CYRUSONE INC.

FORM 8-K
(Current report filing)

Filed 05/09/17 for the Period Ending 05/09/17

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A

AMENDMENT NO. 1

CURRENT REPORT

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

Date of Report (Date of Earliest Event Reported): **March 2, 2017**

CYRUSONE INC.

(Exact Name of Registrant as Specified in its Charter)

Maryland	**001-35789**	**46-0691837**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

2101 Cedar Springs Road, Suite 900, Dallas, TX 75201
(Address of Principal Executive Office)

Registrant's telephone number, including area code: **(972) 350-0060**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

EXPLANATORY NOTE

CyrusOne Inc. (the "Company") is filing this Amendment No. 1 on Form 8-K/A ("Amendment No. 1") to provide financial information relating to our previously reported acquisition of 800 Cottontail, LLC, a Delaware limited liability company ("800 Cottontail") and Sentinel NC-1, LLC, a Delaware limited liability company ("SNC" and, together with 800 Cottontail, "Sentinel Properties") as described in Item 2.01 of the Company's Current Report on Form 8-K filed on March 2, 2017 (the "Original Filing").

Except as expressly noted above, this Amendment No. 1 does not modify or update in any way disclosures made in the Original Filing.

ITEM 9.01 — FINANCIAL STATEMENTS AND EXHIBITS

The following financial statements and pro forma financial information are being filed in connection with the acquisition of 800 Cottontail and SNC as required by Rule 3-14 and Article 11 of Regulation S-X.

The Sentinel Properties were not acquired from a related party. In assessing the Sentinel Properties, we considered a variety of factors, including factors relating to sources of revenue and expenses. These factors included the existing lease profile of the Sentinel Properties, location of the Sentinel Properties, the absence of existing workforces at the Sentinel Properties, the types of services provided by the Sentinel Properties, utility rates, maintenance expenses and anticipated capital investments. We anticipate pursuing additional development opportunities at the Sentinel Properties, which could result in increased expenses and revenues. Changes in these factors or other factors described in the historical financial statements and pro forma financial information filed herewith may cause future operating results to differ from the historical and pro forma operating results presented; however, after reasonable inquiry, we are not aware of any material factors relating to the Sentinel Properties, other than the factors disclosed herein or in the financial statements filed herewith, that would cause the reported financial information not to be necessarily indicative of future operating results.

(a) Financial Statements of Properties Acquired

800 Cottontail

- Report of Independent Registered Public Accounting Firm
- Historical Audited Balance Sheet of 800 Cottontail as of December 31, 2016 and the Statements of Income, Members' Equity and Cash Flows for the year ended December 31, 2016
- Notes to Historical Audited Financial Statements

SNC

- Report of Independent Registered Public Accounting Firm
- Historical Audited Balance Sheet of SNC as of December 31, 2016 and the Statements of Income, Members' Equity and Cash Flows for the year ended December 31, 2016
- Notes to Historical Audited Financial Statements

(b) Unaudited Pro Forma Financial Information

- Unaudited Pro Forma Condensed Combined Balance Sheet as of December 31, 2016
- Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended December 31, 2016
- Notes to Unaudited Pro Forma Condensed Combined Financial Information

(d) Exhibits

Exhibit No.	Description
23.1	Consent of EisnerAmper LLP
23.2	Consent of EisnerAmper LLP
99.1	Historical Audited Financial Statements of 800 Cottontail, LLC
99.2	Historical Audited Financial Statements of Sentinel NC-1 LLC
99.3	Unaudited Pro Forma Condensed Combined Financial Information

SIGNATURES

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

CYRUSONE INC.

Date: May 9, 2017	By:	/s/ Amitabh Rai
		Amitabh Rai
		Senior Vice President and Chief Accounting Officer

EXHIBIT INDEX

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99.3	Unaudited Pro Forma Condensed Combined Financial Information

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements of CyrusOne Inc. on Form S-3ASR (No. 333-211114) and Form S-8 (No. 333-212375 and No. 333-196432) of our report dated May 9, 2017, on our audit of the financial statements of 800 Cottontail, LLC as of December 31, 2016 and for the year then ended.

/s/ EisnerAmper LLP

New York, New York
May 9, 2017

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements of CyrusOne Inc. on Form S-3ASR (No. 333-211114) and Form S-8 (No. 333-212375 and No. 333-196432) of our report dated May 9, 2017, on our audit of the financial statements of Sentinel NC-1, LLC as of December 31, 2016 and for the year then ended.

/s/ EisnerAmper LLP

New York, New York
May 9, 2017

Exhibit 99.1

800 COTTONTAIL, LLC
(a Delaware limited liability company)

Contents **Page**

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Members of
800 Cottontail, LLC

We have audited the accompanying balance sheet of 800 Cottontail, LLC (the “Company") as of December 31, 2016, and the related statements of income, members’ equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 800 Cottontail, LLC as of December 31, 2016, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ EisnerAmper LLP

New York, New York
May 9, 2017

800 Cottontail, LLC

(a Delaware limited liability company)

Balance Sheet
Year Ended December 31, 2016

Assets		
Real Estate, at Cost:		
Land	$	3,375,000
Building and Improvements and Tenant Improvements, including Construction in Progress of $1,831,710		156,785,017
Furniture, Fixtures and Equipment		1,456,687
		161,616,704
Less: Accumulated Depreciation		(24,402,466)
		137,214,238
Cash and Cash Equivalents		7,692,417
Tenant Accounts Receivable		2,821,684
Deferred Rent Receivable		10,626,213
Deferred Leasing Costs, net of Accumulated Amortization of $860,723		3,784,859
Due from Affiliates		6,723,301
Prepaid Expenses and Other Assets		843,623
	$	169,706,335
Liabilities and Members' Equity		
Liabilities:		
Mortgage Loan Payable, net of Unamortized Debt Issuance Costs of $451,444	$	129,548,557
Accounts Payable and Accrued Expenses		3,990,150
Deferred Revenue		1,082,740
Total Liabilities		134,621,447
Commitments and Contingencies		
Members' Equity		35,084,888
	$	169,706,335

800 Cottontail, LLC

(a Delaware limited liability company)

Statement of Income
Year Ended December 31, 2016

Revenue:		
Rental Income, including straight-line rent adjustment of $3,168,463	$	26,208,720
Utility and Other Reimbursements		3,798,164
Other Income		45,968
		30,052,852
Expenses:		
Operating Expenses		7,474,020
Real Estate Taxes		1,484,121
Depreciation		6,410,856
Amortization		412,964
		15,781,961
Operating Income		14,270,891
Interest Expense, including amortization of deferred financing costs of $142,831		(3,891,843)
Net Income	$	10,379,048

See notes to Financial Statements.

800 Cottontail, LLC

(a Delaware limited liability company)

Statement of Members' Equity

	Sentinel Properties Franklin, LLC	Russo-Somerset, LLC	Total
Balance, December 31, 2015	$ 31,190,716	$ 3,515,124	$ 34,705,840
Distributions	(8,596,491)	(1,403,509)	(10,000,000)
Net Income	8,922,339	1,456,709	10,379,048
Balance, December 31, 2016	**$ 31,516,564**	**$ 3,568,324**	**$ 35,084,888**

See notes to Financial Statements.

800 Cottontail, LLC

(a Delaware limited liability company)

Statement of Cash Flows
Year Ended December 31, 2016

Cash Flows From Operating Activities		
Net Income	$	10,379,048
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization		6,966,649
Changes in Operating Assets and Liabilities:		
Tenant Accounts Receivable		(965,835)
Deferred Rent Receivable		(3,168,463)
Prepaid Expenses and Other Assets		(72,258)
Accounts Payable and Accrued Expenses		1,602,090
Due from Affiliate		(2,668,725)
Deferred Revenue		(47,838)
Deferred Leasing Costs		(1,555,847)
Net Cash Provided by Operating Activities		10,468,821
Cash Flows From Investing Activities		
Building Improvements		(7,513,715)
Due From Affiliate		(1,453,504)
Net Cash Used in Investing Activities		(8,967,219)
Cash Flows From Financing Activities		
Proceeds from Mortgage Loan Payable		10,000,000
Members' Distributions		(10,000,000)
Net Cash Provided by Financing Activities		—
Net Increase in Cash and Cash Equivalents		1,501,602
Cash and Cash Equivalents, Beginning of Year		6,190,815
Cash and Cash Equivalents, End of Year	$	7,692,417
Supplemental Disclosure of Cash Flow Information:		
Interest Paid, Including Capitalized Interest of $141,982	$	3,774,481
Non-Cash Investing Activities:		
Accrued Costs for Construction in Progress	$	1,442,511
Capitalized Amortization of Deferred Financing Costs	$	5,444

See notes to Financial Statements.

NOTE A - FORMATION AND BUSINESS

800 Cottontail, LLC (the "Company") is a Delaware limited liability company functioning as the single-purpose ownership entity for 800 Cottontail Lane in Somerset, NJ. Its operations consist of a large-scale data center development approximating 22.5 acres (the "Property") operated under the "Sentinel Data Centers" brand and referred to specifically as "Sentinel NJ-1". Sentinel Data Centers is engaged in the business of ownership, acquisition, construction and management of strategically located data centers such as Sentinel NJ-1 in growing data center markets, primarily in the Eastern United States. Data centers are highly specialized and secure buildings designed to provide the power, cooling and network access necessary to efficiently and reliably house mission-critical technology hardware, including servers, storage devices, switches, routers and fiber optic transmission equipment.

The Company's members are Sentinel Properties Franklin, LLC (the managing member) and Russo-Somerset, LLC. Allocations of profits and losses, and contributions and distributions are made in accordance with the provisions of the Company's operating agreement. See Note F with respect to 2016 distributions.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Basis of presentation:

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

[2] Use of estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at year end and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates primarily relate to the estimated useful life of fixed assets, the collectability of tenant receivables and commitments and contingencies. Management believes these estimates and assumptions are reasonable based upon information available at the time they were made. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary.

[3] Fair value measurements:

Disclosures of estimated fair value were determined by management, using available market information and appropriate valuation methodologies. Considerable judgment is necessary to interpret market data and develop estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize on disposition of the financial instruments. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The methodologies used for valuing such instruments have been categorized into three broad levels as follows:

Level 1 - Quoted prices in active markets for identical instruments.

Level 2 - Valuations based principally on other observable market parameters, including:

- Quoted prices in active markets for similar instruments,
- Quoted prices in less active or inactive markets for identical or similar instruments,
- Other observable inputs (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates), and
- Market corroborated inputs (derived principally from or corroborated by observable market data).

[3] Fair value measurements: (continued)

Level 3 - Valuations based significantly on unobservable inputs.

- Valuations based on third-party indications, broker quotes or counterparty quotes which were, in turn, based significantly on unobservable inputs or were otherwise not supportable as Level 2 valuations.
- Valuations based on internal models with significant unobservable inputs.

These levels form a hierarchy. The Company follows this hierarchy for its financial instruments' disclosures of fair value on a recurring basis. The classifications are based on the lowest level of input that is significant to the fair market measurement.

[4] Revenue recognition:

All leases are classified as operating leases and rents are recognized on a straight-line basis over the term of the lease. Rental revenue recognition commences when the tenant takes possession or controls the physical use of the leased space. The excess of rents recognized over amounts contractually due pursuant to the underlying lease are included in deferred rent receivable on the accompanying balance sheet. Contractually due but unpaid rents are included in tenant receivables on the accompanying balance sheet. In addition to base rent, tenants are generally sub-metered for utilities and other items, for which they reimburse the Company. Rents received in advance of their contractual due dates are recorded as deferred revenue and recognized as rental income when earned.

The Company utilizes the reserve method of accounting for doubtful accounts and evaluates the collectability of its receivables based upon various factors, including the financial condition and payment history of its tenants. Management has determined that all receivables at December 31, 2016 are fully collectible.

[5] Real estate and construction in progress:

Real estate is stated at cost, less accumulated depreciation. Costs directly related to the acquisition and redevelopment of the Property, including pre-development, construction, interest, real estate taxes and certain indirect costs incurred during the development period, are capitalized. Capitalization ceases when a project or a portion thereof becomes operational, or when construction is postponed.

Ordinary repairs and maintenance are expensed as incurred; major replacements and betterments, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives. Fully depreciated assets are removed from the accounts.

The Property is depreciated using the straight-line method over the estimated useful lives of the assets. Estimated lives are as follows:

Category	Period of useful life
Building	39 years
Building improvements	Lesser of 39 years or estimated useful life (10-39 yrs.)
Tenant improvements	Lesser of remaining term of lease or estimated useful life (5-15 yrs.)
Furniture, fixtures and equipment	3 to 7 years

Depreciation expense for the year ended December 31, 2016 was $6,410,856.

[5] Real estate and construction in progress: (continued)

On a periodic basis, management assesses whether there are any indicators that the value of the real estate property may be impaired. A property's value is impaired if the estimated aggregate future cash flows (undiscounted) to be generated by the Property are less than the carrying value of the Property. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the Property over the fair value of the Property, with fair value typically based on a discounted cash flow analysis or an income capitalization model. Management has determined that there were no indications of impairment for the year ended December 31, 2016.

[6] Deferred costs:

Deferred financing costs consist of fees and costs incurred to obtain construction financing. Such costs are being amortized on the straight-line basis (which approximates the effective interest method) over the term of the loan payable. Such amortization is either being capitalized to construction in progress in the same proportion as interest expense or is expensed and included with interest expense in the accompanying statement of operations.

Deferred leasing costs consist primarily of commissions, legal fees, and other direct costs incurred to procure or renew tenant operating leases for rental space at the Property. Such costs are being amortized on the straight-line basis over the initial lease term or renewal period as appropriate. Upon early termination of a lease, unamortized leasing costs are written off and included in amortization expense.

[7] Income taxes:

For income tax purposes, the Company is treated as a partnership. As such, the Company is not subject to federal, state or local income taxes, and accordingly, income taxes have not been provided for in the accompanying financial statements. However, the members are required to include their allocable share of the Company's income, deductions, gains, losses and credits on their respective individual tax returns.

GAAP requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are more likely than not of being sustained upon examination by the applicable tax authority, based on the technical merits of the tax position, and then recognizing the tax benefit that is more likely than not to be realized. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded either as an expense or as a deemed distribution in the current reporting period. The Company's management has evaluated whether there are any uncertain tax positions and has determined that there are none that would materially impact the financial position or results of operations of the Company. Management's conclusion may be subject to adjustment at a later date based on factors including its ongoing analysis of tax laws, regulations and related interpretations.

[8] Concentration of credit risk:

The Company maintains balances at various banks which at times exceed the Federal Deposit Insurance Corporation limit of $250,000.

[9] Debt issuance costs:

Effective January 1, 2016, the Company adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs,* which requires 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 new guidance was applied on a retrospective basis to all periods presented. Prior to the adoption of ASU 2015-03, the Company presented debt issuance costs in the balance sheet as a deferred charge.

As a result of adopting ASU 2015-03 on a retrospective basis, the following opening balances were adjusted:

	As of January 1, 2016	
	As originally recorded	**As adjusted**
Debt issuance costs, net	$ 599,719	$ —
Long-term debt	120,000,000	119,400,281

[10] Cash equivalents:

The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

[11] Subsequent events:

Management has evaluated subsequent events through May 9, 2017, the date these financial statements were available for issuance.

NOTE C - MORTGAGE LOAN PAYABLE

On December 29, 2014, the Company refinanced its existing $90,000,000 loan facility (obtained in January 2011) with its current mortgage lender and obtained additional financing for a maximum amount equal to the lesser of (i) $180,000,000 or (ii) such amount that yields a maximum as stabilized loan to value ratio of 55% as determined by a third-party appraisal as specified in the governing documents. The loan facility shall be funded over three tranches as follows:

1) The phase IIIA tranche of $120,000,000, which was funded at closing of the refinance, was used to pay off the then existing loan balance of $83,300,535 and distribute up to $20,000,000 to the Company's members, with the remainder to be used for improvements to the Property. As of December 31, 2016, the entire tranche was drawn down.

2) The phase IIIB tranche is equal to the lesser of i) $30,000,000 or ii) such amount that yields a maximum as- complete loan (commitment through phase IIIB tranche) to value ratio of 55% as determined by an appraisal at the time of the proposed draw down (see above). Advances of this tranche will commence when the Company provides to the lender various construction related documents and items. As of December 31, 2016, the Company drew upon $10 million of this tranche.

3) The phase IIIC tranche is equal to the lesser of i) $30,000,000 or ii) such amount that yields a maximum As- Stabilized loan (commitment through phase IIIC tranche) to value ratio of 55% as determined by an appraisal at the time of the proposed draw down as determined and provided for in the financing documents (see above). Advances of this tranche will commence when the Company, among other things, provides evidence of compliance of certain financial covenants, provides a list of tenant allowance payments and the Company enters into an interest rate protection agreement.

Borrowings under the loan facility bear interest at a floating rate and are calculated at the Company's option based on the one-month LIBOR plus the applicable margin of 250, 285, and 300 basis points for each of the phase III A, B, and C tranches, respectively, or the base rate (as defined in the loan agreement) plus the applicable margin of 75, 110, and 125 basis points for each of the phase III A, B, and C tranches, respectively.

NOTE C - MORTGAGE LOAN PAYABLE (CONTINUED)

The interest rate of the Phase IIIA tranche and Phase IIIB tranche at December 31, 2016 was 3.22% and 3.57%, respectively, based on the Company's election of the one-month LIBOR plus the applicable margin. The loan matures on December 29, 2019, at which time the outstanding balance including accrued interest is due (See Note J).

In accordance with the loan agreement as amended, the Company entered into an interest rate protection agreement to mitigate the Company's existing or anticipated exposure to unfavorable interest rate changes. The fair value of such instrument at December 31, 2016 was immaterial.

Payment shall be payable based upon the following amortization schedule:

Year	Rate
1- 3	Interest only
4- 5	Amortization based upon a 25-year term and an interest rate equal to the applicable rate as of the loan's third anniversary

Approximate principal amortization through maturity of amounts outstanding at December 31, 2016 is as follows:

Year Ending December 31,		
2018	$	3,360,628
2019		126,639,372
	$	130,000,000

Sentinel Properties-Franklin LLC (a member of the Company) has provided the lender with a completion guarantee related to certain improvements of the Property, as specified in the agreement.

NOTE D - TENANT LEASES

The Company is the lessor to various tenants under operating leases expiring through December 2027. Expected future minimum rents to be received over the next five years and thereafter from leases are approximately as follows:

Year Ending December 31,				Related Party Amount Included
2017	$	26,577,000	$	2,749,000
2018		28,341,000		2,831,000
2019		28,408,000		2,916,000
2020		27,522,000		3,004,000
2021		26,257,000		3,094,000
Thereafter		113,514,000		20,612,000
	$	250,619,000	$	35,206,000

NOTE E - CONCENTRATIONS OF REVENUE

At December 31, 2016, there were three tenants of the Property whose rents (exclusive of straight-line rent adjustments) individually exceeded 10% of and collectively accounted for approximately 65.9% of, total annual base rents.

NOTE F - MEMBERS' EQUITY AND DISTRIBUTIONS

The liability of the members is limited to the amount of equity contributions required to be made by each member.

The Company has two authorized classes of membership interests, common units and preferred units. Common units have voting rights as well as rights with respect to profits and losses and distributions from the Company.

Preferred units have no voting rights, but have rights with respect to distributions from the Company. As of December 31, 2016, no preferred units have been issued.

In June 2016, the Company distributed $10,000,000 to its members in accordance with the Company's operating agreement.

NOTE G - RELATED PARTY TRANSACTIONS

The Company reimburses an affiliate (Sentinel Critical Operations LLC "SCO") for all payroll and related costs and benefits for on-site and other employees. For the year ended December 31, 2016, such costs aggregated approximately $3,366,000.

In January 2011, the Company entered into an agreement with SCO for management of the data center. The agreement provides for a monthly fee of $10,000 as well as operations and development expenses, as defined. The agreement is terminable by the Company upon at least 60 days' prior written notice and is terminable by either party without notice for cause. For the year ended December 31, 2016, management fees aggregated $120,000 and are included in operating expenses in the accompanying statement of operations.

As of December 31, 2016, the Company had outstanding advances to SCO of approximately $3,402,000. Such advances are due on demand and are non-interest bearing.

In October 2015, the Company entered into a lease agreement with Sentinel NC-1, LLC ("NC-1"), an affiliate operating a data center in Durham, North Carolina. The parties entered into the lease in order to both preserve the rental stream (to the Company) of an existing tenant of the Company who vacated a portion of its leased space at Sentinel NJ-1 and to induce the tenant to enter into a lease agreement with NC-1. NC-1 has the right to sublease the space it leased from the Company subject to the terms and conditions provided for in the lease, which lease terminates in 2027. Rental income from NC-1 for 2016 was $2,668,725, all of which was unpaid and is included in due from affiliates on balance sheet.

NOTE H - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosures of estimated fair value were determined by management using available market information and appropriate valuation methodologies. Considerable judgment is necessary to interpret market data and develop estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize on disposition of the financial instruments. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Cash and cash equivalents, tenant receivables, prepaid expenses and other assets, accounts payable and accrued expenses, and deferred revenue are carried at amounts which reasonably approximate their fair values due to their short maturities.

The fair value of the Company's mortgage loan payable is estimated based on discounting future cash flows at interest rates that management believes reflect the risks associated with a mortgage loan payable of similar risk and duration. At December 31, 2016, the estimated aggregate fair value of the Company's mortgage loan payable, based on Level 3 inputs, approximates its carrying value.

Disclosure about fair value of financial instruments is based on pertinent information available to management as of December 31, 2016. Although management is not aware of any factors that would significantly affect the fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements such that current estimates of fair value may differ significantly from the amounts presented herein.

NOTE I - COMMITMENTS AND CONTINGENCIES

In October 2009, the Company entered into a construction management agreement with an unrelated party in connection with the redevelopment of Sentinel NJ-1. In accordance with the agreement, the construction manager ("CM") is to earn a fee of 1.75% of all project costs incurred by the Company, as well as the cost of approved construction management personnel. The agreement is terminable by either party in certain instances as provided for in the agreement. For the year ended December 31, 2016, the Company incurred construction management fees of $88,980, which have been capitalized and included in construction in progress or building improvements, accordingly.

The CM also acts as the general contractor for the redevelopment of Sentinel NJ-1. Through December 31, 2016, the Company incurred general construction costs to the CM approximating $134.6 million (included in building and improvements on the balance sheet). Approximately $1,221,000 remains to be incurred to complete the current phase of construction

NOTE J - SUBSEQUENT EVENTS

On February 28, 2017, the Company was sold to a public company. Proceeds from the sale were used, among other things, to repay the mortgage loan payable (and associated interest). In addition, on such date the purchaser amended the articles of organization to change the name of the company to CyrusOne-NJ, LLC.

Exhibit 99.2

SENTINEL NC-1, LLC
(a Delaware limited liability company)

Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Member of
Sentinel NC-1, LLC

We have audited the accompanying balance sheet of Sentinel NC-1, LLC (the "Company") as of December 31, 2016, and the related statements of operations, member's equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sentinel NC-1, LLC as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ EisnerAmper LLP

New York, New York
May 9, 2017

SENTINEL NC-1, LLC
(a Delaware limited liability company)

Balance Sheet
December 31, 2016

Assets		
Real Estate, at Cost:		
Land and Land Improvements	$	6,003,260
Building and Improvements and Tenant Improvements		120,210,810
Furniture, Fixtures, and Equipment		517,389
		126,731,459
Less: Accumulated Depreciation		(10,498,051)
		116,233,408
Cash and Cash Equivalents		3,428,462
Tenant Receivables		679,043
Deferred Rent Receivable		10,787,435
Deferred Leasing Costs, net of Accumulated Amortization of $3,123,558 as of December 31, 2016		26,623,902
Prepaid Expenses and Other Assets		944,569
	$	158,696,819
Liabilities and Member's Equity		
Liabilities:		
Mortgage Loan Payable, net of Unamortized Debt Issuance Costs of $801,409	$	83,432,799
Lease Obligation Payable - Related Party		26,925,774
Accounts Payable and Accrued Expenses		4,158,019
Unearned Revenue		512,119
Due to Affiliates		3,546,334
Total Liabilities		118,575,045
Commitment and Contingencies		
Member's Equity		40,121,774
	$	158,696,819

See notes to Financial Statements.

SENTINEL NC-1, LLC
(a Delaware limited liability company)

Statement of Operations
Year Ended December 31, 2016

Revenue:		
Rental Income, including straight-line rent adjustment of $5,733,687 and lease inducement amortization of ($2,342,856)	$	10,730,955
Utility and Other Reimbursements		1,364,099
		12,095,054
Expenses:		
Operating Expenses		4,069,042
Real Estate Taxes		749,211
Depreciation		4,267,409
Amortization		119,259
		9,204,921
Operating Income		2,890,133
Interest Expense, including amortization of deferred financing costs of $324,207, loan modification fees of $226,054 and Related Party Interest of $1,319,670		(3,872,211)
Net Loss	$	(982,078)

See notes to Financial Statements.

SENTINEL NC-1, LLC

(a Delaware limited liability company)

Statement of Member's Equity

Balance, December 31, 2015	**$**	**42,042,626**
Distributions		(938,774)
Net Loss		(982,078)
Balance, December 31, 2016	**$**	**40,121,774**

See notes to Financial Statements.

SENTINEL NC-1, LLC

(a Delaware limited liability company)

Statement of Cash Flows
Year Ended December 31, 2016

		Year Ended December 31, 2016
Cash Flows From Operating Activities		
Net Income	$	(982,078)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:		
Depreciation and Amortization		7,053,732
Changes in Operating Assets and Liabilities:		
Cash - Restricted for Interest Payments		709,275
Tenant Receivables		(586,511)
Deferred Rent Receivable		(5,733,687)
Prepaid Expenses and Other Assets		(399,269)
Due to Affiliates		2,668,725
Accounts Payable and Accrued Expenses		428,291
Unearned Revenue		231,326
Deferred Leasing Costs		(545,885)
Net Cash Provided by Operating Activities		2,843,919
Cash Flows From Investing Activities		
Building Improvements		(33,978,175)
Net Cash Used in Investing Activities		(33,978,175)
Cash Flows From Financing Activities		
Proceeds from Mortgage Loan Payable		35,117,525
Payments of Lease Obligation Payable		(1,349,055)
Deferred Financing Costs		(708,895)
Due to Affiliates		(492,144)
Distributions to Member		(938,774)
Net Cash Provided by Financing Activities		31,628,657
Increase in Cash and Cash Equivalents		494,401
Cash and Cash Equivalents, Beginning of Year		2,934,061
Cash and Cash Equivalents, End of Year	$	3,428,462
Supplemental Disclosure of Cash Flow Information:		
Interest Paid, Including Capitalized Interest of $235,091	$	2,111,494
Non-Cash Investing Activities:		
Accrued Additions to Real Estate and Improvements	$	3,122,943
Capitalized Amortization of Deferred Financing Costs	$	39,257

See notes to Financial Statements.

NOTE A - FORMATION AND BUSINESS

Sentinel NC-1, LLC ("NC-1") is a single-member Delaware limited liability company functioning as the single- purpose ownership entity for 2223 North East Creek Parkway in Durham, North Carolina. Its operations consist of a large-scale data center development (the "Property") operated under the "Sentinel Data Centers" brand and referred to specifically as "Sentinel NC-1." Sentinel Data Centers is engaged in the business of ownership, acquisition, construction and management of strategically located data centers such as Sentinel NC-1 in growing data center markets, primarily in the Eastern United States. Data centers are highly specialized and secure buildings designed to provide the power, cooling and network access necessary to efficiently and reliably house mission-critical technology hardware, including servers, storage devices, switches, routers and fiber optic transmission equipment servicing the specialized needs of their various tenants.

NC1's sole member is Sentinel Properties-Durham LLC (the "Member"). The liability of the Member is limited to the amount of equity contributions made.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Basis of presentation:

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and include the accounts of NC-1. All significant intercompany balances and transactions have been eliminated in consolidation.

[2] Use of estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at year end and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates primarily relate to the estimated useful life of fixed assets, and the collectability of tenant receivables and commitments and contingencies. Management believes these estimates and assumptions are reasonable based upon information available at the time they were made. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary.

[3] Fair value measurements:

Disclosures of estimated fair value were determined by management using available market information and appropriate valuation methodologies. Considerable judgment is necessary to interpret market data and develop estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize on disposition of the financial instruments. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[3] Fair value measurements: (continued)

The methodologies used for valuing such instruments have been categorized into three broad levels as follows:

Level 1 - Quoted prices in active markets for identical instruments.

Level 2 - Valuations based principally on other observable market parameters, including:

- Quoted prices in active markets for similar instruments,
- Quoted prices in less active or inactive markets for identical or similar instruments,
- Other observable inputs (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates), and
- Market corroborated inputs (derived principally from or corroborated by observable market data).

Level 3 - Valuations based significantly on unobservable inputs.

- Valuations based on third-party indications such as broker quotes or counterparty quotes, which were, in turn, based significantly on unobservable inputs or were otherwise not supportable as Level 2 valuations.
- Valuations based on internal models with significant unobservable inputs.

These levels form a hierarchy. The Company follows this hierarchy for its financial instruments' disclosures of fair value on a recurring basis. The classifications are based on the lowest level of input that is significant to the fair market measurement.

[4] Revenue recognition:

All leases are classified as operating leases and rents are recognized on a straight-line basis over the term of the lease. Rental revenue recognition commences when the tenant takes possession or controls the physical use of the leased space. The excess of rents recognized over amounts contractually due pursuant to the underlying lease is included in deferred rent receivable on the accompanying balance sheet. Contractually due but unpaid rents are included in tenant receivables on the accompanying balance sheet. In addition to base rent, tenants are generally sub-metered for utilities and other items, which they reimburse the Company for. Rents received in advance of their contractual due dates are recorded as deferred revenue and recognized as rental income when earned.

The Company utilizes the allowance method of accounting for doubtful accounts and evaluates the collectability of its receivables based upon various factors including the financial condition and payment history of its tenants. Management has determined that all receivables at December 31, 2016 are fully collectible.

[5] Real estate and construction in progress:

Real estate is stated at cost, less accumulated depreciation. Costs directly related to the redevelopment of the Property, including pre-development (soft costs), construction, interest, real estate taxes and certain indirect costs (primarily site supervision) incurred during the development period, are capitalized. Capitalization ceases when a project or a portion thereof becomes operational, or when construction is postponed.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[5] Real estate and construction in progress: (continued)

Ordinary repairs and maintenance are expensed as incurred; major replacements and betterments, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives. Fully depreciated assets are removed from the accounts.

The Property is depreciated using the straight-line method over the estimated useful lives of the assets. Estimated lives are as follows:

Category	Period of useful life
Building	39 years
Land improvements	20 years
Building improvements	Lesser of 39 years or remaining useful life of the related building and/or estimated useful life of improvements (10-39 yrs.)
Tenant improvements	Lesser of remaining term of lease or estimated useful life (5-15 yrs.)
Furniture, fixtures and equipment	3 to 7 years

Depreciation expense for the year ended December 31, 2016 was $4,267,409.

On a periodic basis, management assesses whether there are any indicators that the value of the real estate property may be impaired. A property's value is impaired if the estimated aggregate future cash flows (undiscounted) to be generated by the Property are less than the carrying value of the Property. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the Property over the fair value of the Property, with fair value typically based on a discounted cash flow analysis or an income capitalization model. Management has determined that there were no indications of impairment as of December 31, 2016.

The Company, in connection with the Property's redevelopment, may from time to time receive incentive payments from a municipality or utility to aid in or encourage redevelopment. Such incentive payments received are recorded as reduction of the cost of the qualifying improvement. During the year ended December 31, 2016, the Company recognized $133,333 in incentive payments, which have been applied against the cost of building improvements in the balance sheet.

[6] Deferred costs:

Deferred financing costs consist of fees and costs incurred to obtain construction financing. Such costs are being amortized on the straight-line basis (which approximates the effective interest method) over the term of the loan payable. Such amortization is either being capitalized to construction in progress in the same proportion as interest expense, or is expensed and included with interest expense in the accompanying statement of operations.

Deferred leasing costs consist primarily of commissions, legal fees, and other direct costs incurred to procure or renew tenant operating leases for rental space at the Property. Such costs are being amortized on the straight-line basis over the initial lease term or renewal period as appropriate. Upon early termination of a lease, unamortized leasing costs are written off and included in depreciation and amortization expense.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[7] Income taxes:

No provision has been made in the accompanying financial statements for any federal, state, or local income taxes since each item of income, gain, loss, deduction or credit is reportable for income tax purposes by the Company's sole member. As a single member LLC, the Company is a disregarded entity for income tax purposes.

[8] Concentration of credit risk:

The Company maintains balances at various banks which, at times, may exceed the Federal Deposit Insurance Corporation limit of $250,000.

[9] Debt issuance costs:

Effective January 1, 2016, the Company adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs,* which requires 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 new guidance was applied on a retrospective basis to all periods presented. Prior to the adoption of ASU 2015-03, the Company presented debt issuance costs in the balance sheet as a deferred charge.
As a result of adopting ASU 2015-03 on a retrospective basis, the following opening balances were adjusted:

	As of January 1, 2016	
	As originally recorded	As adjusted
Debt issuance costs, net	$ 389,405	$ —
Long-term debt	49,116,682	48,727,277

[10] Cash equivalents:

The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

[11] Subsequent events:

Management has evaluated subsequent events through May 9, 2017, the date these financial statements were available for issuance.

NOTE C - MORTGAGE LOAN PAYABLE

During June 2013, in connection with the Property's redevelopment for data center use, the Company obtained a mortgage loan facility with M&T Investment Banking Group ("M&T" or "Lender"), which provides, among other things, for a credit facility equal to a maximum of $40,000,000 (the "Loan"), which, as amended, was scheduled to mature on December 5, 2016 (the "Initial Maturity Date"). In October 2015, the Company and Lender further amended the terms of the Loan to provide additional financing of up to a maximum credit facility of $60,000,000 and extend the Initial Maturity Date to October 16, 2018. The Loan may be extended by the Company for two one-year terms upon at least 90 days' prior written notice (but not more 120 days) to Lender, subject to the provisions as set forth in the Loan agreement as amended. Upon the amendment of the Loan's terms, the Company was required to deposit $1,000,000 in a restricted account for the payment of interest and operating expense shortfalls. The balance in such account at December 31, 2016 was $0.

SENTINEL NC-1, LLC
(a Delaware limited liability company)

Notes to Financial Statements December 31, 2016

NOTE C - MORTGAGE LOAN PAYABLE (CONTINUED)

On April 27, 2016, the Company and the Lender further modified the terms of the Loan agreement to, among other things, increase the funds available under the facility to a maximum of $110,000,000, amend the Initial Maturity Date to April 27, 2018, and amend the applicable margin, as defined, and add an additional one year loan extension for a total of three. Upon closing of the modification of the Loan, $2,000,000 was disbursed to the Company. As of December 31, 2016, the Company drew upon the entire $62 million of the Phase 1 tranche, as well as $22,234,207 of the Phase 2A tranche. The modified Loan requires monthly interest only payments, calculated at the borrower's option, at a rate based on the one-month LIBOR plus the applicable margin of 2.75% and 3.25%, or the Base Rate (as defined) plus the applicable margin of 1.00% and 1.5%, for the Phase 1 tranche and Phase 2A tranche, respectively, through the Initial Maturity Date, at which time the entire principal balance and all accrued and unpaid interest become due and payable. The interest rate at December 31, 2016 for the Phase 1 and Phase 2A tranches was 3.47% and 3.97%, respectively, based on the Company's election of the one-month LIBOR plus the applicable margin. Interest incurred for the year ended December 31, 2016 was
$2,202,121, including capitalized interest of $235,091.

In connection with the amendments of the Loan in 2016, all costs associated with the modification paid directly to the lender were capitalized and are being amortized over the modified term. Costs paid to third parties were expensed, and are included in interest expense on the statement of operations. In addition, the net book value of all previously deferred financing costs are being amortized over the modified term. The Company incurred approximately $931,000 to modify the loan in 2016, of which approximately $226,000 was immediately expensed.

The Company entered into an interest rate protection agreement to mitigate the Company's existing or anticipated exposure to unfavorable interest rate changes. The fair value of such instrument at December 31, 2016 was immaterial.

The Loan may be prepaid in whole or in part at any time without penalty or premium with prior notice to lender as provided in the agreement.

The loan is guaranteed by the Member for up to a maximum of $15 million. In addition, the members of the Member have entered into subscription agreements to provide additional capital to the Member or the Company of up to $15 million in connection with the aforementioned guarantee (See Note H).

NOTE D - TENANT LEASES

The Company leases space to various tenants under operating leases expiring through January 2029. Expected future minimum rents to be received over the next five years and thereafter from leases are approximately as follows:

Year ending December 31,		
2017	$	14,100,000
2018		14,516,000
2019		14,871,000
2020		14,300,000
2021		12,159,000
Thereafter		66,863,000
	$	136,809,000

As of December 31, 2016, a substantial portion of the building was being held for future development. The remainder, represented by approximately 100,000 square feet of useable data center space is either under lease (approximately 50,000 square feet) or available to be leased. The space under lease is leased to 12 tenants.

NOTE D - TENANT LEASES (CONTINUED)

At December 31, 2016, rents from four such tenants (exclusive of straight-line rent adjustments and related party lease adjustments) individually exceeded 10% of and collectively accounted for 72.3%, of total annual base rents.

NOTE E - RELATED PARTY TRANSACTIONS

The Company reimburses an affiliate (Sentinel Critical Operations LLC "SCO") for all payroll and related costs and benefits for on-site and other employees. For the year ended December 31, 2016, such costs aggregated approximately $2,203,000. Of such costs, approximately $315,000 was payable to the affiliate at December 31, 2016.

As of December 31, 2016, the Company had outstanding advances to SCO of approximately $90,000. Such advances are due on demand and are non-interest bearing. The net amount of approximately $225,000 is included in due to affiliates on the balance sheet.

In October 2015, the Company entered into a lease agreement with 800 Cottontail, LLC ("800"), an affiliate operating a data center in Somerset, New Jersey. The parties entered into the lease in order to both preserve the rental stream (to 800) of an existing tenant (the "Tenant") of 800 who vacated a portion of its leased space at 800, as well as to induce the tenant to enter into a lease agreement with the Company. The Company has the right to sublease the space it leased from 800 subject to the terms and conditions provided for in the lease, which lease terminates in 2027. The lease with 800 represents a cost to procure the lease with the Tenant now occupying additional space of the Company. As such, the present value of the lease payments (discounted at 4.799% representing the Company's estimated incremental borrowing rate) to 800 were accounted for as a deferred leasing cost with an offsetting lease obligation payable in the accompanying balance sheets. The deferred cost will be amortized on a straight-line basis against rental income over the term of the lease entered into with the Tenant, and the liability will be amortized using the interest method. Amortization and interest expense charged to operations for the year ended December 31, 2016 was approximately $2,343,000 and $1,320,000, respectively. As of December 31, 2016, the Company had outstanding rental payments to 800 of approximately $3,322,000, which is included in due to affiliates on the accompanying balance sheet. Future minimum rents to be incurred to 800 for the next five years are as follows:

Year ending December 31,		As of December 31, 2016
2017	$	2,749,000
2018		2,831,000
2019		2,916,000
2020		3,004,000
2021		3,094,000
Thereafter		20,612,000
	$	35,206,000

NOTE F - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosures of estimated fair value were determined by management using available market information and appropriate valuation methodologies. Considerable judgment is necessary to interpret market data and develop estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize on disposition of the financial instruments. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Cash and cash equivalents, tenant receivables, prepaid expenses and other assets, accounts payable and accrued expenses, and deferred revenue are carried at amounts, which reasonably approximate their fair values due to their short maturities.

The fair value of the Company's mortgage loan payable is estimated based on discounting future cash flows at interest rates that management believes reflect the risks associated with a mortgage loan payable of similar risk and duration. At December 31, 2016, the estimated aggregate fair value of the Company's mortgage loan payable, based on Level 3 inputs, approximates its carrying value.

Disclosure about fair value of financial instruments is based on pertinent information available to management as of December 31, 2016. Although management is not aware of any factors that would significantly affect the fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements such that current estimates of fair value may differ significantly from the amounts presented herein.

NOTE G - COMMITMENTS AND CONTINGENCIES

In July 2014, the Company, through its banking institution, issued an irrevocable letter of credit in favor of one of its construction vendors in the maximum amount of $1,388,000, which is outstanding as of December 31, 2016. The letter of credit automatically renews for a term of one year unless terminated by the bank upon at least 60 days' prior written notice to the vendor. In connection therewith, during 2016, the Company incurred letter of credit fees of approximately $35,000, which are included in interest and finance expense in the statement of operations.

In July 2015, the Company entered into a construction management agreement with an unrelated party in connection with the continued redevelopment of Sentinel NC-1. In accordance with the agreement, the construction manager ("CM") is to earn a fee of 2.0% of all project costs (as defined) incurred by the Company. An additional fee is to be earned by the CM on each anniversary of the commencement of work ranging from .5% - 1% and calculated on a tiered basis based on the total value of the prior year's project costs. The agreement is terminable by either party in certain instances as provided for in the agreement. For the year ended December 31, 2016, the Company incurred construction management fees of approximately $591,000, which have been capitalized and included in construction in progress. The CM also acts as the general contractor for the continued redevelopment of Sentinel NC-1. Through December 31, 2016, the Company incurred general construction costs to the New CM approximating $33.2 million (included in building and improvements and tenant improvements on the balance sheet) of which approximately $1,037,000 was payable as of December 31, 2016.

NOTE H - SUBSEQUENT EVENTS

On February 28, 2017, the Company was sold to a public company. Proceeds from the sale were used, among other things, to repay the mortgage loan payable (and associated interest). In addition, on such date, the purchaser amended the articles of organization to change the name of the company to CyrusOne-NC, LLC.

Exhibit 99.3

CYRUSONE INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following Unaudited Pro Forma Condensed Combined Balance Sheet as of December 31, 2016 and the Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended December 31, 2016 (the "Unaudited Pro Forma Condensed Combined Financial Information") have been derived from the historical consolidated financial statements of CyrusOne Inc. (together with its subsidiaries, the "Company") and 800 Cottontail, LLC, a Delaware limited liability company ("800 Cottontail") and Sentinel NC-1, LLC, a Delaware limited liability company ("SNC" and, together with 800 Cottontail, "Sentinel Properties"), as adjusted to give effect of the acquisition of Sentinel Properties by a wholly owned subsidiary of CyrusOne, Inc., the incurrence of additional debt under CyrusOne LP's recently expanded credit facility, and settlement of forward equity sale agreements (collectively, the "Transactions") and are intended to reflect the impact of the Transactions on the Company on a pro forma basis as of and for the year ended December 31, 2016.

The Unaudited Pro Forma Condensed Combined Financial Information has been prepared by the Company as an acquisition of assets rather than a business in accordance with Financial Accounting Standards Board Accounting Standards Codification ("ASC") Subtopic 805-50. As an asset acquisition, the cost to acquire the group of assets is allocated to the individual assets acquired or liabilities assumed based on their relative fair values. The relative fair values of identifiable tangible and intangible assets acquired and liabilities assumed from the acquisition of Sentinel Properties are based on a preliminary estimate of fair value using assumptions described in the accompanying notes to the Unaudited Pro Forma Condensed Combined Financial Information that the Company believes are reasonable.

The Company has not finalized the final purchase price allocation for the acquisition of Sentinel Properties, which will depend on final asset and liability valuations that may depend in part on prevailing market rates and conditions. These final valuations will be based on the actual net tangible and intangible assets that existed as of the closing of the Transaction. Any final adjustments may change the allocations of the purchase price, which could affect the allocation of cost assigned to the assets acquired and liabilities assumed and could result in a change to the Unaudited Pro Forma Condensed Combined Financial Information. Therefore, the result of the final purchase price allocation could be materially different from the preliminary allocation set forth herein.

The following Unaudited Pro Forma Condensed Combined Financial Information is based on, and should be read in conjunction with:

- The accompanying notes to unaudited pro forma condensed combined financial information;
- The historical audited consolidated and financial statements of the Company and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in its Annual Report on Form 10-K/A for the fiscal year ended December 31, 2016, as filed with the Securities and Exchange Commission ("SEC") on February 28, 2017;
- The historical audited balance sheet of 800 Cottontail as of December 31, 2016 and the statements of income, members' equity and cash flows for the year ended December 31, 2016 (included as Exhibit 99.1 to the Current Report on Form 8-K/A of which this financial information forms an exhibit);
- The historical audited balance sheet of SNC as of December 31, 2016 and the statements of operations, members' equity and cash flows for the year ended December 31, 2016 (included as Exhibit 99.2 to the Current Report on Form 8-K/A of which this financial information forms an exhibit);

The Unaudited Pro Forma Condensed Combined Balance Sheet reflects the Transactions as if they had been consummated on December 31, 2016 and includes pro forma adjustments for the preliminary allocation of the purchase price.

The Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended December 31, 2016 combines the Company's historical results for the year ended December 31, 2016 with Sentinel Properties' historical results for the year ended December 31, 2016. The Unaudited Pro Forma Condensed Combined Statement of Operations gives effect to the Transactions as if they had been consummated on January 1, 2016.

The Unaudited Pro Forma Condensed Combined Financial Information has been prepared to reflect adjustments to the Company's historical consolidated financial information that are (i) directly attributable to the Transactions, (ii) factually supportable and (iii) with respect to the Unaudited Pro Forma Condensed Combined Statement of Operations, expected to have a continuing impact on the combined results. The differences between the actual valuations reflected in the Company's future balance sheets and the current estimated valuations used in preparing the Unaudited Pro Forma Condensed Combined Financial Information may be material and may affect amounts, including depreciation and amortization expense, which the Company will recognize in future statements of operations for periods following the Transactions.

The Unaudited Pro Forma Condensed Combined Financial Information is presented for informational purposes only and is not necessarily indicative of the operating results or financial position that actually would have been achieved if the Transactions had occurred on the dates indicated or that may be achieved in future periods. The Unaudited Pro Forma Condensed Combined Financial Information should be read in conjunction with the financial statements of the Company and Sentinel Properties. It also does not reflect any cost savings, operating synergies or revenue enhancements that the Company may achieve with respect to combining the companies or costs to integrate the assets or the impact of any non- recurring activity and any one-time transaction related costs. Synergies and integration costs have been excluded from consideration because they do not meet the criteria for unaudited pro forma adjustments.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET AS OF DECEMBER 31, 2016

(in millions)	Historical CyrusOne Inc.	Historical Sentinel Properties Combined (See Note 3)	Pro Forma Adjustments	Note Reference	Pro Forma Combined Company
Assets					
Investment in real estate:					
Land	$ 142.7	$ 6.5	$ 7.7	4(b)	$ 156.9
Buildings and improvements	1,008.9	139.0	57.6	4(b)	1,205.5
Equipment	1,042.9	141.0	10.3	4(b)	1,194.2
Construction in progress	407.1	1.8	45.8	4(b)	454.7
Subtotal	2,601.6	288.3	121.4		3,011.3
Accumulated depreciation	(578.5)	(34.9)	34.9	4(b)	(578.5)
Net investment in real estate	2,023.1	253.4	156.3		2,432.8
Cash and cash equivalents	14.6	11.1	(3.1)	4(a), 4(c)	22.6
Restricted cash	—	—	—		—
Rent and other receivables, net	83.3	3.5	—		86.8
Goodwill	455.1	—	—		455.1
Intangible assets, net	150.2	—	78.1	4(b)	228.3
Other assets	126.1	31.3	(28.5)	4(b)	128.9
Total assets	$ 2,852.4	$ 299.3	$ 202.8		$ 3,354.5
Liabilities and Equity					
Accounts payable and accrued expenses	$ 227.1	$ 8.5	$ (0.3)	4(b)	$ 235.3
Deferred revenue	76.7	1.6	—		78.3
Capital lease obligations	10.8	—			10.8
Long-term debt, net	1,240.1	212.9	68.6	4(c)	1,521.6
Lease financing arrangements	135.7	—	—		135.7
Total liabilities	1,690.4	223.0	68.3		1,981.7
Equity					
Common stock	0.8	—	—		0.8
Additional paid in capital	1,412.3	—	210.8	4(d)	1,623.1
Accumulated deficit	(249.8)	76.3	(76.3)	4(b), 4(e)	(249.8)

Accumulated other comprehensive loss	(1.3)	—	—		(1.3)
Total shareholders’ equity	1,162.0	76.3	134.5		1,372.8
Noncontrolling Interest	—	—	—		—
Total equity	1,162.0	76.3	134.5		1,372.8
Total liabilities and equity	$ 2,852.4	$ 299.3	$ 202.8		$ 3,354.5

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2016

	Historical				
(in millions, except per share amounts)	CyrusOne Inc.	Sentinel Properties Combined (See Note 3)	Pro Forma Adjustments	Note Reference	Pro Forma Combined Company
Revenue	$ 529.1	$ 41.8	$ 1.9	5(a), 5(b)	$ 572.8
Costs and expenses:					
Property operating expenses	187.5	9.3	—		196.8
Sales and marketing	16.9	0.7	—		17.6
General and administrative	60.7	3.6	—		64.3
Depreciation and amortization	183.9	11.2	22.9	5(c)	218.0
Transaction and acquisition integration costs	4.3	0.2	(0.2)	5(d)	4.3
Asset impairments and loss on disposal	5.3	—	—		5.3
Total costs and expenses	458.6	25.0	22.7		506.3
Operating income	70.5	16.8	(20.8)		66.5
Interest expense	48.8	6.4	(1.5)	5(e), 5(f)	53.7
Net income (loss) before taxes	21.7	10.4	(19.3)		12.8
Income tax expense	(1.8)	—	—		(1.8)
Net income (loss)	19.9	10.4	(19.3)		11.0
Noncontrolling interest in net income (loss)	—	—	—		—
Net income (loss) attributed to common shareholders	$ 19.9	$ 10.4	$ (19.3)		$ 11.0
Basic weighted average common shares outstanding	78.3				78.3
Diluted weighted average common shares outstanding	79.0				79.0
Income per share - basic and diluted	0.24				0.14
Dividend declared per share	1.52				1.52

CYRUSONE INC. AND SUBSIDIARIES

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

1. Description of Transaction

On February 4, 2017, CyrusOne LP entered into a transaction agreement (the “Transaction Agreement”) to acquire all of the membership interests of 800 Cottontail, LLC and Sentinel NC-1, LLC. As a result of the Transaction Agreement, 800 Cottontail, LLC and Sentinel NC-1, LLC are wholly owned subsidiaries of CyrusOne LP. In consideration for the acquisition of Sentinel Properties, CyrusOne LP paid aggregate cash consideration of approximately $492.3 million in connection therewith, including transaction related costs of $1.5 million. The transaction was financed by the Company with proceeds from settlement of its forward equity sale and borrowings under its Revolving Credit Facility.

2. **Basis of Presentation**

The Unaudited Pro Forma Condensed Combined Financial Information should be read in conjunction with the condensed consolidated financial statements of Sentinel Properties included as an exhibit to the Current Report on Form 8-K/A, to which this financial information is an exhibit as well as the Company’s audited consolidated financial statements and the related notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” contained in our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2016.

The Unaudited Pro Forma Condensed Combined Financial Information has been prepared by the Company as an acquisition of assets rather than a business in accordance with Financial Accounting Standards Board Accounting Standards Codification (“ASC”) Subtopic 805-50. As an asset acquisition, the cost to acquire the group of assets is allocated to the individual assets acquired or liabilities assumed based on their relative fair values. The relative fair values of identifiable tangible and intangible assets acquired and liabilities assumed from the Transaction are based on a preliminary estimate of fair value using assumptions described in the accompanying notes to the Unaudited Pro Forma Condensed Combined Financial Information that the Company believes are reasonable.

The Company has not finalized the final purchase price allocation for the Transactions, which will depend on final asset and liability valuations that may depend in part on prevailing market rates and conditions. These final valuations will be based on the actual net tangible and intangible assets that existed as of the closing of the Transactions. Any final adjustments may change the allocations of the purchase price, which could affect the fair value assigned to the assets acquired and liabilities assumed and could result in a change to the Unaudited Pro Forma Condensed Combined Financial Information, including the amount of intangibles. Therefore, the result of the final purchase price allocation could be materially different from the preliminary allocation set forth herein.

The Unaudited Pro Forma Condensed Combined Financial Information included herein has been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and certain footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations; however, management believes that the disclosures are adequate to make the information presented not misleading. The Unaudited Pro Forma Condensed Combined Balance Sheet and Statement of Operations as of and for the year ended December 31, 2016 were derived from CyrusOne Inc.’s audited consolidated financial statements as of and for the year ended December 31, 2016 and from Sentinel Properties’ unaudited condensed consolidated financial statements as of and for the year ended December 31, 2016, respectively.

3. **Reclassifications of Historical Sentinel Properties**

Financial information presented in the “Sentinel Properties Combined” columns in the Unaudited Pro Forma Condensed Combined Balance Sheet and Statement of Operations represents the sum of the historical balance sheets of 800 Cottontail and SNC as of December 31, 2016 and the historical income statement of Sentinel Properties for the year ended December 31, 2016, respectively, after elimination of intercompany transactions between 800 Cottontail, LLC and Sentinel NC-1, LLC. 800 Cottontail, LLC and Sentinel NC-1, LLC were operated under common management and, therefore, are eligible to have their historical financial statements presented on a combined basis, with transactions between the entities eliminated. Such financial information has been reclassified or classified to conform to the historical presentation in the Company’s consolidated financial statements as set forth below. Unless otherwise indicated, defined line items included in the footnotes have the meanings given to them in the historical financial statements of Sentinel Properties.

(in millions)	800 Cottontail, LLC	SENTINEL NC-1, LLC	Eliminations		Sentinel Properties Combined After Eliminations	Reclassifications	#	Sentinel Properties Combined (as reclassified)
Balance Sheet								
Assets								
Real estate, at Cost:								
Land and Land improvements	3.4	6.0	—		9.4	(9.4)	(1),(2)	—
Land	—	—	—		—	6.5	(1)	6.5
Building and Improvements and Tenant Improvements, including Construction in Progress	156.8	120.2	—		277.0	(277.0)	(3),(4),(5)	—
Buildings and improvements	—	—	—		—	139.0	(2),(3)	139.0
Furniture, Fixtures and Equipment	1.4	0.5	—		1.9	(1.9)	(6)	—
Equipment	—	—	—		—	141.0	(5),(6)	141.0
Construction in progress	—	—	—		—	1.8	(4)	1.8
Subtotal	161.6	126.7	—		288.3	—		288.3
Accumulated depreciation	(24.4)	(10.5)	—		(34.9)	—		(34.9)
Net investment in real estate	137.2	116.2	—		253.4	—		253.4
Cash and Cash Equivalents	7.7	3.4	—		11.1	—		11.1
Rent and other receivables (net of allowance for doubtful accounts)	—	—	—		—	3.5	(7)	3.5
Tenant Receivable	2.8	0.7	—		3.5	(3.5)	(7)	—
Deferred Rent Receivable	10.6	10.8	—		21.4	(21.4)	(10)	—
Deferred Leasing Costs, net of Accumulated Amortization	3.8	26.6	(25.8)	(8)	4.6	(4.6)	(10)	—
Due from Affiliates	6.7	—	(3.3)	(9)	3.4	(3.4)	(10)	—
Prepaid Expenses and Other Assets	0.9	1.0	—		1.9	(1.9)	(10)	—
Other assets	—	—	—		—	31.3	(10)	31.3
Total assets	169.7	158.7	(29.1)		299.3	—		299.3

Liabilities and Members’ (Deficiency) Equity								
Mortgage Loan Payable net of Unamortized Debt Issuance Costs	129.5	83.4	—		212.9	(212.9)	(11)	—
Long-term debt, net	—	—	—		—	212.9	(11)	212.9
Lease Obligation Payable - Related Party	—	26.9	(26.9)	(8)	—	—		—
Accounts Payable and Accrued Expenses	4.0	4.2	—		8.2	0.3	(13)	8.5
Unearned Revenue	1.1	0.5	—		1.6	(1.6)	(12)	—
Deferred revenue	—	—	—		—	1.6	(12)	1.6
Due to Affiliates	—	3.6	(3.3)	(9)	0.3	(0.3)	(13)	—
Total Liabilities	134.6	118.6	(30.2)		223.0	—		223.0
Commitments and Contingencies								
Equity								
Members’ Equity	35.1	40.1	1.1	(8)	76.3	(76.3)	(14)	—
Accumulated deficit	—	—	—		—	76.3	(14)	76.3
Total shareholders' equity	35.1	40.1	1.1		76.3	—		76.3
Total liabilities and members’ (deficiency) equity	169.7	158.7	(29.1)		299.3	—		299.3

(in millions)	800 Cottontail, LLC	SENTINEL NC-1, LLC	Eliminations	Sentinel Properties Combined After Eliminations	Reclassifications	#	Sentinel Properties Combined (as reclassified)
Income Statement							
Rental Income	26.2	10.7	(0.4)	36.5	(36.5)	(1)	—
Reimbursements and Other Income	—	1.4	—	1.4	(1.4)	(1)	—
Utility and other reimbursements	3.9	—	—	3.9	(3.9)	(1)	—
Revenue	—	—	—	—	41.8	(1)	41.8
Operating Expenses	7.5	4.1	—	11.6	(11.6)	(3),(4),(5),(6)	—
Property operating expenses	—	—	—	—	9.3	(3)	9.3
Sales and marketing	—	—	—	—	0.7	(4)	0.7
Real Estate and Property Taxes	1.5	0.7	—	2.2	(2.2)	(7)	—
General and Administrative	—	—	—	—	3.6	(5),(7)	3.6
Depreciation	6.4	4.3	—	10.7	(10.7)	(8)	—
Amortization	0.4	0.1	—	0.5	(0.5)	(8)	—
Depreciation and amortization	—	—	—	—	11.2	(8)	11.2
Transaction costs	—	—	—	—	0.2	(6)	0.2
Total costs and expenses	15.8	9.2	—	25.0	—		25.0
Operating Income	14.3	2.9	(0.4)	16.8			16.8
Interest Expense	(3.9)	(3.9)	1.4	(6.4)	—		(6.4)
Net income (loss)	10.4	(1.0)	1.0	10.4	—		10.4

Reclassification and elimination of the Unaudited Pro Forma Condensed Combined Balance Sheet as of December 31, 2016:

(1) Represents reclassification of $6.5 million from "Land and land improvements" to "Land"

(2) Represents reclassification of $2.9 million from "Land and land improvements" to "Buildings and Improvements"

(3) Represents reclassification of $136.1 million from "Building and Improvements and Tenant Improvements, including Construction in Progress" to "Buildings and Improvements"

(4) Represents reclassification of $1.8 million from "Building and Improvements and Tenant Improvements, including Construction in Progress" to "Construction in progress"

(5) Represents reclassification of $139.1 million from "Building and Improvements and Tenant Improvements, including Construction in Progress" to "Equipment"

(6) Represents reclassification of $2.0 million from "Furniture, Fixtures and Equipment" to "Equipment"

(7) Represents reclassification of $3.5 million from "Tenant Receivable" to "Rent and Other Receivables (net of allowance for doubtful accounts)"

(8) Represents elimination of "Deferred Leasing Costs" of $25.8 million, elimination of $26.9 million of "Lease Obligation Payable – Related Party", and offsetting adjustment to Members' Equity of $1.1 million; such balances relate to a lease between 800 Cottontail, LLC and Sentinel NC-1, LLC that is eliminated in the combined presentation.

(9) Represents elimination of intercompany "Due from Affiliates" of $3.3 million and "Due to Affiliates" of $3.3 million; such amounts relate to a lease between 800 Cottontail, LLC and Sentinel NC-1, LLC that is eliminated in the combined presentation.

(10) Represents reclassification of "Deferred Rent Receivable" of $21.4 million, "Deferred Leasing Costs, net of Accumulated Amortization" of $4.6 million, "Due to Affiliates" of $3.4 million, and "Prepaid expenses and other assets" of $1.8 million to "Other assets"

(11) Represents reclassification of "Mortgage Loan Payable net of Unamortized Debt Issuance Costs" of $212.9 million to "Long Term Debt, net"

(12) Represents reclassification from "Unearned Revenue" of $1.6 million to "Deferred Revenue"

(13) Represents reclassification from "Due to Affiliates" of $0.3 million to "Accounts payable and accrued expenses."

(14) Represents reclassification from "Members' Equity" of $76.3 million to "Accumulated Deficit"

Reclassification and elimination of the Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended December 31, 2016:

(1) Represents reclassification from "Rental income" of $36.5 million, from "Reimbursements and other income" of $1.4 million and from "Utility and Other reimbursements" of $3.8 million to "Revenue"

(2) Represents elimination from 800 Cottontail, LLC of "Rental Income" of $2.7 million and elimination from Sentinel NC-1, LLC of lease inducement contra-revenue in "Rental Income" of $2.3 million, and interest expense of $1.4 million; such amounts relate to a lease between 800 Cottontail, LLC and Sentinel NC-1, LLC that is eliminated in the combined presentation.

(3) Represents reclassification of "Operating expenses" of $9.3 million to "Property operating expenses"

(4) Represents reclassification of "Operating expenses" of $0.7 million to "Sales and marketing"

(5) Represents reclassification of "Operating expenses" of $1.4 million to "General and administrative"

(6) Represents reclassification of "Operating expenses" of $0.2 million to "Transaction costs"

(7) Represents reclassification of "Real estate and property taxes" of $2.2 million to "General and administrative"

(8) Represents reclassification of "Depreciation" of $10.7 million and "Amortization" of $0.5 million to "Depreciation and amortization"

4. **Unaudited Pro Forma Condensed Combined Balance Sheet Adjustments**

The Unaudited Pro Forma Condensed Combined Balance Sheet reflects the effect of the following pro forma adjustments:

(a) Adjustment reflects a decrease in cash and cash equivalents of $1.5 million according to the following sources and uses:

Sources of Funds:		
Forward Equity Sales [1]	$	210.8
Credit Facility [1]		281.5
Cash on hand		3.1
Total sources of funds	$	495.4
Uses of Funds:		
Cash paid to sellers at closing	$	493.4
Transaction costs [2]		2.0
Total uses of funds	$	495.4

(1) This adjustment reflects that, to consummate the Transaction, CyrusOne LP borrowed $281.5 million under its recently expanded credit facility, which bears interest at LIBOR plus 1.55% (estimated to be 2.31%) and used proceeds of $210.8 million from settlement of its forward equity sale.

(2) This adjustment includes $0.5 million of transaction costs already incurred by Sentinel Properties and CyrusOne and $1.5 million of transaction costs expected to be incurred but not yet reflected in the historical financial statements.

(b) Adjustment reflects that the excess of purchase price over the historical carrying value of the net assets acquired. As an asset acquisition, the total estimated purchase price is allocated to Sentinel Properties' net tangible and intangible assets based on their relative fair values at the date of the completion of the Transaction. Below is a preliminary estimate of the allocation of purchase price for Sentinel Properties and the adjustments to Sentinel Properties' book values to reflect the allocation of that purchase price to acquired identifiable assets and assumed liabilities.

Preliminary purchase consideration			$	490.0
Working capital adjustment				3.4
Other purchase price adjustments				2.0
Adjusted preliminary purchase consideration			$	495.4
Historical book value of net assets acquired				
Book value of Sentinel Properties' historical net assets acquired as of December 31, 2016	$	76.3		
Payoff of Sentinel Properties Long-term debt, net		212.9		
Settlement of "Accounts payable and accrued expenses" of $0.3 million and "Other assets" of $3.4 million by sellers prior to acquisition		(3.1)		
Excess purchase price over book value of net assets acquired			$	209.3
Adjustment of Sentinel Properties assets and liabilities basis after relative fair value allocation				
Land	$	7.7		
Building and improvements		57.6		
Equipment		10.3		

Construction in progress	45.8	
Remove accumulated depreciation	34.9	
Intangible assets acquired	78.1	
Other assets (removal of deferred rent receivable and deferred leasing costs)	(25.1)	
Preliminary purchase price allocation adjustments		$ 209.3

Upon completion of the fair value assessment, the final purchase price allocation may differ from the preliminary assessment provided above. Any changes to the initial estimates of the fair value of the assets and liabilities will be recorded as adjustments to those assets and liabilities and the residual amounts will be allocated as an increase or decrease to intangibles.

Investment in real estate acquired consists of building and improvements with an allocated purchase price of $196.6 million, equipment with an allocated purchase price of $151.3 million and construction in process with an allocated purchase price of $47.6 million. Investment in real estate is expected to be amortized on a straight-line basis over estimated useful lives of 3–25 years.

The fair values of the components of investment in real estate for purposes of the purchase price allocation have been valued using a combination of the income approach, the market approach and the cost approach, which is based on current replacement and/or reproduction cost of the asset as new, less depreciation attributable to physical, functional and economic factors.

The cost allocated to intangible assets acquired of $78.1 million consist of above/below market lease with an allocated cost of $2.3 million and in place lease intangibles with an allocated cost of $75.8 million. The above/below market lease and in place lease intangibles are expected to be amortized on a straight-line basis over an estimated useful life of 9 years.

The fair value of intangible assets for purposes of allocating the cost of the acquisition is determined primarily using the "income approach," which is a valuation technique that provides an estimate of the fair value of an asset based on market participants' expectations of the cash flows an asset would generate over its remaining useful life. Some of the more significant assumptions inherent in the development of the valuations of above/below market leases are the estimated market rents and appropriate discount rate that appropriately reflects the risk inherent in each future cash flow stream. Some of the more significant assumptions inherent in the development of the valuations of in-place lease intangibles include the estimated costs necessary to lease a tenant site, the forgone rent that would be lost if a currently leased location were vacant, the amount of time it would take to lease a vacant site, and an appropriate discount rate that appropriately reflects the risk inherent in each future cash flow stream.

(c) Adjustment reflects additional borrowing on the Company's existing credit facility of $281.5 million.

(d) Adjustment reflects proceeds received from settlement of the Company's forward equity sale of $210.8 million.

(e) Adjustment eliminates Sentinel Properties accumulated earnings of $76.3 million.

5. **Unaudited Pro Forma Condensed Combined Statement of Operations Adjustments**

The Unaudited Pro Forma Condensed Combined Statement of Operations reflects the effect of the following pro forma adjustments:

(a) Certain Sentinel Properties contracts have rents that have fixed minimum increases each year; revenue under those contracts is recognized on a straight-line basis over the contract period. Upon application of asset acquisition accounting assuming the Transactions occurred on January 1, 2016, the amount of revenue recognized on a straight-line basis under these contracts would have been higher by $2.2 million for the year ended December 31, 2016.

(b) Adjustment reflects a decrease to revenue of $0.3 million for the year ended December 31, 2016 as a result of the amortization of the above/below market leases.

(c) Adjustment reflects an increase to depreciation and amortization expense for the year ended December 31, 2016 of i) $14.9 million related to the step up in basis in investment in real estate and other fixed assets and ii) $8.4 million related to increased amortization expense for in-place lease intangible assets recognized upon the application of asset acquisition accounting and iii) a reduction to depreciation and amortization expense of $0.4 million related to the write-off of deferred leasing costs upon the application of asset acquisition accounting.

(d) Adjustment reflects the removal of direct, incremental transaction costs of $0.2 million, which were incurred during the year ended December 31, 2016. These costs are removed from the pro forma statement of operations as a non-recurring charge directly related to the transaction that is already reflected in the historical financial statements of Sentinel Properties; CyrusOne had not incurred any transaction costs related to the Transactions prior to December 31, 2016.

(e) Adjustment reflects that, to consummate the Transaction, CyrusOne LP borrowed $281.5 million under its credit facility, which bears interest at LIBOR plus 1.55% (estimated to be 2.31%). This adjustment reflects the increase in interest expense associated with this additional debt of $4.9 million, for the year ended December 31, 2016. A hypothetical 0.125% increase or decrease in the expected weighted average interest rate under the senior unsecured credit facility would increase or decrease interest expense associated with the Transactions by $0.2 million for a six month period.

(f) Adjustment reflects the removal of interest expense of $6.4 million for the year ended December 31, 2016 related to Sentinel Properties debt that was paid off in connection with the Transactions.