8,996)	(206,420)	
Net Income (Loss)	66	23,519	9,427	(238,574)	206,420	858
Less: Net Income (Loss) Attributable to Noncontrolling Interests				792		792
Net Income (Loss) Attributable to Iron Mountain Incorporated	$ 66	$ 23,519	$ 9,427	$ (239,366)	$ 206,420	$ 66
Net Income (Loss)	$ 66	$ 23,519	$ 9,427	$ (238,574)	$ 206,420	$ 858

Other Comprehensive Income (Loss):						
Foreign Currency Translation Adjustments	3,729		(4,560)	(44,592)		(45,423)
Market Value Adjustments for Securities		(291)				(291)
Equity in Other Comprehensive (Loss) Income of Subsidiaries	(48,626)	(48,335)	(874)	(4,560)	102,395	
Total Other Comprehensive (Loss) Income	(44,897)	(48,626)	(5,434)	(49,152)	102,395	(45,714)
Comprehensive (Loss) Income	(44,831)	(25,107)	3,993	(287,726)	308,815	(44,856)
Comprehensive (Loss) Income Attributable to Noncontrolling Interests				(25)		(25)
Comprehensive (Loss) Income Attributable to Iron Mountain Incorporated	$ (44,831)	$ (25,107)	$ 3,993	$ (287,701)	$ 308,815	$ (44,831)

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IRON MOUNTAIN INCORPORATED

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)

CONSOLIDATED STATEMENTS OF OPERATIONS (Continued)

	Nine Months Ended September 30, 2013					
	Parent	Guarantors	Canada Company	Non-Guarantors	Eliminations	Consolidated
Revenues:						
Storage Rental	$	$ 877,709	$ 98,057	$ 353,591	$	$ 1,329,357
Service		569,125	17,236	340,698		927,059
Intercompany Service				17,890	(17,890)	
Total Revenues		1,446,834	115,293	712,179	(17,890)	2,256,416
Operating Expenses:						
Cost of Sales (Excluding Depreciation and Amortization)		573,237	19,713	359,847		952,797
Intercompany Service Cost of Sales			17,890		(17,890)	
Selling, General and Administrative	140	478,523	12,357	182,167		673,187
Depreciation and Amortization	242	144,904	9,378	84,264		238,788
Loss (Gain) on Disposal/Write-down of Property, Plant and Equipment (Excluding Real Estate), net	5	(554)	21			(528)
Total Operating Expenses	387	1,196,110	59,359	626,278	(17,890)	1,864,244
Operating (Loss) Income	(387)	250,724	55,934	85,901		392,172
Interest Expense (Income), Net	155,430	(15,678)	30,148	20,756		190,656
Other Expense (Income), Net	38,320	4,669	5,427	15,551		63,967
(Loss) Income from Continuing Operations Before Provision (Benefit) for Income Taxes and (Gain) Loss on Sale of Real Estate	(194,137)	261,733	20,359	49,594		137,549
Provision (Benefit) for Income Taxes		53,034	9,695	25,415		88,144
(Gain) Loss from Sale of Real Estate, Net of Tax				(1,417)		(1,417)
Equity in the (Earnings) Losses of Subsidiaries, Net of Tax	(243,540)	(32,424)	(6,345)	(10,664)	292,973	
Income (Loss) from Continuing Operations	49,403	241,123	17,009	36,260	(292,973)	50,822
Income (Loss) from Discontinued Operations, Net of Tax		140		1,375		1,515
Net Income (Loss)	49,403	241,263	17,009	37,635	(292,973)	52,337
Less: Net Income (Loss) Attributable to Noncontrolling Interest				2,934		2,934
Net Income (Loss) Attributable to Iron Mountain Incorporated	$ 49,403	$ 241,263	$ 17,009	$ 34,701	$ (292,973)	$ 49,403

Net Income (Loss)	$ 49,403	$ 241,263	$ 17,009	$ 37,635	$ (292,973)	$ 52,337
Other Comprehensive Income (Loss):						
Foreign Currency Translation Adjustments	(2,056)	620	(9,302)	(15,073)		(25,811)
Equity in Other Comprehensive (Loss) Income of Subsidiaries	(22,755)	(23,097)	(2,637)	(9,302)	57,791	
Total Other Comprehensive (Loss) Income	(24,811)	(22,477)	(11,939)	(24,375)	57,791	(25,811)
Comprehensive Income (Loss)	24,592	218,786	5,070	13,260	(235,182)	26,526
Comprehensive Income (Loss) Attributable to Noncontrolling Interests				1,934		1,934
Comprehensive Income (Loss) Attributable to Iron Mountain Incorporated	$ 24,592	$ 218,786	$ 5,070	$ 11,326	$ (235,182)	$ 24,592