IRON MOUNTAIN INC
Form 10-Q
July 31, 2009

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# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 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 June 30, 2009**

**OR**

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

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

# IRON MOUNTAIN INCORPORATED

(Exact Name of Registrant as Specified in Its Charter)

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a small reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

| | |
|---|---|
| Large accelerated filer ý | Accelerated filer o |
| Non-accelerated filer o | Smaller reporting company o |

(Do not check if a smaller reporting company)

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

Number of shares of the registrant's Common Stock at July 27, 2009: 202,913,730

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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, 2008 | June 30, 2009 |
|---|---|---|
| **ASSETS** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 278,370 | $ 316,056 |
| Accounts receivable (less allowances of $19,562 and $22,718, respectively) | 552,830 | 589,156 |
| Deferred income taxes | 41,305 | 37,988 |
| Prepaid expenses and other | 103,887 | 169,413 |
| Total Current Assets | 976,392 | 1,112,613 |
| Property, Plant and Equipment: | | |
| Property, plant and equipment | 3,750,515 | 3,871,496 |
| Less Accumulated depreciation | (1,363,761) | (1,484,180) |
| Net Property, Plant and Equipment | 2,386,754 | 2,387,316 |
| Other Assets, net: | | |
| Goodwill | 2,452,304 | 2,449,457 |
| Customer relationships and acquisition costs | 443,729 | 432,443 |
| Deferred financing costs | 33,186 | 30,857 |
| Other | 64,489 | 59,813 |
| Total Other Assets, net | 2,993,708 | 2,972,570 |
| Total Assets | $ 6,356,854 | $ 6,472,499 |
| **LIABILITIES AND EQUITY** | | |
| Current Liabilities: | | |
| Current portion of long-term debt | $ 35,751 | $ 30,583 |
| Accounts payable | 154,614 | 123,618 |
| Accrued expenses | 356,473 | 316,435 |
| Deferred revenue | 182,759 | 206,135 |
| Total Current Liabilities | 729,597 | 676,771 |
| Long-term Debt, net of current portion | 3,207,464 | 3,208,384 |
| Other Long-term Liabilities | 113,136 | 114,012 |
| Deferred Rent | 73,005 | 79,271 |
| Deferred Income Taxes | 427,324 | 442,495 |

| | | |
|---|---|---|
| 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 201,931,332 shares and 202,717,529 shares, respectively) | 2,019 | 2,027 |
| Additional paid-in capital | 1,250,064 | 1,272,921 |
| Retained earnings | 591,912 | 708,349 |
| Accumulated other comprehensive items, net | (41,215) | (34,562) |
| Total Iron Mountain Incorporated Stockholders' Equity | 1,802,780 | 1,948,735 |
| Noncontrolling Interests | 3,548 | 2,831 |
| Total Equity | 1,806,328 | 1,951,566 |
| Total Liabilities and Equity | $ 6,356,854 | $ 6,472,499 |

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 June 30, | |
|---|---|---|
| | **2008** | **2009** |
| Revenues: | | |
| Storage | $416,195 | $415,810 |
| Service | 352,662 | 330,218 |
| Total Revenues | 768,857 | 746,028 |
| Operating Expenses: | | |
| Cost of sales (excluding depreciation and amortization) | 346,971 | 312,698 |
| Selling, general and administrative | 225,932 | 215,854 |
| Depreciation and amortization | 72,907 | 78,680 |
| (Gain) Loss on disposal/writedown of property, plant and equipment, net | (839) | 742 |
| Total Operating Expenses | 644,971 | 607,974 |
| Operating Income | 123,886 | 138,054 |
| Interest Expense, Net (includes Interest Income of $1,352 and $578, respectively) | 59,757 | 55,175 |
| Other Expense (Income), Net | 3,532 | (18,394) |
| Income Before Provision for Income Taxes | 60,597 | 101,273 |
| Provision for Income Taxes | 24,859 | 13,761 |
| Net Income | 35,738 | 87,512 |
| Less: Net Loss Attributable to Noncontrolling Interests | (148) | (126) |
| Net Income Attributable to Iron Mountain Incorporated | $ 35,886 | $ 87,638 |
| **Earnings per Share Basic and Diluted:** | | |
| Net Income Attributable to Iron Mountain Incorporated per Share Basic | $ 0.18 | $ 0.43 |
| Net Income Attributable to Iron Mountain Incorporated per Share Diluted | $ 0.18 | $ 0.43 |
| Weighted Average Common Shares Outstanding Basic | 200,855 | 202,502 |
| Weighted Average Common Shares Outstanding Diluted | 203,038 | 204,199 |

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)**

| | Six Months Ended June 30, | |
|---|---|---|
| | **2008** | **2009** |
| Revenues: | | |
| Storage | $ 820,512 | $ 825,667 |
| Service | 697,729 | 643,707 |
| Total Revenues | 1,518,241 | 1,469,374 |
| Operating Expenses: | | |
| Cost of sales (excluding depreciation and amortization) | 694,722 | 629,678 |
| Selling, general and administrative | 448,160 | 426,247 |
| Depreciation and amortization | 142,437 | 154,960 |
| Loss (Gain) on disposal/writedown of property, plant and equipment, net | 2,706 | (762) |
| Total Operating Expenses | 1,288,025 | 1,210,123 |
| Operating Income | 230,216 | 259,251 |
| Interest Expense, Net (includes Interest Income of $2,571 and $1,367, respectively) | 119,776 | 110,696 |
| Other Income, Net | (2,503) | (11,239) |
| Income Before Provision for Income Taxes | 112,943 | 159,794 |
| Provision for Income Taxes | 43,131 | 45,338 |
| Net Income | 69,812 | 114,456 |
| Less: Net Income (Loss) Attributable to Noncontrolling Interests | 444 | (1,981) |
| Net Income Attributable to Iron Mountain Incorporated | $ 69,368 | $ 116,437 |
| **Earnings per Share Basic and Diluted:** | | |
| Net Income Attributable to Iron Mountain Incorporated per Share Basic | $ 0.35 | $ 0.58 |
| Net Income Attributable to Iron Mountain Incorporated per Share Diluted | $ 0.34 | $ 0.57 |
| Weighted Average Common Shares Outstanding Basic | 200,863 | 202,284 |
| Weighted Average Common Shares Outstanding Diluted | 203,229 | 203,755 |

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)**

| | | | Iron Mountain Incorporated Stockholders' Equity | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Common Stock Voting | | | | | |
| | Total | Comprehensive Income (Loss) | Shares | Amounts | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Items, Net | Noncontrolling Interests |
| **Balance, December 31, 2007** | $ 1,804,544 | $ | 200,693,217 | $ 2,007 | $ 1,209,512 | $ 509,875 | $ 74,061 | $ 9,089 |
| Issuance of shares under employee stock purchase plan and option plans and stock-based compensation, including tax benefit of $4,146 | 24,074 | | 762,181 | 7 | 24,067 | | | |
| Comprehensive Income (Loss): | | | | | | | | |
| Currency translation adjustment | 11,790 | 11,790 | | | | | 12,018 | (228) |
| Market value adjustments for securities, net of tax | (573) | (573) | | | | | (573) | |
| Net income | 69,812 | 69,812 | | | | 69,368 | | 444 |
| Comprehensive Income | | $ 81,029 | | | | | | |
| Noncontrolling interests equity contributions | 122 | | | | | | | 122 |
| Parent purchase of noncontrolling interests | (4,490) | | | | | | | (4,490) |
| Dividend payments | (667) | | | | | | | (667) |
| **Balance, June 30, 2008** | $ 1,904,612 | | 201,455,398 | $ 2,014 | $ 1,233,579 | $ 579,243 | $ 85,506 | $ 4,270 |

| | | | Iron Mountain Incorporated Stockholders' Equity | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Common Stock Voting | | | | | |
| | Total | Comprehensive Income (Loss) | Shares | Amounts | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Items, Net | Noncontrolling Interests |
| **Balance, December 31, 2008** | $ 1,806,328 | $ | 201,931,332 | $ 2,019 | $ 1,250,064 | $ 591,912 | $ (41,215) | $ 3,548 |
| Issuance of shares under employee stock purchase plan and option plans and stock-based compensation, including tax benefit of $2,483 | 22,865 | | 786,197 | 8 | 22,857 | | | |
| Comprehensive Income (Loss): | | | | | | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Currency translation adjustment | 8,412 | 8,412 | | | | | 6,653 | 1,759 |
| Net income (loss) | 114,456 | 114,456 | | | | 116,437 | | (1,981) |
| Comprehensive Income | | $ 122,868 | | | | | | |
| Noncontrolling interests equity contributions | 530 | | | | | | | 530 |
| Dividend payments | (1,025) | | | | | | | (1,025) |
| **Balance, June 30, 2009** | $ 1,951,566 | | 202,717,529 | $ 2,027 | $ 1,272,921 | $ 708,349 | $ (34,562) | $ 2,831 |

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 June 30, | |
|---|---|---|
| | **2008** | **2009** |
| Net Income | $ 35,738 | $ 87,512 |
| Other Comprehensive Income (Loss): | | |
| Foreign Currency Translation Adjustments | 13,402 | 31,173 |
| Market Value Adjustments for Securities, Net of Tax | (99) | |
| Total Other Comprehensive Income | 13,303 | 31,173 |
| Comprehensive Income | 49,041 | 118,685 |
| Comprehensive Loss Attributable to Noncontrolling Interests | (701) | (123) |
| Comprehensive Income Attributable to Iron Mountain Incorporated | $ 49,742 | $ 118,808 |

| | Six Months Ended June 30, | |
|---|---|---|
| | **2008** | **2009** |
| Net Income | $ 69,812 | $ 114,456 |
| Other Comprehensive Income (Loss): | | |
| Foreign Currency Translation Adjustments | 11,790 | 8,412 |
| Market Value Adjustments for Securities, Net of Tax | (573) | |
| Total Other Comprehensive Income | 11,217 | 8,412 |
| Comprehensive Income | 81,029 | 122,868 |
| Comprehensive Income (Loss) Attributable to Noncontrolling Interests | 216 | (222) |
| Comprehensive Income Attributable to Iron Mountain Incorporated | $ 80,813 | $ 123,090 |

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)**

| | Six Months Ended June 30, | |
|---|---|---|
| | **2008** | **2009** |
| Cash Flows from Operating Activities: | | |
| Net income | $ 69,812 | $ 114,456 |
| Adjustments to reconcile net income to cash flows from operating activities: | | |
| Depreciation | 125,043 | 137,606 |
| Amortization (includes deferred financing costs and bond discount of $2,438 and $2,517, respectively) | 19,832 | 19,871 |
| Stock-based compensation expense | 9,835 | 9,136 |
| Provision for deferred income taxes | 11,179 | 15,425 |
| Loss on early extinguishment of debt | 345 | |
| Loss (Gain) on disposal/writedown of property, plant and equipment, net | 2,706 | (762) |
| Foreign currency transactions and other, net | (2,459) | (10,811) |
| Changes in Assets and Liabilities (exclusive of acquisitions): | | |
| Accounts receivable | (40,176) | (44,037) |
| Prepaid expenses and other current assets | 7,972 | (2,561) |
| Accounts payable | (23,552) | (17,202) |
| Accrued expenses, deferred revenue and other current liabilities | 5,103 | 19,828 |
| Other assets and long-term liabilities | 3,993 | 7,342 |
| Cash Flows from Operating Activities | 189,633 | 248,291 |
| Cash Flows from Investing Activities: | | |
| Capital expenditures | (174,130) | (133,876) |
| Cash paid for acquisitions, net of cash acquired | (46,318) | (1,448) |
| Additions to customer relationship and acquisition costs | (6,639) | (4,439) |
| Investment in joint ventures | (1,709) | |
| Proceeds from sales of property and equipment and other, net | 26 | 1,838 |
| Cash Flows from Investing Activities | (228,770) | (137,925) |
| Cash Flows from Financing Activities: | | |
| Repayment of revolving credit and term loan facilities and other debt | (753,936) | (99,904) |
| Proceeds from revolving credit and term loan facilities and other debt | 562,718 | 15,574 |
| Net proceeds from sales of senior subordinated notes | 295,500 | |
| Debt financing (repayment to) and equity contribution from (distribution to) noncontrolling interests, net | 384 | 530 |
| Proceeds from exercise of stock options and employee stock purchase plan | 9,940 | 10,983 |
| Excess tax benefits from stock-based compensation | 4,146 | 2,483 |
| Payment of debt financing costs | (763) | (97) |
| Cash Flows from Financing Activities | 117,989 | (70,431) |
| Effect of Exchange Rates on Cash and Cash Equivalents | (1,262) | (2,249) |
| Increase in Cash and Cash Equivalents | 77,590 | 37,686 |
| Cash and Cash Equivalents, Beginning of Period | 125,607 | 278,370 |
| Cash and Cash Equivalents, End of Period | $ 203,197 | $ 316,056 |
| Supplemental Information: | | |
| Cash Paid for Interest | $ 117,634 | $ 110,759 |
| Cash Paid for Income Taxes | $ 25,876 | $ 35,574 |

| | | |
|---|---|---|
| Non-Cash Investing Activities: | | |
| Capital Leases | $ 23,393 | $ 29,596 |
| Accrued Capital Expenditures | $ 22,993 | $ 27,880 |

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

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**IRON MOUNTAIN INCORPORATED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(In Thousands, Except Share and Per Share Data)**

**(Unaudited)**

**(1) General**

The interim consolidated financial statements are presented herein without audit and, in the opinion of management, reflect all adjustments of a normal recurring nature necessary for a fair presentation. Interim results are not necessarily indicative of results for a full year.

The consolidated balance sheet presented as of December 31, 2008 has been derived from our audited consolidated financial statements. The unaudited consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been omitted pursuant to those rules and regulations, but we believe that the disclosures are adequate to make the information presented not misleading. The consolidated financial statements and notes included herein should be read in conjunction with the annual consolidated financial statements and notes for the year ended December 31, 2008 included in our Current Report on Form 8-K filed on May 8, 2009.

On January 1, 2009, we adopted Statement of Financial Accounting Standard No. 160, "Noncontrolling Interests in Consolidated Financial Statement  an Amendment of ARB No. 51" ("SFAS No. 160"). The presentation and disclosure requirements of SFAS No. 160 have been applied to all of our financial statements, notes and other financial data retrospectively for all periods presented. The adoption of SFAS No. 160 resulted in an increase to net income attributable to Iron Mountain Incorporated of $478, or $0.00 per diluted share for the three months ended June 30, 2009 and an increase to net income attributable to Iron Mountain Incorporated of $2,859, or $0.01 per diluted share for the six months ended June 30, 2009. SFAS No. 160 includes a prospective requirement allowing losses in excess of a noncontrolling interest's equity to go below zero. Excluding the impacts of the adoption of SFAS No. 160, net income attributable to Iron Mountain Incorporated and diluted earnings per share attributable to Iron Mountain Incorporated would have been $87,160 and $0.43 per share, respectively, for the three months ended June 30, 2009 and $113,578 and $0.56 per share, respectively, for the six months ended June 30, 2009.

**(2) Summary of Significant Accounting Policies**

a. Principles of Consolidation

The accompanying financial statements reflect our financial position and results of operations on a consolidated basis. Financial position and results of operations of Iron Mountain Europe Limited ("IME"), our European subsidiary, are consolidated for the appropriate periods based on its fiscal year ended October 31. All intercompany account balances have been eliminated.

b. Foreign Currency Translation

Local currencies are considered the functional currencies for our operations outside the United States, with the exception of certain foreign holding companies and our financing center in Switzerland, whose functional currencies are the U.S. dollar. All assets and liabilities are translated at period-end exchange rates, and revenues and expenses are translated at average exchange rates for the applicable period, in accordance with Statement of Financial Accounting Standards ("SFAS") No. 52, "Foreign

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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)**

Currency Translation." Resulting translation adjustments are reflected in the accumulated other comprehensive items, net component of Iron Mountain Incorporated Stockholders' Equity and Noncontrolling Interests. The gain or loss on foreign currency transactions, calculated as the difference between the historical exchange rate and the exchange rate at the applicable measurement date, including those related to (a) our 7 1/4% GBP Senior Subordinated Notes due 2014, (b) our 6 3/4% Euro Senior Subordinated Notes due 2018, (c) the borrowings in certain foreign currencies under our revolving credit agreements, and (d) certain foreign currency denominated intercompany obligations of our foreign subsidiaries to us and between our foreign subsidiaries, are included in other expense (income), net, on our consolidated statements of operations. We recorded a net loss of $3,293 and a net gain of $2,638 for the three and six months ended June 30, 2008, respectively. We recorded a net gain of $17,127 and $9,638 for the three and six months ended June 30, 2009, respectively.

c. Goodwill and Other Intangible Assets

We apply the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets." Under SFAS No. 142, goodwill and intangible assets with indefinite lives are not amortized but are reviewed annually for impairment or more frequently if impairment indicators arise. We currently have no intangible assets that have indefinite lives and which are not amortized, other than goodwill. Separable intangible assets that are not deemed to have indefinite lives are amortized over their useful lives. We periodically assess whether events or circumstances warrant a change in the life over which our intangible assets are amortized.

We have selected October 1 as our annual goodwill impairment review date. We performed our annual goodwill impairment review as of October 1, 2008, and noted no impairment of goodwill. In making this assessment, we rely on a number of factors including operating results, business plans, economic projections, anticipated future cash flows, transactions and market place data. There are inherent uncertainties related to these factors and our judgment in applying them to the analysis of goodwill impairment. As of June 30, 2009, no factors were identified that would alter this assessment. 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 value. Our reporting units at which level we performed our goodwill impairment analysis as of October 1, 2008 were as follows: North America (excluding Fulfillment), Fulfillment, Europe, Worldwide Digital Business (excluding Stratify, Inc. ("Stratify")), Stratify, Latin America and Asia Pacific. Asia Pacific is primarily composed of recent acquisitions (carrying value of goodwill, net amounts to $54,982 as of June 30, 2009). It is still in the investment stage and accordingly its fair value does not exceed its carrying value by a significant margin at this point in time. A deterioration of the Asia Pacific business or the business not achieving the forecasted results could lead to an impairment in future periods.

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

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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)**

impairment reviews, we reconcile the sum of the valuations of all of our reporting units to our market capitalization as of such dates. The changes in the carrying value of goodwill attributable to each reportable operating segment for the six month period ended June 30, 2009 are as follows:

| | North American Physical Business | International Physical Business | Worldwide Digital Business | Total Consolidated |
|---|---|---|---|---|
| Balance as of December 31, 2008 | $ 1,689,460 | $ 508,795 | $ 254,049 | $ 2,452,304 |
| Adjustments to purchase reserves | (81) | | | (81) |
| Fair value and other adjustments(1) | 69 | 1,262 | | 1,331 |
| Currency effects | 10,362 | (14,459) | | (4,097) |
| Balance as of June 30, 2009 | $ 1,699,810 | $ 495,598 | $ 254,049 | $ 2,449,457 |

(1) Fair value and other adjustments primarily includes $1,448 of cash paid related to prior year's acquisitions.

The components of our amortizable intangible assets at June 30, 2009 are as follows:

| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
|---|---|---|---|
| Customer Relationships and Acquisition Costs | $ 545,524 | $ (113,081) | $ 432,443 |
| Core Technology(1) | 50,144 | (20,927) | 29,217 |
| Non-Compete Agreements(1) | 1,666 | (1,320) | 346 |
| Deferred Financing Costs | 53,104 | (22,247) | 30,857 |
| Total | $ 650,438 | $ (157,575) | $ 492,863 |

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

d. Stock-Based Compensation

We apply the provisions of SFAS No. 123R, "Share-Based Payment," ("SFAS No. 123R") using the modified prospective method. We record stock-based compensation expense, utilizing the straight-line method, for the cost of stock options, restricted stock and shares issued under the employee stock purchase plan based on the requirements of SFAS No. 123R (together, "Employee Stock-Based Awards").

Stock-based compensation expense, included in the accompanying consolidated statements of operations, for the three and six months ended June 30, 2008 was $4,828 ($3,856 after tax or $0.02 per basic and diluted share) and $9,835 ($7,757 after tax or $0.04 per basic and diluted share), respectively, and for the three and six months ended June 30, 2009 was $4,877 ($3,781 after tax or $0.02 per basic and diluted share) and $9,136 ($7,246 after tax or $0.04 per basic and diluted share), respectively, for Employee Stock-Based Awards.

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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)**

SFAS No. 123R requires that the benefits associated with the tax deductions in excess of recognized compensation cost be reported as a financing cash flow. This requirement reduces reported operating cash flows and increases reported financing cash flows. As a result, net financing cash flows included $4,146 and $2,483 for the six months ended June 30, 2008 and 2009, respectively, from the benefits of tax deductions in excess of recognized compensation cost. We used the short form method to calculate the Additional Paid-in Capital ("APIC") pool. The tax benefit of any resulting excess tax deduction increases the APIC pool. Any resulting tax deficiency is deducted from the APIC pool.

*Stock Options*

Under our various stock option plans, options were granted with exercise prices equal to the market price of the stock on the date of grant. The majority of our options become exercisable ratably over a period of five years and generally have a contractual life of 10 years, unless the holder's employment is terminated. Beginning in 2007, certain of the options we issue become exercisable ratably over a period of ten years and have a contractual life of 12 years, unless the holder's employment is terminated. As of June 30, 2009, 10-year vesting options represent 9.7% of total outstanding options. Our directors are considered employees under the provisions of SFAS No. 123R.

The weighted average fair value of options granted for the six months ended June 30, 2008 and 2009 was $10.22 and $9.67 per share, respectively. The values were estimated on the date of grant using the Black-Scholes option pricing model. The following table summarizes the weighted average assumptions used for grants in the respective period:

| Weighted Average Assumption | Six Months Ended June 30, 2008 | Six Months Ended June 30, 2009 |
|---|---|---|
| Expected volatility | 25.8% | 32.01% |
| Risk-free interest rate | 3.25% | 2.67% |
| Expected dividend yield | None | None |
| Expected life of the option | 6.7 years | 6.4 years |

Expected volatility was 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 was not considered in the option pricing model since we do not pay dividends and have no current plans to do so in the future. The expected life (estimated period of time outstanding) of the stock options granted was estimated using the historical exercise behavior of employees.

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**IRON MOUNTAIN INCORPORATED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(In Thousands, Except Share and Per Share Data)**

**(Unaudited)**

**(2) Summary of Significant Accounting Policies (Continued)**

A summary of option activity for the six months ended June 30, 2009 is as follows:

| | Options | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Outstanding at December 31, 2008 | 12,210,175 | $ 22.70 | | |
| Granted | 1,454,453 | 25.71 | | |
| Exercised | (645,531) | 11.87 | | |
| Forfeited | (155,442) | 26.85 | | |
| Expired | (95,786) | 24.96 | | |
| Outstanding at June 30, 2009 | 12,767,869 | $ 23.53 | 7.4 | $ 93,936 |
| Options exercisable at June 30, 2009 | 5,715,556 | $ 19.54 | 6.4 | $ 36,350 |

The aggregate intrinsic value of stock options exercised for the three and six months ended June 30, 2008 was approximately $6,190 and $12,746, respectively. The aggregate intrinsic value of stock options exercised for the three and six months ended June 30, 2009 was approximately $6,113 and $8,640, respectively. The aggregate fair value of stock options vested for the three and six months ended June 30, 2008 was approximately $5,406 and $12,316, respectively. The aggregate fair value of stock options vested for the three and six months ended June 30, 2009 was approximately $6,254 and $13,076, respectively.

*Restricted Stock*

Under our various stock option plans, we may also issue grants of restricted stock. We issued restricted stock in July 2005, which had a 3-year vesting period, and in December 2006, December 2007 and June 2009, which had a 5-year vesting period. The fair value of restricted stock is the excess of the market price of our common stock at the date of grant over the exercise price, which is zero. Included in our stock-based compensation expense for the three and six months ended June 30, 2008 and 2009 is a portion of the cost related to restricted stock granted in July 2005, December 2006, December 2007 and June 2009.

A summary of restricted stock activity for the six months ended June 30, 2009 is as follows:

| | Restricted Stock | Weighted-Average Grant-Date Fair Value |
|---|---|---|
| Non-vested at December 31, 2008 | 810 | $ 37.53 |
| Granted | 2,474 | 28.36 |
| Vested | | |
| Forfeited | | |
| Non-vested at June 30, 2009 | 3,284 | $ 30.62 |

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**IRON MOUNTAIN INCORPORATED**

**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)**

The total fair value of shares vested for the three and six months ended June 30, 2008 was $657. No shares vested during the three and six months ended June 30, 2009.

*Employee Stock Purchase Plan*

We offer an employee stock purchase plan in which participation is available to substantially all U.S. and Canadian employees who meet certain service eligibility requirements (the "ESPP"). The ESPP provides a way for our eligible employees to become stockholders on favorable terms. The ESPP provides for the purchase of our common stock by eligible employees through successive offering periods. We generally have two 6-month offering periods, the first of which begins June 1 and ends November 30 and the second begins December 1 and ends May 31. During each offering period, participating employees accumulate after-tax payroll contributions, up to a maximum of 15% of their compensation, to pay the exercise price of their options. Participating employees may withdraw from an offering period before the purchase date and obtain a refund of the amounts withheld as payroll deductions. At the end of the offering period, outstanding options are exercised, and each employee's accumulated contributions are used to purchase our common stock. The price for shares purchased under the ESPP is 95% of the fair market price at the end of the offering period, without a look back feature. As a result, we do not recognize compensation cost for our ESPP shares purchased. The ESPP was amended and approved by our stockholders on May 26, 2005 to increase the number of shares from 1,687,500 to 3,487,500. For the six months ended June 30, 2008 and 2009, there were 157,514 shares and 136,966 shares, respectively, purchased under the ESPP. The number of shares available for purchase at June 30, 2009 was 933,415.

As of June 30, 2009, unrecognized compensation cost related to the unvested portion of our Employee Stock-Based Awards was $63,763 and is expected to be recognized over a weighted-average period of 4.1 years.

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

e. Income Per Share Basic and Diluted

In accordance with SFAS No. 128, "Earnings per Share," basic net income per common share is calculated by dividing net income attributable to Iron Mountain Incorporated by the weighted average number of common shares outstanding. The calculation of diluted net income per share is consistent with that of basic net income per share but gives effect to all potential common shares (that is, securities such as options, warrants or convertible securities) that were outstanding during the period, unless the effect is antidilutive.

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**IRON MOUNTAIN INCORPORATED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(In Thousands, Except Share and Per Share Data)**

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**(2) Summary of Significant Accounting Policies (Continued)**

The following table presents the calculation of basic and diluted net income per share attributable to Iron Mountain Incorporated:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2008 | 2009 | 2008 | 2009 |
| Net income attributable to Iron Mountain Incorporated | $ 35,886 | $ 87,638 | $ 69,368 | $ 116,437 |
| Weighted-average shares basic | 200,855,000 | 202,502,000 | 200,863,000 | 202,284,000 |
| Effect of dilutive potential stock options | 2,179,402 | 1,696,813 | 2,354,163 | 1,471,158 |
| Effect of dilutive potential restricted stock | 3,098 | | 12,175 | |
| Weighted-average shares diluted | 203,037,500 | 204,198,813 | 203,229,338 | 203,755,158 |
| Net income per share attributable to Iron Mountain Incorporated basic | $ 0.18 | $ 0.43 | $ 0.35 | $ 0.58 |
| Net income per share attributable to Iron Mountain Incorporated diluted | $ 0.18 | $ 0.43 | $ 0.34 | $ 0.57 |
| Antidilutive stock options, excluded from the calculation | 1,416,508 | 7,723,326 | 911,568 | 8,160,015 |

f. Revenues

Our revenues consist of storage revenues as well as service revenues and are reflected net of sales and value added taxes. Storage revenues, both physical and digital, which are considered a key performance indicator for the information protection and storage services industry, consist of largely recurring periodic charges related to the storage of materials or data (generally on a per unit basis). Service revenues are comprised of charges for related core service activities and a wide array of complementary products and services. Included in core service revenues are: (1) the handling of records including the addition of new records, temporary removal of records from storage, refiling of removed records, destruction of records, and permanent withdrawals from storage; (2) courier operations, consisting primarily of the pickup and delivery of records upon customer request; (3) secure shredding of sensitive documents; and (4) other recurring services including maintenance and support contracts. Our complementary services revenues include special project work, data restoration projects, fulfillment services, consulting services and product sales (including software licenses, specially designed storage containers and related supplies). Our secure shredding revenues include the sale of recycled paper (included in complementary services), the price of which can fluctuate from period to period, adding to the volatility and reducing the predictability of that revenue stream.

We recognize revenue when the following criteria are met: persuasive evidence of an arrangement exists, services have been rendered, the sales price is fixed or determinable, and collectability of the resulting receivable is reasonably assured. Storage and service revenues are recognized in the month the respective storage or service is provided and customers are generally billed on a monthly basis on

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**IRON MOUNTAIN INCORPORATED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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**(2) Summary of Significant Accounting Policies (Continued)**

contractually agreed-upon terms. Amounts related to future storage or prepaid service contracts, including maintenance and support contracts, for customers where storage fees or services are billed in advance are accounted for as deferred revenue and recognized ratably over the applicable storage or service period or when the service is performed. Revenue from the sales of products is recognized when shipped to the customer and title has passed to the customer. Sales of software licenses are recognized at the time of product delivery to our customer or reseller and maintenance and support agreements are recognized ratably over the term of the agreement. Software license sales and maintenance and support accounted for less than 1% of our consolidated revenues for 2008 and the first six months of 2009. Within our Worldwide Digital Business segment, in certain instances, we process and host data for customers. In these instances, the processing fees are deferred and recognized over the estimated service period.

g. Allowance for Doubtful Accounts and Credit Memo Reserves

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

h. Income Taxes

Our effective tax rates for the three and six months ended June 30, 2008 were 41.0% and 38.2%, respectively. Our effective tax rates for the three and six months ended June 30, 2009 were 13.6% and 28.4%, respectively. The primary reconciling items between the statutory rate of 35% and our effective rate are state income taxes (net of federal benefit) and differences in the rates of tax at which our foreign earnings are subject. The decrease in the effective tax rate in 2009 is primarily due to significant foreign exchange gains and losses in different jurisdictions with different tax rates. For 2009, foreign currency gains were recorded in lower tax jurisdictions associated with the marking-to-market of intercompany loan positions while foreign currency losses were recorded in higher tax jurisdictions associated with the marking-to-market of debt and derivative instruments, which reduced the 2009 tax rate by 25.8% and 11.6% for the three and six months ended June 30, 2009, respectively. 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.

We account for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes" ("SFAS No. 109"), which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the tax and financial reporting basis of assets and liabilities and for loss and credit carryforwards. Valuation allowances are provided when recovery of deferred tax assets is not considered more likely than not. We adopted the provisions of FASB

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**IRON MOUNTAIN INCORPORATED**

**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)**

Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"), an interpretation of SFAS No. 109, on January 1, 2007.

We have elected to recognize interest and penalties associated with uncertain tax positions as a component of the provision for income taxes in the accompanying consolidated statements of operations. We recorded $1,139 and $1,625 for gross interest and penalties for the three and six months ended June 30, 2008, respectively. We recorded $486 and $1,736 for gross interest and penalties for the three and six months ended June 30, 2009, respectively. We had $8,125 and $9,861 accrued for the payment of interest and penalties as of December 31, 2008 and June 30, 2009, respectively.

i. Fair Value Measurements

We apply the provisions of SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles in the United States and expands disclosures about fair value measurements. Under SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115" ("SFAS No. 159"), entities are permitted to choose to measure many financial instruments and certain other items at fair value that previously were not required to be measured at fair value. We did not elect the fair value measurement option under SFAS No. 159 for any of these financial assets or liabilities.

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

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

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

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

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**IRON MOUNTAIN INCORPORATED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(In Thousands, Except Share and Per Share Data)**

**(Unaudited)**

**(2) Summary of Significant Accounting Policies (Continued)**

The following table provides the assets and liabilities carried at fair value measured on a recurring basis as of June 30, 2009:

| | | Fair Value Measurements at June 30, 2009 Using | | |
|---|---|---|---|---|
| **Description** | **Total Carrying Value at June 30, 2009** | **Quoted prices in active markets (Level 1)** | **Significant other observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** |
| Money Market Funds(1) | $ 198,654 | $ | $ 198,654 | $ |
| Time Deposits(1) | 60,359 | | 60,359 | |
| Available-for-Sale and Trading Securities | 8,942 | 7,820(2) | 1,122(1) | |
| Derivative Liabilities(3) | 103 | | 103 | |

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

(2) Our available-for-sale and trading securities are measured at fair value using quoted market prices.

(3) Our derivative liabilities primarily relate to short-term foreign currency contracts that we have entered into to hedge our intercompany exposures denominated in British pounds sterling. 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.

SFAS No. 157 also requires disclosure in the financial statements for items measured at fair value on a non-recurring basis. We did not have any items that are measured at fair value under this requirement for the three and six months ended June 30, 2009.

j. New Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board ("FASB") issued SFAS No. 166, "Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140" ("SFAS No. 166") and SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)" ("SFAS No. 167"). SFAS No. 166 will require more information about transfers of financial assets, including securitization transactions, and where entities have continuing exposure to the risks related to transferred financial assets. It eliminates the concept of a "qualifying special-purpose entity," changes the requirements for derecognizing financial assets, and requires additional disclosures. SFAS No. 167 will require additional disclosures about the involvement with variable interest entities and any significant changes in risk exposure due to that involvement. A reporting entity will be required to disclose how its involvement with a variable interest entity affects the reporting entity's financial statements. SFAS No. 166 and No. 167 will be effective at the start of a reporting entity's first fiscal year beginning after November 15, 2009, or January 1, 2010, for a calendar year-end entity. We do not expect the adoption of SFAS No. 166 and No. 167 to have a material impact on our consolidated financial statements and results of operations.

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**IRON MOUNTAIN INCORPORATED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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**(2) Summary of Significant Accounting Policies (Continued)**

In June 2009, the FASB issued SFAS No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of SFAS No. 162" ("SFAS No. 168"). SFAS No. 168 establishes the FASB Accounting Standards Codification (the "Codification") to become the source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants. On the effective date of SFAS No. 168, the Codification will supersede all then-existing non-SEC accounting and reporting standards. All other nongrandfathered non-SEC accounting literature not included in the Codification will become nonauthoritative. SFAS No. 168 will be effective for financial statements issued for interim and annual periods ending after September 15, 2009. We do not expect the adoption of SFAS No. 168 to have a material impact on our consolidated financial statements and results of operations.

k. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the financial statements and for the period then ended. On an on-going basis, we evaluate the estimates used, including those related to accounting for acquisitions, allowance for doubtful accounts and credit memos, impairments of tangible and intangible assets, income taxes, stock-based compensation and self-insured liabilities. 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.

**(3) Derivative Instruments and Hedging Activities**

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," requires that every derivative instrument be recorded in the balance sheet as either an asset or a liability measured at its fair value. Periodically, we acquire derivative instruments that are intended to hedge either cash flows or values which are subject to foreign exchange or other market price risk, and not for trading purposes. We have formally documented our hedging relationships, including identification of the hedging instruments and the hedged items, as well as our risk management objectives and strategies for undertaking each hedge transaction. Given the recurring nature of our revenues and the long term nature of our asset base, we have the ability and the preference to use long-term, fixed interest rate debt to finance our business, thereby preserving our long term returns on invested capital. We target approximately 75% of our debt portfolio to be fixed with respect to interest rates. Occasionally, we will use interest rate swaps as a tool to maintain our targeted level of fixed rate debt. In addition, we will use borrowings in foreign currencies, either obtained in the U.S. or by our foreign subsidiaries, to naturally hedge foreign currency risk associated with our international investments. Sometimes we enter into currency swaps to temporarily hedge an overseas investment, such as a major acquisition, while we arrange permanent financing or to hedge our exposures due to foreign currency exchange movements related to our intercompany accounts with and between our foreign subsidiaries. As of December 31,

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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**(3) Derivative Instruments and Hedging Activities (Continued)**

2008 and June 30, 2009, none of our derivative instruments contained credit-risk related contingent features.

Beginning in the fourth quarter of 2007, we entered into a number of forward contracts to hedge our exposures in British pounds sterling. As of June 30, 2009, we had an outstanding forward contract to purchase 121,322 U.S. dollars and sell 73,600 British pounds sterling to hedge our intercompany exposures with IME. At the maturity of the forward contracts we may enter into new forward contracts to hedge movements in the underlying currencies. At the time of settlement, we either pay or receive the net settlement amount from the forward contract and recognize this amount in other (income) expense, net in the accompanying statement of operations as a realized foreign exchange gain or loss. We have not designated these forward contracts as hedges. During the three and six months ended June 30, 2009, there was $17,414 and $2,392, respectively, in net cash disbursements included in cash from operating activities related to settlements associated with these foreign currency forward contracts. The following table provides the fair value of our derivative instruments as of December 31, 2008 and June 30, 2009 and their gains and losses for the three and six months ended June 30, 2008 and 2009:

| | Asset Derivatives | | | |
|---|---|---|---|---|
| | December 31, 2008 | | June 30, 2009 | |
| | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value |
| **Derivatives Not Designated as Hedging Instruments under SFAS No. 133** | | | | |
| Foreign exchange contracts | Current assets | $13,675 | Current assets | $ |
| **Total** | | $13,675 | | $ |

| | Liability Derivatives | | | |
|---|---|---|---|---|
| | December 31, 2008 | | June 30, 2009 | |
| | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value |
| **Derivatives Not Designated as Hedging Instruments under SFAS No. 133** | | | | |
| Foreign exchange contracts | Current liabilities | $ | Current liabilities | $ 103 |
| **Total** | | $ | | $ 103 |

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**IRON MOUNTAIN INCORPORATED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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**(3) Derivative Instruments and Hedging Activities (Continued)**

| Derivatives Not Designated as Hedging Instruments under SFAS No. 133 | Location of (Gain) Loss Recognized in Income on Derivative | Amount of (Gain) Loss Recognized in Income on Derivatives | | | |
|---|---|---|---|---|---|
| | | Three Months Ended June 30, | | Six Months Ended June 30, | |
| | | 2008 | 2009 | 2008 | 2009 |
| Foreign exchange contracts | Other (income) expense, net | $989 | $17,520 | $1,526 | $16,170 |
| **Total** | | $989 | $17,520 | $1,526 | $16,170 |

For the six months ended June 30, 2008 and 2009, we designated on average 176,587 and 113,500 Euros, respectively, of our 6 3/4% Euro Senior Subordinated Notes due 2018 issued by Iron Mountain Incorporated ("IMI") as a hedge of net investment of certain of our Euro denominated subsidiaries. As a result, we recorded foreign exchange gains of $18 ($12, net of tax) and foreign exchange losses of $18,850 ($12,064, net of tax) for the three and six months ended June 30, 2008, respectively, related to the marking-to-market of such debt to currency translation adjustments which is a component of accumulated other comprehensive items, net included in equity. We recorded foreign exchange losses of $7,729 ($4,830, net of tax) and foreign exchange gains of $4,272 ($2,491, net of tax) for the three and six months ended June 30, 2009, respectively, related to the marking-to-market of such debt to currency translation adjustments which is a component of accumulated other comprehensive items, net included in equity. As of June 30, 2009, net gains of $6,646 is recorded in accumulated other comprehensive items, net associated with this net investment hedge.

**(4) Acquisitions**

We account for acquisitions using the purchase method of accounting, and accordingly, the results of operations for each acquisition have been included in our consolidated results from their respective acquisition dates. We completed no acquisitions during the first six months of 2009. Included in cash paid for acquisitions in the consolidated statement of cash flows for the six months ended June 30, 2009 is contingent and other payments of $1,448 related to acquisitions made in prior years.

In connection with acquisitions prior to December 31, 2008, we have undertaken certain restructurings of the acquired businesses to realize efficiencies and potential cost savings. The restructuring activities include certain reductions in staffing levels, elimination of duplicate facilities and other costs associated with exiting certain activities of the acquired businesses. The estimated cost of these restructuring activities were recorded as costs of the acquisitions and were provided in accordance with EITF No. 95-3, "Recognition of Liabilities in Connection with a Purchase Business Combination." We finalize restructuring plans for each business no later than one year from the date of acquisition. Unresolved matters at June 30, 2009 primarily include completion of planned abandonments of facilities and severance contracts in connection with certain acquisitions.

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**IRON MOUNTAIN INCORPORATED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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**(Unaudited)**

**(4) Acquisitions (Continued)**

The following is a summary of reserves related to such restructuring activities:

| | Year Ended December 31, 2008 | Six Months Ended June 30, 2009 |
|---|---|---|
| Reserves, Beginning Balance | $ 3,602 | $ 8,555 |
| Reserves Established | 8,694 | |
| Expenditures | (2,698) | (1,249) |
| Adjustments to Goodwill, including Currency Effect(1) | (1,043) | (146) |
| Reserves, Ending Balance | $ 8,555 | $ 7,160 |

(1) Includes adjustments to goodwill as a result of management finalizing its restructuring plans.

At June 30, 2009, the restructuring reserves related to acquisitions consisted of lease losses on abandoned facilities ($6,767), severance costs ($77), and other exit costs ($316). These accruals are expected to be used prior to June 30, 2010, except for lease losses of $5,013, severance costs of $44, and other exit costs of $74, all of which are based on contracts that extend beyond one year.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(In Thousands, Except Share and Per Share Data)**

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**(5) Long-term Debt**

Long-term debt consists of the following:

| | December 31, 2008 | | June 30, 2009 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Revolving Credit Facility(1) | $ 219,388 | $219,388 | $ 161,302 | $161,302 |
| Term Loan Facility(1) | 404,400 | 404,400 | 402,350 | 402,350 |
| 8⅝% Senior Subordinated Notes due 2013(2)(3) | 447,961 | 423,241 | 447,951 | 446,194 |
| 7¼% GBP Senior Subordinated Notes due 2014(2)(3) | 217,185 | 157,459 | 247,800 | 225,498 |
| 7¾% Senior Subordinated Notes due 2015(2)(3) | 436,768 | 398,911 | 436,312 | 414,005 |
| 6⅝% Senior Subordinated Notes due 2016(2)(3) | 316,541 | 272,800 | 316,788 | 286,400 |
| 7½% CAD Senior Subordinated Notes due 2017 (the "Subsidiary Notes")(2)(4) | 143,203 | 126,018 | 151,463 | 143,132 |
| 8¾% Senior Subordinated Notes due 2018(2)(3) | 200,000 | 177,250 | 200,000 | 196,375 |
| 8% Senior Subordinated Notes due 2018(2)(3) | 49,720 | 42,813 | 49,734 | 46,850 |
| 6¾% Euro Senior Subordinated Notes due 2018(2)(3) | 356,875 | 249,834 | 355,761 | 302,699 |
| 8% Senior Subordinated Notes due 2020(2)(3) | 300,000 | 246,750 | 300,000 | 278,250 |
| Real Estate Mortgages, Capital Leases, Seller Notes and Other(5) | 151,174 | 151,174 | 169,506 | 169,506 |
| Total Long-term Debt | 3,243,215 | | 3,238,967 | |
| Less Current Portion | (35,751) | | (30,583) | |
| Long-term Debt, Net of Current Portion | $3,207,464 | | $3,208,384 | |

(1) The capital stock or other equity interests of most of our U.S. subsidiaries, and up to 66% of the capital stock or other equity interests of our first tier foreign subsidiaries, are pledged to secure these debt instruments, together with all intercompany obligations of foreign subsidiaries owed to us or to one of our U.S. subsidiary guarantors. The fair value of this long-term debt approximates the carrying value (as borrowings under these debt instruments are based on current variable market interest rates as of December 31, 2008 and June 30, 2009).

(2) The fair values of these debt instruments is based on quoted market prices for these notes on December 31, 2008 and June 30, 2009, respectively.

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

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

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

On April 16, 2007, we entered into a new credit agreement (the "Credit Agreement") to replace the existing IMI revolving credit and term loan facilities of $750,000 and the existing IME revolving credit and term loan facilities of 200,000 British pounds sterling. On November 9, 2007, we increased

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**(Unaudited)**

**(5) Long-term Debt (Continued)**

the aggregate amount available to be borrowed under the Credit Agreement from $900,000 to $1,200,000. The Credit Agreement consists of revolving credit facilities, where we can borrow, subject to certain limitations as defined in the Credit Agreement, up to an aggregate amount of $790,000 (including Canadian dollar and multi-currency revolving credit facilities), and a $410,000 term loan facility. In the third quarter of 2008, the capacity under our revolving credit facility was decreased from an aggregate amount of $790,000 to an aggregate amount of $765,000 due to the bankruptcy of one of our lenders. Our revolving credit facility is supported by a group of 24 banks. Our subsidiaries, Canada Company and Iron Mountain Switzerland GmbH, may borrow directly under the Canadian revolving credit and multi-currency revolving credit facilities, respectively. Additional subsidiary borrowers may be added under the multi-currency revolving credit facility. The revolving credit facility terminates on April 16, 2012. With respect to the term loan facility, quarterly loan payments of approximately $1,000 are required through maturity on April 16, 2014, at which time the remaining outstanding principal balance of the term loan facility is due. The interest rate on borrowings under the Credit Agreement varies depending on our choice of interest rate and currency options, plus an applicable margin. IMI guarantees the obligations of each of the subsidiary borrowers under the Credit Agreement, and substantially all of our U.S. subsidiaries guarantee the obligations of IMI and the subsidiary borrowers. 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 the Credit Agreement, together with all intercompany obligations of foreign subsidiaries owed to us or to one of our U.S. subsidiary guarantors. As of June 30, 2009, we had $161,302 of outstanding borrowings under the revolving credit facility, all of which were denominated in Australian dollars (AUD 9,000) and in Canadian dollars (CAD 178,000); we also had various outstanding letters of credit totaling $39,155. The remaining availability, based on IMI's leverage ratio, which is calculated based on the last 12 months' earnings before interest, taxes, depreciation and amortization ("EBITDA"), and other adjustments as defined in the Credit Agreement and current external debt, under the revolving credit facility on June 30, 2009, was $564,543. The interest rate in effect under the revolving credit facility and term loan facility was 4.8% and 2.2%, respectively, as of June 30, 2009. For the three and six months ended June 30, 2008, we recorded commitment fees of $300 and $643, respectively, and for the three and six months ended June 30, 2009, we recorded commitment fees of $493 and $975, respectively, based on the unused balances under our revolving credit facilities.

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 and our indentures and other agreements governing our indebtedness. Our revolving credit and term loan facilities, as well as our indentures, use EBITDA based calculations as primary measures of financial performance, including leverage ratios. IMI's revolving credit and term leverage ratio was 3.8 and 3.6 as of December 31, 2008 and June 30, 2009, respectively, compared to a maximum allowable ratio of 5.5 under our Credit Agreement. Similarly, our bond leverage ratio, per the indentures, was 4.5 and 4.2 as of December 31, 2008 and June 30, 2009, respectively, compared to a maximum allowable ratio of 6.5. Noncompliance with these leverage ratios would have a material adverse effect on our financial condition and liquidity. We were in compliance with all debt covenants in material agreements as of June 30, 2009.

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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**

The following data summarizes the consolidating Company on the equity method of accounting as of December 31, 2008 and June 30, 2009 and for the three and six months ended June 30, 2008 and 2009.

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

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

| | December 31, 2008 | | | | | |
|---|---|---|---|---|---|---|
| | Parent | Guarantors | Canada Company | Non-Guarantors | Eliminations | Consolidated |
| **Assets** | | | | | | |
| Current Assets: | | | | | | |
| Cash and Cash Equivalents | $ | $ 210,636 | $ 17,069 | $ 50,665 | $ | $ 278,370 |
| Accounts Receivable | | 373,902 | 30,451 | 148,477 | | 552,830 |
| Intercompany Receivable | 1,021,450 | | 12,927 | | (1,034,377) | |
| Other Current Assets | 13,776 | 81,755 | 8,793 | 40,868 | | 145,192 |
| Total Current Assets | 1,035,226 | 666,293 | 69,240 | 240,010 | (1,034,377) | 976,392 |
| Property, Plant and Equipment, Net | | 1,589,731 | 158,775 | 638,248 | | 2,386,754 |
| Other Assets, Net: | | | | | | |
| Long-term Notes Receivable from Affiliates and Intercompany Receivable | 2,120,482 | 1,000 | | | (2,121,482) | |
| Investment in Subsidiaries | 1,457,677 | 1,181,642 | | | (2,639,319) | |
| Goodwill | | 1,761,036 | 164,704 | 526,564 | | 2,452,304 |
| Other | 30,731 | 324,346 | 11,543 | 175,192 | (408) | 541,404 |
| Total Other Assets, Net | 3,608,890 | 3,268,024 | 176,247 | 701,756 | (4,761,209) | 2,993,708 |
| Total Assets | $ 4,644,116 | $ 5,524,048 | $ 404,262 | $ 1,580,014 | $ (5,795,586) | $ 6,356,854 |
| **Liabilities and Equity** | | | | | | |
| Intercompany Payable | $ | $ 976,173 | $ | $ 58,204 | $ (1,034,377) | $ |
| Current Portion of Long-term Debt | 4,687 | 18,482 | | 12,582 | | 35,751 |
| Total Other Current Liabilities | 56,445 | 427,570 | 22,062 | 187,769 | | 693,846 |
| Long-term Debt, Net of Current Portion | 2,775,351 | 48,452 | 324,123 | 59,538 | | 3,207,464 |
| Long-term Notes Payable to Affiliates and Intercompany Payable | 1,000 | 2,120,482 | | | (2,121,482) | |
| Other Long-term Liabilities | 3,853 | 502,433 | 19,810 | 87,777 | (408) | 613,465 |
| Commitments and Contingencies (See Note 8) | | | | | | |
| Total Iron Mountain Incorporated Stockholders' Equity | 1,802,780 | 1,430,456 | 38,267 | 1,170,596 | (2,639,319) | 1,802,780 |
| Noncontrolling Interests | | | | 3,548 | | 3,548 |
| Total Equity | 1,802,780 | 1,430,456 | 38,267 | 1,174,144 | (2,639,319) | 1,806,328 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Total Liabilities and Equity | $4,644,116 | $ 5,524,048 | $ 404,262 | $ 1,580,014 | $ (5,795,586) | $ 6,356,854 |

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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)**

| | June 30, 2009 | | | | | |
|---|---|---|---|---|---|---|
| | Parent | Guarantors | Canada Company | Non-Guarantors | Eliminations | Consolidated |
| **Assets** | | | | | | |
| Current Assets: | | | | | | |
| Cash and Cash Equivalents | $ | $ 255,603 | $ 4,847 | $ 55,606 | $ | $ 316,056 |
| Accounts Receivable | | 398,841 | 32,324 | 157,991 | | 589,156 |
| Intercompany Receivable | 1,031,825 | | 10,069 | | (1,041,894) | |
| Other Current Assets | 101 | 94,567 | 10,112 | 102,621 | | 207,401 |
| Total Current Assets | 1,031,926 | 749,011 | 57,352 | 316,218 | (1,041,894) | 1,112,613 |
| Property, Plant and Equipment, Net | | 1,580,615 | 169,291 | 637,410 | | 2,387,316 |
| Other Assets, Net: | | | | | | |
| Long-term Notes Receivable from Affiliates and Intercompany Receivable | 2,167,906 | 1,000 | | | (2,168,906) | |
| Investment in Subsidiaries | 1,537,401 | 1,275,924 | | | (2,813,325) | |
| Goodwill | | 1,761,024 | 174,204 | 514,229 | | 2,449,457 |
| Other | 28,456 | 312,185 | 11,714 | 171,183 | (425) | 523,113 |
| Total Other Assets, Net | 3,733,763 | 3,350,133 | 185,918 | 685,412 | (4,982,656) | 2,972,570 |
| Total Assets | $4,765,689 | $ 5,679,759 | $ 412,561 | $ 1,639,040 | $ (6,024,550) | $ 6,472,499 |
| **Liabilities and Equity** | | | | | | |
| Intercompany Payable | $ | $ 966,042 | $ | $ 75,852 | $ (1,041,894) | $ |
| Current Portion of Long-term Debt | 4,621 | 16,214 | 1,448 | 8,300 | | 30,583 |
| Total Other Current Liabilities | 54,883 | 419,686 | 26,457 | 145,162 | | 646,188 |
| Long-term Debt, Net of Current Portion | 2,752,597 | 61,139 | 317,282 | 77,366 | | 3,208,384 |
| Long-term Notes Payable to Affiliates and Intercompany Payable | 1,000 | 2,167,906 | | | (2,168,906) | |
| Other Long-term Liabilities | 3,853 | 524,034 | 20,134 | 88,182 | (425) | 635,778 |
| Commitments and Contingencies (See Note 8) | | | | | | |
| Total Iron Mountain Incorporated Stockholders' Equity | 1,948,735 | 1,524,738 | 47,240 | 1,241,347 | (2,813,325) | 1,948,735 |
| Noncontrolling Interests | | | | 2,831 | | 2,831 |
| Total Equity | 1,948,735 | 1,524,738 | 47,240 | 1,244,178 | (2,813,325) | 1,951,566 |
| Total Liabilities and Equity | $4,765,689 | $ 5,679,759 | $ 412,561 | $ 1,639,040 | $ (6,024,550) | $ 6,472,499 |

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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)**

| | Three Months Ended June 30, 2008 | | | | | |
|---|---|---|---|---|---|---|
| | Parent | Guarantors | Canada Company | Non-Guarantors | Eliminations | Consolidated |
| Revenues: | | | | | | |
| Storage | $ | $ 294,715 | $ 24,006 | $ 97,474 | $ | $ 416,195 |
| Service | | 221,072 | 26,293 | 105,297 | | 352,662 |
| Total Revenues | | 515,787 | 50,299 | 202,771 | | 768,857 |
| Operating Expenses: | | | | | | |
| Cost of Sales (Excluding Depreciation and Amortization) | | 222,330 | 22,095 | 102,546 | | 346,971 |
| Selling, General and Administrative | 18 | 157,474 | 9,603 | 58,837 | | 225,932 |
| Depreciation and Amortization | 44 | 50,373 | 3,621 | 18,869 | | 72,907 |
| (Gain) Loss on Disposal/Writedown of Property, Plant and Equipment, Net | | (484) | 17 | (372) | | (839) |
| Total Operating Expenses | 62 | 429,693 | 35,336 | 179,880 | | 644,971 |
| Operating (Loss) Income | (62) | 86,094 | 14,963 | 22,891 | | 123,886 |
| Interest Expense (Income), Net | 52,457 | (592) | 7,797 | 95 | | 59,757 |
| Other Expense, Net | 2,232 | 191 | | 1,109 | | 3,532 |
| (Loss) Income Before Provision for Income Taxes | (54,751) | 86,495 | 7,166 | 21,687 | | 60,597 |
| Provision for Income Taxes | | 18,490 | 2,418 | 3,951 | | 24,859 |
| Equity in the Earnings of Subsidiaries, Net of Tax | (90,637) | (21,262) | | | 111,899 | |
| Net Income | 35,886 | 89,267 | 4,748 | 17,736 | (111,899) | 35,738 |
| Less: Net Loss Attributable to Noncontrolling Interests | | | | (148) | | (148) |
| Net Income Attributable to Iron Mountain Incorporated | $ 35,886 | $ 89,267 | $ 4,748 | $ 17,884 | $ (111,899) | $ 35,886 |

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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)**

| | Three Months Ended June 30, 2009 | | | | | |
|---|---|---|---|---|---|---|
| | Parent | Guarantors | Canada Company | Non-Guarantors | Eliminations | Consolidated |
| Revenues: | | | | | | |
| Storage | $ | $ 309,697 | $ 22,475 | $ 83,638 | $ | $ 415,810 |
| Service | | 222,328 | 23,331 | 84,559 | | 330,218 |
| Total Revenues | | 532,025 | 45,806 | 168,197 | | 746,028 |
| Operating Expenses: | | | | | | |
| Cost of Sales (Excluding Depreciation and Amortization) | | 205,740 | 19,434 | 87,524 | | 312,698 |
| Selling, General and Administrative | 20 | 161,191 | 8,062 | 46,581 | | 215,854 |
| Depreciation and Amortization | 64 | 57,197 | 3,746 | 17,673 | | 78,680 |
| (Gain) Loss on Disposal/Writedown of Property, Plant and Equipment, Net | | (27) | 183 | 586 | | 742 |
| Total Operating Expenses | 84 | 424,101 | 31,425 | 152,364 | | 607,974 |
| Operating (Loss) Income | (84) | 107,924 | 14,381 | 15,833 | | 138,054 |
| Interest Expense (Income), Net | 48,988 | (6,936) | 10,291 | 2,832 | | 55,175 |
| Other Expense (Income) , Net | 66,328 | (6,184) | | (78,538) | | (18,394) |
| (Loss) Income Before Provision for Income Taxes | (115,400) | 121,044 | 4,090 | 91,539 | | 101,273 |
| Provision (Benefit) for Income Taxes | | 8,578 | (270) | 5,453 | | 13,761 |
| Equity in the Earnings of Subsidiaries, Net of Tax | (203,038) | (89,775) | | | 292,813 | |
| Net Income | 87,638 | 202,241 | 4,360 | 86,086 | (292,813) | 87,512 |
| Less: Net Loss Attributable to Noncontrolling Interests | | | | (126) | | (126) |
| Net Income Attributable to Iron Mountain Incorporated | $ 87,638 | $ 202,241 | $ 4,360 | $ 86,212 | $ (292,813) | $ 87,638 |

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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)**

| | Six Months Ended June 30, 2008 | | | | | |
|---|---|---|---|---|---|---|
| | Parent | Guarantors | Canada Company | Non-Guarantors | Eliminations | Consolidated |
| Revenues: | | | | | | |
| Storage | $ | $ 579,097 | $ 47,613 | $ 193,802 | $ | $ 820,512 |
| Service | | 441,050 | 52,384 | 204,295 | | 697,729 |
| Total Revenues | | 1,020,147 | 99,997 | 398,097 | | 1,518,241 |
| Operating Expenses: | | | | | | |
| Cost of Sales (Excluding Depreciation and Amortization) | | 447,779 | 44,892 | 202,051 | | 694,722 |
| Selling, General and Administrative | 63 | 319,274 | 18,854 | 109,969 | | 448,160 |
| Depreciation and Amortization | 76 | 96,396 | 7,150 | 38,815 | | 142,437 |
| Loss (Gain) on Disposal/Writedown of Property, Plant and Equipment, Net | | 2,761 | 8 | (63) | | 2,706 |
| Total Operating Expenses | 139 | 866,210 | 70,904 | 350,772 | | 1,288,025 |
| Operating (Loss) Income | (139) | 153,937 | 29,093 | 47,325 | | 230,216 |
| Interest Expense (Income), Net | 104,818 | (2,168) | 15,877 | 1,249 | | 119,776 |
| Other Expense (Income), Net | 10,806 | (1,655) | | (11,654) | | (2,503) |
| (Loss) Income Before Provision for Income Taxes | (115,763) | 157,760 | 13,216 | 57,730 | | 112,943 |
| Provision for Income Taxes | | 31,180 | 4,472 | 7,479 | | 43,131 |
| Equity in the Earnings of Subsidiaries, Net of Tax | (185,131) | (56,200) | | | 241,331 | |
| Net Income | 69,368 | 182,780 | 8,744 | 50,251 | (241,331) | 69,812 |
| Less: Net Income Attributable to Noncontrolling Interests | | | | 444 | | 444 |
| Net Income Attributable to Iron Mountain Incorporated | $ 69,368 | $ 182,780 | $ 8,744 | $ 49,807 | $ (241,331) | $ 69,368 |

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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)**

| | Six Months Ended June 30, 2009 | | | | | |
|---|---|---|---|---|---|---|
| | Parent | Guarantors | Canada Company | Non-Guarantors | Eliminations | Consolidated |
| Revenues: | | | | | | |
| Storage | $ | $ 616,634 | $ 43,160 | $ 165,873 | $ | $ 825,667 |
| Service | | 435,098 | 45,575 | 163,034 | | 643,707 |
| Total Revenues | | 1,051,732 | 88,735 | 328,907 | | 1,469,374 |
| Operating Expenses: | | | | | | |
| Cost of Sales (Excluding Depreciation and Amortization) | | 419,251 | 38,340 | 172,087 | | 629,678 |
| Selling, General and Administrative | 40 | 319,290 | 15,283 | 91,634 | | 426,247 |
| Depreciation and Amortization | 110 | 112,084 | 7,124 | 35,642 | | 154,960 |
| Loss (Gain) on Disposal/Writedown of Property, Plant and Equipment, Net | | 276 | 144 | (1,182) | | (762) |
| Total Operating Expenses | 150 | 850,901 | 60,891 | 298,181 | | 1,210,123 |
| Operating (Loss) Income | (150) | 200,831 | 27,844 | 30,726 | | 259,251 |
| Interest Expense (Income), Net | 98,766 | (13,385) | 20,175 | 5,140 | | 110,696 |
| Other Expense (Income) , Net | 49,970 | (3,083) | | (58,126) | | (11,239) |
| (Loss) Income Before Provision for Income Taxes | (148,886) | 217,299 | 7,669 | 83,712 | | 159,794 |
| Provision for Income Taxes | | 38,116 | 1,025 | 6,197 | | 45,338 |
| Equity in the Earnings of Subsidiaries, Net of Tax | (265,323) | (84,462) | | | 349,785 | |
| Net Income | 116,437 | 263,645 | 6,644 | 77,515 | (349,785) | 114,456 |
| Less: Net Loss Attributable to Noncontrolling Interests | | | | (1,981) | | (1,981) |
| Net Income Attributable to Iron Mountain Incorporated | $ 116,437 | $ 263,645 | $ 6,644 | $ 79,496 | $ (349,785) | $ 116,437 |

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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)**

| | Six Months Ended June 30, 2008 | | | | | |
|---|---|---|---|---|---|---|
| | Parent | Guarantors | Canada Company | Non-Guarantors | Eliminations | Consolidated |
| Cash Flows from Operating Activities | $ (97,792) | $ 223,685 | $ 12,205 | $ 51,535 | $ | $ 189,633 |
| Cash Flows from Investing Activities: | | | | | | |
| Capital expenditures | | (114,817) | (5,760) | (53,553) | | (174,130) |
| Cash paid for acquisitions, net of cash acquired | | (34,656) | | (11,662) | | (46,318) |
| Intercompany loans to subsidiaries | (48,480) | (12,027) | | | 60,507 | |
| Investment in subsidiaries | (10,990) | (10,990) | | | 21,980 | |
| Additions to customer relationship and acquisition costs | | (4,234) | (267) | (2,138) | | (6,639) |
| Investments in joint ventures | | | | (1,709) | | (1,709) |
| Proceeds from sales of property and equipment and other, net | | 526 | 13 | (513) | | 26 |
| Cash Flows from Investing Activities | (59,470) | (176,198) | (6,014) | (69,575) | 82,487 | (228,770) |
| Cash Flows from Financing Activities: | | | | | | |
| Repayment of revolving credit and term loan facilities and other debt | (700,754) | (11,346) | (33,786) | (8,050) | | (753,936) |
| Proceeds from revolving credit and term loan facilities and other debt | 549,150 | 114 | 6,564 | 6,890 | | 562,718 |
| Net proceeds from sale of senior subordinated notes | 295,500 | | | | | 295,500 |
| Debt financing (repayment to) and equity contribution from (distribution to) noncontrolling interests, net | | | | 384 | | 384 |
| Intercompany loans from parent | | 50,308 | 6,887 | 3,312 | (60,507) | |
| Equity contribution from parent | | 10,990 | | 10,990 | (21,980) | |
| Proceeds from exercise of stock options and employee stock purchase plan | 9,940 | | | | | 9,940 |
| Excess tax benefits from stock-based compensation | 4,146 | | | | | 4,146 |
| Payment of debt financing | (720) | | (43) | | | (763) |
| Cash Flows from Financing Activities | 157,262 | 50,066 | (20,378) | 13,526 | (82,487) | 117,989 |
| Effect of exchange rates on cash and cash equivalents | | | (235) | (1,027) | | (1,262) |
| Increase (Decrease) in cash and cash equivalents | | 97,553 | (14,422) | (5,541) | | 77,590 |
| | | 27,955 | 15,529 | 82,123 | | 125,607 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Cash and cash equivalents, beginning of period | | | | | | |
| Cash and cash equivalents, end of period | $ | $ 125,508 | $ 1,107 | $ 76,582 | $ | $ 203,197 |

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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)**

| | Six Months Ended June 30, 2009 | | | | | |
|---|---|---|---|---|---|---|
| | Parent | Guarantors | Canada Company | Non-Guarantors | Eliminations | Consolidated |
| Cash Flows from Operating Activities | $(100,822) | $ 293,375 | $ 15,562 | $ 40,176 | $ | $ 248,291 |
| Cash Flows from Investing Activities: | | | | | | |
| Capital expenditures | | (90,669) | (6,539) | (36,668) | | (133,876) |
| Cash paid for acquisitions, net of cash acquired | | (186) | | (1,262) | | (1,448) |
| Intercompany loans to subsidiaries | 145,709 | 1,236 | | | (146,945) | |
| Investment in subsidiaries | (6,236) | (6,236) | | | 12,472 | |
| Additions to customer relationship and acquisition costs | | (3,181) | (362) | (896) | | (4,439) |
| Proceeds from sales of property and equipment and other, net | | 889 | 26 | 923 | | 1,838 |
| Cash Flows from Investing Activities | 139,473 | (98,147) | (6,875) | (37,903) | (134,473) | (137,925) |
| Cash Flows from Financing Activities: | | | | | | |
| Repayment of revolving credit and term loan facilities and other debt | (52,117) | (9,214) | (25,066) | (13,507) | | (99,904) |
| Proceeds from revolving credit and term loan facilities and other debt | | | | 15,574 | | 15,574 |
| Debt financing (repayment to) and equity contribution from (distribution to) noncontrolling interests, net | | | | 530 | | 530 |
| Intercompany loans from parent | | (147,283) | 3,452 | (3,114) | 146,945 | |
| Equity contribution from parent | | 6,236 | | 6,236 | (12,472) | |
| Proceeds from exercise of stock options and employee stock purchase plan | 10,983 | | | | | 10,983 |
| Excess tax benefits from stock-based compensation | 2,483 | | | | | 2,483 |
| Payment of debt financing costs | | | (37) | (60) | | (97) |
| Cash Flows from Financing Activities | (38,651) | (150,261) | (21,651) | 5,659 | 134,473 | (70,431) |
| Effect of exchange rates on cash and cash equivalents | | | 742 | (2,991) | | (2,249) |
| (Decrease) Increase in cash and cash equivalents | | 44,967 | (12,222) | 4,941 | | 37,686 |
| Cash and cash equivalents, beginning of period | | 210,636 | 17,069 | 50,665 | | 278,370 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Cash and cash equivalents, end of period | $ | $ 255,603 | $ 4,847 | $ 55,606 | $ | $ 316,056 |

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**IRON MOUNTAIN INCORPORATED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(In Thousands, Except Share and Per Share Data)**

**(Unaudited)**

**(7) Segment Information**

Beginning January 1, 2009, we changed the composition of our segments to not allocate certain corporate and centrally controlled costs, which primarily include human resources, information technology and finance costs, as well as all stock-based compensation, which benefit the enterprise as a whole. These are now reflected as Corporate costs and are not allocated to our operating segments. Therefore, the presentation of all historical segment reporting has been changed to conform to our new management reporting.

Corporate and our five operating segments are as follows:

North American Physical Business throughout the United States and Canada, the storage of paper documents, as well as all other non-electronic media such as microfilm and microfiche, master audio and videotapes, film, X-rays and blueprints, including healthcare information services, vital records services, service and courier operations, and the collection, handling and disposal of sensitive documents for corporate customers ("Hard Copy"); the storage and rotation of backup computer media as part of corporate disaster recovery plans, including service and courier operations ("Data Protection"); information destruction services ("Destruction"); and 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, which we refer to as the "Fulfillment" business

Worldwide Digital Business information protection and storage services for electronic records conveyed via telecommunication lines and the Internet, including online backup and recovery solutions for server data and personal computers, as well as email archiving, third party technology escrow services that protect intellectual property assets such as software source code, and electronic discovery services for the legal market that offers in-depth discovery and data investigation solutions

Europe information protection and storage services throughout Europe, including Hard Copy, Data Protection and Destruction (in the U.K.)

Latin America information protection and storage services throughout Mexico, Brazil, Chile, Argentina and Peru, including Hard Copy and Data Protection

Asia Pacific information protection and storage services throughout Australia and New Zealand, including Hard Copy, Data Protection and Destruction; and in certain cities in India, Singapore, Hong Kong-SAR, China, Indonesia, Malaysia, Sri Lanka and Taiwan, including Hard Copy and Data Protection

Corporate consists of costs related to executive and staff functions, including finance, human resources and information technology, which benefit the enterprise as a whole. These costs are primarily related to the general management of these functions on a corporate level and the design and development of programs, policies and procedures that are then implemented in the individual segments, with each segment bearing its own cost of implementation. Corporate also includes stock-based employee compensation expense associated with all Employee Stock-Based Awards.

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**IRON MOUNTAIN INCORPORATED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(In Thousands, Except Share and Per Share Data)**

**(Unaudited)**

**(7) Segment Information (Continued)**

The Latin America, Asia Pacific and Europe operating segments have been aggregated given their similar economic characteristics, products, customers and processes and reported as one reportable segment, "International Physical Business." The Worldwide Digital Business does not meet the quantitative criteria for a reportable segment; however, management determined that it would disclose such information on a voluntary basis.

An analysis of our business segment information and reconciliation to the consolidated financial statements is as follows:

| | North American Physical Business | International Physical Business | Worldwide Digital Business | Corporate | Total Consolidated |
|---|---|---|---|---|---|
| **Three Months Ended June 30, 2008** | | | | | |
| Total Revenues | $ 517,101 | $ 198,416 | $ 53,340 | $ | $ 768,857 |
| Depreciation and Amortization | 36,386 | 19,597 | 8,209 | 8,715 | 72,907 |
| Depreciation | 33,604 | 15,795 | 5,577 | 8,671 | 63,647 |
| Amortization | 2,782 | 3,802 | 2,632 | 44 | 9,260 |
| Contribution | 189,935 | 39,954 | 6,974 | (40,909) | 195,954 |
| Expenditures for Segment Assets | 73,174 | 42,719 | 6,288 | 4,559 | 126,740 |
| Capital Expenditures | 39,325 | 30,171 | 6,288 | 4,559 | 80,343 |
| Cash Paid for Acquisitions, Net of Cash acquired | 31,391 | 11,148 | | | 42,539 |
| Additions to Customer Relationship and Acquisition Costs | 2,458 | 1,400 | | | 3,858 |
| **Three Months Ended June 30, 2009** | | | | | |
| Total Revenues | 524,309 | 163,997 | 57,722 | | 746,028 |
| Depreciation and Amortization | 43,750 | 17,345 | 9,088 | 8,497 | 78,680 |
| Depreciation | 40,803 | 14,346 | 6,472 | 8,433 | 70,054 |
| Amortization | 2,947 | 2,999 | 2,616 | 64 | 8,626 |
| Contribution | 212,881 | 31,728 | 13,303 | (40,436) | 217,476 |
| Expenditures for Segment Assets | 30,967 | 23,835 | 4,112 | 5,149 | 64,063 |
| Capital Expenditures | 29,211 | 23,478 | 4,117 | 5,149 | 61,955 |
| Cash Paid for Acquisitions, Net of Cash acquired | 21 | | (5) | | 16 |
| Additions to Customer Relationship and Acquisition Costs | 1,735 | 357 | | | 2,092 |

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**IRON MOUNTAIN INCORPORATED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(In Thousands, Except Share and Per Share Data)**

**(Unaudited)**

**(7) Segment Information (Continued)**

| | North American Physical Business | International Physical Business | Worldwide Digital Business | Corporate | Total Consolidated |
|---|---|---|---|---|---|
| **Six Months Ended June 30, 2008** | | | | | |
| Total Revenues | $1,021,580 | $ 389,598 | $ 107,063 | $ | $ 1,518,241 |
| Depreciation and Amortization | 71,891 | 38,199 | 16,070 | 16,277 | 142,437 |
| Depreciation | 66,832 | 31,183 | 10,827 | 16,201 | 125,043 |
| Amortization | 5,059 | 7,016 | 5,243 | 76 | 17,394 |
| Contribution | 360,963 | 81,706 | 14,609 | (81,919) | 375,359 |
| Total Assets(1) | 4,172,348 | 1,774,105 | 434,394 | 127,763 | 6,508,610 |
| Expenditures for Segment Assets | 120,989 | 75,360 | 14,859 | 15,879 | 227,087 |
| Capital Expenditures | 81,805 | 61,560 | 14,886 | 15,879 | 174,130 |
| Cash Paid for Acquisitions, Net of Cash acquired | 34,683 | 11,662 | (27) | | 46,318 |
| Additions to Customer Relationship and Acquisition Costs | 4,501 | 2,138 | | | 6,639 |
| **Six Months Ended June 30, 2009** | | | | | |
| Total Revenues | 1,035,840 | 320,670 | 112,864 | | 1,469,374 |
| Depreciation and Amortization | 85,327 | 34,992 | 17,890 | 16,751 | 154,960 |
| Depreciation | 79,458 | 28,846 | 12,661 | 16,641 | 137,606 |
| Amortization | 5,869 | 6,146 | 5,229 | 110 | 17,354 |
| Contribution | 407,771 | 60,888 | 23,496 | (78,706) | 413,449 |
| Total Assets(1) | 4,351,716 | 1,575,747 | 434,524 | 110,512 | 6,472,499 |
| Expenditures for Segment Assets | 71,243 | 47,814 | 9,266 | 11,440 | 139,763 |
| Capital Expenditures | 67,490 | 45,680 | 9,266 | 11,440 | 133,876 |
| Cash Paid for Acquisitions, Net of Cash acquired | 186 | 1,262 | | | 1,448 |
| Additions to Customer Relationship and Acquisition Costs | 3,567 | 872 | | | 4,439 |

(1) Excludes all intercompany receivables or payables and investment in subsidiary balances.

The accounting policies of the reportable segments are the same as those described in Note 2. Contribution for each segment is defined as total revenues less cost of sales (excluding depreciation and amortization) and selling, general and administrative expenses which are directly attributable to the segment. Internally, we use Contribution as the basis for evaluating the performance of and allocating resources to our operating segments.

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**IRON MOUNTAIN INCORPORATED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(In Thousands, Except Share and Per Share Data)**

**(Unaudited)**

**(7) Segment Information (Continued)**

A reconciliation of Contribution to income before provision for income taxes on a consolidated basis is as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2008 | 2009 | 2008 | 2009 |
| Contribution | $195,954 | $217,476 | $375,359 | $413,449 |
| Less: Depreciation and Amortization | 72,907 | 78,680 | 142,437 | 154,960 |
| (Gain) Loss on Disposal/Writedown of Property, Plant and Equipment, Net | (839) | 742 | 2,706 | (762) |
| Interest Expense, net | 59,757 | 55,175 | 119,776 | 110,696 |
| Other Expense (Income), net | 3,532 | (18,394) | (2,503) | (11,239) |
| Income before Provision for Income Taxes | $ 60,597 | $101,273 | $112,943 | $159,794 |

**(8) Commitments and Contingencies**

a.

Leases

We are a party to numerous operating leases. No material changes in the obligations associated with these leases have occurred since December 31, 2008. See our Current Report on Form 8-K filed on May 8, 2009 for amounts outstanding at December 31, 2008.

b.

Litigation

We are involved in litigation from time to time in the ordinary course of business with a portion of the defense and/or settlement costs being covered by various commercial liability insurance policies purchased by us. In the opinion of management, no material legal proceedings are pending to which we, or any of our properties, are subject. We record legal costs associated with loss contingencies as expenses in the period in which they are incurred.

c.

London Fire

In July 2006, we experienced a significant fire in a leased records and information management facility in London, England, that resulted in the complete destruction of the facility and its contents. The London Fire Brigade ("LFB") issued a report in which it was concluded that the fire resulted from human agency, i.e., arson, and its report to the Home Office concluded that the fire resulted from a deliberate act. The LFB also concluded that the installed sprinkler system failed to control the fire due to the primary fire pump being disabled prior to the fire and the standby fire pump being disabled in the early stages of the fire by third-party contractors. We have received notices of claims from customers or their subrogated insurance carriers under various theories of liabilities arising out of lost data and/or records as a result of the fire. Certain of those claims have resulted in litigation in courts in the United Kingdom. We deny any liability in respect of the London fire and we have referred these claims to our primary warehouse legal liability insurer, which has been defending them to date under a reservation of rights. Certain of the claims have also been settled for nominal amounts, typically one to two British pounds sterling per carton, as specified in the contracts, which amounts have been or will

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**IRON MOUNTAIN INCORPORATED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(In Thousands, Except Share and Per Share Data)**

**(Unaudited)**

**(8) Commitments and Contingencies (Continued)**

be reimbursed to us from our primary property insurer. On or about April 12, 2007, a firm of British solicitors representing 31 customers and/or their subrogated insurers filed a Claim Form in the (U.K.) High Court of Justice, Queen's Bench Division, seeking unspecified damages in excess of 15,000 British pounds sterling on account of the records belonging to those customers that were destroyed in the fire. On or about April 20, 2007, another firm of British solicitors representing 21 customers and/or their subrogated insurer also filed a Claim Form in the same court seeking provisional damages of approximately 15,000 British pounds sterling on account of the records belonging to those customers that were destroyed in the fire. Both of those matters are being held in abeyance by agreement between the claimants and the solicitors appointed by our primary warehouse legal liability carrier. However, many of these claims, including larger ones, remain outstanding. On or about October 17, 2007, our primary warehouse legal liability carrier, in the name of our subsidiary Iron Mountain (U.K.) Limited, filed a Claim Form with the (U.K.) High Court of Justice, Queen's Bench Division, Commercial Court, against The Virgin Drinks Group Limited ("VDG"), a customer who had records destroyed in the fire, seeking a declaration to the effect that our liability to that customer is limited to a maximum of one British pound sterling per carton of lost records and, in any event, to a maximum of 500 British pounds sterling in the aggregate, in accordance with the parties' contract. We and The VDG settled the case and, on June 8, 2009, a Consent Order was entered in the case, pursuant to which The VDG agreed that the terms of the contract limiting our liability are enforceable as written, and reimbursed our insurer with respect to costs to the extent of 50 British Pounds Sterling. We believe we carry adequate property and liability insurance. We do not expect that this event will have a material impact to our consolidated results of operations or financial condition. Revenues from this facility represented less than 1% of our consolidated enterprise revenues.

**(9) Subsequent Events**

We have evaluated subsequent events through July 31, 2009, which is the date our financial statements were issued.

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**IRON MOUNTAIN INCORPORATED**

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

*The following discussion and analysis of our financial condition and results of operations for the three and six months ended June 30, 2009 should be read in conjunction with our Consolidated Financial Statements and Notes thereto for the three and six months ended June 30, 2009, included herein, and for the year ended December 31, 2008, included in our Current Report on Form 8-K dated May 8, 2009.*

**FORWARD-LOOKING STATEMENTS**

We have made statements in this Quarterly Report on Form 10-Q that constitute "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995 and other federal securities laws. These forward-looking statements concern our operations, economic performance, financial condition, goals, beliefs, future growth strategies, investments, objectives, plans and current expectations. The forward-looking statements are subject to various known and unknown risks, uncertainties and other factors. When we use words such as "believes," "expects," "anticipates," "estimates" or similar expressions, we are making forward-looking statements. Although we believe that our forward-looking statements are based on reasonable assumptions, our expected results may not be achieved, and actual results may differ materially from our expectations. Important factors that could cause actual results to differ from expectations include, among others: (1) the cost to comply with current and future legislation, regulations and customer demands relating to privacy issues; (2) the impact of litigation that may arise in connection with incidents in which we fail to protect our customer's information; (3) changes in the price for our services relative to the cost of providing such services; (4) changes in customer preferences and demand for our services; (5) in the various digital businesses in which we are engaged, the cost of capital and technical requirements, demand for our services or competition for customers; (6) our ability or inability to complete acquisitions on satisfactory terms and to integrate acquired companies efficiently; (7) the cost or potential liabilities associated with real estate necessary for our business; (8) the performance of business partners upon whom we depend for technical assistance or management and acquisition expertise outside the U.S.; (9) changes in the political and economic environments in the countries in which our international subsidiaries operate; (10) claims that our technology violates the intellectual property rights of a third party; and (11) other trends in competitive or economic conditions affecting our financial condition or results of operations not presently contemplated. You should not rely upon forward-looking statements except as statements of our present intentions and of our present expectations, which may or may not occur. Other risks may adversely impact us, as described more fully under "Item 1A. Risk Factors" in our Current Report on Form 8-K dated May 8, 2009. You should read these cautionary statements as being applicable to all forward-looking statements wherever they appear. Except as required by law, we undertake no obligation to release publicly the result of any revision to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Readers are also urged to carefully review and consider the various disclosures we have made in this document, as well as our other periodic reports filed with the Securities and Exchange Commission (the "SEC").

**Non-GAAP Measures**

*Operating Income Before Depreciation and Amortization, or OIBDA*

OIBDA is defined as operating income before depreciation and amortization expenses. OIBDA Margin is calculated by dividing OIBDA by total revenues. We use multiples of current or projected OIBDA in conjunction with our discounted cash flow models to determine our overall enterprise valuation and to evaluate acquisition targets. We believe OIBDA and OIBDA Margin provide current and potential investors with relevant and useful information regarding our ability to generate cash flow

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to support business investment and our ability to grow revenues faster than operating expenses. These measures are an integral part of the internal reporting system we use to assess and evaluate the operating performance of our business. OIBDA does not include certain items that we believe are not indicative of our core operating results, specifically: (1) other (income) expense, net and (2) cumulative effect of change in accounting principle.

OIBDA also does not include interest expense, net and the provision for income taxes. These expenses are associated with our capitalization and tax structures, which we do not consider when evaluating the operating profitability of our core operations. Finally, OIBDA does not include depreciation and amortization expenses, in order to eliminate the impact of capital investments, which we evaluate by comparing capital expenditures to incremental revenue generated and as a percentage of total revenues. OIBDA and OIBDA Margin should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with accounting principles generally accepted in the Unites States of America ("GAAP"), such as operating or net income or cash flows from operating activities (as determined in accordance with GAAP).

*Reconciliation of OIBDA to Operating Income and Net Income (in thousands):*

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2008 | 2009 | 2008 | 2009 |
| OIBDA | $196,793 | $216,734 | $372,653 | $414,211 |
| Less: Depreciation and Amortization | 72,907 | 78,680 | 142,437 | 154,960 |
| Operating Income | 123,886 | 138,054 | 230,216 | 259,251 |
| Less: Interest Expense, Net | 59,757 | 55,175 | 119,776 | 110,696 |
| Other (Income) Expense, Net | 3,532 | (18,394) | (2,503) | (11,239) |
| Provision for Income Taxes | 24,859 | 13,761 | 43,131 | 45,338 |
| Net Income | $ 35,738 | $ 87,512 | $ 69,812 | $114,456 |

**Critical Accounting Policies**

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the financial statements and for the period then ended. On an on-going basis, we evaluate the estimates used, including those related to accounting for acquisitions, allowance for doubtful accounts and credit memos, impairment of tangible and intangible assets, income taxes, stock-based compensation and self-insured liabilities. 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. Our critical accounting policies include the following, which are listed in no particular order:

*Revenue Recognition*

*Accounting for Acquisitions*

*Allowance for Doubtful Accounts and Credit Memos*

*Impairment of Tangible and Intangible Assets*

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*Accounting for Internal Use Software*

*Income Taxes*

*Stock-Based Compensation*

*Self-Insured Liabilities*

Further detail regarding our critical accounting policies can be found in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and the notes included in our Current Report on Form 8-K, as filed with the SEC on May 8, 2009. Management has determined that no material changes concerning our critical accounting policies have occurred since December 31, 2008.

**Recent Accounting Pronouncements**

On January 1, 2009, we adopted Statement of Financial Accounting Standard No. 160, "Noncontrolling Interests in Consolidated Financial Statement an Amendment of ARB No. 51" ("SFAS No. 160"). The presentation and disclosure requirements of SFAS No. 160 have been applied to all of our financial statements, notes and other financial data retrospectively for all periods presented. The adoption of SFAS No. 160 resulted in an increase to net income attributable to Iron Mountain Incorporated of $0.5 million, or $0.00 per diluted share, for the three months ended June 30, 2009, and an increase to net income attributable to Iron Mountain Incorporated of $2.9 million, or $0.01 per diluted share, for the six months ended June 30, 2009. SFAS No. 160 includes a prospective requirement allowing losses in excess of a noncontrolling interest's equity to go below zero. Excluding the impacts of the adoption of SFAS No. 160, net income attributable to Iron Mountain Incorporated and diluted earnings per share attributable to Iron Mountain Incorporated would have been $87.2 million and $0.43 per share and $113.6 million and $0.56 per share, respectively, for the three and six months ended June 30, 2009.

In June 2009, the Financial Accounting Standards Board ("FASB") issued SFAS No. 166, "Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140" ("SFAS No. 166") and SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)" ("SFAS No. 167"). SFAS No. 166 will require more information about transfers of financial assets, including securitization transactions, and where entities have continuing exposure to the risks related to transferred financial assets. It eliminates the concept of a "qualifying special-purpose entity," changes the requirements for derecognizing financial assets, and requires additional disclosures. SFAS No. 167 will require additional disclosures about the involvement with variable interest entities and any significant changes in risk exposure due to that involvement. A reporting entity will be required to disclose how its involvement with a variable interest entity affects the reporting entity's financial statements. SFAS No. 166 and No. 167 will be effective at the start of a reporting entity's first fiscal year beginning after November 15, 2009, or January 1, 2010, for a calendar year-end entity. We do not expect the adoption of SFAS No. 166 and No. 167 to have a material impact on our consolidated financial statements and results of operations.

In June 2009, the FASB issued SFAS No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of SFAS No. 162" ("SFAS No. 168"). SFAS No. 168 establishes the FASB Accounting Standards Codification (the "Codification") to become the source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants. On the effective date of SFAS No. 168, the Codification will supersede all then-existing non-SEC accounting and reporting standards. All other nongrandfathered non-SEC accounting literature not included in the Codification will become nonauthoritative. SFAS No. 168 will be effective for financial statements issued for interim

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and annual periods ending after September 15, 2009. We do not expect the adoption of SFAS No. 168 to have a material impact on our consolidated financial statements and results of operations.

**Overview**

The following discussions set forth, for the periods indicated, management's discussion and analysis of results. Significant trends and changes are discussed for the three and six month periods ended June 30, 2009 within each section. Trends and changes that are consistent within the three and six months periods are not repeated and are discussed on a year-to-date basis.

Our revenues consist of storage revenues as well as service revenues. Storage revenues, both physical and digital, which are considered a key performance indicator for the information protection and storage services industry, consist of largely recurring periodic charges related to the storage of materials or data (generally on a per unit basis), which are typically retained by customers for many years. Service revenues are comprised of charges for related core service activities and a wide array of complementary products and services. Included in core service revenues are: (1) the handling of records including the addition of new records, temporary removal of records from storage, refiling of removed records, destruction of records, and permanent withdrawals from storage; (2) courier operations, consisting primarily of the pickup and delivery of records upon customer request; (3) secure shredding of sensitive documents; and (4) other recurring services including maintenance and support contracts. Our complementary services revenues include special project work, data restoration projects, fulfillment services, consulting services and product sales (including software licenses, specially designed storage containers and related supplies). Our secure shredding business generates the sale of recycled paper (included in complementary services revenues), the price of which can fluctuate from period to period, adding to the volatility and reducing the predictability of that revenue stream.

Due to the declining economic environment in 2008, the current fair market values of vans, trucks and mobile shredding units within our vehicle fleet portfolio, which we lease, have declined. As a result, certain vehicle leases that previously met the requirements to be considered operating leases are classified as capital leases upon renewal, or at lease inception, for new leases. The impact of this change on comparability to the prior period will be to lower vehicle rent expense (a component of transportation costs within cost of sales) by approximately $22.3 million, offset by an increased amount of combined depreciation (by approximately $20.6 million) and interest expense (by approximately $3.3 million) for the year ending December 31, 2009.

Beginning in the third quarter of 2008, we saw a dramatic strengthening of the U.S. dollar in comparison to the major foreign currencies of our most significant international markets, which led to a decrease in reported revenue and expenses in the first half of 2009 as compared to the first half of 2008. It is difficult to predict how much foreign currency exchange rates will fluctuate in the future and how those fluctuations will impact our consolidated statement of operations. Due to the expansion of our international operations, these fluctuations have become material on individual balances. If exchange rates remain at current levels throughout 2009, we expect a decline in revenues and expenses as reported in U.S. dollars when comparing our 2009 results to our 2008 results. However, because both the revenues and expenses are denominated in the local currency of the country in which they are derived or incurred, the impact of currency fluctuations on our operating income and operating margin is mitigated. In order to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency fluctuations, we compare the percentage change in the results from one period to another period in this report using constant currency disclosure. The constant currency growth rates are calculated by translating the 2008 results at the 2009 average exchange rates.

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The following table is a comparison of underlying average exchange rates of the foreign currencies that had the most significant impact on our U.S. dollar-reported revenues and expenses:

| | Average Exchange Rates for the Three Months Ended June 30, | | Percentage (Strengthening)/ Weakening of the U.S. dollar |
|---|---|---|---|
| | 2008 | 2009 | |
| British pound sterling* | $1.982 | $1.445 | (27.1)% |
| Canadian dollar | $0.990 | $0.858 | (13.3)% |
| Euro* | $1.533 | $1.302 | (15.1)% |

| | Average Exchange Rates for the Six Months Ended June 30, | | Percentage (Strengthening)/ Weakening of the U.S. dollar |
|---|---|---|---|
| | 2008 | 2009 | |
| British pound sterling* | $2.002 | $1.468 | (26.7)% |
| Canadian dollar | $0.993 | $0.831 | (16.3)% |
| Euro* | $1.499 | $1.310 | (12.6)% |

* Corresponding to the appropriate periods based on Iron Mountain Europe Limited's fiscal year ended October 31.

**Results of Operations**

*Comparison of Three and Six Months Ended June 30, 2009 to Three and Six Months Ended June 30, 2008 (in thousands):*

| | Three Months Ended June 30, | | Dollar Change | Percentage Change |
|---|---|---|---|---|
| | 2008 | 2009 | | |
| Revenues | $768,857 | $746,028 | $(22,829) | (3.0)% |
| Operating Expenses | 644,971 | 607,974 | (36,997) | (5.7)% |
| Operating Income | 123,886 | 138,054 | 14,168 | 11.4% |
| Other Expenses, Net | 88,148 | 50,542 | (37,606) | (42.7)% |
| Net Income | 35,738 | 87,512 | 51,774 | 144.9% |
| Net Loss Attributable to the Noncontrolling Interests | (148) | (126) | 22 | 14.9% |
| Net Income Attributable to Iron Mountain Incorporated | $ 35,886 | $ 87,638 | $ 51,752 | 144.2% |
| OIBDA(1) | $196,793 | $216,734 | $ 19,941 | 10.1% |
| OIBDA Margin(1) | 25.6% | 29.1% | | |

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| | Six Months Ended June 30, | | Dollar Change | Percentage Change |
|---|---|---|---|---|
| | 2008 | 2009 | | |
| Revenues | $1,518,241 | $1,469,374 | $(48,867) | (3.2)% |
| Operating Expenses | 1,288,025 | 1,210,123 | (77,902) | (6.0)% |
| Operating Income | 230,216 | 259,251 | 29,035 | 12.6% |
| Other Expenses, Net | 160,404 | 144,795 | (15,609) | (9.7)% |
| Net Income | 69,812 | 114,456 | 44,644 | 63.9% |
| Net Income (Loss) Attributable to the Noncontrolling Interests | 444 | (1,981) | (2,425) | (546.2)% |
| Net Income Attributable to Iron Mountain Incorporated | $ 69,368 | $ 116,437 | $ 47,069 | 67.9% |
| OIBDA(1) | $ 372,653 | $ 414,211 | $ 41,558 | 11.2% |
| OIBDA Margin(1) | 24.5% | 28.2% | | |

(1) See "Non-GAAP Measures Operating Income Before Depreciation and Amortization, or OIBDA" for definition, reconciliation and a discussion of why we believe these measures provide relevant and useful information to our current and potential investors.

**REVENUES**

| | Three Months Ended June 30, | | Dollar Change | Percentage Change | | |
|---|---|---|---|---|---|---|
| | 2008 | 2009 | | Actual | Constant Currency | Internal Growth(1) |
| Storage | $416,195 | $415,810 | $ (385) | (0.1)% | 6.1% | 6% |
| Core Service | 241,740 | 235,353 | (6,387) | (2.6)% | 5.9% | 5% |
| Total Core Revenue | 657,935 | 651,163 | (6,772) | (1.0)% | 6.0% | 6% |
| Complementary Services | 110,922 | 94,865 | (16,057) | (14.5)% | (8.2)% | (6)% |
| Total Revenue | $768,857 | $746,028 | $(22,829) | (3.0)% | 4.0% | 4% |

| | Six Months Ended June 30, | | Dollar Change | Percentage Change | | |
|---|---|---|---|---|---|---|
| | 2008 | 2009 | | Actual | Constant Currency | Internal Growth(1) |
| Storage | $ 820,512 | $ 825,667 | $ 5,155 | 0.6% | 7.0% | 7% |
| Core Service | 470,622 | 464,838 | (5,784) | (1.2)% | 7.5% | 6% |
| Total Core Revenue | 1,291,134 | 1,290,505 | (629) | (0.0)% | 7.2% | 7% |
| Complementary Services | 227,107 | 178,869 | (48,238) | (21.2)% | (15.5)% | (11)% |
| Total Revenue | $1,518,241 | $1,469,374 | $(48,867) | (3.2)% | 3.8% | 4% |

(1) Our internal revenue growth rate represents the weighted average year-over-year growth rate of our revenues after removing the effects of acquisitions, divestitures and foreign currency exchange rate fluctuations.

Our consolidated storage revenues decreased $0.4 million, or (0.1%), to $415.8 million and increased $5.2 million, or 0.6%, to $825.7 million for the three and six months ended June 30, 2009, respectively, from $416.2 million and $820.5 million for the three and six months ended June 30, 2008,

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respectively. The increase is attributable to internal revenue growth of 7% for the six month period, resulting from strength across all of our operating segments, offset by foreign currency exchange rate fluctuations of (6%). Current economic factors have led to a moderation in our storage growth rate, as a result of longer new sales cycles in our digital business and higher destruction rates in our physical business.

Consolidated service revenues decreased $22.4 million, or (6.4%), to $330.2 million and $54.0 million, or (7.7%), to $643.7 million for the three and six months ended June 30, 2009, respectively, from $352.7 million and $697.7 million for the three and six months ended June 30, 2008, respectively. Service revenue internal growth was 1% as a result of solid core revenue internal growth of 5% and 6% in the three and six months ended June 30, 2009, respectively, which was supported by consistent performance across all of our operating segments, offset by an internal growth rate of negative 6% and 11%, in the three and six months ended June 30, 2009, respectively, for our complementary service revenues. As expected, complementary service revenues decreased primarily due to the completion of a large special project in Europe in the third quarter of 2008 and $25.5 million less revenue from the sale of recycled paper revenues resulting from a steep decline in recycled paper pricing. We also experienced softness in the first half of 2009 in the more discretionary revenues such as special project revenues, fulfillment services and technology sales. Core service revenue growth was also constrained by current economic trends. Unfavorable foreign currency exchange rate fluctuations reduced reported service revenues by 8% for the first six months of 2009 compared to the same period in 2008.

For the reasons stated above, our consolidated revenues decreased $22.8 million, or (3.0%), to $746.0 million and $48.9 million, or (3.2%), to $1,469.4 million for the three and six months ended June 30, 2009, respectively, from $768.9 million and $1,518.2 million for the three and six months ended June 30, 2008, respectively. Internal revenue growth was 4% for both the three and six months ended June 30, 2009. We calculate internal revenue growth in local currency for our international operations. For both the three and six months ended June 30, 2009, foreign currency exchange rate fluctuations negatively impacted our reported revenues by (7%), primarily due to the weakening of the British pound sterling, Canadian dollar and Euro against the U.S. dollar, based on an analysis of weighted average rates for the comparable periods.

*Internal Growth Eight-Quarter Trend*

| | 2007 | | 2008 | | | | 2009 | |
|---|---|---|---|---|---|---|---|---|
| | Third Quarter | Fourth Quarter | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | First Quarter | Second Quarter |
| Storage Revenue | 8% | 8% | 8% | 8% | 8% | 8% | 7% | 6% |
| Service Revenue | 16% | 12% | 10% | 9% | 9% | 5% | 0% | 1% |
| Total Revenues | 12% | 10% | 9% | 9% | 8% | 7% | 4% | 4% |

During the past eight quarters our storage internal growth rate has ranged between 6% and 8%. The internal growth rate for service revenue is inherently more volatile than the storage revenue internal growth rate due to the more discretionary nature of certain complementary services we offer, such as large special projects, software licenses, and recycled paper revenues. These revenues are often event driven and impacted to a greater extent by economic downturns as customers defer or cancel the purchase of certain services as a way to reduce their short-term costs, and may be difficult to replicate in future periods. The internal growth rate for service revenues reflects the following: (1) growth in North American storage-related service revenues, increased special project revenues and higher recycled paper revenues through the third quarter of 2008; (2) two large public sector contracts in Europe, one that was completed in the third quarter of 2007 and one that was completed in the third quarter of 2008; (3) continued growth in our secure shredding operations; (4) declines in commodity prices for recycled paper and fuel; and (5) the expected softness in our complementary service revenues, such as special project revenues, fulfillment services and technology sales, beginning in the fourth quarter of 2008.

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**OPERATING EXPENSES**

**Cost of Sales**

Consolidated cost of sales (excluding depreciation and amortization) is comprised of the following expenses (in thousands):

| | Three Months Ended June 30, | | Dollar | Percentage Change | | % of Consolidated Revenues | | Percentage Change (Favorable)/ |
|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | Change | Actual | Constant Currency | 2008 | 2009 | Unfavorable |
| Labor | $171,992 | $155,777 | $(16,215) | (9.4)% | (2.1)% | 22.4% | 20.9% | (1.5)% |
| Facilities | 98,017 | 98,570 | 553 | 0.6% | 8.8% | 12.7% | 13.2% | 0.5% |
| Transportation | 38,693 | 27,161 | (11,532) | (29.8)% | (24.6)% | 5.0% | 3.6% | (1.4)% |
| Product Cost of Sales | 12,897 | 7,835 | (5,062) | (39.2)% | (34.3)% | 1.7% | 1.1% | (0.6)% |
| Other | 25,372 | 23,355 | (2,017) | (7.9)% | (2.7)% | 3.3% | 3.1% | (0.2)% |
| | $346,971 | $312,698 | $(34,273) | (9.9)% | (2.8)% | 45.1% | 41.9% | (3.2)% |

| | Six Months Ended June 30, | | Dollar | Percentage Change | | % of Consolidated Revenues | | Percentage Change (Favorable)/ |
|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | Change | Actual | Constant Currency | 2008 | 2009 | Unfavorable |
| Labor | $338,677 | $310,388 | $(28,289) | (8.4)% | (1.0)% | 22.3% | 21.1% | (1.2)% |
| Facilities | 202,845 | 203,203 | 358 | 0.2% | 8.2% | 13.4% | 13.8% | 0.4% |
| Transportation | 76,082 | 55,260 | (20,822) | (27.4)% | (21.8)% | 5.0% | 3.8% | (1.2)% |
| Product Cost of Sales | 27,808 | 16,016 | (11,792) | (42.4)% | (38.1)% | 1.8% | 1.1% | (0.7)% |
| Other | 49,310 | 44,811 | (4,499) | (9.1)% | (3.4)% | 3.2% | 3.0% | (0.2)% |
| | $694,722 | $629,678 | $(65,044) | (9.4)% | (2.2)% | 45.8% | 42.9% | (2.9)% |

*Labor*

Labor expense was favorably impacted by 7 percentage points of currency variations during both the three and six months ended June 30, 2009. Excluding the effect of currency rate fluctuations, labor expense decreased by 2.1% and 1.0% in the three and six months ended June 30, 2009, respectively, due to lower labor costs and productivity gains in our North American Physical Business.

*Facilities*

Facilities costs were favorably impacted by 8 percentage points of currency variations during both the three and six months ended June 30, 2009. The largest component of our facilities cost is rent expense, which, in constant currency terms, increased by $6.4 million for the first six months of 2009 over the first six months of 2008, but decreased from 12.6% of consolidated storage revenues for the six months ended June 30, 2008 to 12.4% of consolidated storage revenues for the six months ended June 30, 2009. We expect this trend to continue throughout 2009, mainly as a result of the impact of revenue mix and due to incremental rent charges incurred in the latter half of 2008 related to our U.K. operations. Other facilities costs increased in constant currency terms by $9.0 million due to increased common area charges of $3.6 million, property taxes and insurance of $3.1 million, and utilities of $2.3 million, related to rising costs and an increased number of facilities.

*Transportation*

Transportation expenses were favorably impacted by 5 and 6 percentage points of currency variations during the three and six months ended June 30, 2009, respectively. Certain vehicle leases related to vans, trucks and mobile shredding units in our vehicle lease portfolio previously classified as operating leases are now classified as capital leases upon renewal or at inception for new leases. As a

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result, for the three and six months ended June 30, 2009 we had lower vehicle rent expense in our North America Physical segment of approximately $5.7 million and $10.7 million, respectively (offset by an increased amount of combined depreciation of approximately $5.2 million and $10.0 million, respectively, and interest expense of approximately $0.8 million and $1.6 million, respectively). We expect this trend to continue throughout 2009. In addition, fuel costs have decreased by $4.4 million and $6.8 million during the three and six months ended June 30, 2009, respectively, as compared to the 2008 periods. The lower fuel cost is primarily due to lower commodity prices and to a lesser extent, the benefit of productivity gains from ongoing transportation improvement initiatives.

*Product Cost of Sales and Other*

Product and other cost of sales, which includes cartons, media and other service, storage and supply costs, are highly correlated to complementary revenue streams. These costs were favorably impacted by 5 and 4 percentage points of currency variations during the three and six months ended June 30, 2009, respectively. Approximately $9.5 million of the decrease in product costs of sales for the six months ended June 30, 2009 compared to the six months ended June 30, 2008, is due to the sale of our North American data product sales line in the second quarter of 2008, which consisted of the sale of data storage media, imaging products and data center furniture to our physical data protection and recovery services customers. Other cost of sales declined due to a decrease in complementary revenue.

**Selling, General and Administrative Expenses**

Selling, general and administrative expenses are comprised of the following expenses (in thousands):

| | Three Months Ended June 30, | | Dollar | Percentage Change | | % of Consolidated Revenues | | Percentage Change (Favorable)/ |
|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | Change | Actual | Constant Currency | 2008 | 2009 | Unfavorable |
| General and Administrative | $115,330 | $110,345 | $ (4,985) | (4.3)% | 3.6% | 15.0% | 14.8% | (0.2)% |
| Sales, Marketing & Account Management | 68,817 | 65,878 | (2,939) | (4.3)% | 2.4% | 9.0% | 8.8% | (0.2)% |
| Information Technology | 39,733 | 35,660 | (4,073) | (10.3)% | (6.2)% | 5.2% | 4.8% | (0.4)% |
| Bad Debt Expense | 2,052 | 3,971 | 1,919 | 93.5% | 96.7% | 0.3% | 0.5% | 0.2% |
| | $225,932 | $215,854 | $(10,078) | (4.5)% | 2.4% | 29.4% | 28.9% | (0.5)% |

| | Six Months Ended June 30, | | Dollar | Percentage Change | | % of Consolidated Revenues | | Percentage Change (Favorable)/ |
|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | Change | Actual | Constant Currency | 2008 | 2009 | Unfavorable |
| General and Administrative | $227,387 | $219,831 | $ (7,556) | (3.3)% | 4.1% | 15.0% | 15.0% | (0.0)% |
| Sales, Marketing & Account Management | 139,242 | 127,707 | (11,535) | (8.3)% | (2.1)% | 9.2% | 8.7% | (0.5)% |
| Information Technology | 78,057 | 71,322 | (6,735) | (8.6)% | (4.8)% | 5.1% | 4.9% | (0.2)% |
| Bad Debt Expense | 3,474 | 7,387 | 3,913 | 112.6% | 114.3% | 0.2% | 0.5% | 0.3% |
| | $448,160 | $426,247 | $(21,913) | (4.9)% | 1.5% | 29.5% | 29.0% | (0.5)% |

*General and Administrative*

General and administrative expenses were favorably impacted by 8 and 7 percentage points of currency variations during the three and six months ended June 30, 2009, respectively. In constant currency terms, compensation expense, including medical and other benefits, increased by $10.4 million in the first six months of 2009 as a result of increased headcount. In addition, legal and professional fees increased $8.0 million. These increases are offset by lower discretionary spending of $9.8 million

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for items including recruiting and relocations, telephone, training, postage and supplies, travel and entertainment and certain enterprise-wide meetings which were held in 2008 but not in 2009.

*Sales, Marketing & Account Management*

Sales, marketing and account management expenses were favorably impacted by 7 and 6 percentage points of currency variations during the three and six months ended June 30, 2009, respectively. In constant currency terms, the decrease of 2.1% in the first six months of 2009 is primarily related to lower discretionary spending of $4.5 million on items such as travel and entertainment and our enterprise-wide sales meeting which was held in 2008 but not in 2009. Commissions expense also declined by $4.1 million in constant currency terms during the first half of 2009. These decreases are partially offset by increased investments in sales and account management in our International Physical segment of $3.1 million and increased compensation (other than commissions) of $2.4 million in the North American Physical segment.

*Information Technology*

Information technology expenses were favorably impacted by 4 percentage points of currency variations during both the three and six months ended June 30, 2009. In constant currency terms, the decrease of 4.8% in information technology expenses for the first half of 2009 was a combination of factors. Other overhead and discretionary spending, such as recruiting, travel and entertainment, professional fees, and equipment rental costs, decreased $3.2 million due to disciplined cost management. In addition, in the six months ended June 30, 2008, we wrote off $0.9 million of previously deferred costs, primarily internal labor costs, associated with internal use software development costs that were discontinued prior to being implemented in 2008.

*Bad Debt Expense*

Consolidated bad debt expense increased $1.9 million to $4.0 million (0.5% of consolidated revenues) for the three months ended June 30, 2009 from $2.1 million (0.3% of consolidated revenues) for the three months ended June 30, 2008. Consolidated bad debt expense increased $3.9 million to $7.4 million (0.5% of consolidated revenues) for the six months ended June 30, 2009 from $3.5 million (0.2% of consolidated revenues) for the six months ended June 30, 2008. We maintain an allowance for doubtful accounts and credit memos that is calculated based on 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. The increase in bad debt expense in 2009 from 2008 is attributable to the worsening economic climate. We continue to monitor our customers' payment activity and make adjustments based on their financial condition and in light of historical and expected trends.

**Depreciation, Amortization, and (Gain) Loss on Disposal/Writedown of Property, Plant and Equipment, Net**

Consolidated depreciation and amortization expense increased $12.5 million to $155.0 million (10.5% of consolidated revenues) for the six months ended June 30, 2009 from $142.4 million (9.4% of consolidated revenues) for the six months ended June 30, 2008. Depreciation expense increased $6.4 million and $12.6 million for the three and six months ended June 30, 2009, respectively, compared to the three and six months ended June 30, 2008, primarily due to additional depreciation expense of approximately $5.2 million and $10.0 million, respectively, resulting from certain vehicle leases which had previously been classified as operating leases, being classified as capital leases upon renewal or at inception for new leases. We expect this trend to continue throughout 2009.

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Amortization expense decreased $0.6 million and was flat for the three and six months ended June 30, 2009, respectively, compared to the three and six months ended June 30, 2008, primarily due to decreases resulting from currency variations which were offset by the increased amortization of intangible assets, such as customer relationship intangible assets and intellectual property acquired through business combinations.

Consolidated gain on disposal/writedown of property, plant and equipment, net of $0.8 million for the six months ended June 30, 2009, consisted primarily of a $1.9 million gain on an owned storage facility in France, which was taken by eminent domain in the first quarter of 2009, offset by write-offs of certain fixed assets in North America and Europe.

Consolidated loss on disposal/writedown of property, plant and equipment, net of $2.7 million for the six months ended June 30, 2008, consisted primarily of a $2.3 million impairment of an owned storage facility in North America which we decided to exit in the first quarter of 2008.

**OPERATING INCOME and OIBDA**

As a result of all the foregoing factors, consolidated operating income increased $14.2 million, or 11.4%, to $138.1 million (18.5% of consolidated revenues) for the three months ended June 30, 2009 from $123.9 million (16.1% of consolidated revenues) for the three months ended June 30, 2008. Consolidated operating income increased $29.0 million, or 12.6%, to $259.3 million (17.6% of consolidated revenues) for the six months ended June 30, 2009 from $230.2 million (15.2% of consolidated revenues) for the six months ended June 30, 2008. Consolidated OIBDA increased $19.9 million, or 10.1%, to $216.7 million (29.1% of consolidated revenues) for the three months ended June 30, 2009 from $196.8 million (25.6% of consolidated revenues) for the three months ended June 30, 2008. Consolidated OIBDA increased $41.6 million, or 11.2%, to $414.2 million (28.2% of consolidated revenues) for the six months ended June 30, 2009 from $372.7 million (24.5% of consolidated revenues) for the six months ended June 30, 2008.

**OTHER EXPENSES, NET**

**Interest Expense, Net**

Consolidated interest expense, net decreased $4.6 million to $55.2 million (7.4% of consolidated revenues) and $9.1 million to $110.7 million (7.5% of consolidated revenues) for the three and six months ended June 30, 2009, respectively, from $59.8 million (7.8% of consolidated revenues) and $119.8 million (7.9% of consolidated revenues) for the three and six months ended June 30, 2008, respectively, primarily due to a reduction in borrowings year-over-year under our revolving credit facility and a decrease in our weighted average interest rate to 6.8% as of June 30, 2009 from 7.2% as of June 30, 2008. There was a partially offsetting increase of $1.6 million in the first half of 2009 related to interest expense recorded on capital leases on certain vehicle leases previously classified as operating leases prior to renewal or upon lease inception; we expect this trend to continue throughout 2009.

**Other (Income) Expense, Net (in thousands)**

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|---|---|---|---|---|---|---|
| | 2008 | 2009 | Dollar Change | 2008 | 2009 | Dollar Change |
| Foreign currency transaction (gains) losses, net | $3,293 | $(17,127) | $(20,420) | $(2,638) | $ (9,638) | $(7,000) |
| Other, net | 239 | (1,267) | (1,506) | 135 | (1,601) | (1,736) |
| | $3,532 | $(18,394) | $(21,926) | $(2,503) | $(11,239) | $(8,736) |

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Net foreign currency transaction gains of $9.6 million, based on period-end exchange rates, were recorded in the six months ended June 30, 2009. Gains resulted primarily from changes in the exchange rate of the British pound sterling, Brazilian Real and Chilean Peso against the U.S. dollar compared to December 31, 2008, as these currencies relate to our intercompany balances with and between our European and Latin American subsidiaries, offset by losses as a result of British pounds sterling denominated debt and forward contracts, as well as changes in the exchange rate of the Russian Ruble against the U.S. dollar, as it relates to our intercompany balances with and between our European subsidiaries.

Net foreign currency transaction gains of $2.6 million, based on period-end exchange rates, were recorded in the six months ended June 30, 2008. Gains resulted from the marking-to-market of Euro for U.S. dollar foreign currency swaps, gains as a result of changes in the exchange rate of the Euro and Canadian dollar against the U.S. dollar compared to December 31, 2007, as these currencies relate to our intercompany balances with and between our Canadian and European subsidiaries, partially offset by losses on the marking-to-market of Euro denominated debt held by our U.S. parent company.

Other, net in the six months ended June 30, 2009 primarily consists of $0.8 million of gains related to certain trading marketable securities held in a trust for the benefit of employees included in a deferred compensation plan we sponsor.

**Provision for Income Taxes**

Our effective tax rates for the three months ended June 30, 2008 and 2009 were 41.0% and 13.6%, respectively. Our effective tax rates for the six months ended June 30, 2008 and 2009 were 38.2% and 28.4%, respectively. The primary reconciling items between the statutory rate of 35% and our effective rate are state income taxes (net of federal benefit) and differences in the rates of tax to which our foreign earnings are subject. The decrease in the effective tax rate in 2009 is primarily due to significant foreign exchange gains and losses in different jurisdictions with different tax rates. For 2009, foreign currency gains were recorded in lower tax jurisdictions associated with the marking-to-market of intercompany loan positions while foreign currency losses were recorded in higher tax jurisdictions associated with our marking-to-market of debt and derivative instruments, which reduced the 2009 tax rate by 25.8% and 11.6% for the three and six months ended June 30, 2009, respectively.

Our effective tax rate is subject to future variability due to, among other items: (a) changes in the mix of income from foreign jurisdictions; (b) tax law changes; (c) volatility in foreign exchange gains and (losses); and (d) the timing of the establishment and reversal of tax reserves. We are subject to income taxes in both the U.S. and numerous foreign jurisdictions. We are subject to examination by various tax authorities in jurisdictions in which we have significant business operations. We regularly assess the likelihood of additional assessments by tax authorities and provide for these matters as appropriate. Although we believe our tax estimates are appropriate, the final determination of tax audits and any related litigation could result in changes in our estimates.

**NET INCOME**

As a result of all the foregoing factors, for the three months ended June 30, 2009, consolidated net income increased $51.8 million, or 144.9%, to $87.5 million (11.7% of consolidated revenues) from net income of $35.7 million (4.6% of consolidated revenues) for the three months ended June 30, 2008. For the six months ended June 30, 2009, consolidated net income increased $44.6 million, or 63.9%, to $114.5 million (7.8% of consolidated revenues) from net income of $69.8 million (4.6% of consolidated revenues) for the six months ended June 30, 2008. The increase in operating income noted above, along with the foreign currency exchange rate impacts included in other income (expense), net as well as the impact of our tax rate for the first half of 2009, contributed to the increase in net income. Net loss attributable to noncontrolling interests was $0.1 million for the three months ended June 30, 2008,

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and resulted in a benefit to net income attributable to Iron Mountain Incorporated. Net income attributable to noncontrolling interests was $0.4 million for the six months ended June 30, 2008, and reduced net income attributable to Iron Mountain Incorporated. For the three and six months ended June 30, 2009, net losses attributable to noncontrolling interests resulted in a benefit to net income attributable to Iron Mountain Incorporated of $0.1 million and $2.0 million, respectively. These represent our noncontrolling partners' share of earnings/losses in our majority-owned international subsidiaries that are consolidated in our operating results.

**Segment Analysis (in thousands)**

Beginning January 1, 2009, we changed the composition of our segments to not allocate certain corporate and centrally controlled costs, which primarily related to executive and staff costs include human resources, information technology and finance costs, as well as all stock-based compensation, which benefit the enterprise as a whole. These are now reflected as Corporate costs and are not allocated to our operating segments. Therefore, the presentation of all historical segment reporting has been changed to conform to our new management reporting. Corporate and our operating segments are discussed below. Our reportable operating segments are North American Physical Business, International Physical Business and Worldwide Digital Business. See Note 7 to Notes to Consolidated Financial Statements. Our North American Physical Business, which consists of the United States and Canada, offers the storage of paper documents, as well as all other non-electronic media such as microfilm and microfiche, master audio and videotapes, film, X-rays and blueprints, including healthcare information services, vital records services, service and courier operations, and the collection, handling and disposal of sensitive documents for corporate customers ("Hard Copy"); the storage and rotation of backup computer media as part of corporate disaster recovery plans, including service and courier operations ("Data Protection"); information destruction services ("Destruction"); and 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"). Our International Physical Business segment offers information protection and storage services throughout Europe, Latin America and Asia Pacific, including Hard Copy, Data Protection and Destruction. Our Worldwide Digital Business offers information protection and storage services for electronic records conveyed via telecommunication lines and the Internet, including online backup and recovery solutions for server data and personal computers, as well as email archiving, third party technology escrow services that protect intellectual property assets such as software source code, and electronic discovery services for the legal market that offers in-depth discovery and data investigation solutions. Corporate consists of costs related to staff functions, including finance, human resources and information technology, which benefit the enterprise as a whole. These costs primarily relate to the general management of these functions on a corporate level and the design and development of programs, policies and procedures that are then implemented in the individual segments, with each segment bearing its own cost of implementation. Corporate also includes stock-based employee compensation expense associated with all employee stock-based awards.

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***North American Physical Business***

| | Three Months Ended June 30, | | | Percentage Change | | |
|---|---|---|---|---|---|---|
| | 2008 | 2009 | Dollar Change | Actual | Constant Currency | Internal Growth |
| Segment Revenue | $517,101 | $524,309 | $ 7,208 | 1.4% | 2.8% | 4% |
| Segment Contribution(1) | $189,935 | $212,881 | $22,946 | 12.1% | 13.7% | |
| Segment Contribution(1) as a Percentage of Segment Revenue | 36.7% | 40.6% | | | | |

| | Six Months Ended June 30, | | | Percentage Change | | |
|---|---|---|---|---|---|---|
| | 2008 | 2009 | Dollar Change | Actual | Constant Currency | Internal Growth |
| Segment Revenue | $1,021,580 | $1,035,840 | $14,260 | 1.4% | 3.1% | 4% |
| Segment Contribution(1) | $ 360,963 | $ 407,771 | $46,808 | 13.0% | 15.0% | |
| Segment Contribution(1) as a Percentage of Segment Revenue | 35.3% | 39.4% | | | | |

(1) See Note 7 to Notes to the Consolidated Financial Statements for definition of Contribution and for the basis on which allocations are made and a reconciliation of Contribution to income before provision for income taxes.

During the six months ended June 30, 2009, revenue in our North American Physical Business segment increased 1.4% over the six months ended June 30, 2008, primarily due to internal growth of 4% supported by solid storage internal growth of 7% due to increased Hard Copy and Data Protection revenues. Service internal growth of 1% reflects continued organic growth in our core services business of 7% offset by decreased complementary services revenues due primarily to steep declines in recycled paper prices and the expected softness in special projects and fulfillment services. Additionally, unfavorable foreign currency fluctuations related to Canada resulted in decreased 2009 revenue, as measured in U.S. dollars, of 2 percentage points. Contribution as a percentage of segment revenue increased in 2009 due mainly to productivity gains, pricing actions, disciplined cost management, lower vehicle rent expense due to the recharacterization of certain vehicle leases, and increased margin due to the sale of our low-margin data products division in 2008.

***International Physical Business***

| | Three Months Ended June 30, | | | Percentage Change | | |
|---|---|---|---|---|---|---|
| | 2008 | 2009 | Dollar Change | Actual | Constant Currency | Internal Growth |
| Segment Revenue | $198,416 | $163,997 | $(34,419) | (17.3)% | 6.2% | 6% |
| Segment Contribution(1) | $ 39,954 | $ 31,728 | $ (8,226) | (20.6)% | 1.0% | |
| Segment Contribution(1) as a Percentage of Segment Revenue | 20.1% | 19.3% | | | | |

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| | Six Months Ended June 30, | | | Percentage Change | | |
|---|---|---|---|---|---|---|
| | 2008 | 2009 | Dollar Change | Actual | Constant Currency | Internal Growth |
| Segment Revenue | $389,598 | $320,670 | $(68,928) | (17.7)% | 5.1% | 5% |
| Segment Contribution(1) | $ 81,706 | $ 60,888 | $(20,818) | (25.5)% | (4.7)% | |
| Segment Contribution(1) as a Percentage of Segment Revenue | 21.0% | 19.0% | | | | |

(1) See Note 7 to Notes to the Consolidated Financial Statements for definition of Contribution and for the basis on which allocations are made and a reconciliation of Contribution to income before provision for income taxes.

Revenue in our International Physical Business segment decreased 17.7% during the six months ended June 30, 2009 over the same period last year due to foreign currency fluctuations in 2009, primarily in the United Kingdom, which resulted in decreased 2009 revenue, as measured in U.S. dollars, of approximately 23 percentage points, compared to 2008. This decline was offset by total internal revenue growth for the segment of 5%, supported by solid 9% storage internal growth, and service revenue internal growth of 1%. Service revenue internal growth includes an unfavorable year-over-year comparison due to a large European special project that was completed in the third quarter of 2008 which reduced complementary revenue growth, but otherwise reflects continued organic growth of 4% in our core services business. Contribution as a percentage of segment revenue decreased in 2009 primarily due to increased rent and facility costs and increased compensation expense related to investments in sales and business support during 2008 and the first half of 2009.

***Worldwide Digital Business***

| | Three Months Ended June 30, | | | Percentage Change | | |
|---|---|---|---|---|---|---|
| | 2008 | 2009 | Dollar Change | Actual | Constant Currency | Internal Growth |
| Segment Revenue | $53,340 | $57,722 | $ 4,382 | 8.2% | 9.2% | 4% |
| Segment Contribution(1) | $ 6,974 | $13,303 | $ 6,329 | 90.8% | 84.4% | |
| Segment Contribution(1) as a Percentage of Segment Revenue | 13.1% | 23.0% | | | | |

| | Six Months Ended June 30, | | | Percentage Change | | |
|---|---|---|---|---|---|---|
| | 2008 | 2009 | Dollar Change | Actual | Constant Currency | Internal Growth |
| Segment Revenue | $107,063 | $112,864 | $ 5,801 | 5.4% | 6.5% | 5% |
| Segment Contribution(1) | $ 14,609 | $ 23,496 | $ 8,887 | 60.8% | 56.6% | |
| Segment Contribution(1) as a Percentage of Segment Revenue | 13.6% | 20.8% | | | | |

(1)

See Note 7 to Notes to the Consolidated Financial Statements for definition of Contribution and for the basis on which allocations are made and a reconciliation of Contribution to income before provision for income taxes.

During the six months ended June 30, 2009, revenue in our Worldwide Digital Business segment increased 5.4% over the same period in 2008, due to internal growth in digital storage revenue from

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our electronic records management offerings, offset by a decrease in technology sales in 2009 over 2008. Contribution in the Worldwide Digital Business segment increased due to the impact of revenue mix and decreases in commissions and discretionary spending, including recruiting, travel and entertainment.

***Corporate***

| | Three Months Ended June 30, | | Dollar Change | Percentage Change |
|---|---|---|---|---|
| | 2008 | 2009 | | |
| Segment Contribution(1) | $(40,909) | $(40,436) | $ 473 | 1.2% |
| Segment Contribution(1) as a Percentage of Consolidated Revenue | (5.3)% | (5.4)% | | |

| | Six Months Ended June 30, | | Dollar Change | Percentage Change |
|---|---|---|---|---|
| | 2008 | 2009 | | |
| Segment Contribution(1) | $(81,919) | $(78,706) | $ 3,213 | 3.9% |
| Segment Contribution(1) as a Percentage of Consolidated Revenue | (5.4)% | (5.4)% | | |

(1) See Note 7 to Notes to the Consolidated Financial Statements for definition of Contribution and for the basis on which allocations are made and a reconciliation of Contribution to income before provision for income taxes.

During the six months ended June 30, 2009, expenses in Corporate decreased 3.9% over the six months ended June 30, 2008, driven primarily by decreases in other expenses of $2.5 million, which includes much of our discretionary spending, such as travel and entertainment and supplies. Additionally, stock-based compensation expense decreased by $0.7 million.

**Liquidity and Capital Resources**

The following is a summary (in thousands) of our cash balances and cash flows as of and for the six months ended June 30,

| | 2008 | 2009 |
|---|---|---|
| Cash flows provided by operating activities | $ 189,633 | $ 248,291 |
| Cash flows used in investing activities | (228,770) | (137,925) |
| Cash flows provided by (used in) financing activities | 117,989 | (70,431) |
| Cash and cash equivalents at the end of period | 203,197 | 316,056 |

Net cash provided by operating activities was $248.3 million for the six months ended June 30, 2009 compared to $189.6 million for the six months ended June 30, 2008. The increase resulted primarily from an increase in net income, excluding non-cash charges of $51.5 million and a decrease in the use of working capital of $10.0 million over the same period last year, offset by an increase in realized foreign exchange losses of $2.8 million.

Due to the nature of our businesses, we make significant capital expenditures and additions to customer acquisition costs. Our capital expenditures are primarily related to growth and include investments in storage systems, information systems and discretionary investments in real estate. Cash paid for our capital expenditures and additions to customer acquisition costs during the six months ended June 30, 2009 amounted to $133.9 million and $4.4 million, respectively. For the six months ended June 30, 2009, capital expenditures, net and additions to customer acquisition costs were funded

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with cash flows provided by operating activities and cash equivalents on hand. Excluding acquisitions, we expect our capital expenditures to be approximately $380 million in the year ending December 31, 2009. Included in our estimated capital expenditures for 2009 is approximately $55 million of opportunity-driven real estate purchases.

Net cash used in financing activities was $70.4 million for the six months ended June 30, 2009. During the six months ended June 30, 2009, we paid $99.9 million on our revolving credit and term loans and other debt, had gross borrowings under our revolving credit and term loan facilities and other debt of $15.6 million, $11.0 million of proceeds from the exercise of stock options and employee stock purchase plan and $2.5 million of excess tax benefits from stock-based compensation.

Due to the declining economic environment in 2008, the current fair market values of vans, trucks and mobile shredding units within our vehicle fleet portfolio, which we lease, have declined. As a result, certain vehicle leases that previously met the requirements to be considered operating leases have been classified as capital leases, and certain others will be, upon renewal. The impact of these changes on our consolidated cash flow statement in the six months ended June 30, 2009 and for the remainder of 2009 is that payments related to these leases previously reflected as a use of cash within the operating activities section of our consolidated statement of cash flows are now, and will be, reflected as a use of cash within the financing activities section of our consolidated statement of cash flows. For the first half of 2009, the amount of this impact was $9.0 million; we expect this trend to continue throughout 2009.

We are highly leveraged and expect to continue to be highly leveraged for the foreseeable future. Our consolidated debt as of June 30, 2009 was comprised of the following (in thousands):

| | |
|---|---|
| Revolving Credit Facility(1) | $ 161,302 |
| Term Loan Facility(1) | 402,350 |
| 8 5/8% Senior Subordinated Notes due 2013(2) | 447,951 |
| 7 1/4% GBP Senior Subordinated Notes due 2014(2) | 247,800 |
| 7 3/4% Senior Subordinated Notes due 2015(2) | 436,312 |
| 6 5/8% Senior Subordinated Notes due 2016(2) | 316,788 |
| 7 1/2% CAD Senior Subordinated Notes due 2017 (the "Subsidiary Notes")(3) | 151,463 |
| 8 3/4% Senior Subordinated Notes due 2018(2) | 200,000 |
| 8% Senior Subordinated Notes due 2018(2) | 49,734 |
| 6 3/4% Euro Senior Subordinated Notes due 2018(2) | 355,761 |
| 8% Senior Subordinated Notes due 2020(2) | 300,000 |
| Real Estate Mortgages, Seller Notes and Other | 169,506 |
| Total Long-term Debt | 3,238,967 |
| Less Current Portion | (30,583) |
| Long-term Debt, Net of Current Portion | $3,208,384 |

(1) The capital stock or other equity interests of most of our U.S. subsidiaries, and up to 66% of the capital stock or other equity interests of our first tier foreign subsidiaries, are pledged to secure these debt instruments, together with all intercompany obligations of foreign subsidiaries owed to us or to one of our U.S. subsidiary guarantors.

(2) Collectively referred to as the Parent Notes. Iron Mountain Incorporated ("IMI") is the direct obligor on the Parent Notes, which are fully and unconditionally guaranteed, on a senior subordinated basis, by substantially all of its direct and indirect wholly owned U.S. subsidiaries (the "Guarantors"). These guarantees are joint and several obligations of the Guarantors. Iron

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Mountain Canada Corporation ("Canada Company") and the remainder of our subsidiaries do not guarantee the Parent Notes.

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

On April 16, 2007, we entered into a new credit agreement (the "Credit Agreement") to replace the existing IMI revolving credit and term loan facilities of $750 million and the existing IME revolving credit and term loan facilities of 200 million British pounds sterling. On November 9, 2007, we increased the aggregate amount available to be borrowed under the Credit Agreement from $900 million to $1.2 billion. The Credit Agreement consists of revolving credit facilities where we can borrow, subject to certain limitations as defined in the Credit Agreement, up to an aggregate amount of $790 million (including Canadian dollar and multi-currency revolving credit facilities), and a $410 million term loan facility. In the third quarter of 2008, the capacity under our revolving credit facility was decreased from an aggregate amount of $790 million to an aggregate amount of $765 million due to the bankruptcy of one of our lenders. Our revolving credit facility is supported by a group of 24 banks. Our subsidiaries, Canada Company and Iron Mountain Switzerland GmbH, may borrow directly under the Canadian revolving credit and multi-currency revolving credit facilities, respectively. Additional subsidiary borrowers may be added under the multi-currency revolving credit facility. The revolving credit facility terminates on April 16, 2012. With respect to the term loan facility, quarterly loan payments of approximately $1.0 million are required through maturity on April 16, 2014, at which time the remaining outstanding principal balance of the term loan facility is due. The interest rate on borrowings under the Credit Agreement varies depending on our choice of interest rate and currency options, plus an applicable margin. IMI guarantees the obligations of each of the subsidiary borrowers under the Credit Agreement, and substantially all of our U.S. subsidiaries guarantee the obligations of IMI and the subsidiary borrowers. 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 the Credit Agreement, together with all intercompany obligations of foreign subsidiaries owed to us or to one of our U.S. subsidiary guarantors. As of June 30, 2009, we had $161.3 million of outstanding borrowings under the revolving credit facility, all of which were denominated in Australian dollars (9.0 million) and in Canadian dollars (CAD 178.0 million); we also had various outstanding letters of credit totaling $39.2 million. The remaining availability, based on IMI's leverage ratio, which is calculated based on the last 12 months' EBITDA as defined in the Credit Agreement and current external debt, under the revolving credit facility on June 30, 2009, was $564.5 million. The interest rate in effect under the revolving credit facility and term loan facility was 4.8% and 2.2%, respectively, as of June 30, 2009.

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 and our indentures and other agreements governing our indebtedness. Our revolving credit and term loan facilities, as well as our indentures, use earnings before interest, taxes, depreciation and amortization ("EBITDA") based calculations as primary measures of financial performance, including leverage ratios. IMI's revolving credit and term leverage ratio was 3.8 and 3.6 as of December 31, 2008 and June 30, 2009, respectively, compared to a maximum allowable ratio of 5.5 under our Credit Agreement. Similarly, our bond leverage ratio, per the indentures, was 4.5 and 4.2 as of December 31, 2008 and June 30, 2009, respectively, compared to a maximum allowable ratio of 6.5. Noncompliance with these leverage ratios would have a material adverse effect on our financial condition and liquidity. We were in compliance with all debt covenants in material agreements as of June 30, 2009.

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Our ability to pay interest on or to refinance our indebtedness depends on our future performance, working capital levels and capital structure, which are subject to general economic, financial, competitive, legislative, regulatory and other factors which may be beyond our control. There can be no assurance that we will generate sufficient cash flow from our operations or that future financings will be available on acceptable terms or in amounts sufficient to enable us to service or refinance our indebtedness, or to make necessary capital expenditures.

We expect to meet our cash flow requirements for the next twelve months from cash generated from operations, existing cash, cash equivalents, borrowings under the Credit Agreement and other financings, which may include secured credit facilities, securitizations and mortgage or capital lease financings. We expect to meet our long-term cash flow requirements using the same means described above, as well as the potential issuance of debt or equity securities as we deem appropriate. See Note 3, 5, and 8 to Notes to Consolidated Financial Statements.

*Net Operating Loss, Alternative Minimum Tax and Foreign Tax Credit Carryforwards*

We have federal net operating loss carryforwards which begin to expire in 2018 through 2024 of $34.1 million at June 30, 2009 to reduce future federal taxable income. We have an asset for state net operating losses of $23.3 million (net of federal tax benefit), which begins to expire in 2009 through 2025, subject to a valuation allowance of approximately 99%. We have assets for foreign net operating losses of $22.9 million, with various expiration dates, subject to a valuation allowance of approximately 95%. Additionally, we have federal alternative minimum tax credit carryforwards of $1.6 million, which have no expiration date and are available to reduce future income taxes; federal research credits of $1.7 million which begin to expire in 2010; and foreign tax credits of $54.7 million, which begin to expire in 2014 through 2018.

*Inflation*

Certain of our expenses, such as wages and benefits, insurance, occupancy costs and equipment repair and replacement, are subject to normal inflationary pressures. Although to date we have been able to offset inflationary cost increases through increased operating efficiencies and the negotiation of favorable long-term real estate leases, we can give no assurance that we will be able to offset any future inflationary cost increases through similar efficiencies, leases or increased storage or service charges.

**Item 4. Controls and Procedures**

The term "disclosure controls and procedures" is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These rules refer to the controls and other procedures of a company that are designed to ensure that information is recorded, processed, summarized and communicated to management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding what is required to be disclosed by a company in the reports that it files under the Exchange Act. As of June 30, 2009 (the "Evaluation Date"), we carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of our disclosure controls and procedures. Based upon that evaluation, our chief executive officer and chief financial officer have concluded that, as of the Evaluation Date, our disclosure controls and procedures are effective.

There have been no changes in our internal control over financial reporting during the quarter ended June 30, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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## Part II. Other Information

### Item 4. Submission of Matters to a Vote of Security-Holders

The following matters were voted on by our stockholders at the Annual Meeting of Stockholders held on June 4, 2009.

**(a) Election of directors to serve until the Year 2010 Annual Meeting of Stockholders, or until their successors are elected and qualified**

| | Total Votes For Each Director | Total Votes Withheld From Each Director |
|---|---|---|
| Clarke H. Bailey | 183,030,507 | 1,386,479 |
| Constantin R. Boden | 183,390,634 | 1,026,352 |
| Robert T. Brennan | 183,714,413 | 702,573 |
| Kent P. Dauten | 183,024,520 | 1,392,466 |
| Michael Lamach | 183,567,512 | 849,474 |
| Arthur D. Little | 183,437,671 | 979,315 |
| C. Richard Reese | 183,410,787 | 1,006,199 |
| Vincent J. Ryan | 183,401,496 | 1,015,490 |
| Laurie A. Tucker | 184,260,698 | 156,288 |

**(b) Ratification of the selection by the Audit Committee of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the year ending December 31, 2009**

| For | Against | Abstain |
|---|---|---|
| 184,044,799 | 332,893 | 39,293 |

### Item 6. Exhibits

**(a) Exhibits**

| Exhibit No. | Description |
|---|---|
| 12 | Statement re: Computation of Ratios. |
| 31.1 | Rule 13a-14(a) Certification of Chief Executive Officer. |
| 31.2 | Rule 13a-14(a) Certification of Chief Financial Officer. |
| 32.1 | Section 1350 Certification of Chief Executive Officer. |
| 32.2 | Section 1350 Certification of Chief Financial Officer. |

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

IRON MOUNTAIN INCORPORATED

July 31, 2009
(DATE)

By: /s/ BRIAN P. MCKEON

Brian P. McKeon
*Executive Vice President and*
*Chief Financial Officer*
*(Principal Financial and Accounting Officer)*