IRON MOUNTAIN INC
Form 10-Q
July 30, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q
(Mark One)

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

For the Quarterly Period Ended June 30, 2015

OR

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

For the Transition Period from to

Commission file number 1-13045

IRON MOUNTAIN INCORPORATED
(Exact Name of Registrant as Specified in Its Charter)

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

One Federal Street, Boston, Massachusetts 02110
(Address of Principal Executive Offices, Including Zip Code)

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

Number of shares of the registrant's Common Stock outstanding at July 24, 2015: 210,825,694

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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, 2014	June 30, 2015
ASSETS		
Current Assets:		
Cash and cash equivalents	$125,933	$117,098
Restricted cash	33,860	—
Accounts receivable (less allowances of $32,141 and $35,852 as of December 31, 2014 and June 30, 2015, respectively)	604,265	596,252
Deferred income taxes	14,192	21,609
Prepaid expenses and other	139,469	139,768
Total Current Assets	917,719	874,727
Property, Plant and Equipment:		
Property, plant and equipment	4,668,705	4,681,792
Less—Accumulated depreciation	(2,117,978)	(2,188,779)
Property, Plant and Equipment, net	2,550,727	2,493,013
Other Assets, net:		
Goodwill	2,423,783	2,388,697
Customer relationships and acquisition costs	607,837	595,468
Deferred financing costs	47,077	43,827
Other	23,199	26,845
Total Other Assets, net	3,101,896	3,054,837
Total Assets	$6,570,342	$6,422,577
LIABILITIES AND EQUITY		
Current Liabilities:		
Current portion of long-term debt	$52,095	$70,235
Accounts payable	203,014	162,238
Accrued expenses	404,485	333,811
Deferred revenue	197,142	185,851
Total Current Liabilities	856,736	752,135
Long-term Debt, net of current portion	4,611,436	4,718,915
Other Long-term Liabilities	73,506	79,124
Deferred Rent	104,051	100,336
Deferred Income Taxes	54,658	49,842
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 209,818,812 shares and 210,798,520 shares as of December 31, 2014 and June 30, 2015, respectively)	2,098	2,108
Additional paid-in capital	1,588,841	1,603,278
(Distributions in excess of earnings) Earnings in excess of distributions	(659,553)	(766,849)

Accumulated other comprehensive items, net	(75,031)	(129,750)
Total Iron Mountain Incorporated Stockholders' Equity	856,355	708,787
Noncontrolling Interests	13,600	13,438
Total Equity	869,955	722,225
Total Liabilities and Equity	$6,570,342	$6,422,577

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,	
	2014	2015
Revenues:		
Storage rental	$466,889	$461,209
Service	320,003	298,525
Total Revenues	786,892	759,734
Operating Expenses:		
Cost of sales (excluding depreciation and amortization)	336,961	326,283
Selling, general and administrative	213,807	215,885
Depreciation and amortization	88,941	87,549
(Gain) Loss on disposal/write-down of property, plant and equipment (excluding real estate), net	(107)	515
Total Operating Expenses	639,602	630,232
Operating Income (Loss)	147,290	129,502
Interest Expense, Net (includes Interest Income of $1,378 and $831 for the three months ended June 30, 2014 and 2015, respectively)	62,201	66,087
Other (Income) Expense, Net	(4,838)	2,004
Income (Loss) from Continuing Operations Before (Benefit) Provision for Income Taxes	89,927	61,411
(Benefit) Provision for Income Taxes	(182,775)	7,404
Income (Loss) from Continuing Operations	272,702	54,007
(Loss) Income from Discontinued Operations, Net of Tax	(326)	—
Net Income (Loss)	272,376	54,007
Less: Net Income (Loss) Attributable to Noncontrolling Interests	739	677
Net Income (Loss) Attributable to Iron Mountain Incorporated	$271,637	$53,330
Earnings (Losses) per Share—Basic:		
Income (Loss) from Continuing Operations	$1.42	$0.26
Total (Loss) Income from Discontinued Operations	$—	$—
Net Income (Loss) Attributable to Iron Mountain Incorporated	$1.41	$0.25
Earnings (Losses) per Share—Diluted:		
Income (Loss) from Continuing Operations	$1.41	$0.25
Total (Loss) Income from Discontinued Operations	$—	$—
Net Income (Loss) Attributable to Iron Mountain Incorporated	$1.40	$0.25
Weighted Average Common Shares Outstanding—Basic	192,381	210,699
Weighted Average Common Shares Outstanding—Diluted	193,526	212,077
Dividends Declared per Common Share	$0.2705	$0.4752

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, 2014	2015
Revenues:		
Storage rental	$925,778	$920,081
Service	631,240	588,939
Total Revenues	1,557,018	1,509,020
Operating Expenses:		
Cost of sales (excluding depreciation and amortization)	672,106	647,937
Selling, general and administrative	428,587	412,299
Depreciation and amortization	175,374	173,500
Loss (Gain) on disposal/write-down of property, plant and equipment (excluding real estate), net	1,045	848
Total Operating Expenses	1,277,112	1,234,584
Operating Income (Loss)	279,906	274,436
Interest Expense, Net (includes Interest Income of $2,904 and $1,645 for the six months ended June 30, 2014 and 2015, respectively)	124,513	130,985
Other Expense (Income), Net	479	24,353
Income (Loss) from Continuing Operations Before (Benefit) Provision for Income Taxes and Gain on Sale of Real Estate	154,914	119,098
(Benefit) Provision for Income Taxes	(153,041)	23,352
Gain on Sale of Real Estate, Net of Tax	(7,468)	—
Income (Loss) from Continuing Operations	315,423	95,746
(Loss) Income from Discontinued Operations, Net of Tax	(938)	—
Net Income (Loss)	314,485	95,746
Less: Net Income (Loss) Attributable to Noncontrolling Interests	1,181	1,320
Net Income (Loss) Attributable to Iron Mountain Incorporated	$313,304	$94,426
Earnings (Losses) per Share—Basic:		
Income (Loss) from Continuing Operations	$1.64	$0.45
Total (Loss) Income from Discontinued Operations	$—	$—
Net Income (Loss) Attributable to Iron Mountain Incorporated	$1.63	$0.45
Earnings (Losses) per Share—Diluted:		
Income (Loss) from Continuing Operations	$1.63	$0.45
Total (Loss) Income from Discontinued Operations	$—	$—
Net Income (Loss) Attributable to Iron Mountain Incorporated	$1.62	$0.45
Weighted Average Common Shares Outstanding—Basic	192,130	210,468
Weighted Average Common Shares Outstanding—Diluted	193,298	212,163
Dividends Declared per Common Share	$0.5405	$0.9499

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,	
	2014	2015
Net Income (Loss)	$272,376	$54,007
Other Comprehensive Income (Loss):		
Foreign Currency Translation Adjustments	4,526	1,000
Market Value Adjustments for Securities	548	—
Total Other Comprehensive Income (Loss)	5,074	1,000
Comprehensive Income (Loss)	277,450	55,007
Comprehensive Income (Loss) Attributable to Noncontrolling Interests	1,165	345
Comprehensive Income (Loss) Attributable to Iron Mountain Incorporated	$276,285	$54,662

	Six Months Ended June 30,	
	2014	2015
Net Income (Loss)	$314,485	$95,746
Other Comprehensive Income (Loss):		
Foreign Currency Translation Adjustments	6,314	(55,175)
Market Value Adjustments for Securities	548	23
Total Other Comprehensive Income (Loss)	6,862	(55,152)
Comprehensive Income (Loss)	321,347	40,594
Comprehensive Income (Loss) Attributable to Noncontrolling Interests	1,718	887
Comprehensive Income (Loss) Attributable to Iron Mountain Incorporated	$319,629	$39,707

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

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IRON MOUNTAIN INCORPORATED
CONSOLIDATED STATEMENTS OF EQUITY
(In Thousands, except Share Data)
(Unaudited)

		Iron Mountain Incorporated Stockholders' Equity					
		Common Stock					
	Total	Shares	Amounts	Additional Paid-in Capital	(Distributions in Excess of Earnings) Earnings in Excess of Distributions	Accumulated Other Comprehensive Items, Net	Noncontrolling Interests
Balance, December 31, 2013	$1,051,734	191,426,920	$1,914	$980,164	$67,820	$(8,660)	$10,496
Issuance of shares under employee stock purchase plan and option plans and stock-based compensation, including tax charge of $66	32,849	1,565,924	16	32,833	—	—	—
Parent cash dividends declared	(104,776)	—	—	—	(104,776)	—	—
Currency translation adjustment	6,314	—	—	—	—	5,777	537
Market value adjustments for securities	548	—	—	—	—	548	—
Net income (loss)	314,485	—	—	—	313,304	—	1,181
Noncontrolling interests dividends	(699)	—	—	—	—	—	(699)
Purchase of noncontrolling interests	(3,305)	—	—	(805)	—	—	(2,500)
Balance, June 30, 2014	$1,297,150	192,992,844	$1,930	$1,012,192	$276,348	$(2,335)	$9,015

		Iron Mountain Incorporated Stockholders' Equity					
		Common Stock					
	Total	Shares	Amounts	Additional Paid-in Capital	(Distributions in Excess of Earnings) Earnings in Excess of Distributions	Accumulated Other Comprehensive Items, Net	Noncontrolling Interests
Balance, December 31, 2014	$869,955	209,818,812	$2,098	$1,588,841	$(659,553)	$(75,031)	$13,600
Issuance of shares under employee stock purchase plan and	14,447	979,708	10	14,437	—	—	—

option plans and stock-based compensation, including tax benefit of $260							
Parent cash dividends declared	(201,722)	—	—	—	(201,722)	—	—
Currency translation adjustment	(55,175)	—	—	—	—	(54,742)	(433)
Market value adjustments for securities	23	—	—	—	—	23	—
Net income (loss)	95,746	—	—	—	94,426	—	1,320
Noncontrolling interests dividends	(1,049)	—	—	—	—	—	(1,049)
Balance, June 30, 2015	$722,225	210,798,520	$2,108	$1,603,278	$(766,849)	$(129,750)	$ 13,438

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, 2014	2015
Cash Flows from Operating Activities:		
Net income (loss)	$314,485	$95,746
Loss (income) from discontinued operations	938	—
Adjustments to reconcile net income (loss) to cash flows from operating activities:		
Depreciation	151,117	151,015
Amortization (includes deferred financing costs and bond discount of $3,701 and $4,360, for the six months ended June 30, 2014 and 2015, respectively)	27,958	26,845
Stock-based compensation expense	14,458	14,777
(Benefit) Provision for deferred income taxes	(242,113)	(9,088)
(Gain) Loss on disposal/write-down of property, plant and equipment, net (including real estate)	(8,414)	848
Foreign currency transactions and other, net	(8,577)	(2,763)
Changes in Assets and Liabilities (exclusive of acquisitions):		
Accounts receivable	(12,586)	4,943
Prepaid expenses and other	10,901	3,992
Accounts payable	(16,625)	(22,819)
Accrued expenses and deferred revenue	(44,444)	(81,091)
Other assets and long-term liabilities	8,503	(2,667)
Cash Flows from Operating Activities	195,601	179,738
Cash Flows from Investing Activities:		
Capital expenditures	(188,745)	(139,356)
Cash paid for acquisitions, net of cash acquired	(46,366)	(21,714)
Decrease (increase) in restricted cash	—	33,860
Additions to customer relationship and acquisition costs	(17,210)	(24,207)
Proceeds from sales of property and equipment and other, net (including real estate)	17,608	805
Cash Flows from Investing Activities	(234,713)	(150,612)
Cash Flows from Financing Activities:		
Repayment of revolving credit and term loan facilities and other debt	(5,307,846)	(4,915,045)
Proceeds from revolving credit and term loan facilities and other debt	5,704,569	5,075,035
Early retirement of senior subordinated notes	(247,275)	—
Debt (repayment to) financing from and equity (distribution to) contribution from noncontrolling interests, net	(2,083)	(830)
Parent cash dividends	(104,861)	(203,229)
Proceeds from exercise of stock options and employee stock purchase plan	17,818	9,454
Excess tax (deficiency) benefit from stock-based compensation	(66)	260
Payment of debt financing and stock issuance costs	(429)	(1,114)
Cash Flows from Financing Activities	59,827	(35,469)
Effect of Exchange Rates on Cash and Cash Equivalents	4,102	(2,492)
Increase (Decrease) in Cash and Cash Equivalents	24,817	(8,835)
Cash and Cash Equivalents, Beginning of Period	120,526	125,933

Cash and Cash Equivalents, End of Period	$145,343	$117,098
Supplemental Information:		
Cash Paid for Interest	$126,929	$129,518
Cash Paid for Income Taxes	$77,894	$23,151
Non-Cash Investing and Financing Activities:		
Capital Leases	$9,138	$21,481
Accrued Capital Expenditures	$36,642	$31,116
Dividends Payable	$55,057	$4,675

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

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IRON MOUNTAIN INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands, Except Share and Per Share Data)
(Unaudited)

(1) General

The interim consolidated financial statements are presented herein and, in the opinion of management, reflect all adjustments of a normal recurring nature necessary for a fair presentation. Interim results are not necessarily indicative of results for a full year. Iron Mountain Incorporated, a Delaware corporation ("IMI"), and its subsidiaries ("we" or "us") store records, primarily paper documents and data backup media, and provide information management services in various locations throughout North America, Europe, Latin America and Asia Pacific. We have a diversified customer base consisting of commercial, legal, banking, healthcare, accounting, insurance, entertainment and government organizations.

The unaudited consolidated financial statements have been prepared pursuant to the rules and regulations of the United States Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been omitted pursuant to those rules and regulations, but we believe that the disclosures included herein are adequate to make the information presented not misleading. The Consolidated Financial Statements and Notes thereto, which are included herein, should be read in conjunction with the Consolidated Financial Statements and Notes thereto for the year ended December 31, 2014 included in our Current Report on Form 8-K filed with the SEC on May 7, 2015.

We have been organized and operating as a real estate investment trust for federal income tax purposes ("REIT") effective for our taxable year beginning January 1, 2014.

(2) Summary of Significant Accounting Policies

a. Principles of Consolidation

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

b. Cash, Cash Equivalents and Restricted Cash

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

At December 31, 2014, we had $33,860 of restricted cash associated with a collateral trust agreement with our insurance carrier related to our workers' compensation self-insurance program included in current assets on our Consolidated Balance Sheet. The restricted cash consisted primarily of United States Treasuries. We had no restricted cash at June 30, 2015.

c. Foreign Currency

Local currencies are the functional currencies for our operations outside the United States, with the exception of certain foreign holding companies and our financing centers in Switzerland, whose functional currency is the United States dollar. In those instances where the local currency is the functional currency, assets and liabilities are translated at period-end exchange rates, and revenues and expenses are translated at average exchange rates for the applicable period. Resulting translation adjustments are reflected in the accumulated other comprehensive items, net component of Iron Mountain Incorporated Stockholders' Equity and Noncontrolling Interests in the accompanying Consolidated Balance Sheets. The gain or loss on foreign currency transactions, calculated as the difference between the historical exchange rate and the exchange rate at the applicable measurement date, including those related to (1) our previously outstanding $7^1/_4$% GBP Senior Subordinated Notes due 2014 (the "$7^1/_4$% Notes"), (2) our $6^3/_4$% Euro Senior Subordinated Notes due 2018 (the "$6^3/_4$% Notes"), (3) borrowings in certain foreign currencies under our revolving credit facility and (4) certain foreign currency denominated intercompany obligations of our foreign subsidiaries to us and between our foreign subsidiaries, which are not considered permanently invested, are included in other expense (income), net, in the accompanying Consolidated Statements of Operations.

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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)

Total (gain) loss on foreign currency transactions for the three and six months ended June 30, 2014 and 2015 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2015	2014	2015
Total (gain) loss on foreign currency transactions	$(4,347)	$1,656	$2,091	$23,922

d. Goodwill and Other Intangible Assets

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

We have selected October 1 as our annual goodwill impairment review date. We performed our most recent annual goodwill impairment review as of October 1, 2014 and concluded there was no impairment of goodwill at such date. As of December 31, 2014 and June 30, 2015, no factors were identified that would alter our October 1, 2014 goodwill assessment. In making this assessment, we relied on a number of factors including operating results, business plans, anticipated future cash flows, transactions and marketplace data. There are inherent uncertainties related to these factors and our judgment in applying them to the analysis of goodwill impairment. When changes occur in the composition of one or more reporting units, the goodwill is reassigned to the reporting units affected based on their relative fair values.

Our reporting units at which level we performed our goodwill impairment analysis as of October 1, 2014 were as follows: (1) North American Records and Information Management; (2) technology escrow services that protect and manage source code (“Intellectual Property Management”); (3) the storage, assembly and detailed reporting of customer marketing literature and delivery to sales offices, trade shows and prospective customers’ sites based on current and prospective customer orders (“Fulfillment Services”); (4) North American Data Management; (5) Emerging Businesses (which primarily relates to our data center business in the United States and which is a component of our Corporate and Other Business segment); (6) the United Kingdom, Ireland, Norway, Austria, Belgium, France, Germany, Netherlands, Spain and Switzerland (“New Western Europe”); (7) the remaining countries in Europe in which we operate, excluding Russia, Ukraine and Denmark (“Emerging Markets - Eastern Europe” (formerly referred to as the "New Emerging Markets" reporting unit)); (8) Latin America; (9) Australia and Singapore; (10) China and Hong Kong (“Greater China”); (11) India; and (12) Russia, Ukraine and Denmark.

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 carrying value of goodwill, net for each of our reporting units as of December 31, 2014 was as follows:

	Carrying Value as of December 31, 2014
North American Records and Information Management(1)	$1,397,484
Intellectual Property Management(1)	38,491
Fulfillment Services(1)	3,247
North American Data Management(2)	375,957
Emerging Businesses(3)	—
New Western Europe(4)	354,049
Emerging Markets - Eastern Europe(5)	87,408
Latin America(5)	107,240
Australia and Singapore(5)	55,779
Greater China(5)	3,500
India(5)	—
Russia, Ukraine and Denmark(5)	628
Total	$2,423,783

(1) This reporting unit is included in the North American Records and Information Management Business segment.
(2) This reporting unit is included in the North American Data Management Business segment.
(3) This reporting unit is included in the Corporate and Other Business segment.
(4) This reporting unit is included in the Western European Business segment.
(5) This reporting unit is included in the Other International Business segment.

Beginning January 1, 2015, as a result of the changes in our reportable operating segments associated with our reorganization (see Note 7 for a description of our reportable operating segments), we reassessed the composition of our reporting units. Our North American Records and Information Management Business segment now consists of two reporting units: (1) North American Records and Information Management (which includes Intellectual Property Management and Fulfillment Services) and (2) North American Secure Shredding. Our Western European Business segment now consists of two reporting units: (1) the United Kingdom, Ireland and Norway ("UKI") and (2) Austria, Belgium, France, Germany, Netherlands, Spain and Switzerland ("Continental Western Europe"). We have reassigned goodwill associated with the reporting units impacted by the reorganization among the new reporting units on a relative fair value basis. The fair value of each of our new reporting units was determined based on the application of a combined weighted average approach of preliminary fair value multiples of revenue and earnings and discounted cash flow techniques. These fair values represent our best estimate and preliminary assessment of goodwill allocations to each of the new reporting units on a relative fair value basis.

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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 carrying value of goodwill, net for each of our reporting units as of June 30, 2015 is as follows:

	Carrying Value as of June 30, 2015
North American Records and Information Management(1)(2)	$1,389,683
North American Secure Shredding(1)(2)	40,884
North American Data Management(3)	373,698
Emerging Businesses(4)	3,036
UKI(1)(5)	272,226
Continental Western Europe(1)(5)	75,015
Emerging Markets - Eastern Europe(6)	81,772
Latin America(6)	95,445
Australia and Singapore(6)	52,836
Greater China(6)	3,525
India(6)	—
Russia, Ukraine and Denmark(6)	577
Total	$2,388,697

(1) We will finalize our preliminary estimates of fair value for these new reporting units once we finalize multi-year cash flow forecasts of such reporting units and conclude on the fair value of each new reporting unit based on the combined weighting of both fair value multiples and discounted cash flow techniques. To the extent final fair values of our new reporting units differ from our preliminary estimates, we will reassign goodwill amongst the new reporting units in a future period in which the final information is available to complete the fair values and the corresponding allocation of goodwill amongst the new reporting units.
(2) This reporting unit is included in the North American Records and Information Management Business segment.
(3) This reporting unit is included in the North American Data Management Business segment.
(4) This reporting unit is included in the Corporate and Other Business segment.
(5) This reporting unit is included in the Western European Business segment.
(6) This reporting unit is included in the Other International Business segment.

As a result of the change in the composition of our reporting units noted above, we concluded that we had an interim triggering event, and, therefore, during the first quarter of 2015, we performed an interim goodwill impairment test, as of January 1, 2015, for the North American Records and Information Management, North American Secure Shredding, UKI and Continental Western Europe reporting units. We concluded that the goodwill for each of our new reporting units was not impaired as of such date. While we continue to refine our preliminary estimates of fair value of certain of our new reporting units for purposes of reallocating goodwill, we do not believe that any such changes to preliminary fair value estimates will result in a change in our conclusion that there is no goodwill impairment as of January 1, 2015.

(In Thousands, Except Share and Per Share Data)

(2) Summary of Significant Accounting Policies (Continued)

The changes in the carrying value of goodwill attributable to each reportable operating segment for the six months ended June 30, 2015 are as follows:

	North American Records and Information Management Business	North American Data Management Business	Western European Business	Other International Business	Corporate and Other Business	Total Consolidated
Gross Balance as of December 31, 2014	$1,645,209	$429,982	$412,322	$ 254,706	$—	$2,742,219
Deductible goodwill acquired during the year	1,638	409	—	—	3,036	5,083
Non-deductible goodwill acquired during the year	239	24	1,241	1,764	—	3,268
Fair value and other adjustments(1)	99	(25)	(365)	(1,111)	—	(1,402)
Currency effects	(11,163)	(2,800)	(9,155)	(21,062)	—	(44,180)
Gross Balance as of June 30, 2015	$1,636,022	$427,590	$404,043	$ 234,297	$3,036	$2,704,988
Accumulated Amortization Balance as of December 31, 2014	$205,987	$54,025	$58,273	$ 151	$—	$318,436
Currency effects	(532)	(133)	(1,471)	(9)	—	(2,145)
Accumulated Amortization Balance as of June 30, 2015	$205,455	$53,892	$56,802	$ 142	$—	$316,291
Net Balance as of December 31, 2014	$1,439,222	$375,957	$354,049	$ 254,555	$—	$2,423,783
Net Balance as of June 30, 2015	$1,430,567	$373,698	$347,241	$ 234,155	$3,036	$2,388,697
Accumulated Goodwill Impairment Balance as of December 31, 2014	$85,909	$—	$46,500	$ —	$—	$132,409
Accumulated Goodwill Impairment Balance as of June 30, 2015	$85,909	$—	$46,500	$ —	$—	$132,409

(1) Total fair value and other adjustments primarily include $672 in net adjustments to deferred income taxes and $(5,680) related to customer relationships and acquisition costs and other assumed liabilities, as well as $3,606 of cash paid related to certain 2014 acquisitions.

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The components of our amortizable intangible assets as of December 31, 2014 and June 30, 2015 are as follows:

	December 31, 2014			June 30, 2015		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer Relationships and Acquisition Costs	$904,866	$(297,029)	$607,837	$913,523	$(318,055)	$595,468
Core Technology(1)	3,568	(3,540)	28	3,414	(3,414)	—
Trademarks and Non-Compete Agreements(1)	7,062	(5,068)	1,994	6,908	(5,086)	1,822
Deferred Financing Costs	63,033	(15,956)	47,077	63,805	(19,978)	43,827
Total	$978,529	$(321,593)	$656,936	$987,650	$(346,533)	$641,117

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

Amortization expense associated with amortizable intangible assets (including deferred financing costs) for the three and six months ended June 30, 2014 and 2015 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2015	2014	2015
Amortization expense associated with amortizable intangible assets (including deferred financing costs)	$14,332	$13,593	$27,958	$26,845

e. Stock-Based Compensation

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

Stock-based compensation expense for Employee Stock-Based Awards included in the accompanying Consolidated Statements of Operations for the three and six months ended June 30, 2014 was $7,317 ($5,417 after tax or $0.03 per basic and diluted share) and $14,458 ($10,551 after tax or $0.05 per basic and diluted share), respectively.

Stock-based compensation expense for Employee Stock-Based Awards for the three and six months ended June 30, 2015 was $7,921 ($5,467 after tax or $0.03 per basic and diluted share) and $14,777 ($10,413 after tax or $0.05 per basic and diluted share), respectively.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2015	2014	2015
Cost of sales (excluding depreciation and amortization)	$189	$46	$379	$91
Selling, general and administrative expenses	7,128	7,875	14,079	14,686
Total stock-based compensation	$7,317	$7,921	$14,458	$14,777

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The benefits associated with the tax deductions in excess of recognized compensation cost are required to be reported as financing activities in the accompanying Consolidated Statements of Cash Flows. This requirement reduces reported operating cash flows and increases reported financing cash flows. As a result, net financing cash flows from continuing operations included $(66) and $260 for the six months ended June 30, 2014 and 2015, respectively, from the (deficiency) benefit of tax deductions compared to recognized compensation cost. The tax benefit of any resulting excess tax deduction increases the Additional Paid-in Capital ("APIC") pool. Any resulting tax deficiency is deducted from the APIC pool.

Stock Options

Under our various stock option plans, options are generally granted with exercise prices equal to the market price of the stock on the date of grant; however, in certain instances, options are granted at prices greater than the market price of the stock on the date of grant. Certain of the options we issue become exercisable ratably over a period of ten years from the date of grant and have a contractual life of 12 years from the date of grant, unless the holder's employment is terminated sooner. As of June 30, 2015, ten-year vesting options represented 7.4% of total outstanding options. Certain of the options we issue become exercisable ratably over a period of five years from the date of grant and have a contractual life of ten years from the date of grant, unless the holder's employment is terminated sooner. As of June 30, 2015, five-year vesting options represented 46.1% of total outstanding options. The remainder of options we issue become exercisable ratably over a period of three years from the date of grant and have a contractual life of ten years from the date of grant, unless the holder's employment is terminated sooner. As of June 30, 2015, three-year vesting options represented 46.5% of total outstanding options. Our non-employee directors are considered employees for purposes of our stock option plans and stock option reporting. Options granted to our non-employee directors become exercisable immediately upon grant.

The weighted average fair value of options granted for the six months ended June 30, 2014 and 2015 was $5.60 and $4.99 per share, respectively. These values were estimated on the date of grant using the Black-Scholes option pricing model. The weighted average assumptions used for grants in the respective period are as follows:

	Six Months Ended June 30,			
Weighted Average Assumptions	2014		2015	
Expected volatility	33.9	%	28.6	%
Risk-free interest rate	2.06	%	1.70	%
Expected dividend yield	4	%	5	%
Expected life	6.8 years		5.5 years	

Expected volatility is calculated utilizing daily historical volatility over a period that equates to the expected life of the option. The risk-free interest rate was based on the United States Treasury interest rates whose term is consistent with the expected life of the stock options. Expected dividend yield is considered in the option pricing model and represents our current annualized expected per share dividends over the current trade price of our common stock. The expected life (estimated period of time outstanding) of the stock options granted is estimated using the historical exercise behavior of employees.

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A summary of option activity for the six months ended June 30, 2015 is as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Average Intrinsic Value
Outstanding at December 31, 2014	3,678,246	$23.37		
Granted	696,722	43.64		
Exercised	(350,910)	21.03		
Forfeited	(20,729)	23.63		
Expired	(11,045)	22.15		
Outstanding at June 30, 2015	3,992,284	$27.11	5.74	$24,551
Options exercisable at June 30, 2015	2,728,453	$22.67	4.30	$22,715
Options expected to vest	1,178,890	$36.57	8.85	$1,743

The aggregate intrinsic value of stock options exercised for the three and six months ended June 30, 2014 and 2015 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2015	2014	2015
Aggregate intrinsic value of stock options exercised	$7,556	$1,716	$8,533	$5,883

Restricted Stock and Restricted Stock Units

Under our various equity compensation plans, we may also grant restricted stock or RSUs. Our restricted stock and RSUs generally have a vesting period of between three and five years from the date of grant. However, beginning in 2015, RSUs granted to our non-employee directors now vest immediately upon grant. All RSUs accrue dividend equivalents associated with the underlying stock as we declare dividends. Dividends will generally be paid to holders of RSUs in cash upon the vesting date of the associated RSU and will be forfeited if the RSU does not vest. The fair value of restricted stock and RSUs is the excess of the market price of our common stock at the date of grant over the purchase price (which is typically zero).

Cash dividends accrued and paid on RSUs for the three and six months ended June 30, 2014 and 2015 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2015	2014	2015
Cash dividends on RSUs accrued	$416	$631	$850	$1,301
Cash dividends on RSUs paid	223	571	1,054	2,300

The fair value of restricted stock and RSUs vested during the three and six months ended June 30, 2014 and 2015 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2015	2014	2015
Fair value of restricted stock vested	$1	$—	$1	$—
Fair value of RSUs vested	3,704	3,600	17,548	19,184

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A summary of restricted stock and RSU activity for the six months ended June 30, 2015 is as follows:

	Restricted Stock and RSUs	Weighted-Average Grant-Date Fair Value
Non-vested at December 31, 2014	1,405,569	$28.78
Granted	524,896	38.59
Vested	(536,988)	30.94
Forfeited	(50,678)	32.14
Non-vested at June 30, 2015	1,342,799	$33.68

Performance Units

Under our various equity compensation plans, we may also make awards of PUs. For the majority of PUs, the number of PUs earned is determined based on our performance against predefined targets of revenue or revenue growth and return on invested capital ("ROIC"). The number of PUs earned may range from 0% to 150% (for PUs granted prior to 2014) and 0% to 200% (for PUs granted in 2014 and thereafter) of the initial award. The number of PUs earned is determined based on our actual performance as compared to the targets at the end of either the one-year performance period (for PUs granted prior to 2014) or the three-year performance period (for PUs granted in 2014 and thereafter). Certain PUs granted in 2013, 2014 and 2015 will be earned based on a market condition associated with the total return on our common stock in relation to a subset of the S&P 500 rather than the revenue growth and ROIC targets noted above. The number of PUs earned based on this market condition may range from 0% to 200% of the initial award. All of our PUs will be settled in shares of our common stock and are subject to cliff vesting three years from the date of the original PU grant. For those PUs subject to a one-year performance period, employees who subsequently terminate their employment after the end of the one-year performance period and on or after attaining age 55 and completing 10 years of qualifying service (the "Retirement Criteria") shall immediately and completely vest in any PUs earned based on the actual achievement against the predefined targets as discussed above (but delivery of the shares remains deferred). As a result, PUs subject to a one-year performance period are generally expensed over the shorter of (1) the vesting period, (2) achievement of the Retirement Criteria, which may occur as early as January 1 of the year following the year of grant or (3) a maximum of three years. For those PUs subject to a three-year performance period, employees who terminate their employment during the performance period and on or after meeting the Retirement Criteria are eligible for pro rated vesting, subject to the actual achievement against the predefined targets as discussed above, based on the number of full years of service completed following the grant date (but delivery of the shares remains deferred). As a result, PUs subject to a three-year performance period are generally expensed over the three-year performance period. Outstanding PUs accrue dividend equivalents associated with the underlying stock as we declare dividends. Dividends will generally be paid to holders of PUs in cash upon the settlement date of the associated PU and will be forfeited if the PU does not vest.

Cash dividends accrued and paid on PUs for the three and six months ended June 30, 2014 and 2015 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2015	2014	2015
Cash dividends on PUs accrued	$142	$214	$292	$425
Cash dividends on PUs paid	91	—	312	1,015

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During the six months ended June 30, 2015, we issued 139,446 PUs. The majority of our PUs are earned based on our performance against revenue or revenue growth and ROIC targets during their applicable performance period; therefore, we forecast the likelihood of achieving the predefined revenue, revenue growth and ROIC targets in order to calculate the expected PUs to be earned. We record a compensation charge based on either the forecasted PUs to be earned (during the applicable performance period) or the actual PUs earned (at the one-year anniversary date for PUs granted prior to 2014, and at the three-year anniversary date for PUs granted in 2014 and thereafter) over the vesting period for each of the awards. For PUs earned based on a market condition, we utilized a Monte Carlo simulation to fair value these awards at the date of grant, and such fair value is expensed over the three-year performance period. As of June 30, 2015, we expected 25% and 100% achievement of the predefined revenue, revenue growth and ROIC targets associated with the awards of PUs made in 2014 and 2015, respectively.

The fair value of earned PUs that vested during the three and six months ended June 30, 2014 and 2015 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2015	2014	2015
Fair value of earned PUs that vested	$2,266	$44	$6,296	$2,107

A summary of PU activity for the six months ended June 30, 2015 is as follows:

	Original PU Awards	PU Adjustment(1)	Total PU Awards	Weighted-Average Grant-Date Fair Value
Non-vested at December 31, 2014	461,666	(82,609)	379,057	$30.80
Granted	139,446	—	139,446	40.38
Vested	(80,035)	(4,350)	(84,385)	29.62
Forfeited	(19,038)	—	(19,038)	30.96
Non-vested at June 30, 2015	502,039	(86,959)	415,080	$34.25

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

Employee Stock Purchase Plan

We offer an ESPP in which participation is available to substantially all United States and Canadian employees who meet certain service eligibility requirements. The ESPP provides a way for our eligible employees to become stockholders on favorable terms. The ESPP provides for the purchase of our common stock by eligible employees through successive offering periods. We have historically had two six-month offering periods per year, the first of which generally runs from June 1 through November 30 and the second of which generally runs from December 1 through May 31. During each offering period, participating employees accumulate after-tax payroll contributions, up to a maximum of 15% of their compensation, to pay the purchase price at the end of the offering. Participating employees may withdraw from an offering before the purchase date and obtain a refund of the amounts withheld as payroll deductions. At the end of the offering period, outstanding options under the ESPP are exercised, and each employee's accumulated contributions are used to purchase our common stock. The price for shares purchased under the ESPP is 95% of the fair market price at the end of the offering period, without a look-back feature. As a result, we do not recognize compensation expense for the ESPP shares purchased. For the six months ended June 30, 2014 and 2015, there were 69,567 shares and 59,569 shares, respectively, purchased under the ESPP. As of June 30, 2015, we have 901,069 shares available under the ESPP.

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As of June 30, 2015, unrecognized compensation cost related to the unvested portion of our Employee Stock-Based Awards was $46,910 and is expected to be recognized over a weighted-average period of 2.2 years.
We generally issue shares of our common stock for the exercises of stock options, restricted stock, RSUs, PUs and shares of our common stock under our ESPP from unissued reserved shares.
f. Income (Loss) Per Share—Basic and Diluted
Basic income (loss) per common share is calculated by dividing income (loss) by the weighted average number of common shares outstanding. The calculation of diluted income (loss) per share is consistent with that of basic income (loss) per share but gives effect to all potential common shares (that is, securities such as options, warrants or convertible securities) that were outstanding during the period, unless the effect is antidilutive.
The calculation of basic and diluted income (loss) per share for the three and six months ended June 30, 2014 and 2015 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2015	2014	2015
Income (loss) from continuing operations	$272,702	$54,007	$315,423	$95,746
Total (loss) income from discontinued operations	$(326)	$—	$(938)	$—
Net income (loss) attributable to Iron Mountain Incorporated	$271,637	$53,330	$313,304	$94,426
Weighted-average shares—basic	192,381,000	210,699,000	192,130,000	210,468,000
Effect of dilutive potential stock options	762,416	958,714	722,609	1,091,022
Effect of dilutive potential restricted stock, RSUs and PUs	382,317	419,002	444,968	603,880
Weighted-average shares—diluted	193,525,733	212,076,716	193,297,577	212,162,902
Earnings (losses) per share—basic:				
Income (loss) from continuing operations	$1.42	$0.26	$1.64	$0.45
Total (loss) income from discontinued operations	$—	$—	$—	$—
Net income (loss) attributable to Iron Mountain Incorporated—basic	$1.41	$0.25	$1.63	$0.45
Earnings (losses) per share—diluted:				
Income (loss) from continuing operations	$1.41	$0.25	$1.63	$0.45
Total (loss) income from discontinued operations	$—	$—	$—	$—
Net income (loss) attributable to Iron Mountain Incorporated—diluted	$1.40	$0.25	$1.62	$0.45
Antidilutive stock options, RSUs and PUs, excluded from the calculation	1,457,975	1,335,373	1,419,469	846,803

g. Revenues

Our revenues consist of storage rental revenues as well as service revenues and are reflected net of sales and value added taxes. Storage rental revenues, which are considered a key driver of financial performance for the storage and information management services industry, consist primarily of recurring periodic rental charges related to the storage of materials or data (generally on a per unit basis). Service revenues include charges for related service activities, which include: (1) the handling of records, including the addition of new records, temporary removal of records from storage, refiling of removed records and the destruction of records; (2) courier operations, consisting primarily of the pickup and delivery of records upon customer request; (3) secure shredding of sensitive documents and the related sale of recycled paper, the price of which can fluctuate from period to period; (4) other services, including the scanning, imaging and document conversion services of active and inactive records, or Document Management Solutions ("DMS"), which relate to physical and digital records, and project revenues; (5) customer termination and permanent withdrawal fees; (6) data restoration projects; (7) special project work; (8) Fulfillment Services; (9) consulting services; and (10) Intellectual Property Management and other technology services and product sales (including specially designed storage containers and related supplies).

We recognize revenue when the following criteria are met: persuasive evidence of an arrangement exists, services have been rendered, the sales price is fixed or determinable and collectability of the resulting receivable is reasonably assured. Storage rental and service revenues are recognized in the month the respective storage rental or service is provided, and customers are generally billed on a monthly basis on contractually agreed-upon terms. Amounts related to future storage rental or prepaid service contracts for customers where storage rental fees or services are billed in advance are accounted for as deferred revenue and recognized ratably over the period the applicable storage rental or service is provided or performed. Revenues from the sales of products, which are included as a component of service revenues, are recognized when products are shipped and title has passed to the customer. Revenues from the sales of products have historically not been significant.

h. Allowance for Doubtful Accounts and Credit Memo Reserves

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

i. Income Taxes

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

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

Accounting for income taxes requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the tax and financial reporting bases of assets and liabilities and for loss and credit carryforwards. Valuation allowances are provided when recovery of deferred tax assets does not meet the more likely than not standard as defined in GAAP.

We have elected to recognize interest and penalties associated with uncertain tax positions as a component of the provision (benefit) for income taxes in the accompanying Consolidated Statements of Operations. We recorded a decrease of $631 and an increase of $335 for gross interest and penalties for the three and six months ended June 30, 2014, respectively. We recorded an increase of $637 and $1,579 for gross interest and penalties for the three and six months ended June 30, 2015, respectively. We had $5,884 and $6,756 accrued for the payment of interest and penalties as of December 31, 2014 and June 30, 2015, respectively.

As a result of our REIT conversion, we recorded a net tax benefit of $230,051 and $212,151 during the three and six months ended June 30, 2014, respectively, for the revaluation of certain deferred tax assets and liabilities and other income taxes associated with the REIT conversion. The other primary reconciling items between the federal statutory rate of 35% and our overall effective tax rate in the three and six months ended June 30, 2014 were a $36,084 increase in our tax provision recognized in the second quarter of 2014 associated with incremental federal and state income taxes and foreign withholding taxes on earnings of our foreign subsidiaries no longer considered permanently invested and other net tax benefit related to the REIT conversion of $18,763 and $33,835, respectively, primarily related to the dividends paid deduction.

Our effective tax rates for the three and six months ended June 30, 2015 were 12.1% and 19.6%, respectively. The primary reconciling items between the federal statutory rate of 35% and our overall effective tax rate in the three and six months ended June 30, 2015 were the benefit derived from the dividends paid deduction, differences in the rates of tax at which our foreign earnings are subject, including foreign exchange gains and losses in different jurisdictions with different tax rates and state income taxes (net of federal tax benefit).

As a REIT, we are entitled to a deduction for dividends paid, resulting in a substantial reduction of federal income tax expense. As a REIT, substantially all of our income tax expense will be incurred based on the earnings generated by our foreign subsidiaries and our domestic TRSs.

j. Concentrations of Credit Risk

Financial instruments that potentially subject us to credit risk consist principally of cash and cash equivalents (including money market funds and time deposits), restricted cash (primarily United States Treasuries) and accounts receivable. The only significant concentrations of liquid investments as of December 31, 2014 relate to cash and cash equivalents and restricted cash held on deposit and as of June 30, 2015 relate to cash and cash equivalents. At December 31, 2014, we had money market funds with two "Triple A" rated money market funds and time deposits with three global banks. At June 30, 2015, we had time deposits with three global banks and no money market funds. We consider the "Triple A" rated money market funds and the global banks to be large, highly-rated investment-grade institutions. As per our risk management investment policy, we limit exposure to concentration of credit risk by limiting the amount invested in any one mutual fund to a maximum of $50,000 or in any one financial institution to a maximum of $75,000. As of December 31, 2014 and June 30, 2015, our cash and cash equivalents and restricted cash balance was $159,793 and $117,098, respectively, including money market funds and time deposits amounting to $53,032 and $20,802, respectively. The money market funds were invested substantially in United States Treasuries.

k. Fair Value Measurements

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

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

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

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

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

The assets and liabilities carried at fair value measured on a recurring basis as of December 31, 2014 and June 30, 2015, respectively, are as follows:

Description	Total Carrying Value at December 31, 2014	Fair Value Measurements at December 31, 2014 Using Quoted prices in active markets (Level 1)		Significant other observable inputs (Level 2)		Significant unobservable inputs (Level 3)
Money Market Funds(1)	$36,828	$—		$36,828		$—
Time Deposits(1)	16,204	—		16,204		—
Trading Securities	13,172	12,428	(2)	744	(1)	—
Derivative Liabilities(3)	2,411	—		2,411		—

Description	Total Carrying Value at June 30, 2015	Fair Value Measurements at June 30, 2015 Using Quoted prices in active markets (Level 1)		Significant other observable inputs (Level 2)		Significant unobservable inputs (Level 3)
Time Deposits(1)	$20,802	$—		$20,802		$—
Trading Securities	10,960	10,086	(2)	874	(1)	—
Derivative Assets(3)	6,362	—		6,362		—

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

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

(3) Our derivative assets and liabilities relate to short-term (six months or less) foreign currency contracts that we have entered into to hedge certain of our intercompany exposures, as more fully disclosed at Note 3. We calculate the value of such forward contracts by adjusting the spot rate utilized at the balance sheet date for translation purposes by an estimate of the forward points observed in active markets.

Disclosures are required in the financial statements for items measured at fair value on a non-recurring basis. We did not have any material items that are measured at fair value on a non-recurring basis for the three and six months ended June 30, 2014 and 2015.

l. Use of Estimates

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

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(2) Summary of Significant Accounting Policies (Continued)

m. Accumulated Other Comprehensive Items, Net

The changes in accumulated other comprehensive items, net for the three months ended June 30, 2014 and 2015, respectively, are as follows:

	Foreign Currency Translation Adjustments	Market Value Adjustments for Securities	Total
Balance as of March 31, 2014	$(7,909)	$926	$(6,983)
Other comprehensive income (loss):			
Foreign currency translation adjustments	4,100	—	4,100
Market value adjustments for securities	—	548	548
Total other comprehensive income (loss)	4,100	548	4,648
Balance as of June 30, 2014	$(3,809)	$1,474	$(2,335)

	Foreign Currency Translation Adjustments	Market Value Adjustments for Securities	Total
Balance as of March 31, 2015	$(132,084)	$1,002	$(131,082)
Other comprehensive income (loss):			
Foreign currency translation adjustments	1,332	—	1,332
Total other comprehensive income (loss)	1,332	—	1,332
Balance as of June 30, 2015	$(130,752)	$1,002	$(129,750)

The changes in accumulated other comprehensive items, net for the six months ended June 30, 2014 and 2015, respectively, are as follows:

	Foreign Currency Translation Adjustments	Market Value Adjustments for Securities	Total
Balance as of December 31, 2013	$(9,586)	$926	$(8,660)
Other comprehensive income (loss):			
Foreign currency translation adjustments	5,777	—	5,777
Market value adjustment for securities	—	548	548
Total other comprehensive income (loss)	5,777	548	6,325
Balance as of June 30, 2014	$(3,809)	$1,474	$(2,335)

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	Foreign Currency Translation Adjustments	Market Value Adjustments for Securities	Total
Balance as of December 31, 2014	$(76,010)	$979	$(75,031)
Other comprehensive (loss) income:			
Foreign currency translation adjustments	(54,742)	—	(54,742)
Market value adjustments for securities	—	23	23
Total other comprehensive (loss) income	(54,742)	23	(54,719)
Balance as of June 30, 2015	$(130,752)	$1,002	$(129,750)

n. Other (Income) Expense, Net

Other (income) expense, net is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2015	2014	2015
Foreign currency transaction (gains) losses, net	$(4,347)	$1,656	$2,091	$23,922
Other, net	(491)	348	(1,612)	431
	$(4,838)	$2,004	$479	$24,353

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

We develop various software applications for internal use. Computer software costs associated with internal use software are expensed as incurred until certain capitalization criteria are met. Payroll and related costs for employees directly associated with, and devoting time to, the development of internal use computer software projects (to the extent time is spent directly on the project) are capitalized. During the three and six months ended June 30, 2014, we capitalized $4,861 and $9,758 of costs, respectively, associated with the development of internal use computer software projects. During the three and six months ended June 30, 2015, we capitalized $6,395 and $12,435 of costs, respectively, associated with the development of internal use computer software projects. Capitalization begins when the design stage of the application has been completed and it is probable that the project will be completed and used to perform the function intended. Capitalization ends when the asset is ready for its intended use. Depreciation begins when the software is placed in service. Computer software costs that are capitalized are periodically evaluated for impairment.

We review long-lived assets and all amortizable intangible assets for impairment whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows of the operation to which the assets relate to their carrying amount. The operations are generally distinguished by the business segment and geographic region in which they operate. If the operation is determined to be unable to recover the carrying amount of its assets, the long-lived assets are written down, on a pro rata basis, to fair value. Fair value is determined based on discounted cash flows or appraised values, depending upon the nature of the assets.

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

Consolidated (gain) loss on disposal/write-down of property, plant and equipment (excluding real estate), net was $(107) and $1,045 for the three and six months ended June 30, 2014, respectively. Losses in the six months ended June 30, 2014 were primarily associated with the write-off of certain software associated with our North American Records and Information Management Business segment. Consolidated loss on disposal/write-down of property, plant and equipment (excluding real estate), net was $515 and $848 for the three and six months ended June 30, 2015, respectively, and consisted primarily of the write-off of certain property associated with our North American Records and Information Management Business segment.

Consolidated gain on sale of real estate was $7,468, net of tax of $1,991, for the six months ended June 30, 2014 associated with the sale of two buildings in the United Kingdom.

p. New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"). ASU 2014-09 provides additional guidance for management to reassess revenue recognition as it relates to: (1) transfer of control, (2) variable consideration, (3) allocation of transaction price based on relative standalone selling price, (3) licenses, (4) time value of money and (5) contract costs. Further disclosures will be required to provide a better understanding of revenue that has been recognized and revenue that is expected to be recognized in the future from existing contracts. In July 2015, the FASB deferred the effective date of ASU 2014-09 for one year, making it effective for our year beginning January 1, 2018, with early adoption permitted as of January 1, 2017. We are currently evaluating the impact ASU 2014-09 will have on our consolidated financial statements.

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

In February 2015, the FASB issued ASU No. 2015 02, Consolidation (Topic 810): Amendments to the Consolidation Analysis (“ASU 2015 02”). ASU 2015 02 affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. ASU 2015 02 is effective for us on January 1, 2016, with early adoption permitted. We do not believe that this pronouncement will have an impact on our consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs (“ASU 2015-03”). The amendments in ASU 2015-03 require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in ASU 2015-03. ASU 2015 03 is effective for us on January 1, 2016, with early adoption permitted. We do not believe that this pronouncement will have a material impact on our consolidated financial statements.

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(3) Derivative Instruments and Hedging Activities

Every derivative instrument is required to be recorded in the balance sheet as either an asset or a liability measured at its fair value. Periodically, we acquire derivative instruments that are intended to hedge either cash flows or values that are subject to foreign exchange or other market price risk and not for trading purposes. We have formally documented our hedging relationships, including identification of the hedging instruments and the hedged items, as well as our risk management objectives and strategies for undertaking each hedge transaction. Given the recurring nature of our revenues and the long-term nature of our asset base, we have the ability and the preference to use long-term, fixed interest rate debt to finance our business, thereby preserving our long-term returns on invested capital. We target approximately 75% of our debt portfolio to be fixed with respect to interest rates. Occasionally, we may use interest rate swaps as a tool to maintain our targeted level of fixed rate debt. In addition, we may use borrowings in foreign currencies, either obtained in the United States or by our foreign subsidiaries, to hedge foreign currency risk associated with our international investments. Sometimes we enter into currency swaps to temporarily hedge an overseas investment, such as a major acquisition, while we arrange permanent financing or to hedge our exposure due to foreign currency exchange movements related to our intercompany accounts with and between our foreign subsidiaries. As of December 31, 2014 and June 30, 2015, none of our derivative instruments contained credit-risk related contingent features.

We have entered into a number of separate forward contracts to hedge our exposures in Euros, British pounds sterling and Australian dollars. As of June 30, 2015, we had outstanding forward contracts to purchase 212,500 Euros and sell $231,385 United States dollars to hedge our intercompany exposures with our European operations. At the maturity of the forward contracts, we may enter into new forward contracts to hedge movements in the underlying currencies. At the time of settlement, we either pay or receive the net settlement amount from the forward contract and recognize this amount in other expense (income), net in the Consolidated Statements of Operations as a realized foreign exchange gain or loss. At the end of each month, we mark the outstanding forward contracts to market and record an unrealized foreign exchange gain or loss for the mark-to-market valuation. We have not designated forward contracts as hedges. Net cash payments (receipts) included in cash from operating activities related to settlements associated with foreign currency forward contracts for the three and six months ended June 30, 2014 and 2015, respectively, are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2015	2014	2015
Net cash payments (receipts)	$7,330	$12,368	$14,529	$29,188

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(3) Derivative Instruments and Hedging Activities (Continued)

Our policy is to record the fair value of each derivative instrument on a gross basis. The fair value of our derivative instruments as of December 31, 2014 and June 30, 2015 and their gains and losses for the three and six months ended June 30, 2014 and 2015 are as follows:

	Asset Derivatives			
	December 31, 2014		June 30, 2015	
Derivatives Not Designated as Hedging Instruments	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign exchange contracts	Prepaid expenses and other	$—	Prepaid expenses and other	$6,362
Total		$—		$6,362

	Liability Derivatives			
	December 31, 2014		June 30, 2015	
Derivatives Not Designated as Hedging Instruments	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign exchange contracts	Accrued expenses	$2,411	Accrued expenses	$—
Total		$2,411		$—

		Amount of (Gain) Loss Recognized in Income on Derivatives			
		Three Months Ended June 30,		Six Months Ended June 30,	
Derivatives Not Designated as Hedging Instruments	Location of (Gain) Loss Recognized in Income on Derivative	2014	2015	2014	2015
Foreign exchange contracts	Other expense (income), net	$11,748	$(8,119)	$14,670	$20,414
Total		$11,748	$(8,119)	$14,670	$20,414

We have designated a portion of the $6^3/_4$% Notes as a hedge of net investment of certain of our Euro denominated subsidiaries. For the six months ended June 30, 2014 and 2015, we designated on average 58,735 and 35,786 Euros, respectively, of the $6^3/_4$% Notes as a hedge of net investment of certain of our Euro denominated subsidiaries. As a result, we recorded the following foreign exchange gains (losses), net of tax, related to the change in fair value of such debt due to currency translation adjustments, which is a component of accumulated other comprehensive items, net:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2015	2014	2015
Foreign exchange gains (losses)	$663	$(1,464)	$808	$3,466
Tax expense (benefit) on foreign exchange gains (losses)	—	—	57	—
Foreign exchange gains (losses), net of tax	$663	$(1,464)	$751	$3,466

As of June 30, 2015, cumulative net gains of $17,278, net of tax are recorded in accumulated other comprehensive items, net associated with this net investment hedge.

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(4) Acquisitions

We account for acquisitions using the acquisition method of accounting, and, accordingly, the assets and liabilities acquired were recorded at their estimated fair values and the results of operations for each acquisition have been included in our consolidated results from their respective acquisition dates. Cash consideration for our various acquisitions was primarily provided through borrowings under our credit facilities and cash equivalents on hand. The unaudited pro forma results of operations (including revenue and earnings) for the current and prior periods are not presented due to the insignificant impact of the 2014 and 2015 acquisitions on our consolidated results of operations.

In the first six months of 2015, in order to enhance our existing operations in the United States, United Kingdom, Canada, Australia and Chile, we completed six acquisitions for total consideration of approximately $18,400. These acquisitions included four storage and records management companies, one storage and data management company and one personal storage company. The individual purchase prices of these acquisitions ranged from approximately $2,300 to approximately $5,500.
A summary of the cumulative consideration paid and the preliminary allocation of the purchase price paid for these acquisitions is as follows:

Cash Paid (gross of cash acquired)	$18,433	(1)
Total Consideration	18,433	
Fair Value of Identifiable Assets Acquired:		
Cash, Accounts Receivable, Prepaid Expenses, Deferred Income Taxes and Other	1,162	
Property, Plant and Equipment(2)	4,050	
Customer Relationship Assets(3)	9,922	
Other Assets	361	
Liabilities Assumed and Deferred Income Taxes(4)	(5,413	)
Total Fair Value of Identifiable Net Assets Acquired	10,082	
Goodwill Initially Recorded	$8,351	

(1) Included in cash paid for acquisitions in the Consolidated Statements of Cash Flows for the six months ended June 30, 2015 is net cash acquired of $(325) and contingent and other payments of $3,606 related to acquisitions made in previous years.

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

(3) The weighted average lives of customer relationship intangible assets associated with acquisitions in 2015 was 18 years.

(4) Consists primarily of accrued expenses and deferred income taxes.

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(4) Acquisitions (Continued)

On June 8, 2015, we entered into a binding Scheme Implementation Deed (the “Recall Agreement”) with Recall Holdings Limited (“Recall”) to acquire Recall (the “Recall Transaction”) by way of a recommended court approved Scheme of Arrangement (the “Scheme”). Under the terms of the Recall Agreement, Recall shareholders are entitled to receive the Australian dollar equivalent of US$0.50 in cash for each outstanding share of Recall common stock (the “Cash Supplement”) as well as either (1) 0.1722 shares of our common stock for each Recall share or (2) 8.50 Australian dollars less the Australian dollar equivalent of US$0.50 in cash for each Recall share (the “Cash Election”). The Cash Election is subject to a proration mechanism that will cap the total amount of cash paid to Recall shareholders electing the Cash Election at 225,000 Australian dollars (the “Cash Election Cap”). Amounts paid to Recall shareholders that represent the Cash Supplement are excluded from the calculation of the Cash Election Cap. Assuming a sufficient number of Recall shareholders elect the Cash Election such that we pay the Cash Election Cap, we expect to issue approximately 51,000,000 shares of our common stock and, based on the exchange rate between the United States dollar and the Australian dollar as of June 30, 2015, pay approximately US$335,000 to Recall shareholders in connection with the Recall Transaction. Completion of the Scheme is subject to customary closing conditions, including among others, (i) approval by Recall shareholders of the Scheme by the requisite majorities under the Australian Corporations Act, (ii) approval by our shareholders of the issuance of shares of our common stock in connection with the Recall Transaction by the requisite majority, (iii) expiration or earlier termination of any applicable waiting period and receipt of regulatory consents, approvals and clearances, in each case, under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and under relevant antitrust/competition and foreign investment legislation in other relevant jurisdictions, (iv) the absence of any final and non-appealable order, decree or law preventing, making illegal or prohibiting the completion of the Recall Transaction, (v) approval from the New York Stock Exchange to the listing of additional shares of our common stock to be issued in the Recall Transaction, (vi) the establishment of a secondary listing on the Australian Securities Exchange (the “ASX”) to allow Recall shareholders to trade our common stock via CHESS Depository Interests on the ASX, (vii) Recall’s delivery of tax opinions in accordance and in compliance with certain tax matter agreements to which Recall is a party and (viii) no events having occurred that would have a material adverse effect on Recall or us. We expect the Recall Transaction to close in the first half of 2016.
(5) Debt
Long-term debt is as follows:

	December 31, 2014		June 30, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
IMI Revolving Credit Facility(1)	$883,428	$883,428	$834,753	$834,753
IMI Term Loan (1)	249,375	249,375	248,125	248,125
$6^3/_4$% Euro Senior Subordinated Notes due 2018 (the "$6^3/_4$% Notes")(2)(3)	308,616	309,634	284,243	283,702
$7^3/_4$% Senior Subordinated Notes due 2019 (the "$7^3/_4$% Notes")(2)(3)	400,000	429,000	400,000	421,240
$8^3/_8$% Senior Subordinated Notes due 2021 (the "$8^3/_8$% Notes")(2)(3)	106,030	110,500	106,047	109,831
$6^1/_8$% CAD Senior Notes due 2021 (the "CAD Notes")(2)(4)	172,420	175,437	160,950	165,376
$6^1/_8$% GBP Senior Notes due 2022 (the "GBP Notes")(2)(5)	622,960	639,282	629,100	644,010
6% Senior Notes due 2023 (the "6% Notes")(2)(3)	600,000	625,500	600,000	624,000
$5^3/_4$% Senior Subordinated Notes due 2024 (the "$5^3/_4$% Notes")(2)(3)	1,000,000	1,005,000	1,000,000	1,002,500

Accounts Receivable Securitization Program(6)(7)	—	—	217,500	217,500
Real Estate Mortgages, Capital Leases and Other(7)	320,702	320,702	308,432	308,432
Total Long-term Debt	4,663,531		4,789,150	
Less Current Portion	(52,095)		(70,235)	
Long-term Debt, Net of Current Portion	$4,611,436		$4,718,915	

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(1) The capital stock or other equity interests of most of our United States subsidiaries, and up to 66% of the capital stock or other equity interests of our first-tier foreign subsidiaries, are pledged to secure these debt instruments, together with all intercompany obligations (including promissory notes) of subsidiaries owed to us or to one of our United States subsidiary guarantors. In addition, Iron Mountain Canada Operations ULC ("Canada Company") has pledged 66% of the capital stock of its subsidiaries, and all intercompany obligations (including promissory notes) owed to or held by it, to secure the Canadian dollar subfacility under the IMI Revolving Credit Facility (defined below). The fair value (Level 3 of fair value hierarchy described at Note 2.k.) of these debt instruments approximates the carrying value (as borrowings under these debt instruments are based on current variable market interest rates (plus a margin that is subject to change based on our consolidated leverage ratio)), as of both December 31, 2014 and June 30, 2015.

(2) The fair values (Level 1 of fair value hierarchy described at Note 2.k.) of these debt instruments are based on quoted market prices for these notes on December 31, 2014 and June 30, 2015, respectively.

(3) Collectively, the "Parent Notes." IMI is the direct obligor on the Parent Notes, which are fully and unconditionally guaranteed, on a senior or senior subordinated basis, as the case may be, by most of its direct and indirect 100% owned United States subsidiaries (the "Guarantors"). These guarantees are joint and several obligations of the Guarantors. Canada Company, Iron Mountain Europe PLC ("IME"), the Special Purpose Subsidiaries (as defined below) and the remainder of our subsidiaries do not guarantee the Parent Notes.

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

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

(6) The Special Purpose Subsidiaries are the obligors under this program.

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

The revolving credit facilities (the "IMI Revolving Credit Facility") under our credit agreement, as amended (the "Credit Agreement"), allowed IMI and certain of its United States and foreign subsidiaries to borrow in United States dollars and (subject to sublimits) a variety of other currencies (including Canadian dollars, British pounds sterling, Euros, Brazilian reais, and Australian dollars, among other currencies) in an aggregate outstanding amount not to exceed $1,500,000. Additionally, the Credit Agreement included an option to allow us to request additional commitments of up to $500,000, in the form of term loans or through increased commitments under the IMI Revolving Credit Facility. On September 24, 2014, we exercised this option and borrowed an additional $250,000 in the form of a term loan under the Credit Agreement (the "IMI Term Loan"). Commencing on December 31, 2014, the IMI Term Loan began to amortize in quarterly installments in an amount equal to $625 per quarter, with the remaining balance due on June 27, 2016. The IMI Term Loan could be prepaid without penalty or premium, in whole or in part, at any time. The Credit Agreement included an option to allow us to request additional commitments of up to $250,000, in the form of term loans or through increased commitments under the IMI Revolving Credit Facility. On July 2, 2015, we entered into a new credit agreement, as described at Note 10, to refinance the Credit Agreement.

IMI and the Guarantors guaranteed all obligations under the Credit Agreement, and have pledged the capital stock or other equity interests of most of their United States subsidiaries, up to 66% of the capital stock or other equity interests of their first-tier foreign subsidiaries, and all intercompany obligations (including promissory notes) owed to or held by them to secure the Credit Agreement. In addition, Canada Company has pledged 66% of the capital stock of its subsidiaries, and all intercompany obligations (including promissory notes) owed to or held by it to secure the Canadian dollar subfacility under the IMI Revolving Credit Facility. The interest rate on borrowings under the Credit Agreement varied depending on our choice of interest rate and currency options, plus an applicable margin, which varied based on our consolidated leverage ratio. Additionally, the Credit Agreement required the payment of a commitment fee on the unused portion of the IMI Revolving Credit Facility, which fee ranged from between 0.3% to 0.5% based on certain financial ratios and fees associated with outstanding letters of credit. As of June 30, 2015, we had $834,753 and $248,125 of outstanding borrowings under the IMI Revolving Credit Facility and the IMI Term Loan, respectively. Of the $834,753 of outstanding borrowings under the IMI Revolving Credit Facility, $631,900 was denominated in United States dollars, 81,200 was denominated in Canadian dollars, 73,750 was denominated in Euros and 71,600 was denominated in Australian dollars. In addition, we also had various outstanding letters of credit totaling $33,835. The remaining amount available for borrowing under the IMI Revolving Credit Facility as of June 30, 2015, based on IMI's leverage ratio, the last 12 months' earnings before interest, taxes, depreciation and amortization and rent expense ("EBITDAR"), other adjustments as defined in the Credit Agreement and current external debt, was $631,412 (which amount represents the maximum availability as of such date). The average interest rate in effect under the Credit Agreement was 2.8% as of June 30, 2015. The average interest rate in effect under the IMI Revolving Credit Facility was 3.0% and ranged from 2.3% to 4.5% as of June 30, 2015 and the interest rate in effect under the IMI Term Loan as of June 30, 2015 was 2.4%.

In March 2015, we entered into a $250,000 accounts receivable securitization program (the "Accounts Receivable Securitization Program") involving several of our wholly owned subsidiaries and certain financial institutions. Under the Accounts Receivable Securitization Program, certain of our subsidiaries sell substantially all of their United States accounts receivable balances to our wholly owned special purpose entities, Iron Mountain Receivables QRS, LLC and Iron Mountain Receivables TRS, LLC (the "Special Purpose Subsidiaries"). The Special Purpose Subsidiaries use the accounts receivable balances to collateralize loans obtained from certain financial institutions. Iron Mountain Information Management, LLC retains the responsibility of servicing the accounts receivable balances pledged as collateral in this transaction and IMI provides a performance guaranty. The Accounts Receivable Securitization Program terminates on March 6, 2018, at which point all obligations become due. The maximum availability allowed is limited by eligible accounts receivable, as defined under the terms of the Accounts Receivable Securitization Program. As of June 30, 2015, the maximum availability allowed and amount outstanding under the Accounts Receivable Securitization Program was $217,500. The interest rate in effect under the Accounts Receivable Securitization Program was 1.1% as of June 30, 2015. Commitment fees at a rate of 40 basis points are charged on amounts made available but not borrowed under the Accounts Receivable Securitization Program.

The Credit Agreement, our indentures and other agreements governing our indebtedness contain certain restrictive financial and operating covenants, including covenants that restrict our ability to complete acquisitions, pay cash dividends, incur indebtedness, make investments, sell assets and take certain other corporate actions. The covenants do not contain a rating trigger. Therefore, a change in our debt rating would not trigger a default under the Credit Agreement, our indentures or other agreements governing our indebtedness. The Credit Agreement uses EBITDAR-based calculations as the primary measures of financial performance, including leverage and fixed charge coverage ratios. Our leverage and fixed charge coverage ratios under the Credit Agreement as of December 31, 2014 and June 30, 2015 are as follows:

	December 31, 2014	June 30, 2015	Maximum//Minimum Allowable
Net total lease adjusted leverage ratio	5.4	5.7	Maximum allowable of 6.5
Net secured debt lease adjusted leverage ratio	2.6	2.8	Maximum allowable of 4.0
Bond leverage ratio (not lease adjusted)	5.7	5.8	Maximum allowable of 6.5
Fixed charge coverage ratio	2.5	2.3	Minimum allowable of 1.5

Noncompliance with these leverage and fixed charge coverage ratios would have a material adverse effect on our financial condition and liquidity.

(In Thousands, Except Share and Per Share Data)

(5) Debt (Continued)

Commitment fees and letters of credit fees, which are based on the unused balances under the IMI Revolving Credit Facility and the Accounts Receivable Securitization Program for the three and six months ended June 30, 2014 and 2015 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2015	2014	2015
Commitment fees and letters of credit fees	$509	$991	$1,167	$1,858

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

The following data summarizes the consolidating results of IMI on the equity method of accounting as of December 31, 2014 and June 30, 2015 and for the three and six months ended June 30, 2014 and 2015 and are prepared on the same basis as the consolidated financial statements.

The Parent Notes, CAD Notes and GBP Notes are guaranteed by the subsidiaries referred to below as the Guarantors. These subsidiaries are 100% owned by IMI. The guarantees are full and unconditional, as well as joint and several. Additionally, IMI and the Guarantors guarantee the CAD Notes, which were issued by Canada Company, and the GBP Notes, which were issued by IME. Canada Company and IME do not guarantee the Parent Notes. The subsidiaries that do not guarantee the Parent Notes, the CAD Notes and the GBP Notes, including IME and the Special Purpose Subsidiaries but excluding Canada Company, are referred to below as the Non-Guarantors.

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

In March 2015, we entered into the Accounts Receivable Securitization Program, which is described more fully in Note 5. The Special Purpose Subsidiaries, which were established in conjunction with the Accounts Receivable Securitization Program, are included in the Non-Guarantors column in the below consolidated balance sheet, consolidated statements of operations and consolidated statement of cash flows from that date forward. As a result of the Accounts Receivable Securitization Program, certain of our Guarantors sold substantially all of their United States accounts receivable balances to the Special Purpose Subsidiaries. As of June 30, 2015, this resulted in a decrease in accounts receivable, an increase in intercompany receivable and a decrease in long-term debt related to our Guarantors and a corresponding increase in accounts receivable, an increase in intercompany payable and an increase in long-term debt related to our Non-Guarantors. There was no material impact to the Guarantors and Non-Guarantors columns of the below consolidated statements of operations for the three and six months ended June 30, 2015. Additionally, the Accounts Receivable Securitization Program resulted in increased financing cash flow activity for our Non-Guarantor subsidiaries for the six months ended June 30, 2015, as the proceeds from borrowings under the Accounts Receivable Securitization Program were used to repay intercompany loans with certain of our Guarantor subsidiaries, which resulted in increased cash flows from investing activities for our Guarantor subsidiaries for the six months ended June 30, 2015.

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CONSOLIDATED BALANCE SHEETS

	December 31, 2014					
	Parent	Guarantors	Canada Company	Non-Guarantors	Eliminations	Consolidated
Assets						
Current Assets:						
Cash and Cash Equivalents	$2,399	$4,713	$4,979	$113,842	$—	$125,933
Restricted Cash	33,860	—	—	—	—	33,860
Accounts Receivable	—	361,330	37,137	205,798	—	604,265
Intercompany Receivable	—	586,725	—	—	(586,725)	—
Other Current Assets	153	88,709	2,925	61,908	(34)	153,661
Total Current Assets	36,412	1,041,477	45,041	381,548	(586,759)	917,719
Property, Plant and Equipment, Net	840	1,580,337	160,977	808,573	—	2,550,727
Other Assets, Net:						
Long-term Notes Receivable from Affiliates and Intercompany Receivable	2,851,651	245	2,448	—	(2,854,344)	—
Investment in Subsidiaries	917,170	656,877	30,751	93,355	(1,698,153)	—
Goodwill	—	1,611,957	180,342	631,484	—	2,423,783
Other	31,108	375,082	26,672	245,251	—	678,113
Total Other Assets, Net	3,799,929	2,644,161	240,213	970,090	(4,552,497)	3,101,896
Total Assets	$3,837,181	$5,265,975	$446,231	$2,160,211	$(5,139,256)	$6,570,342
Liabilities and Equity						
Intercompany Payable	$505,083	$—	$3,564	$78,078	$(586,725)	$—
Current Portion of Long-term Debt	—	24,955	—	27,174	(34)	52,095
Total Other Current Liabilities	60,097	470,122	35,142	239,280	—	804,641
Long-term Debt, Net of Current Portion	2,414,646	908,431	245,861	1,042,498	—	4,611,436
Long-term Notes Payable to Affiliates and Intercompany Payable	1,000	2,851,384	—	1,960	(2,854,344)	—
Other Long-term Liabilities	—	115,789	37,558	78,868	—	232,215
Commitments and Contingencies (See Note 8)						
Total Iron Mountain Incorporated Stockholders' Equity	856,355	895,294	124,106	678,753	(1,698,153)	856,355
Noncontrolling Interests	—	—	—	13,600	—	13,600
Total Equity	856,355	895,294	124,106	692,353	(1,698,153)	869,955
Total Liabilities and Equity	$3,837,181	$5,265,975	$446,231	$2,160,211	$(5,139,256)	$6,570,342

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CONSOLIDATED BALANCE SHEETS (Continued)

	June 30, 2015					
	Parent	Guarantors	Canada Company	Non-Guarantors	Eliminations	Consolidated
Assets						
Current Assets:						
Cash and Cash Equivalents	$1,473	$3,455	$6,877	$105,293	$—	$117,098
Accounts Receivable	—	19,114	37,858	539,280	—	596,252
Intercompany Receivable	—	998,589	—	—	(998,589)	—
Other Current Assets	6,362	87,872	3,621	63,553	(31)	161,377
Total Current Assets	7,835	1,109,030	48,356	708,126	(998,620)	874,727
Property, Plant and Equipment, Net	751	1,565,978	151,969	774,315	—	2,493,013
Other Assets, Net:						
Long-term Notes Receivable from Affiliates and Intercompany Receivable	3,005,347	1,000	1,417	—	(3,007,764)	—
Investment in Subsidiaries	875,518	615,258	29,929	96,812	(1,617,517)	—
Goodwill	—	1,615,448	171,194	602,055	—	2,388,697
Other	28,571	383,904	27,588	226,077	—	666,140
Total Other Assets, Net	3,909,436	2,615,610	230,128	924,944	(4,625,281)	3,054,837
Total Assets	$3,918,022	$5,290,618	$430,453	$2,407,385	$(5,623,901)	$6,422,577
Liabilities and Equity						
Intercompany Payable	$762,351	$—	$4,201	$232,037	$(998,589)	$—
Current Portion of Long-term Debt	—	36,113	—	34,153	(31)	70,235
Total Other Current Liabilities	55,595	397,531	27,557	201,217	—	681,900
Long-term Debt, Net of Current Portion	2,390,289	884,663	232,476	1,211,487	—	4,718,915
Long-term Notes Payable to Affiliates and Intercompany Payable	1,000	3,006,764	—	—	(3,007,764)	—
Other Long-term Liabilities	—	111,872	39,478	77,952	—	229,302
Commitments and Contingencies (See Note 8)						
Total Iron Mountain Incorporated Stockholders' Equity	708,787	853,675	126,741	637,101	(1,617,517)	708,787
Noncontrolling Interests	—	—	—	13,438	—	13,438
Total Equity	708,787	853,675	126,741	650,539	(1,617,517)	722,225
Total Liabilities and Equity	$3,918,022	$5,290,618	$430,453	$2,407,385	$(5,623,901)	$6,422,577

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CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30, 2014					
	Parent	Guarantors	Canada Company	Non-Guarantors	Eliminations	Consolidated
Revenues:						
Storage Rental	$—	$301,683	$31,295	$133,911	$—	$466,889
Service	—	190,613	17,591	111,799	—	320,003
Intercompany Service	—	—	—	15,194	(15,194)	—
Total Revenues	—	492,296	48,886	260,904	(15,194)	786,892
Operating Expenses:						
Cost of Sales (Excluding Depreciation and Amortization)	—	196,328	6,322	134,311	—	336,961
Selling, General and Administrative	36	142,698	3,090	67,983	—	213,807
Intercompany Service Charges	—	—	15,194	—	(15,194)	—
Depreciation and Amortization	56	52,322	2,979	33,584	—	88,941
(Gain) Loss on Disposal/Write-down of Property, Plant and Equipment (Excluding Real Estate), net	—	(97)	—	(10)	—	(107)
Total Operating Expenses	92	391,251	27,585	235,868	(15,194)	639,602
Operating (Loss) Income	(92)	101,045	21,301	25,036	—	147,290
Interest Expense (Income), Net	46,674	(3,004)	7,836	10,695	—	62,201
Other Expense (Income), Net	8,105	6,214	—	(19,157)	—	(4,838)
(Loss) Income from Continuing Operations Before (Benefit) Provision for Income Taxes	(54,871)	97,835	13,465	33,498	—	89,927
(Benefit) Provision for Income Taxes	—	(193,131)	3,572	6,784	—	(182,775)
Equity in the (Earnings) Losses of Subsidiaries, Net of Tax	(326,508)	(35,234)	1,313	(9,893)	370,322	—
Income (Loss) from Continuing Operations	271,637	326,200	8,580	36,607	(370,322)	272,702
(Loss) Income from Discontinued Operations, Net of Tax	—	(335)	—	9	—	(326)
Net Income (Loss)	271,637	325,865	8,580	36,616	(370,322)	272,376
Less: Net Income (Loss) Attributable to Noncontrolling Interests	—	—	—	739	—	739
Net Income (Loss) Attributable to Iron Mountain Incorporated	$271,637	$325,865	$8,580	$35,877	$(370,322)	$271,637
Net Income (Loss)	$271,637	$325,865	$8,580	$36,616	$(370,322)	$272,376
Other Comprehensive Income (Loss):						
Foreign Currency Translation Adjustments	663	(657)	2,181	2,339	—	4,526
	—	548	—	—	—	548

Market Value Adjustments for Securities						
Equity in Other Comprehensive Income (Loss) of Subsidiaries	3,985	4,116	1,663	2,181	(11,945)	—
Total Other Comprehensive Income (Loss)	4,648	4,007	3,844	4,520	(11,945)	5,074
Comprehensive Income (Loss)	276,285	329,872	12,424	41,136	(382,267)	277,450
Comprehensive Income (Loss) Attributable to Noncontrolling Interests	—	—	—	1,165	—	1,165
Comprehensive Income (Loss) Attributable to Iron Mountain Incorporated	$276,285	$329,872	$12,424	$39,971	$(382,267)	$276,285

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CONSOLIDATED STATEMENTS OF OPERATIONS (Continued)

	Three Months Ended June 30, 2015					
	Parent	Guarantors	Canada Company	Non-Guarantors	Eliminations	Consolidated
Revenues:						
Storage Rental	$—	$305,913	$30,804	$124,492	$—	$461,209
Service	—	189,268	16,108	93,149	—	298,525
Intercompany Service	—	1,055	—	22,126	(23,181)	—
Total Revenues	—	496,236	46,912	239,767	(23,181)	759,734
Operating Expenses:						
Cost of Sales (Excluding Depreciation and Amortization)	—	196,080	6,642	123,561	—	326,283
Selling, General and Administrative	24	149,051	3,795	63,015	—	215,885
Intercompany Service Charges	—	6,400	15,726	1,055	(23,181)	—
Depreciation and Amortization	45	56,360	3,165	27,979	—	87,549
Loss (Gain) on Disposal/Write-down of Property, Plant and Equipment (Excluding Real Estate), net	—	440	—	75	—	515
Total Operating Expenses	69	408,331	29,328	215,685	(23,181)	630,232
Operating (Loss) Income	(69)	87,905	17,584	24,082	—	129,502
Interest Expense (Income), Net	39,222	(6,415)	8,342	24,938	—	66,087
Other Expense (Income), Net	1,127	3,139	(10)	(2,252)	—	2,004
(Loss) Income from Continuing Operations Before (Benefit) Provision for Income Taxes	(40,418)	91,181	9,252	1,396	—	61,411
(Benefit) Provision for Income Taxes	—	(1,037)	4,796	3,645	—	7,404
Equity in the (Earnings) Losses of Subsidiaries, Net of Tax	(93,748)	(643)	(874)	(4,456)	99,721	—
Net Income (Loss)	53,330	92,861	5,330	2,207	(99,721)	54,007
Less: Net Income (Loss) Attributable to Noncontrolling Interests	—	—	—	677	—	677
Net Income (Loss) Attributable to Iron Mountain Incorporated	$53,330	$92,861	$5,330	$1,530	$(99,721)	$53,330
Net Income (Loss)	$53,330	$92,861	$5,330	$2,207	$(99,721)	$54,007
Other Comprehensive (Loss) Income:						
Foreign Currency Translation Adjustments	(1,464)	—	1,037	1,427	—	1,000
Equity in Other Comprehensive Income (Loss) of Subsidiaries	2,796	2,907	1,542	1,037	(8,282)	—
Total Other Comprehensive Income (Loss)	1,332	2,907	2,579	2,464	(8,282)	1,000
Comprehensive Income (Loss)	54,662	95,768	7,909	4,671	(108,003)	55,007

Comprehensive Income (Loss) Attributable to Noncontrolling Interests	—	—	—	345	—	345
Comprehensive Income (Loss) Attributable to Iron Mountain Incorporated	$54,662	$95,768	$7,909	$4,326	$(108,003)	$54,662

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CONSOLIDATED STATEMENTS OF OPERATIONS (Continued)

	Six Months Ended June 30, 2014					
	Parent	Guarantors	Canada Company	Non-Guarantors	Eliminations	Consolidated
Revenues:						
Storage Rental	$—	$602,012	$61,706	$262,060	$—	$925,778
Service	—	377,043	33,741	220,456	—	631,240
Intercompany Service	—	—	—	32,552	(32,552)	—
Total Revenues	—	979,055	95,447	515,068	(32,552)	1,557,018
Operating Expenses:						
Cost of Sales (Excluding Depreciation and Amortization)	—	399,248	12,564	260,294	—	672,106
Selling, General and Administrative	64	289,276	6,843	132,404	—	428,587
Intercompany Service Charges	—	—	32,552	—	(32,552)	—
Depreciation and Amortization	133	104,962	5,978	64,301	—	175,374
Loss (Gain) on Disposal/Write-down of Property, Plant and Equipment (Excluding Real Estate), net	—	832	1	212	—	1,045
Total Operating Expenses	197	794,318	57,938	457,211	(32,552)	1,277,112
Operating (Loss) Income	(197)	184,737	37,509	57,857	—	279,906
Interest Expense (Income), Net	94,839	(7,856)	17,383	20,147	—	124,513
Other Expense (Income), Net	6,825	7,721	(20)	(14,047)	—	479
(Loss) Income from Continuing Operations Before (Benefit) Provision for Income Taxes and (Gain) Loss on Sale of Real Estate	(101,861)	184,872	20,146	51,757	—	154,914
(Benefit) Provision for Income Taxes	—	(169,328)	6,110	10,177	—	(153,041)
(Gain) Loss on Sale of Real Estate, Net of Tax	—	(197)	—	(7,271)	—	(7,468)
Equity in the (Earnings) Losses of Subsidiaries, Net of Tax	(415,165)	(60,060)	(641)	(14,036)	489,902	—
Income (Loss) from Continuing Operations	313,304	414,457	14,677	62,887	(489,902)	315,423
(Loss) Income from Discontinued Operations, Net of Tax	—	(960)	—	22	—	(938)
Net Income (Loss)	313,304	413,497	14,677	62,909	(489,902)	314,485
Less: Net Income (Loss) Attributable to Noncontrolling Interests	—	—	—	1,181	—	1,181
Net Income (Loss) Attributable to Iron Mountain Incorporated	$313,304	$413,497	$14,677	$61,728	$(489,902)	$313,304
Net Income (Loss)	$313,304	$413,497	$14,677	$62,909	$(489,902)	$314,485
Other Comprehensive Income (Loss):						

Foreign Currency Translation Adjustments	751	84	(437)	5,916	—	6,314
Market Value Adjustments for Securities	—	548	—	—	—	548
Equity in Other Comprehensive Income (Loss) of Subsidiaries	5,574	4,045	503	(437)	(9,685)	—
Total Other Comprehensive Income (Loss)	6,325	4,677	66	5,479	(9,685)	6,862
Comprehensive Income (Loss)	319,629	418,174	14,743	68,388	(499,587)	321,347
Comprehensive Income (Loss) Attributable to Noncontrolling Interests	—	—	—	1,718	—	1,718
Comprehensive Income (Loss) Attributable to Iron Mountain Incorporated	$319,629	$418,174	$14,743	$66,670	$(499,587)	$319,629

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CONSOLIDATED STATEMENTS OF OPERATIONS (Continued)

	Six Months Ended June 30, 2015					
	Parent	Guarantors	Canada Company	Non-Guarantors	Eliminations	Consolidated
Revenues:						
Storage Rental	$—	$610,505	$61,672	$247,904	$—	$920,081
Service	—	370,133	32,665			