CyrusOne Inc.
Form 424B4
January 22, 2013
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Filed Pursuant to Rule 424(b)(4)
Registration No. 333-183132

PROSPECTUS

16,500,000 Shares

COMMON STOCK

CyrusOne Inc., a Maryland corporation, is offering 16,500,000 shares of its common stock. This is our initial public offering and no public market currently exists for our shares.

We intend to elect to be taxed and to operate in a manner that will allow us to qualify as a real estate investment trust (REIT) for U.S. federal income tax purposes commencing with our tax year ending December 31, 2013. To assist us in complying with certain U.S. federal income tax requirements applicable to REITs, among other purposes, our charter contains certain restrictions relating to the ownership and transfer of our stock, including an ownership limit of 9.8% of our outstanding common stock. See Description of Securities Restrictions on Ownership and Transfer for a detailed description of the ownership and transfer restrictions applicable to our common stock.

Our common stock has been approved for listing on the NASDAQ Global Select Market under the symbol CONE, subject to notice of issuance.

We are an emerging growth company under the Jumpstart Our Business Startups Act of 2012. Investing in our common stock involves risk. See Risk Factors beginning on page 23.

PRICE $19.00 A SHARE

	Price to Public	Underwriting Discounts and Commissions	Proceeds to CyrusOne
Per Share	$ 19.00	$ 1.235	$ 17.765
Total	$ 313,500,000	$ 20,377,500	$ 293,122,500

We have granted the underwriters the right to purchase up to an additional 2,475,000 shares of common stock to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock to purchasers on January 24, 2013.

MORGAN STANLEY **BofA MERRILL LYNCH**

DEUTSCHE BANK SECURITIES **BARCLAYS**

CITIGROUP **KEYBANC CAPITAL MARKETS** **RBS** **UBS INVESTMENT BANK**

January 17, 2013

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Neither we nor the underwriters have authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses we have prepared. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of shares of our common stock. Our business, financial condition, results of operations, and prospects may have changed since that date.

No person should rely on the information contained in this document for any purpose other than participating in our proposed initial public offering, and only the prospectus dated January 17, 2013 is authorized by us to be used in connection with our proposed initial public offering. The prospectus will only be distributed by us and the underwriters named herein, and no other person has been authorized by us to use this document to offer or sell any of our securities.

Until February 11, 2013 (25 days after the date of this prospectus), all dealers that buy, sell, or trade shares of our common stock, whether or not participating in our initial public offering, may be required to deliver a prospectus. This delivery requirement is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

For investors outside the United States: neither we nor the underwriters have done anything that would permit our initial public offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, this offering of the shares of our common stock and the distribution of this prospectus outside of the United States.

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MARKET DATA AND INDUSTRY FORECASTS

We use market data and industry forecasts throughout this prospectus, in particular in the sections entitled Prospectus Summary Industry Overview and Industry Background/Market Opportunity. We have obtained substantially all of this information from International Data Corporation (IDC). We have paid IDC a fee of $27,500 for this information. Such information is included in this prospectus in reliance on IDC s authority as an expert on such matters. The quantitative information provided by IDC is drawn from its database and other sources, which may be derived from estimates and subjective judgments and is subject to limited audit and validation procedures. See Experts. In addition, we have obtained certain market and industry data from the reports entitled *Data Center Outsourcing, Hosting or Cloud? Use Gartner s Market Map and Compass to Decide, Claudio Da Rold, February 8, 2012* and *Data Center Services: Regional Differences in the Move Toward the Cloud, 2012, Claudio Da Rold, Rolf Jester, William Maurer, Ted Chamberlin, To Chee Eng, Gregor Petri, February 29, 2012,* published by Gartner, Inc. (the Gartner Reports). The Gartner Reports represent data, research opinion or viewpoints published as part of a syndicated subscription service by Gartner, Inc., and are not representations of fact. The Gartner Reports speak as of their original publication date (and not as of the date of this prospectus), and the opinions expressed in the Gartner Reports are subject to change without notice.

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PROSPECTUS SUMMARY

You should read the following summary together with the more detailed information regarding our company and the historical and pro forma financial statements appearing elsewhere in this prospectus, including under the caption Risk Factors. Except as otherwise indicated, references in this prospectus to (i) CyrusOne, we, our, us and our company refer to CyrusOne Inc., a Maryland corporation, together with our consolidated subsidiaries, including CyrusOne LP, a Maryland limited partnership, which we refer to in this prospectus as our operating partnership, and CyrusOne GP, a Maryland statutory trust of which we are the sole beneficial owner and which is the sole general partner of our operating partnership, (ii) CBI refers to Cincinnati Bell Inc., an Ohio corporation, and, unless the context otherwise requires, its consolidated subsidiaries, and (iii) Predecessor refers to the carve-out business that is comprised of the historical data center activities of CBI, the financial statements of which are included in this prospectus. Unless otherwise indicated, the information contained in this prospectus is as of September 30, 2012, assumes that the underwriters over-allotment option is not exercised and gives effect to an approximately 2.8-to-1 operating partnership unit reverse split immediately prior to the completion of this offering. Information related to the consideration to acquire our initial properties and with respect to uses of proceeds is estimated as of the anticipated consummation of this offering, the formation transactions and the related financing transactions.

CyrusOne Inc.

Our Company

We are an owner, operator and developer of enterprise-class, carrier-neutral data center properties. Enterprise-class, carrier-neutral data centers are purpose-built facilities with redundant power, cooling and telecommunications systems and that are not network-specific, enabling customer interconnectivity to a range of telecommunications carriers.

We provide mission-critical data center facilities that protect and ensure the continued operation of information technology (IT) infrastructure for approximately 500 customers. Our goal is to be the preferred global data center provider to the Fortune 1000. As of September 30, 2012, our customers included nine of the Fortune 20 and 108 of the Fortune 1000 or private or foreign enterprises of equivalent size. These 108 customers provided 79% of our annualized rent as of September 30, 2012. Additionally, as of September 30, 2012, our top 10 customers (including CBI) provided 46% of our annualized rent.

We cultivate long-term strategic relationships with our customers and provide them with solutions for their data center facilities and IT infrastructure challenges. Our offerings provide flexibility, reliability and security and are delivered through a tailored, customer service-focused platform that is designed to foster long-term relationships. We focus on attracting customers that have not historically outsourced their data center needs. We believe our capabilities and reputation for serving the needs of large enterprises will allow us to capitalize on the growing demand for outsourced data center facilities in our markets and in new markets where our customers are located or plan to be located in the future.

Our History

Our business is comprised of the historical data center activities and holdings of CBI. CBI has operated its Cincinnati-based data center business for over 10 years; in addition, it acquired GramTel Inc. (GramTel), a data center operator in South Bend, Indiana and Chicago, Illinois, for approximately $20 million in December 2007; and it acquired Cyrus Networks, LLC (Cyrus Networks), a data center operator based in Texas, for approximately $526 million, net of cash acquired, in June 2010. As part of the formation transactions, certain subsidiaries of CBI contributed these assets and operations to our operating partnership, CyrusOne LP.

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Our Portfolio

As of September 30, 2012, our property portfolio included 23 operating data centers in nine distinct markets (Austin, Chicago, Cincinnati, Dallas, Houston, London, San Antonio, Singapore and South Bend), collectively providing approximately 1,630,000 net rentable square feet (NRSF) and powered by approximately 125 megawatts (MW) of utility power. We own nine of the buildings in which our data center facilities are located. We lease the remaining 14 buildings, which account for approximately 600,000 NRSF, or approximately 37% of our total operating NRSF. These leased buildings accounted for 36% of our total annualized rent as of September 30, 2012 and 37% of our total NOI for the three months then ended. We also currently have 379,000 NRSF under development at three data centers in three distinct markets (Dallas, Houston and Phoenix) and 762,000 NRSF of additional powered shell space under roof and available for development. In addition, we have approximately 146 acres of land that are available for future data center facility development. Along with our primary product offering, leasing of colocation space, our customers are increasingly interested in our ancillary office and other space, which is listed separately in the table below. We believe our existing operating portfolio and development pipeline will allow us to meet the evolving needs of our existing customers and continue to attract new customers.

The following tables provide an overview of our operating and development properties as of September 30, 2012, after giving effect to the formation transactions.

			Operating Properties NRSF [a]						
Facilities	**Metropolitan Area**	**Annualized Rent [b]**	**Colocation Space (CSF) [c]**	**Office & Other [d]**	**Supporting Infrastructure [e]**	**Total [f]**	**Percent Leased [g]**	**Powered Shell Available for Future Development (NRSF) [h]**	**Available Utility Power (MW) [i]**
South									
Southwest Fwy (Galleria)	Houston	$ 42,129,372	63,469	17,247	23,202	103,918	91%		16
Westway Park Blvd (Houston West)	Houston	$ 34,616,194	112,133	8,749	35,900	156,782	81%	3,000	12
S. State Hwy 121 Business (Lewisville)*	Dallas	$ 32,181,848	108,687	9,316	59,333	177,336	87%	2,000	8
E. Ben White Blvd (Austin 1)*	Austin	$ 5,131,316	16,223	21,376	7,516	45,115	93%		5
Metropolis Drive (Austin 2)*	Austin	$ 1,401,720	40,855	4,128	18,564	63,547	8%		10
Westover Hills Blvd (San Antonio)	San Antonio	$ 130,428	35,765	172	25,778	61,715	18%	35,000	10
Frankford Road (Carrollton)	Dallas	$ 50,364	47,366		30,365	77,731	13%	522,000	10
Other South Properties (four properties)		$ 9,380,938	28,047	1,449		29,496	96%		2
South Total		**$ 125,022,180**	**452,545**	**62,437**	**200,658**	**715,640**	**69%**	**562,000**	**73**
Midwest									
West Seventh Street (7th St.)**	Cincinnati	$ 31,524,906	208,918	5,744	161,024	375,686	96%	52,000	13
Kingsview Drive (Lebanon)	Cincinnati	$ 17,437,330	60,556	32,484	44,505	137,545	81%	90,000	12
Industrial Road (Florence)*	Cincinnati	$ 13,148,577	52,698	46,848	40,374	139,920	91%		10
Knightsbridge Drive (Hamilton)*	Cincinnati	$ 10,322,312	46,565	1,077	35,336	82,978	89%		5
Parkway (Mason)	Cincinnati	$ 5,746,163	34,072	26,458	17,193	77,723	99%		3
Springer Street (Lombard)*	Chicago	$ 2,319,235	13,560	4,115	12,231	29,906	54%	29,000	3
Goldcoast Drive (Goldcoast)	Cincinnati	$ 1,410,429	2,728	5,280	16,481	24,489	100%	14,000	1
Other Midwest Properties (three properties)		$ 3,145,667	15,911	6,950	13,769	36,630	75%	15,000	3
Midwest Total		**$ 85,054,619**	**435,008**	**128,956**	**340,913**	**904,877**	**90%**	**200,000**	**50**

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Facilities	Metropolitan Area	Annualized Rent [b]	Operating Properties NRSF [a] Colocation Space (CSF) [c]	Office & Other [d]	Supporting Infrastructure [e]	Total [f]	Percent Leased [g]	Powered Shell Available for Future Development (NRSF) [h]	Available Utility Power (MW) [i]
International									
Kestral Way (London)***	London	$ 1,349,727	5,000			5,000	32%		1
Jurong East (Singapore)***	Singapore	$ 303,207	3,200			3,200	12%		1
International Total		**$ 1,652,934**	**8,200**			**8,200**	**24%**		**2**
Total		**$ 211,729,733**	**895,753**	**191,393**	**541,571**	**1,628,717**	**79%**	**762,000**	**125**

* Indicates properties in which we hold a leasehold interest in the building shell and land. All data center infrastructure has been constructed by us and is owned by us.

** The information provided for the West Seventh Street (7th St.) property includes data for two facilities, one of which we lease and one of which we purchased prior to this offering. See Business and Properties Description of Initial Portfolio West Seventh Street (7th St.), Cincinnati, Ohio.

*** Indicates properties in which we hold a leasehold interest in the building shell, land and all data center infrastructure.

(a) Represents the total square feet of a building under lease or available for lease based on engineers drawings and estimates but does not include space held for development or space used by CyrusOne.

(b) Represents monthly contractual rent (defined as cash rent including customer reimbursements for metered power) under existing customer leases as of September 30, 2012, multiplied by 12. For the month of September 2012, customer reimbursements were $20.6 million annualized and consisted of reimbursements by customers across all facilities with separately metered power. Customer reimbursements under leases with separately-metered power vary from month-to-month based on factors such as our customers utilization of power and the suppliers pricing of power. From January 1, 2011 through September 30, 2012, customer reimbursements under leases with separately-metered power constituted between 7.2% and 9.7% of annualized rent. After giving effect to abatements, free rent and other straight-line adjustments, our annualized effective rent as of September 30, 2012 was $218,612,619. Our annualized effective rent was greater than our annualized rent as of September 30, 2012 because our positive straight-line and other adjustments and amortization of deferred revenue exceeded our negative straight-line adjustments due to factors such as the timing of contractual rent escalations and customer prepayments for services.

(c) CSF represents the NRSF at an operating facility that is currently leased or readily available for lease as colocation space, where customers locate their servers and other IT equipment.

(d) Represents the NRSF at an operating facility that is currently leased or readily available for lease as space other than CSF, which is typically office and other space.

(e) Represents infrastructure support space, including mechanical, telecommunications and utility rooms, as well as building common areas.

(f) Represents the NRSF at an operating facility currently leased or readily available for lease. This excludes existing vacant space held for development.

(g) Percent leased is determined based on NRSF being billed to customers under signed leases as of September 30, 2012 divided by total NRSF. Leases signed but not commenced as of September 30, 2012 are not included. Supporting infrastructure has been allocated to leased NRSF on a proportionate basis for purposes of this calculation.

(h) Represents space that is under roof that could be developed in the future for operating NRSF, rounded to the nearest 1,000.

(i) Represents installed power capacity that can be delivered to the facility by the local utility provider.

During the third quarter of 2012, we added 36,000 CSF at our Westover Hills Blvd (San Antonio) facility, 47,000 CSF at our Frankford Road (Carrollton) facility and 15,000 CSF at our Westway Park Blvd (Houston West) facility. This additional capacity increased our CSF by 12% in the quarter, causing our percent leased NRSF to decrease from 85% at June 30, 2012 to 79% at September 30, 2012. The book value of our properties on which development has commenced, or has recently been completed, or that are held for future development was approximately $130 million as of September 30, 2012.

(Square feet rounded to nearest 1,000; dollars in millions)

Facilities	Metropolitan Area	NRSF Under Development [a] Under Development Colocation Space (CSF)	Office & Other	Supporting Infrastructure	Powered Shell [c]	Total	Under Development Costs [b] Actual to Date	Estimated Costs to Completion	Total
South Ellis Street (Phoenix)	Phoenix	36,000		30,000	126,000	192,000	$ 34	$ 44	$ 78
Frankford Road (Carrollton)	Dallas		30,000			30,000	$ 2	$ 0[d]	$ 2
Westway Park Blvd (Houston West)	Houston	42,000	30,000	42,000	43,000	157,000	$ 3	$ 22	$ 25

Total	**78,000**	**60,000**	**72,000**	**169,000**	**379,000**	**$ 39**	**$ 66**	**$ 105**

(a) Represents NRSF at a facility for which substantial activities have commenced to prepare the space for its intended use.
(b) Represents management s estimate of the total costs required to complete the current NRSF under development. There may be an increase in costs if customers require greater power density.
(c) Represents NRSF under construction that, upon completion, will be powered shell available for future development into operating NRSF.
(d) Less than $500,000 of costs to completion expected.

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The development of the 36,000 CSF under development at our South Ellis Street (Phoenix) facility was completed in the fourth quarter of 2012. We anticipate that the development of the powered shell at this facility will be completed in the first quarter of 2013. We anticipate that the 157,000 NRSF under development at our Westway Park Blvd (Houston West) facility will be completed in the first half of 2013.

Industry Overview

Data centers are highly specialized facilities that serve as centralized repositories of server, storage and network equipment and are designed to provide the space, power, cooling and network connectivity necessary to efficiently operate mission-critical IT equipment.

Gartner, Inc. estimates that the global market for data center services was approximately $150 billion in 2011 and will grow to approximately $200 billion in 2012.

The demand for data center infrastructure is being driven by many factors, but most importantly by significant Internet traffic growth and the increased demand for outsourcing.

Internet Traffic Growth The traditional business operations of enterprises are shifting online giving rise to increasingly data- and processing-intensive IT requirements. The move online is largely the result of global end user-generated Internet traffic which, according to IDC, is expected to grow from 17 exabytes per month in 2011 to 117 exabytes per month in 2015, representing a compound annual growth rate (CAGR) of 63%. Some of the key drivers of this Internet traffic growth include the expansion of Internet-based business models, growth in smart phones and tablets, the rapid increase of available content such as high-definition video streaming, increases in process-heavy applications such as business analytics and data mining, and growth in social networking. These factors translate into the expanding demand for high-powered, highly resilient data center facilities, given the need to process, store, distribute and manage the volume of data and transactions.

Increasing Demand for Outsourcing There has been a significant trend toward increased data center and IT outsourcing by U.S. and global enterprises. This trend is driven by a number of factors, including growth in enterprise IT units generally, increased regulatory requirements that expand data storage demands on enterprises, and increased power density and cooling requirements that make it more costly to keep IT infrastructure in-house. We believe that enterprises will look to outsource their data center needs as innovation in data center design and implementation continues to drive increased efficiency at lower costs. Companies seeking to reduce capital requirements, coupled with an increasing recognition that managing complex data center infrastructure is not a core competency, are providing strong momentum toward data center and IT outsourcing. In addition, trends towards globalization and IT-enabled commerce are causing enterprises to consider outsourcing as a means to connect to their clients IT infrastructure.

In addition to these strong demand dynamics, the data center market has other key favorable characteristics for existing data center operators:

High Barriers to Entry Despite growing demand for third-party data center capacity, a supply and demand imbalance exists in the market for high-quality, high-power, fully redundant facilities due to a number of factors, including extensive upfront capital and planning requirements, specialized expertise and personnel required for data center site selection, design, development and operation, limited availability of suitable locations, and regulatory requirements. Another fundamental barrier to entering the third-party data center market, especially when targeting large enterprises that have yet to outsource their data centers, is the time it takes to develop strong relationships with these enterprises before they are comfortable outsourcing their data center needs. This process can take months or even years. Trust is built through the initial sales cycle and continues through extensive planning phases, when the enterprise re-architects its IT platform to suit a third-party data center model. The amount of planning

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and business risk the enterprise undertakes in moving to a third-party data center model requires a significant investment on the part of the enterprise that is unlikely to be made without its third-party provider demonstrating a long history of execution, willingness to build a strategic partnership that will grow over time and compatibility with the needs of the enterprise.

High Barriers to Switching Once an enterprise establishes a relationship with a data center provider, it is unlikely to change providers routinely due to the high switching costs and execution risks associated with relocating IT equipment. These switching costs include disconnecting, packing, shipping, unloading, unpacking, installing and testing each piece of equipment which in large scale data centers can include hundreds of servers and storage devices. In addition, an enterprise will need to establish redundant connections during the transition and pay significant insurance and shipping fees. Switching data center providers also requires significant management resources and potential consulting support to minimize the risk of disruption and downtime which can impact the underlying business. As a result, enterprises are unlikely to switch data center providers routinely once they have an established relationship.

Our Competitive Strengths

We believe the following competitive strengths distinguish us from other data center operators and will enable us to continue to grow our operations.

High Quality Customer Base. The high quality of our assets combined with our reputation for serving the needs of large enterprises has enabled us to focus on the Fortune 1000 to build a quality customer base. We currently have approximately 500 customers from a broad spectrum of industries, with a particular expertise serving the energy industry, which comprises 38% of our annualized rent as of September 30, 2012. We currently have nine of the Fortune 20 and 108 of the Fortune 1000 or private or foreign enterprises of equivalent size as customers, including five of the six supermajor oil and gas companies. Our revenue is generated by a stable enterprise customer base, as evidenced by the following as of September 30, 2012:

- 79% of our annualized rent comes from the Fortune 1000 or private or foreign enterprises of equivalent size;

- 57% of our annualized rent comes from investment grade companies or their affiliates, based on the parent company s corporate credit rating by Standard & Poor s Ratings Services (S&P); and

- 42% of our annualized rent comes from the Fortune 100 or private or foreign enterprises of equivalent size.

As of September 30, 2012, CBI represented 10% of our annualized rent under contracts, which is largely comprised of two customers to whom we provide services through contracts entered into between those customers and Cincinnati Bell Technology Solutions Inc., a subsidiary of CBI (CBTS). Customer consent is required in order to assign those contracts to us, and while we expect those contracts to be assigned to us, such consent has not yet been obtained. Excluding these customers, CBI represented 3% of our annualized rent as of September 30, 2012. As of September 30, 2012, no single other customer represented more than 8% of our annualized rent, and our top 10 customers (including CBI) represented 46% of our annualized rent.

Strategically Located Portfolio. Our portfolio is located in several domestic and international markets possessing attractive characteristics for enterprise-focused data center operations. We have domestic properties in five of the top 10 largest U.S. cities by population (Chicago, Dallas, Houston, Phoenix and San Antonio), according to the U.S. Census Bureau, and four of the top 10 cities for Fortune 500 headquarters (Chicago, Cincinnati, Dallas and Houston), according to *Forbes*. We believe cities with large populations or a large number of corporate headquarters are likely to produce incremental demand for IT infrastructure. In addition, being located close to our current and potential customers provides chief information officers (CIOs) with additional confidence when outsourcing their data center infrastructure.

Modern, High Quality Facilities. Our portfolio includes highly efficient, reliable facilities with advanced cooling capabilities and the security systems necessary to provide an environment suitable for some of our clients most vital technology infrastructure. In our newest facilities, we take a Massively Modular^{SM} approach to site selection, design and construction such that we are able to deliver a range of power densities to our customers within a single facility. Our Massively Modular^{SM} design principles allow us to efficiently stage construction on a large scale and deliver CSF in a timeframe that we believe is one of the best in the industry. We acquire or build a large powered shell capable of scaling with our customers power and colocation space needs. The powered shell can be acquired or constructed for a relatively inexpensive capital cost. Once the building shell is ready, we can build individual data center halls in portions of the building space to meet the needs of customers on a modular basis. This modular data center hall construction can be completed in approximately 16 weeks to meet our customers immediate needs. This short construction timeframe ensures a very high utilization of the assets and minimizes the time between our capital investment and the receipt of customer revenue, favorably impacting our return on investment while also translating into lower costs for our customers. Our design principles also allow us to add incremental equipment to increase power densities as our customers power needs increase, which provides our customers with a significant amount of flexibility to manage their IT demands. We believe this Massively Modular^{SM} approach allows us to respond to rapidly evolving customer needs, to commit capital toward the highest return projects and to develop state-of-the-art data center facilities.

Significant Leasing Capability and Low Recurring Rent Churn. Our focus on the customer, our ability to scale with its needs, and our operational excellence provides us with two key benefits: embedded future growth from our customer base and low recurring rent churn. Our total annualized rent increased by approximately 22%, and our existing customer base provided approximately 72% of such increase, between October 1, 2011 and September 30, 2012. Since October 1, 2011, we have increased NRSF by 19%, while maintaining a high percentage of NRSF leased of 79% at September 30, 2012.

Our management team focuses on minimizing recurring rent churn. We define recurring rent churn as any reduction in recurring rent due to customer terminations, net pricing reductions or service reductions as a percentage of the annualized rent at the beginning of the applicable period, excluding any impact from metered power reimbursements. In 2011, we experienced a recurring rent churn of 3%, approximately half of which was attributable to customers that ceased using our facilities. For the nine months ended September 30, 2012, our recurring rent churn was 4.0% (5.3% annualized), which includes the termination of one lease for legacy data center space that had been utilized for over 20 years. The legacy data center space has been decommissioned and is expected to be developed into data center space that we believe will generate higher amounts of revenue than the prior lease. Excluding this lease, the recurring rent churn for the nine months ended September 30, 2012 would have been 2.9% (3.9% annualized).

Significant, Attractive Expansion Opportunities. Our current development properties and available acreage were selected based on extensive site selection criteria and the collective industry knowledge and experience of our management team. As a result, we believe that our development portfolio contains properties that are located in markets with attractive supply and demand conditions and that possess suitable physical characteristics to support data center infrastructure. In addition to our operating NRSF of approximately 1,630,000 as of September 30, 2012, we are currently developing vacant properties and new facilities to create approximately 379,000 NRSF across three distinct markets. As of September 30, 2012, we also have 762,000 NRSF of powered shell available for future development, and we own approximately 146 acres of land that are available for future data center facility development.

Differentiated Reputation for Service. We believe that the decision CIOs make to outsource their data center infrastructure has material implications for their businesses, and, as such, CIOs look to third-party data center providers that have a reputation for serving similar organizations and that are able to deliver a customized solution. We take a consultative approach to understanding the unique requirements of our customers, and our

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design principles allow us to deliver robust flexibility in the scale, power and location of our data center infrastructure. We believe that this approach has helped fuel our growth. Our current customers are also often the source of new contracts, with referrals being an important source of new customers.

Experienced Management Team. Our management team is comprised of individuals drawing on diverse knowledge and skill sets acquired through extensive experiences in the real estate, telecommunications and mission-critical infrastructure industries. In aggregate, our management team of nine individuals has an average of approximately 15 years of experience in the data center and communications industries.

Business and Growth Strategies

Our objective is to grow our revenue and earnings and maximize stockholder returns by continuing to expand our data center infrastructure outsourcing business.

Increasing Revenue from Existing Customers and Properties. We have historically generated a significant portion of our revenue growth from our existing customers. Our total annualized rent increased by approximately 22%, and our existing customer base provided approximately 72% of such increase, between October 1, 2011 and September 30, 2012. We plan to continue to target our existing customers, because we believe that many have significant data center infrastructure that has not yet been outsourced, and many will require additional data center space to support their growth and their increasing reliance on technology infrastructure in their operations. To address new demand, as of September 30, 2012, we have approximately 337,000 NRSF available for lease, 379,000 NRSF under development and 762,000 NRSF of additional powered shell available for future development. Our portfolio also contains approximately 146 acres of land that are available for future data center facility development.

Attracting and Retaining New Customers. According to a recent IDC survey, less than 10% of large U.S. enterprises use third-party data center colocation services. Increasingly, enterprises are beginning to recognize the complexities of managing data center infrastructure in the midst of rapid technological development and innovation. We believe that these complexities, brought about by the rapidly increasing levels of Internet traffic and data, obsolete existing corporate data center infrastructure, increased power and cooling requirements and increased regulatory requirements, are driving the need for companies to outsource their data center facility requirements. Consequently, this will significantly increase the percentage of companies that use third-party data center colocation services over the next several years. We believe that our high quality assets and reputation for serving large enterprises have been, and will be, key differentiators for us in attracting customers that are outsourcing their data center infrastructure needs. Since 2010, we have signed more than 100 new customers, many of whom were outsourcing data center infrastructure for the first time. We plan to continue to pursue large enterprise customers by leveraging our relationships and reputation, and by developing our existing pipeline of inventory to meet their needs.

Expanding into New Domestic and International Markets. Our expansion strategy focuses on developing new data centers in markets where our customers are located and in markets where our customers want to be located. We regularly meet with our customers to understand their business strategies and potential data center needs. We also conduct extensive analysis to ensure an identified market displays strong data center fundamentals, independent of the demand presented by any particular customer. We believe that this approach significantly reduces the risk associated with expansion into new markets because it provides strong visibility into our anticipated cash flow and helps to ensure targeted returns on new developments. Our strategy for entering a new market will vary based on in-place real estate and data center infrastructure and could include greenfield construction projects as well as acquisitions.

Growing Interconnection Business. Our customers are increasingly seeking to connect to one another via private peering, cross connects and/or public switching environments. The demand for interconnection creates additional rental and revenue growth opportunities for us, and we believe that customer interconnections increase our likelihood of customer retention by providing an environment not easily replicated by competitors.

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Selectively Pursuing Property Acquisition Opportunities. We intend to seek opportunities to acquire existing or potential data center properties in key strategic markets. In addition, we currently lease certain of our data center properties and, to the extent economically attractive, we may opportunistically seek to purchase those properties.

Our principal executive offices are located at 1649 West Frankford Rd, Carrollton, TX 75007. Our telephone number is (972) 350-0060.

Recent Developments

We commissioned the 36,000 CSF under development at our South Ellis Street (Phoenix) facility in the fourth quarter of 2012, bringing our data center capacity to 932,000 CSF as of December 31, 2012, an increase of 22% as compared to December 31, 2011. During the fourth quarter of 2012, we signed leases for approximately 40,000 CSF, our highest sales quarter in 2012. Approximately 16,000 CSF sold during the fourth quarter of 2012 was in our Westover Hills Blvd (San Antonio) facility. Our Westover Hills Blvd (San Antonio) facility was commissioned in the third quarter of 2012 and is now approximately 60% sold to customers. In our Kestral Way (London) facility, we sold approximately 2,000 CSF of our existing space, and construction commenced on an additional 5,000 CSF, which is expected to be completed in the first quarter of 2013. This entire expansion of 5,000 CSF was leased to a customer in the fourth quarter of 2012.

Approximately 90% of the signed leases in the fourth quarter, including all of the Westover Hills Blvd (San Antonio) leases, did not commence billing in 2012 but are expected to commence billing during the first half of 2013. Therefore, our percent leased was 76% as of December 31, 2012 due to the additional CSF commissioned at the South Ellis Street (Phoenix) facility and the commissioning of 30,000 NRSF of office and other space at our Frankford Rd (Carrollton) facility during the fourth quarter of 2012. Adjusting for the leases sold in the fourth quarter but excluding the lease for the unfinished expansion for our Kestral Way (London) facility, our utilization was approximately 78% as of December 31, 2012, consistent with our utilization as of September 30, 2012.

Summary Risk Factors

Investment in our common stock involves risks. You should carefully consider the following important risks as well as the additional risks described in Risk Factors :

Our top 20 customers collectively accounted for approximately 61% of our total annualized rent as of September 30, 2012. The loss or significant reduction in business from one or more of our large customers could significantly harm our business, financial condition and results of operations, and impact the amount of cash available for distribution to our stockholders.

As of September 30, 2012, leases representing 13%, 24% and 14% of the annualized rent for our portfolio will expire during 2012, 2013 and 2014, respectively, and an additional 11% of the annualized rent for our portfolio was from month-to-month leases. Additionally, most of our leases contain early termination provisions. If leases with our customers are not renewed on the same or more favorable terms or are terminated early by our customers, our business, financial condition and results of operations could be substantially harmed.

Our portfolio of properties consists primarily of data centers geographically concentrated in cities in Ohio and Texas, which comprised 38% and 59%, respectively, of our annualized rent as of September 30, 2012. Since we generate a substantial portion of our revenue by servicing a limited geographic area, we are more susceptible to regional economic downturns.

Even if we have additional space available for lease at any one of our data centers, our ability to lease this space to existing or new customers could be constrained by our ability to provide sufficient electrical power.

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We do not own 14 buildings in which our data centers are located that account for approximately 600,000 NRSF, or approximately 37% of our total operating NRSF. These buildings accounted for 36% of our total annualized rent as of September 30, 2012. Instead, we lease or sublease these data center spaces and the ability to retain these leases or subleases could be a significant risk to our ongoing operations. The weighted average remaining term for such leases and subleases is approximately nine years, or approximately 20 years after giving effect to our contractual renewal rights.

A decrease in the demand for data center space could adversely affect our business, financial condition and results of operations.

We have no operating history as a REIT or an independent public company, and our inexperience may impede our ability to successfully manage our business or implement effective internal controls.

Conflicts of interest exist or could arise in the future with our operating partnership or its partners.

Upon completion of this offering, CBI will own 9.7% of our outstanding shares of common stock and a majority of the common units of limited partnership interest in our operating partnership (operating partnership units) and will have the right initially to nominate three directors. CBI s interests may differ from or conflict with the interests of our other stockholders.

Our charter and bylaws and the partnership agreement of our operating partnership contain provisions that may delay, defer or prevent an acquisition of our common stock or a change in control.

If we do not qualify as a REIT, or fail to remain qualified as a REIT, we will be subject to U.S. federal income tax as a regular corporation and could face a substantial tax liability, which would reduce the amount of cash available for distribution to our stockholders.

REIT distribution requirements could adversely affect our ability to execute our business plan.

Our cash available for distribution to stockholders may not be sufficient to make distributions at expected levels, and we may need to borrow in order to make such distributions; consequently, we may not be able to make such distributions in full.

Structure and Formation of Our Company

On November 20, 2012, we closed the formation transactions, which were designed to consolidate the ownership of a portfolio of properties owned by CBI into our operating partnership, facilitate this offering, enable us to raise necessary capital to repay indebtedness owed to CBI and enable us to qualify as a REIT for U.S. federal income tax purposes commencing with our taxable year ending December 31, 2013. Pursuant to the formation transactions and in conjunction with this offering:

CyrusOne Inc. was formed as a Maryland corporation on July 31, 2012.

Our operating partnership, CyrusOne LP, was formed as a Maryland limited partnership on July 31, 2012.

CyrusOne GP, the general partner of our operating partnership, was formed as a Maryland statutory trust on July 31, 2012.

Our operating partnership received a contribution of direct and indirect interests in the portfolio of properties owned by CBI and certain of its subsidiaries set forth under CyrusOne Inc. Our Portfolio above in exchange for 44,102,556 operating partnership units, as adjusted to reflect an approximately 2.8-to-1 unit reverse split immediately prior to the completion of this offering, having a total value of $838 million based upon the price set forth on the cover page of this prospectus. Certain of the properties were directly contributed to CyrusOne LP and certain properties were contributed through the contribution of the equity interests of the entity that directly owns those properties. Upon the completion of this offering, CBI will redeem 1,515,721 operating partnership units in exchange for an equivalent number of shares of our common stock.

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- Our operating partnership issued $525 million of senior notes, from which net proceeds received were approximately $512 million, and entered into a $225 million revolving credit facility that is secured by substantially all of our assets.

- Our operating partnership used the net proceeds of the senior notes issuance to repay approximately $480 million of indebtedness owed to CBI.

- We will sell 16,500,000 shares of our common stock in this offering plus an additional 2,475,000 shares if the underwriters exercise their over-allotment option in full, and we will contribute the net proceeds of this offering to our operating partnership in exchange for operating partnership units.

- We have entered into transition services, registration rights and other commercial agreements with CBI and certain of its subsidiaries. See Certain Relationships and Related Transactions.

Upon completion of this offering:

- Purchasers of our common stock in this offering will own approximately 85.0% of our outstanding common stock, and we will be the sole beneficial owner and sole trustee of CyrusOne GP, which is the sole general partner of our operating partnership and owns 1.0% of the outstanding operating partnership units of our operating partnership. We will also directly own approximately 30.3% of the outstanding operating partnership units of our operating partnership.

- CBI will own 9.7% of our outstanding shares of common stock and 68.7% of the outstanding operating partnership units, which, if exchanged for our common stock, would represent an additional approximately 62.0% interest in our common stock.

- Our directors, executive officers and other employees will own shares of restricted stock representing approximately 5.3% of our outstanding shares of common stock.

- We expect to have total combined indebtedness, including capital lease obligations, of approximately $563 million and other financing arrangements of $49 million, and the ability to incur an additional $225 million of indebtedness through the availability under our revolving credit facility.

All the properties and other interests transferred to CyrusOne LP were contributed by wholly-owned subsidiaries of CBI. Because both CyrusOne LP and the certain subsidiaries of CBI that contributed the properties comprising our portfolio (the Contributors) will be under the common control of CBI until the completion of this offering and were under common control at the time of the formation transactions, the transfer of assets and liabilities of each of these entities will be accounted for at historical cost in a manner similar to a pooling of interests.

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Our Structure

The following diagram depicts our ownership structure upon completion of this offering.

Restrictions on Transfer

Under the partnership agreement of our operating partnership, except under certain circumstances, unit holders do not have redemption or exchange rights for a period of 12 months and may not otherwise transfer their operating partnership units for a period of 12 months following completion of this offering. In addition, we, our operating partnership, CBI and our executive officers and directors have agreed not to sell or otherwise transfer or encumber any shares of our common stock or securities convertible or exchangeable into our common stock (including operating partnership units) owned by them at the completion of this offering or thereafter acquired by them for a period of 12 months, with respect to CBI, and 180 days, with respect to us and our executive officers and directors, after the completion of this offering without the consent of Morgan Stanley & Co. LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, subject, in each case, to certain exceptions.

Conflicts of Interest

Following the completion of this offering, there will be conflicts of interest with respect to certain transactions between the unitholders in our operating partnership, including CBI, on the one hand, and us and our stockholders, on the other. See Risk Factors Risks Related to Our Organizational Structure.

On November 20, 2012, CBI contributed its ownership interests in certain properties and in other assets and liabilities to our operating partnership in the formation transactions. Under the agreements relating to the contribution of such interests, we have contractual rights to indemnification in the event of breaches of representations or warranties made by CBI. None of these agreements were negotiated on an arm s length basis. See Certain Relationships and Related Transactions Contribution Agreements.

Our Chairman is the President and Chief Executive Officer and a director of CBI. In addition, some of our directors and executive officers own a substantial amount of CBI common stock, options and other instruments, the value of which is related to the value of common stock of CBI. The direct and indirect interests of our directors and executive officers in common stock of CBI, and us, could create, or appear to create, conflicts of interest with respect to decisions involving both CBI and us that could have different implications for CBI than they do for us.

We have granted CBI a waiver of the ownership restrictions contained in our charter, subject to certain initial and ongoing conditions designed to protect our status as a REIT, including the receipt of an Internal Revenue Service (IRS) private letter ruling or an opinion of counsel from a nationally recognized law firm that the exercise of any such exemption should not cause any rent payable by CBI to jeopardize our REIT status.

We lease colocation space in our data centers to Cincinnati Bell Telephone Company LLC, a subsidiary of CBI (CBT), and CBTS. Prior to this offering, we entered into separate data center colocation agreements with CBT and CBTS whereby we will continue to lease colocation space to each of them at certain of our data centers. See Certain Relationships and Related Transactions Other Benefits to Related Parties and Related Party Transactions.

Prior to this offering, we purchased the property located at 229 West Seventh Street, which is included under CyrusOne Inc. Our Portfolio as one of our 23 operating facilities and which we had formerly leased from CBT. In connection with this purchase, we also executed a reciprocal easement and shared services agreement and a right of first opportunity and refusal agreement with CBT. Pursuant to the reciprocal easement and shared services agreement, we granted reciprocal easements to each other; CBT has easements for continued use of portions of our building and CBT provides fuel storage, fire suppression and other building services to us; and we provide chilled water, building automation systems related to heating, ventilation and air conditioning (HVAC) and other building services to CBT. Pursuant to the right of first opportunity and refusal agreement, we and CBT have agreed to grant to each other rights of first opportunity and first refusal to purchase each other party s property in the event that either party desires to sell its property to a non-affiliate third party. See Certain Relationships and Related Transactions Other Benefits to Related Parties and Related Party Transactions.

In addition, CBT occupies space in our 229 West Seventh Street facility that is utilized in its network operations. In connection with our purchase of this property, we entered into an agreement to lease this space to CBT for a period of five years, with three renewal options of five years each. Prior to this offering, we also entered into an agreement to lease space at CBT s 209 West Seventh Street facility for a period of five years, with three renewal options of five years each. See Certain Relationships and Related Transactions Other Benefits to Related Parties and Related Party Transactions.

CBI provides various management services, including executive management, cash management, legal, treasury, human resources, accounting, tax, internal audit and risk management services. Prior to this offering, we entered into a transition services agreement with CBI, pursuant to which CBI will provide certain of these services, on an as needed basis, to our operating partnership. See Certain Relationships and Related Transactions Transition Services Agreements.

Effective January 1, 2012, the Predecessor entered into a transition services agreement with CBTS pursuant to which each party agreed to provide certain services to the other party. Services provided by CBTS to the Predecessor included network support, service calls, monitoring and management, storage and backup and IT systems support. Services provided by the Predecessor to CBTS included data center colocation and network interface charges for a fiber network. Prior to this offering, we replaced this transition services agreement with a new transition services arrangement with CBTS pursuant to which each party will provide certain services to the other party. Services provided by CBTS to us include migration and support services for hardware and applications used for local telephony and IT services by our employees, as well as back office billing transition support for customers that have not yet been transitioned off of the CBTS billing platform. Services provided by us to CBTS consist of network interface charges. See Certain Relationships and Related Transactions Transition Services Agreements.

Also effective January 1, 2012, the Predecessor entered into marketing agreements with CBT and CBTS to appoint these affiliates as CyrusOne s authorized marketing representatives. Pursuant to the terms of these agreements, the Predecessor pays these affiliates a commission for all new leases for space they attain, which is calculated as a percentage of the first month s recurring revenue with respect to such space. The term of these agreements expired on December 31, 2012. See Certain Relationships and Related Transactions Marketing Agreement.

We have also entered into services agreements with CBT and CBTS. Under the CBTS services agreement, CBTS has agreed to provide us with certain managed storage and backup services. These services will be provided on a month-to-month basis, and charges will be based on the variable amount of gigabytes managed by CBTS each month. Under the CBT services agreement, CBT provides us with connectivity services related to several of our data center facilities. These services are related to the use of fiber and circuit assets that are currently a part of the CBI network. See Certain Relationships and Related Transactions Other Benefits to Related Parties and Related Party Transactions.

Prior to this offering, we entered into agreements to lease office space to CBT at our Goldcoast Drive (Goldcoast) data center facility and to CBTS at our Parkway (Mason) data center facility. See Certain Relationships and Related Transactions Other Benefits to Related Parties and Related Party Transactions.

As of September 30, 2012, certain of the Predecessor s leases had not yet been assigned to CyrusOne. CBTS is the lessor named in these contracts. In 2012, we entered into an agreement with CBTS whereby we perform all obligations of CBTS under the lease agreements, CBTS confers to us the benefits received under such lease agreements and CBTS is granted sufficient usage rights in each of our data centers so that it remains as lessor

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under each such lease agreement until the lease can be assigned to us. In addition, CBTS will continue to perform billing and collections on these accounts until the assignment has been completed. See Certain Relationships and Related Transactions Other Benefits to Related Parties and Related Party Transactions.

On November 20, 2012, we also entered into a non-competition agreement with CBI, pursuant to which we and CBI have agreed not to enter into each other s lines of business, subject to certain exceptions, for a period of four years from such date. See Certain Relationships and Related Transactions Other Benefits to Related Parties and Related Party Transactions.

Under the partnership agreement of our operating partnership, the limited partners of our operating partnership will expressly agree that the general partner of our operating partnership is acting for the benefit of the operating partnership, the limited partners of our operating partnership and our stockholders, collectively. The general partner is under no obligation to give priority to the separate interests of the limited partners in deciding whether to cause our operating partnership to take or decline to take any actions. If there is a conflict between the interests of us or our stockholders, on the one hand, and the interests of the limited partners of our operating partnership, on the other, the partnership agreement of our operating partnership provides that any action or failure to act by the general partner that gives priority to the separate interests of us or our stockholders that does not result in a violation of the contractual rights of the limited partners of our operating partnership under the partnership agreement will not violate the duties that the general partner owes to our operating partnership and its partners.

Affiliates of one or more of our underwriters participated as agents or lenders under the revolving credit facility that we entered into with a syndicate of financial institutions. These transactions create potential conflicts of interest because the underwriters have an interest in the successful completion of this offering beyond the underwriting discounts and commissions and financial advisory fees they will receive.

Restrictions on Ownership and Transfer of Our Stock

Due to limitations on the concentration of ownership of REIT stock imposed by the Internal Revenue Code of 1986, as amended (the Code), among other purposes, our charter provides for restrictions on ownership and transfer of our shares of stock, including, in general, prohibitions on any person actually or constructively owning more than 9.8% in value or number (whichever is more restrictive) of the outstanding shares of our common stock or 9.8% in value of the outstanding shares of all classes or series of our stock. Our charter, however, permits exceptions to be made for stockholders provided that our board of directors determines such exceptions will not jeopardize our tax status as a REIT. Our board of directors has granted CBI exemptions from the ownership limits applicable to other holders of our common stock, subject to certain initial and ongoing conditions designed to protect our status as a REIT, including the receipt of an IRS private letter ruling or an opinion of counsel from a nationally recognized law firm that the exercise of any such exemption should not cause any rent payable by CBI to jeopardize our REIT status.

Related Financings

Senior Notes Issuance

On November 20, 2012, our operating partnership issued $525 million of senior notes, from which the net proceeds were approximately $512 million. Our operating partnership used a portion of the net proceeds from the senior notes issuance to repay approximately $480 million of indebtedness owed to CBI. The indenture governing the senior notes contains covenants that restrict our ability to engage in certain activities such as incurring certain additional indebtedness and making certain investments. See Management s Discussion and Analysis of Financial Condition and Results of Operations Material Provisions of Consolidated Indebtedness to be Outstanding After this Offering.

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Revolving Credit Facility

On November 20, 2012, we entered into a $225 million revolving credit facility with a syndicate of financial institutions. Affiliates of several of the underwriters are lenders under this facility. The revolving credit facility is guaranteed by CyrusOne and CyrusOne GP, as well as certain of our operating partnership s existing and future wholly-owned domestic subsidiaries, subject to certain exceptions. All obligations under the revolving credit facility, and the guarantees of those obligations, are secured by substantially all of our assets, subject to certain exceptions. We intend to use the revolving credit facility, among other things, to finance the acquisition of properties, provide funds for customer improvements and capital expenditures and provide for working capital and for other corporate purposes. The revolving credit facility contains customary covenants for credit facilities of this type. See Management s Discussion and Analysis of Financial Condition and Results of Operations Material Terms of Our Indebtedness to be Outstanding After this Offering.

Upon completion of this offering, we expect to have liquidity of approximately $520 million based on our estimated cash balance and availability under the revolving credit facility.

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This Offering

Common stock offered by us	16,500,000 shares
Common stock to be outstanding after this offering	19,413,165 shares(1)
Common stock and operating partnership units to be outstanding after this offering	62,000,000 shares/operating partnership units(2)
Use of proceeds	We estimate that we will receive gross proceeds from this offering of approximately \$314 million, or approximately \$361 million if the underwriters exercise their over-allotment option in full. After deducting the underwriting discounts, commissions and expenses of this offering, we estimate that we will receive aggregate net proceeds from this offering of approximately \$284 million, or approximately \$328 million if the underwriters exercise their over-allotment option. We intend to contribute the net proceeds from this offering to our operating partnership in exchange for operating partnership units. Our operating partnership intends to use the proceeds received from our contribution to fund future acquisitions of real estate, development of real estate, recurring real estate expenditures and other non-real estate capital expenditures and general working capital. See Use of Proceeds.
NASDAQ Symbol	CONE

(1) Excludes 2,475,000 shares issuable upon exercise of the underwriters over-allotment option and 2,976,835 shares reserved for issuance under our 2012 Long Term Incentive Plan.
(2) Includes 42,586,835 operating partnership units outstanding pursuant to the consummation of the formation transactions that may, subject to the limits in the partnership agreement of our operating partnership, be exchanged for cash or, at our option, shares of our common stock on a one-for-one basis generally commencing 12 months after the completion of this offering.

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Distribution Policy

We intend to make regular quarterly distributions to holders of our common stock. We intend to make a pro rata initial distribution with respect to the period commencing on the completion of this offering and ending March 31, 2013, based on $0.16 per share for a full quarter. On an annualized basis, this would be $0.64 per share, or an annual distribution rate of approximately 3.4% based on the initial public offering price of $19.00 per share. We estimate that this initial annual distribution rate will represent approximately 68.5% of estimated cash available for distribution for the 12 months ending September 30, 2013. We established this intended initial annual distribution rate based on our estimate of cash available for distribution for the 12 months ending September 30, 2013, which we have calculated based on adjustments to our pro forma loss before noncontrolling interests for the 12 months ended September 30, 2012. We intend to maintain our initial distribution rate for the 12-month period following completion of this offering unless actual results of operations, economic conditions or other factors differ materially from the assumptions used in our estimate. Distributions made by us will be authorized and determined by our board of directors in its sole discretion out of funds legally available therefor and will be dependent upon a number of factors, including restrictions under applicable law and other factors described under Distribution Policy. We believe that our estimate of cash available for distribution constitutes a reasonable basis for setting the initial distribution rate; however, we cannot assure you that the estimate will prove accurate, and actual distributions may therefore be significantly different from the expected distributions. If we have underestimated our cash available for distribution, we may need to increase our borrowings in order to fund our intended distributions. We expect that, at least initially, our distributions may exceed our net income under accounting principles generally accepted in the United States of America (U.S. GAAP) because of non-cash expenses included in net income. We do not intend to reduce the expected distributions per share if the underwriters exercise their over-allotment option.

Our Tax Status

We intend to elect and qualify as a REIT for U.S. federal income tax purposes commencing with our taxable year ending December 31, 2013. Our qualification as a REIT depends upon our ability to meet on a continuing basis, through actual investment and operating results, various complex requirements under the Code, relating to, among other things, the sources of our gross income, the composition and values of our assets, our distribution levels and the diversity of ownership of our shares. We believe that we have been organized in conformity with the requirements for qualification and taxation as a REIT under the Code and that our intended manner of operation will enable us to meet the requirements for qualification and taxation as a REIT.

We have received a private letter ruling from the IRS, subject to the terms and conditions contained therein, with respect to certain issues relevant to our qualification as a REIT. Although we may generally rely upon the ruling, no assurance can be given that the IRS will not challenge our qualification as a REIT on the basis of other issues or facts outside the scope of the ruling.

So long as we qualify as a REIT, we generally will not be subject to U.S. federal income tax on our net taxable income that we distribute currently to our stockholders. If we fail to qualify as a REIT in any taxable year and do not qualify for certain statutory relief provisions, we would be subject to U.S. federal income tax at regular corporate rates and would be precluded from re-electing to be taxed as a REIT for the subsequent four taxable years following the year during which we lost our REIT qualification. Even if we qualify for taxation as a REIT, we may be subject to certain U.S. federal, state and local taxes on our income or property, and the income of our taxable REIT subsidiaries (each, a TRS) will be subject to taxation at regular corporate rates.

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Summary Financial Data

The following table sets forth summary financial and other data for the Predecessor (as described below) on both a historical and pro forma basis. We have not presented historical information for the newly-formed registrant, CyrusOne, because it has not had any corporate or business activity since its formation other than the incurrence of costs to support this offering, the formation transactions, the related financing transactions and the issuance of shares of common stock in connection with the initial capitalization of the company and because we believe that a discussion of the results of this newly-formed registrant would not be meaningful. For more information regarding the formation transactions, please see Structure and Formation of Our Company.

We use the term Predecessor to mean the historical data center activities and holdings of CBI. CBI has operated its Cincinnati-based data center business for over 10 years; in addition, it acquired GramTel, a data center operator in South Bend, Indiana and Chicago, Illinois, for approximately $20 million in December 2007; and it acquired Cyrus Networks, a data center operator based in Texas, for approximately $526 million, net of cash acquired, in June 2010. As part of the formation transactions, certain subsidiaries of CBI contributed these assets and operations to our operating partnership, CyrusOne LP.

The summary historical financial information as of December 31, 2011 and 2010 and for each of the years ended December 31, 2011, 2010 and 2009 has been derived from the Predecessor s audited combined financial statements included elsewhere in this prospectus. The summary historical financial information as of September 30, 2012 and for the nine months ended September 30, 2012 and 2011 has been derived from the Predecessor s unaudited condensed combined financial statements included elsewhere in this prospectus. In the opinion of management, the unaudited interim financial information included herein includes all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the information set forth herein. The results of operations for the interim period ended September 30, 2012 are not necessarily indicative of the results to be obtained for the full fiscal year.

The unaudited pro forma condensed combined financial data as of and for the nine months ended September 30, 2012 and for the year ended December 31, 2011, is derived from CyrusOne s and the Predecessor s combined pro forma financial statements which appear elsewhere in this prospectus. This pro forma data has been presented as if this offering, the formation transactions and the related financing transactions had all occurred: (i) on September 30, 2012 for the pro forma condensed combined balance sheet data and (ii) as of January 1, 2011 for the pro forma condensed combined statement of operations data. The pro forma financial data is not necessarily indicative of what our actual financial position and results of operations would have been as of the date and for the periods indicated, nor does it purport to represent our future financial position or results of operations.

You should read the following summary financial data of the Predecessor in conjunction with our combined historical financial statements and the related notes and with Management s Discussion and Analysis of Financial Condition and Results of Operations, which are included elsewhere in this prospectus.

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(dollars in millions, except per share amounts)	Nine Months Ended September 30, Pro Forma 2012	2012	2011	Year ended December 31, Pro Forma 2011	2011	2010 [(a)]	2009
Statement of Operations Data:							
Revenue	$ 162.8	$ 162.8	$ 133.7	$ 181.7	$ 181.7	$ 127.5	$ 74.1
Costs and expenses:							
Property operating expenses	55.6	55.3	43.3	58.5	58.2	43.9	31.0
Sales and marketing	7.0	5.8	7.1	10.6	9.1	6.8	5.1
General and administrative	17.4	15.4	8.5	16.7	12.5	7.0	4.2
Depreciation and amortization	52.9	52.9	40.0	55.5	55.5	36.2	18.0
Transaction costs [(b)]	1.3	1.3	2.6	2.6	2.6	9.0	
Management fees charged by CBI [(c)]		2.1	1.9		2.3	3.6	1.5
Loss on sale of receivables to CBF [(d)]		3.7	2.3		3.5	1.8	1.2
Restructuring costs [(e)]						1.4	
Asset impairments [(f)]	13.3	13.3					
Operating income	15.3	13.0	28.0	37.8	38.0	17.8	13.1
Interest expense	31.0	31.2	24.1	39.5	32.9	11.5	3.1
Loss on extinguishment of debt [(g)]				1.4	1.4		
Income tax (benefit) expense	0.5	(4.7)	2.1	0.6	2.2	2.7	3.9
(Loss) income from continuing operations	(16.2)	(13.5)	1.8	(3.7)	1.5	3.6	6.1
(Gain) loss on sale of real estate improvements [(h)]	(0.1)	(0.1)				0.1	
(Loss) income before noncontrolling interests	(16.1)	(13.4)	1.8	(3.7)	1.5	3.5	6.1
Noncontrolling interests [(i)]	(11.0)			(2.5)			
Net (loss) income allocable to common shareholders	$ (5.1)	$ (13.4)	$ 1.8	$ (1.2)	$ 1.5	$ 3.5	$ 6.1
Balance Sheet Data (as of period end):							
Investment in real estate, net	$ 644.6	$ 644.6	$ 481.3	N/A	$ 529.0	$ 403.7	$ 248.7
Total assets	1,407.0	1,090.8	911.7	N/A	954.7	862.3	279.6
Debt [(j)]	563.0	650.1	470.6	N/A	523.1	452.0	69.7
Other financing arrangements [(k)]	49.2	49.2	61.3	N/A	48.2	32.5	
Divisional control [(l)]		297.5	316.1	N/A	311.5	317.8	163.4
Noncontrolling interests	447.9			N/A			
Stockholders equity	732.1			N/A			
Cash Flow Data:							
Cash flows provided by (used in):							
Operating activities	N/A	$ 42.8	$ 48.2	N/A	$ 66.0	$ 43.5	$ 24.6
Investing activities	N/A	(166.2)	(64.7)	N/A	(105.8)	(40.5)	(20.2)
Financing activities	N/A	126.0	12.6	N/A	35.5	1.9	(4.4)
Other Data (unaudited):							
Utilization rate [(m)]	78%	78%	86%	88%	88%	88%	87%
Funds from operations [(n)]	$ 33.0	$ 35.7	$ 28.6	$ 34.0	$ 39.2	$ 29.4	$ 20.7
Funds from operations, as adjusted [(n)]	46.6	49.3	39.9	49.0	54.2	38.3	21.9
Net operating income [(o)]	107.2	107.5	90.4	123.2	123.5	83.6	43.1
EBITDA [(p)]	68.3	66.0	68.0	91.9	92.1	53.9	31.1
Adjusted EBITDA [(p)]	82.8	85.5	72.9	95.9	99.6	66.2	32.4

Capital expenditures	146.4	146.4	76.3	117.5	117.5	29.3	20.7

(a) In June 2010, the Predecessor completed the acquisition of Cyrus Networks. The results of operations of this business are included in the Predecessor s results from the acquisition date.

(b) Represents legal, accounting and consulting fees incurred in connection with the formation transactions, our qualification as a REIT and completed and potential business combinations.

(c) Represents management fees charged by CBI for services it provided to the Predecessor, including executive management, cash management, legal, treasury, human resources, accounting, tax, internal audit and risk management services. See Note 13 to the Predecessor s audited combined financial statements included elsewhere in this prospectus for additional detail. Prior to this offering, we entered into a transition services agreement with CBI, pursuant to which CBI will provide certain of these services, on an as-needed basis, to our operating partnership.

(d) For the historical periods, represents the sale by the Predecessor of most of its trade and other accounts receivable to Cincinnati Bell Funding LLC, a bankruptcy-remote subsidiary of CBI (CBF), at a 2.5% discount to the receivables face value. Effective October 1, 2012, we terminated our participation in this program.

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(e) Represents a restructuring charge recognized in 2010 to terminate a legacy sales commission plan in order to transition to a common plan for all commissioned employees.

(f) Reflects asset impairments recognized on a customer relationship intangible and property and equipment primarily related to our GramTel acquisition.

(g) Represents the termination by the Predecessor of the financing obligation for one of its facilities by purchasing the property from the former lessor. A loss of $1.4 million was recognized upon the termination of this obligation.

(h) Represents the (gain) loss that was recognized on the sale of generators in connection with upgrading of the equipment at various data center facilities.

(i) Represents the (loss) income allocable to the noncontrolling owner s interest in CyrusOne LP.

(j) For the historical periods, reflects related party notes payable and capital lease obligations. For the pro forma periods, reflects third-party notes and capital lease obligations.

(k) Other financing arrangements represents leases of real estate where the Predecessor was involved in the construction of structural improvements to develop buildings into data centers. When the Predecessor bears substantially all the construction period risk, such as managing or funding construction, the Predecessor is deemed to be the accounting owner of the leased property. These transactions generally do not qualify for sale-leaseback accounting due to our continued involvement in these data center operations. For these transactions, at the lease inception date, we recognize the fair value of the leased building as an asset in investment in real estate and as a liability in other financing arrangements.

(l) For the historical periods, the Predecessor was not a separate legal entity. Divisional control represents CBI s net investment in the Predecessor.

(m) We calculate our utilization rate by dividing CSF under signed leases for available space (whether or not the contract has commenced billing) by total CSF. Utilization rate differs from percent leased presented elsewhere in this prospectus because utilization rate excludes office space and supporting infrastructure NRSF and includes CSF for signed leases that have not commenced billing. Management uses utilization rate as a measure of CSF leased.

(n) We calculate funds from operations (FFO) in accordance with the standards established by the National Association of Real Estate Investment Trusts (NAREIT). FFO represents net (loss) income computed in accordance with U.S. GAAP excluding noncontrolling interests, (gain) loss from sales of real estate improvements, real estate-related depreciation and amortization and real estate impairments.

We calculate funds from operations, as adjusted (FFO As Adjusted) as FFO plus amortization and impairments of customer relationship intangibles. Because the value of such customer relationship intangibles is inextricably connected to the real estate acquired, we believe the amortization and impairments of such intangibles is analogous to real estate depreciation and impairments; and therefore, we add the customer relationship intangible amortization and impairments back to FFO As Adjusted for similar treatment with real estate depreciation and impairments. We believe our FFO As Adjusted calculation provides a more comparable measure to others in the industry. Our customer relationship intangibles are primarily associated with the acquisition of Cyrus Networks and represented 22% of the value of the assets acquired.

Management uses FFO, pro forma FFO, FFO As Adjusted and pro forma FFO As Adjusted as supplemental performance measures because they provide performance measures that, when compared year over year, capture trends in occupancy rates, rental rates and operating costs. We also believe that, as widely recognized measures of the performance of REITs, FFO and pro forma FFO will be used by investors as a basis to compare our operating performance with that of other REITs.

However, because FFO, pro forma FFO, FFO As Adjusted and pro forma FFO As Adjusted exclude real estate depreciation and amortization and real estate impairments (and, in the case of FFO As Adjusted and pro forma FFO As Adjusted, exclude amortization and impairments of customer relationship intangibles) and capture neither the changes in the value of our properties that result from use or from market conditions, nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of our properties, all of which have real economic effect and could materially impact our results from operations, the utility of FFO, pro forma FFO, FFO As Adjusted and pro forma FFO As Adjusted as measures of our performance is limited. Other REITs may not calculate FFO or pro forma FFO in accordance with the NAREIT definition or may not calculate FFO As Adjusted or pro forma FFO As Adjusted in the same manner. Accordingly, our FFO, pro forma FFO, FFO As Adjusted and pro forma FFO As Adjusted may not be comparable to others. Therefore, FFO, pro forma FFO, FFO As Adjusted and pro forma FFO As Adjusted should be considered only as supplements to net income as measures of our performance. FFO, pro forma FFO, FFO As Adjusted and pro forma FFO As Adjusted should not be used as measures of our liquidity nor as indicative of funds available to fund our cash needs, including our ability to make distributions. FFO, pro forma FFO, FFO As Adjusted and pro forma FFO As Adjusted also should not be used as supplements to or substitutes for cash flow from operating activities computed in accordance with U.S. GAAP.

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A reconciliation of net (loss) income to FFO and FFO As Adjusted is presented below:

(dollars in millions)	Nine Months Ended September 30,				Year ended December 31,		
	Pro Forma 2012	2012	2011	Pro Forma 2011	2011	2010 [(a)]	2009
Net (loss) income	$ (5.1)	$ (13.4)	$ 1.8	$ (1.2)	$ 1.5	$ 3.5	$ 6.1
Noncontrolling interests	(11.0)			(2.5)			
(Gain) loss on sale of real estate improvements	(0.1)	(0.1)				0.1	
(Loss) income from continuing operations	(16.2)	(13.5)	1.8	(3.7)	1.5	3.6	6.1
Real estate depreciation and amortization	37.5	37.5	26.8	37.7	37.7	25.8	14.6
Real estate impairments	11.7	11.7					
FFO available to common stockholders and unitholders	33.0	35.7	28.6	34.0	39.2	29.4	20.7
Amortization of customer relationship intangibles	12.1	12.1	11.3	15.0	15.0	8.9	1.2
Customer relationship intangible impairments	1.5	1.5					
FFO As Adjusted available to common stockholders and unit holders	$ 46.6	$ 49.3	$ 39.9	$ 49.0	$ 54.2	$ 38.3	$ 21.9

(o) We calculate net operating income (NOI) as net (loss) income, as defined by U.S. GAAP, plus noncontrolling interests, excluding (gain) loss on sale of real estate improvements, plus income tax (benefit) expense, loss on extinguishment of debt, interest expense, sales and marketing costs, general and administrative costs, depreciation and amortization, transaction costs, management fees charged by CBI, loss on sale of receivables to CBF, restructuring costs and asset impairments. NOI can also be calculated as revenues less property operating expenses. Amortization of deferred leasing costs is presented within depreciation and amortization, which is excluded from our NOI calculation. We have not historically incurred any tenant improvement costs. Our sales and marketing costs consist of salaries and benefits for our internal sales staff, travel and entertainment, office supplies, marketing and advertising costs. General and administrative costs include salaries and benefits of senior management and support functions, legal and consulting costs, and other administrative costs. Marketing and advertising costs are not property specific, rather these costs support our entire portfolio. As a result, we have excluded these marketing and advertising costs from our NOI calculation, consistent with the treatment of general and administrative costs, which also support our entire portfolio. Other REITs may not calculate NOI in the same manner. Accordingly, our NOI may not be comparable to other REITs NOI. Management uses NOI and pro forma NOI as supplemental performance measures because they provide useful measures of the profitability of our leases. NOI and pro forma NOI should be considered only as supplements to net income as measures of our performance. NOI and pro forma NOI should not be used as measures of liquidity nor are they indicative of funds available to meet our cash needs, including our ability to make distributions.

A reconciliation of net (loss) income to NOI is presented below:

(dollars in millions)	Nine Months Ended September 30,				Year ended December 31,		
	Pro Forma 2012	2012	2011	Pro Forma 2011	2011	2010 [(a)]	2009
Net (loss) income	$ (5.1)	$ (13.4)	$ 1.8	$ (1.2)	$ 1.5	$ 3.5	$ 6.1
Noncontrolling interests	(11.0)			(2.5)			
(Gain) loss on sale of real estate improvements	(0.1)	(0.1)				0.1	
(Loss) income from continuing operations	(16.2)	(13.5)	1.8	(3.7)	1.5	3.6	6.1
Income tax (benefit) expense	0.5	(4.7)	2.1	0.6	2.2	2.7	3.9
Loss on extinguishment of debt				1.4	1.4		
Interest expense	31.0	31.2	24.1	39.5	32.9	11.5	3.1
Sales and marketing	7.0	5.8	7.1	10.6	9.1	6.8	5.1
General and administrative	17.4	15.4	8.5	16.7	12.5	7.0	4.2
Depreciation and amortization	52.9	52.9	40.0	55.5	55.5	36.2	18.0
Transaction costs	1.3	1.3	2.6	2.6	2.6	9.0	
Management fees charged by CBI		2.1	1.9		2.3	3.6	1.5

Loss on sale of receivables to CBF		3.7	2.3		3.5	1.8	1.2
Restructuring costs						1.4	
Asset impairments	13.3	13.3					
NOI	$ 107.2	$ 107.5	$ 90.4	$ 123.2	$ 123.5	$ 83.6	$ 43.1

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(p) We calculate EBITDA as net (loss) income as defined by U.S. GAAP plus noncontrolling interests, interest expense, income tax (benefit) expense and depreciation and amortization. We calculate Adjusted EBITDA as EBITDA plus transaction costs, loss on sale of receivables to CBF, restructuring costs, loss on extinguishment of debt, asset impairments, stock-based compensation expense resulting from changes in CBI s stock price, and excluding (gain) loss on sale of real estate improvements. Other companies may not calculate EBITDA or Adjusted EBITDA in the same manner. Accordingly, our EBITDA and Adjusted EBITDA may not be comparable to others. Management uses EBITDA, pro forma EBITDA, Adjusted EBITDA and pro forma Adjusted EBITDA as supplemental performance measures as they provide useful measures of assessing the results of operations. EBITDA, pro forma EBITDA, Adjusted EBITDA and pro forma Adjusted EBITDA should be considered only as supplements to net income as measures of our performance and should not be used as substitutes for net income. A reconciliation of net (loss) income to EBITDA and Adjusted EBITDA is presented below:

(dollars in millions)	**Nine Months Ended September 30,**			**Year ended December 31,**			
	Pro Forma 2012	**2012**	**2011**	**Pro Forma 2011**	**2011**	**2010**	**2009**
Net (loss) income	$ (5.1)	$ (13.4)	$ 1.8	$ (1.2)	$ 1.5	$ 3.5	$ 6.1
Noncontrolling interests	(11.0)			(2.5)			
(Loss) income before noncontrolling interests	(16.1)	(13.4)	1.8	(3.7)	1.5	3.5	6.1
Interest expense	31.0	31.2	24.1	39.5	32.9	11.5	3.1
Income tax (benefit) expense	0.5	(4.7)	2.1	0.6	2.2	2.7	3.9
Depreciation and amortization	52.9	52.9	40.0	55.5	55.5	36.2	18.0
EBITDA	68.3	66.0`	68.0	91.9	92.1	53.9	31.1
Transaction costs	1.3	1.3	2.6	2.6	2.6	9.0	
Loss on sale of receivables to CBF		3.7	2.3		3.5	1.8	1.2
Restructuring costs						1.4	
Loss on extinguishment of debt				1.4	1.4		
Asset impairments	13.3	13.3					
Stock-based compensation mark-to-market		1.3					0.1
(Gain) loss on sale of real estate improvements	(0.1)	(0.1)				0.1	
Adjusted EBITDA	$ 82.8	$ 85.5	$ 72.9	$ 95.9	$ 99.6	$ 66.2	$ 32.4

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RISK FACTORS

Investment in our common stock involves risks. In addition to other information contained in this prospectus, you should carefully consider the following factors before acquiring shares of our common stock offered by this prospectus. The occurrence of any of the following risks might cause you to lose all or a part of your investment. Some statements in this prospectus, including statements in the following risk factors, constitute forward-looking statements. Please refer to the section entitled Special Note Regarding Forward-Looking Statements.

Risks Related to Our Business and Operations

A small number of customers account for a significant portion of our revenue. The loss or significant reduction in business from one or more of our large customers could significantly harm our business, financial condition and results of operations, and impact the amount of cash available for distribution to our stockholders.

We currently depend, and expect to continue to depend, upon a relatively small number of customers for a significant percentage of our revenue. Our top 20 customers collectively accounted for approximately 61% of our total annualized rent as of September 30, 2012. As a result of this customer concentration, our business, financial condition and results of operations, including the amount of cash available for distribution to our stockholders, could be adversely affected if we lose one or more of our larger customers, if such customers significantly reduce their business with us or if we choose not to enforce, or to enforce less vigorously, any rights that we may have now or in the future against these significant customers because of our desire to maintain our relationship with them.

A significant percentage of our customer base is also concentrated in industry sectors that may from time to time experience volatility including, in particular, the oil and gas sector. Enterprises in the energy industry comprised approximately 38% of our annualized rent as of September 30, 2012. A downturn in the oil and gas industry could negatively impact the financial condition of one or more of our oil and gas company customers, including several of our larger customers. In an industry downturn, those customers could default on their obligations to us, delay the purchase of new services from us or decline to renew expiring leases, any of which could have an adverse effect on our business, financial condition and results of operations.

Additionally, if any customer becomes a debtor in a case under the U.S. Bankruptcy Code, applicable bankruptcy laws may limit our ability to terminate our contract with such customer solely because of the bankruptcy or recover any amounts owed to us under our agreements with such customer. In addition, applicable bankruptcy laws could allow the customer to reject and terminate its agreement with us, with limited ability for us to collect the full amount of our damages. Our business, including our revenue and cash available for distribution to our stockholders, could be adversely affected if any of our significant customers were to become bankrupt or insolvent.

A significant percentage of our customer leases expire each year or are on a month-to-month basis, and most of our leases contain early termination provisions. If leases with our customers are not renewed on the same or more favorable terms or are terminated early by our customers, our business, financial condition and results of operations could be substantially harmed.

Our customers may not renew their leases following expiration. This risk is increased by the significant percentage of our customer leases that expire every year. As of September 30, 2012, leases representing 13%, 24% and 14% of the annualized rent for our portfolio will expire during 2012, 2013 and 2014, respectively, and an additional 11% of the annualized rent for our portfolio was from month-to-month leases. While historically we have retained a significant number of our customers, including those leasing from us on a month-to-month basis, upon expiration our customers may elect not to renew their leases or renew their leases at lower rates, for fewer services or for shorter terms. If we are unable to successfully renew or continue our customer leases on the same or more favorable terms or subsequently re-lease available data center space when such leases expire, our business, financial condition and results of operations could be adversely affected.

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In addition, most of our leases contain early termination provisions that allow our customers to reduce the term of their leases subject to payment of an early termination charge that is often a specified portion of the remaining rent payable on such leases. Leases representing approximately 22% of our annualized rent as of September 30, 2012 require payment of less than 50% of the remaining rental payment due on the applicable lease. The exercise by customers of early termination options could have an adverse affect on our business, financial condition and results of operations. See Business and Properties Lease Expirations.

We generate a substantial portion of our revenue by servicing a limited geographic area, which makes us more susceptible to regional economic downturns.

Our portfolio of properties consists primarily of data centers geographically concentrated in cities in Ohio and Texas. These markets comprised 38% and 59%, respectively, of our annualized rent as of September 30, 2012. As such, we are susceptible to local economic conditions and the supply of, and demand for, data center space in these markets. If there is a downturn in the economy, a natural disaster or an oversupply of, or decrease in demand for, data centers in these markets, our business could be adversely affected to a greater extent than if we owned a real estate portfolio that was more diversified in terms of both geography and industry focus.

Even if we have additional space available for lease at any one of our data centers, our ability to lease this space to existing or new customers could be constrained by our ability to provide sufficient electrical power.

Customers are increasing their use of high-density electrical power equipment in our data centers, which has significantly increased the demand for power. As current and future customers increase their power footprint in our facilities over time, the corresponding reduction in available power could limit our ability to increase occupancy rates or network density within our existing facilities. In addition, our power and cooling systems are difficult and expensive to upgrade. Accordingly, we may not be able to efficiently upgrade or change these systems to meet new demands without incurring significant costs that we may not be able to pass on to our customers.

We do not own all of the buildings in which our data centers are located. Instead, we lease or sublease certain of our data center spaces and the ability to retain these leases or subleases could be a significant risk to our ongoing operations.

We do not own 14 buildings that account for approximately 600,000 NRSF, or approximately 37% of our total operating NRSF. These leased buildings accounted for 36% of our total annualized rent as of September 30, 2012 and 37% of our total NOI for the three months then ended. Our business could be harmed if we are unable to renew the leases for these data centers on favorable terms or at all. Additionally, in several of our smaller facilities we sublease our space, and our rights under these subleases are dependent on our sublandlord retaining its respective rights under the prime lease. The weighted average remaining term for such leases and subleases is approximately nine years, or approximately 20 years after giving effect to our contractual renewal rights. When the primary terms of our existing leases expire, we generally have the right to extend the terms of our leases for one or more renewal periods, subject to, in the case of several of our subleases, our sublandlord renewing its term under the prime lease. For four of these leases and subleases, the renewal rent will be determined based on the fair market value of rental rates for the property, and the then prevailing rental rates may be higher than the current rental rates under the applicable lease. The rent for the remaining leases and subleases will be based on a fixed percentage increase over the base rent during the year immediately prior to expiration. Several of our data centers are leased or subleased from other data center companies, which may increase our risk of non-renewal or renewal on less than favorable terms. If renewal rates are less favorable than those we currently have, we may be required to increase revenues within existing data centers to offset such increase in lease payments. Failure to increase revenues to sufficiently offset these projected higher costs would adversely impact our operating income. Upon the end of our renewal options, we would have to renegotiate our lease terms with the landlord. See Business and Properties Facility Leasing Arrangements.

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Additionally, if we are unable to renew the lease at any of our data centers, we could lose customers due to the disruptions in their operations caused by the relocation. We could also lose those customers that choose our data centers based on their locations. In addition, it is not typical for us to relocate data center infrastructure equipment, such as generators, power distribution units and cooling units, from their initial installation. The costs of relocating such equipment to a different data centers could be prohibitive and, as such, we could lose the value of this equipment. For these reasons, any lease that cannot be renewed could adversely affect our business, financial condition and results of operations.

Any losses to our properties that are not covered by insurance, or that exceed our policy coverage limits, could adversely affect our business, financial condition and results of operations.

The properties in our portfolio are subject to casualty risks, including from causes related to riots, war, terrorism or acts of God. For example, our properties located in Texas are generally subject to risks related to tropical storms, hurricanes and other severe weather and floods, and our properties located in the Midwest are generally subject to risks related to earthquakes, tornados and other severe weather. While we will carry commercial liability, fire, extended coverage, earthquake, business interruption and rental loss insurance covering all of the properties in our portfolio under a blanket policy, the amount of insurance coverage may not be sufficient to fully cover the losses we suffer.

If we experience a loss that is uninsured or that exceeds our policy coverage limits, we could lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties. In addition, if the damaged properties were subject to recourse indebtedness, we could continue to be liable for the indebtedness even if these properties were irreparably damaged.

In addition, even if damage to our properties is covered by insurance, a disruption of our business caused by a casualty event may result in the loss of business or customers. The business interruption insurance we carry may not fully compensate us for the loss of business or customers due to an interruption caused by a casualty event.

A disruption in the financial markets may make it more difficult to evaluate the stability, net assets and capitalization of insurance companies and any insurer s ability to meet its claim payment obligations. A failure of an insurance company to make payments to us upon an event of loss covered by an insurance policy could adversely affect our business, financial condition and results of operations.

Our properties may not be covered by title insurance.

While we intend to seek either endorsements to provide us with the benefits of existing title insurance policies of CBI and its subsidiaries with respect to the contributed owned properties and material leased properties or new title insurance policies for such properties and we are obligated to seek new title insurance policies in connection with our new revolving credit facility, we do not expect to have such policies in effect at completion of this offering. No assurance can be provided that we will obtain such policies after the completion of the offering. In addition, any title insurance coverage we do obtain may not insure for the current aggregate value of our portfolio, and we do not intend to increase our title insurance coverage if the market value of our portfolio increases. See Certain Relationships and Related Transactions Contribution Agreements.

Any failure of our physical infrastructure or services could lead to significant costs and disruptions that could reduce our revenues and harm our brand and reputation.

Our business depends on providing customers with a highly reliable data center environment. We may fail to provide such service as a result of numerous factors, including:

- human error;

- unexpected equipment failure;

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- power loss or telecommunications failures;
- improper building maintenance by our landlords in the buildings that we lease;
- physical or electronic security breaches;
- fire, tropical storm, hurricane, tornado, flood, earthquake and other natural disasters;
- water damage;
- war, terrorism and any related conflicts or similar events worldwide; and
- sabotage and vandalism.

Problems at one or more of our data centers, whether or not within our control, could result in service interruptions or equipment damage. Substantially all of our leases include terms requiring us to meet certain service level commitments primarily in terms of electrical output to, and maintenance of environmental conditions in, the data center raised floor space leased by customers. Any failure to meet these commitments or any equipment damage in our data centers, including as a result of mechanical failure, power outage, human error on our part or other reasons, could subject us to liability under our lease terms, including service level credits against customer rent payments, or, in certain cases of repeated failures, the right by the customer to terminate the lease. For example, although our data center facilities are engineered to reliably power and cool our customers computing equipment, it is possible that an outage could adversely affect a facility s power and cooling capabilities. Depending on the frequency and duration of these outages, the affected customers may have the right to terminate their lease, which could have a negative impact on our business. We may also be required to expend significant financial resources to protect against physical or cybersecurity breaches that could result in the misappropriation of our proprietary information or the information of our customers. We may not be able to implement security measures in a timely manner or, if and when implemented, these measures might be circumvented. Service interruptions, equipment failures or security breaches may also expose us to additional legal liability and damage our brand and reputation, and could cause our customers to terminate or not renew their leases. In addition, we may be unable to attract new customers if we have a reputation for significant or frequent service disruptions, equipment failures or physical or cybersecurity breaches in our data centers. Any such failures could adversely affect our business, financial condition and results of operations.

Our growth depends on the development of our properties and our ability to successfully lease those properties, and any delays or unexpected costs associated with such projects or the ability to lease such properties may harm our growth prospects, future business, financial condition and results of operations.

Our growth depends in part upon successfully developing properties into operating data center space. Current and future development projects will involve substantial planning, allocation of significant company resources and certain risks, including risks related to financing, zoning, regulatory approvals, construction costs and delays. These projects will also require us to carefully select and rely on the experience of one or more general contractors and associated subcontractors during the construction process. Should a general contractor or significant subcontractor experience financial or other problems during the construction process, we could experience significant delays, increased costs to complete the project and other negative impacts to our expected returns.

Site selection is also a critical factor in our expansion plans, and there may not be suitable properties available in our markets at a location that is attractive to our customers and has the necessary combination of access to multiple network providers, a significant supply of electrical power, high ceilings and the ability to sustain heavy floor loading. Furthermore, while we may prefer to locate new data centers adjacent to our existing data centers, we may be limited by the inventory and location of suitable properties.

In addition, in developing new properties, we will be required to secure an adequate supply of power from local utilities, which may include unanticipated costs. For example, we could incur increased costs to develop utility substations on our properties in order to accommodate our power needs. Any inability to secure an

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appropriate power supply on a timely basis or on acceptable financial terms could adversely affect our ability to develop the property on an economically feasible basis, or at all.

These and other risks could result in delays or increased costs or prevent the completion of our development projects and growth of our business, which could adversely affect our business, financial condition and results of operations.

In addition, we have in the past undertaken development projects prior to obtaining commitments from customers to lease the related data center space. We will likely choose to undertake future development projects under similar terms. Such development involves the risk that we will be unable to attract customers to the relevant properties on a timely basis or at all. If we are unable to attract customers and our properties remain vacant or underutilized for a significant amount of time, our business, financial condition and results of operations could be adversely affected.

We are dependent upon third-party suppliers for power and certain other services, and we are vulnerable to service failures of our third-party suppliers and to price increases by such suppliers.

We rely on third parties to provide power to our data centers. We are therefore subject to an inherent risk that such local utilities may fail to deliver such power in adequate quantities or on a consistent basis, and our recourse against the utility and ability to control such failures may be limited. If power delivered from the local utility is insufficient or interrupted, we would be required to provide power through the operation of our on-site generators, generally at a significantly higher operating cost than we would pay for an equivalent amount of power from the local utility. We may not be able to pass on the higher cost to our customers. In addition, if the generator power were to fail, we would generally be subject to paying service level credits to our customers, who may in certain instances have the right to terminate their leases. Furthermore, any sustained loss of power could reduce the confidence of our customers in our services thereby impairing our ability to attract and retain customers, which would adversely affect both our ability to generate revenues and our results of operations.

In addition, even when power supplies are adequate, we may be subject to pricing risks and unanticipated costs associated with obtaining power from various utility companies. While we actively seek to lock-in utility rates, many factors beyond our control may increase the rate charged by the local utility. For instance, municipal utilities in areas experiencing financial distress may increase rates to compensate for financial shortfalls unrelated to either the cost of production or the demand for electricity. Utilities may be dependent on, and sensitive to price increases for, a particular type of fuel, such as coal, oil or natural gas. In addition, the price of these fuels and the electricity generated from them could increase as a result of proposed legislative measures related to climate change or efforts to regulate carbon emissions. In any of these cases, increases in the cost of power at any of our data centers could put those locations at a competitive disadvantage relative to data centers served by utilities that can provide less expensive power. These pricing risks are particularly acute with respect to our customer leases that are structured on a full-service gross basis, where the customer pays a fixed amount for both colocation rental and power. Our business, financial condition and results of operations could be adversely affected in the event of an increase in utility rates under these leases, which, as of September 30, 2012, accounted for approximately 39% of our leased NRSF, because we may be limited in our ability to pass on such costs to these customers.

We depend on third parties to provide network connectivity to the customers in our data centers, and any delays or disruptions in connectivity may adversely affect our business, financial condition and results of operations.

Our customers require connectivity to the fiber networks of multiple third-party telecommunications carriers. In order for us to attract and retain customers, our data centers need to provide sufficient access for customers to connect to those carriers. While we provide space and facilities in our data centers for carriers to locate their equipment and connect customers to their networks, any carrier may elect not to offer its services within our data centers or may elect to discontinue its service. Furthermore, carriers may periodically experience

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business difficulties which could affect their ability to provide telecommunications services, or the service provided by a carrier may be inadequate or of poor quality. If carriers were to terminate connectivity within our data centers or if connectivity were to be degraded or interrupted, it could put that data center at a competitive disadvantage versus a competitor s data center that does provide adequate connectivity. A material loss of adequate third-party connectivity could have an adverse effect on the businesses of our customers and, in turn, our own results of operations and cash flow.

Furthermore, each new data center that we develop requires significant amounts of capital to be expended by third-party telecommunications carriers for the construction and operation of a sophisticated redundant fiber network. The construction required to connect multiple carrier facilities to our data centers is complex and involves factors outside of our control, including regulatory requirements, the availability of construction resources and the sufficiency of such third-party telecommunications carriers financial resources to fund the construction. If the establishment of highly diverse network connectivity to our data centers does not occur, is materially delayed, is discontinued or is subject to failure, our results of operations and cash flow may be adversely affected. Any hardware or fiber failures on this network may result in significant loss of connectivity to our data centers, which could negatively affect our ability to attract new customers or retain existing customers.

The loss of access to key third-party technical service providers and suppliers could adversely affect our current and any future development projects.

Our success depends, to a significant degree, on having timely access to certain key third-party technical personnel who are in limited supply and great demand, such as engineering firms and construction contractors capable of developing our properties, and to key suppliers of electrical and mechanical equipment that complement the design of our data center facilities. For any future development projects, we will continue to rely on these personnel and suppliers to develop data centers. Competition for such technical expertise is intense, and there are a limited number of electrical and mechanical equipment suppliers that design and produce the equipment that we require. We may not always have or retain access to such key service providers and equipment suppliers, which could adversely affect our current and any future development projects.

The long sales cycle for data center services may adversely affect our business, financial condition and results of operations.

A customer s decision to lease space in one of our data centers and to purchase additional services typically involves a significant commitment of resources, significant contract negotiations regarding the service level commitments, and significant due diligence on the part of the customer regarding the adequacy of our facilities, including the adequacy of carrier connections. As a result, the sale of data center space has a long sales cycle. Furthermore, we may expend significant time and resources in pursuing a particular sale or customer that may not result in revenue. Our inability to adequately manage the risks associated with the data center sales cycle may adversely affect our business, financial condition and results of operations.

Our international activities are subject to special risks different from those faced by us in the United States, and we may not be able to effectively manage our international business.

Our operations are primarily based in the United States with a more limited presence in the United Kingdom and Southeast Asia. Expanding our international operations involves risks not generally associated with investments in the United States, including:

- our limited knowledge of and relationships with sellers, customers, contractors, suppliers or other parties in these markets;
- complexity and costs associated with staffing and managing international development and operations;
- difficulty in hiring qualified management, sales and construction personnel and service providers in a timely fashion;

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- problems securing and maintaining the necessary physical and telecommunications infrastructure;
- multiple, conflicting and changing legal, regulatory, entitlement and permitting, and tax and treaty environments with which we have limited familiarity;
- exposure to increased taxation, confiscation or expropriation;
- fluctuations in foreign currency exchange rates, currency transfer restrictions and limitations on our ability to distribute cash earned in foreign jurisdictions to the United States;
- longer payment cycles and problems collecting accounts receivable;
- laws and regulations on content distributed over the Internet that are more restrictive than those in the United States;
- difficulty in enforcing agreements in non-U.S. jurisdictions, including those entered into in connection with our acquisitions or in the event of a default by one or more of our customers, suppliers or contractors; and
- political and economic instability, including sovereign credit risk, in certain geographic regions.

Our inability to overcome these risks could adversely affect our foreign operations and growth prospects and could harm our business, financial condition and results of operations.

We may be unable to identify and complete acquisitions and successfully operate acquired properties.

We continually evaluate the market for available properties and may acquire data centers or properties suited for data center development when opportunities exist. Our ability to acquire properties on favorable terms and successfully develop and operate them involves significant risks, including:

- we may be unable to acquire a desired property because of competition from other data center companies or real estate investors with more capital;
- even if we are able to acquire a desired property, competition from other potential acquirers may significantly increase the purchase price of such property;
- we may be unable to realize the intended benefits from acquisitions or achieve anticipated operating or financial results;
- we may be unable to finance the acquisition on favorable terms or at all;
- we may underestimate the costs to make necessary improvements to acquired properties;

- we may be unable to quickly and efficiently integrate new acquisitions into our existing operations resulting in disruptions to our operations or the diversion of our management s attention;

- acquired properties may be subject to reassessment, which may result in higher than expected tax payments;

- we may not be able to access sufficient power on favorable terms or at all; and

- market conditions may result in higher than expected vacancy rates and lower than expected rental rates.

If we are unable to successfully acquire, develop and operate data center properties, our ability to grow our business, compete and meet market expectations will be significantly impaired, which would adversely affect the price of our common stock.

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Our customers may choose to develop new data centers or expand their own existing data centers, which could result in the loss of one or more key customers or reduce demand for our newly developed data centers.

In the future, our customers may choose to develop new data centers or expand or consolidate into their existing data centers that we do not own. In the event that any of our key customers were to do so, it could result in a loss of business to us or put pressure on our pricing. If we lose a customer, we cannot assure you that we would be able to replace that customer at a competitive rate or at all, which could adversely affect our business, financial condition and results of operations.

A decrease in the demand for data center space could adversely affect our business, financial condition and results of operations.

Our portfolio of properties consists primarily of data center space. A decrease in the demand for data center space would have a greater adverse effect on our business, financial condition and results of operations than if we owned a portfolio with a more diversified customer base or less specialized use. Adverse developments in the outsourced data center space industry could lead to reduced corporate IT spending or reduced demand for outsourced data center space. Changes in industry practice or in technology, such as server virtualization technology, more efficient or miniaturization of computing or networking devices, or devices that require higher power densities than today s devices, could also reduce demand for the physical data center space we provide or make the customer improvements in our facilities obsolete or in need of significant upgrades to remain viable.

We may have difficulty managing our growth.

We have significantly and rapidly expanded the size of our company. For example, we increased our footprint by 32% from approximately 1,240,000 NRSF at the beginning of 2011 to approximately 1,630,000 NRSF by September 30, 2012. Our growth may significantly strain our management, operational and financial resources and systems. An inability to manage our growth effectively or the increased strain on our management, our resources and systems could materially adversely affect our business, financial condition and results of operations.

To fund our growth strategy and refinance our indebtedness, we depend on external sources of capital, which may not be available to us on commercially reasonable terms or at all.

In order to maintain our qualification as a REIT, we are required under the Code, among other things, to distribute at least 90% of our REIT taxable income annually, determined without regard to the dividends paid deduction and excluding any net capital gains. Even if we maintain our qualification as a REIT, we will be subject to U.S. federal income tax at regular corporate rates to the extent that we distribute less than 100% of our REIT taxable income, determined without regard to the dividends paid deduction and including any net capital gains, as well as U.S. federal income tax at regular corporate rates for income recognized by our TRSs. Because of these distribution requirements, we will likely not be able to fund future capital needs, including any necessary acquisition financing, from operating cash flow. Consequently, we intend to rely on third-party capital markets sources for debt or equity financing to fund our growth strategy. In addition, we may need third-party capital markets sources to refinance our indebtedness at maturity. Continued or increased turbulence in the U.S., European and other international financial markets and economies may adversely affect our ability to replace or renew maturing liabilities on a timely basis, access the capital markets to meet liquidity and capital expenditure requirements and may result in adverse effects on our business, financial condition and results of operations. As such, we may not be able to obtain the financing on favorable terms or at all. Our access to third-party sources of capital also depends, in part, on:

- the market s perception of our growth potential;

- our then-current debt levels;

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- our historical and expected future earnings, cash flow and cash distributions; and
- the market price per share of our common stock.

In addition, our ability to access additional capital may be limited by the terms of the indebtedness we incurred pursuant to the related financing transactions, which may restrict our incurrence of additional debt. If we cannot obtain capital when needed, we may not be able to acquire or develop properties when strategic opportunities arise or refinance our debt at maturity, which could adversely affect our business, financial condition and results of operations.

Our level of indebtedness and debt service obligations could have adverse effects on our business.

As of September 30, 2012, after giving pro forma effect to the formation transactions and the related financing transactions, we would have had a total combined indebtedness, including capital lease obligations, of approximately $563 million and other financing arrangements of $49 million. We also currently have the ability to borrow up to an additional $225 million under our new revolving credit facility, subject to satisfying certain financial tests. Upon completion of this offering, there will be no limits on the amount of indebtedness we may incur other than limits contained in the senior notes indenture covenants, the new revolving credit facility, future agreements that we may enter into or as may be set forth in any policy limiting the amount of indebtedness we may incur adopted by our board of directors. A substantial level of indebtedness could have adverse consequences for our business, financial condition and results of operations because it could, among other things:

- require us to dedicate a substantial portion of our cash flow from operations to make principal and interest payments on our indebtedness, thereby reducing our cash flow available to fund working capital, capital expenditures and other general corporate purposes, including to make distributions on our common stock as currently contemplated or necessary to maintain our qualification as a REIT;
- require us to maintain certain debt and coverage and other financial ratios at specified levels, thereby reducing our financial flexibility;
- make it more difficult for us to satisfy our financial obligations, including borrowings under our new revolving credit facility;
- increase our vulnerability to general adverse economic and industry conditions;
- expose us to increases in interest rates for our variable rate debt;
- limit our ability to borrow additional funds on favorable terms or at all to expand our business or ease liquidity constraints;
- limit our ability to refinance all or a portion of our indebtedness on or before maturity on the same or more favorable terms or at all;
- limit our flexibility in planning for, or reacting to, changes in our business and our industry;
- place us at a competitive disadvantage relative to competitors that have less indebtedness;

increase our risk of property losses as the result of foreclosure actions initiated by lenders in the event we should incur mortgage or other secured debt obligations; and

require us to dispose of one or more of our properties at disadvantageous prices or raise equity that may dilute the value of our common stock in order to service our indebtedness or to raise funds to pay such indebtedness at maturity.

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The agreements governing our indebtedness place restrictions on us and our subsidiaries, reducing operational flexibility and creating default risks.

The agreements governing our indebtedness contain covenants that place restrictions on us and our subsidiaries. These covenants restrict, among other things, our and our subsidiaries ability to:

- merge, consolidate or transfer all or substantially all of our or our subsidiaries assets;
- incur additional debt or issue preferred stock;
- make certain investments or acquisitions;
- create liens on our or our subsidiaries assets;
- sell assets;
- make capital expenditures;
- make distributions on or repurchase our stock;
- enter into transactions with affiliates;
- issue or sell stock of our subsidiaries; and
- change the nature of our business.

These covenants could impair our ability to grow our business, take advantage of attractive business opportunities or successfully compete. In addition, our new revolving credit facility requires us to maintain specified financial ratios and satisfy financial condition tests. The indenture governing our senior notes issuance also requires our operating partnership and its subsidiaries to maintain total unencumbered assets of at least 150% of their unsecured debt on a consolidated basis, provided that for the purposes of such calculation our new revolving credit facility shall be treated as unsecured indebtedness. Our ability to comply with these ratios or tests may be affected by events beyond our control, including prevailing economic, financial and industry conditions. A breach of any of these covenants or covenants under any other agreements governing our indebtedness could result in an event of default. Cross-default provisions in our debt agreements could cause an event of default under one debt agreement to trigger an event of default under our other debt agreements. Upon the occurrence of an event of default under any of our debt agreements, the lenders could elect to declare all outstanding debt under such agreements to be immediately due and payable. If we were unable to repay or refinance the accelerated debt, the lenders could proceed against any assets pledged to secure that debt, including foreclosing on or requiring the sale of our data centers, and our assets may not be sufficient to repay such debt in full. See Management s Discussion and Analysis of Financial Condition and Results of Operations Material Provisions of Consolidated Indebtedness to be Outstanding After this Offering for more detail on the covenants described above.

We may become subject to litigation or threatened litigation which may divert management time and attention, require us to pay damages and expenses or restrict the operation of our business.

We may become subject to disputes with commercial parties with whom we maintain relationships or other parties with whom we do business, including as a result of any breach in our security systems or downtime in our critical electrical and cooling systems. Any such dispute could result in litigation between us and the other parties. Whether or not any dispute actually proceeds to litigation, we may be required to devote significant management time and attention to its resolution (through litigation, settlement or otherwise), which would detract from our management s ability to focus on our business. Any such resolution could involve the payment of damages or expenses by us, which may be significant. In addition, any such resolution could involve our agreement with terms that restrict the operation of our business.

We could incur significant costs related to environmental matters.

We are subject to laws and regulations relating to the protection of the environment, including those governing the management and disposal of hazardous materials, the cleanup of contaminated sites and health and safety matters. We could incur significant costs, including fines, penalties and other sanctions, cleanup costs and third-party claims for property damages or personal injuries, as a result of violations of or liabilities under environmental laws and regulations. Some environmental laws impose liability on current owners or operators of property regardless of fault or the lawfulness of past disposal activities. For example, many of our sites contain above ground fuel storage tanks and, in some cases, currently contain or formerly contained underground fuel storage tanks, for back-up generator use. Some of our sites also have a history of previous commercial operations. We also may acquire or develop sites in the future with unknown environmental conditions from historical operations. Although we are not aware of any sites at which we currently have material remedial obligations, the imposition of remedial obligations as a result of spills or the discovery of contaminants in the future could result in significant additional costs. We also could incur significant costs complying with current environmental laws or regulations or those that are promulgated in the future.

We may be adversely affected by regulations related to climate change.

If we, or other companies with which we do business, become subject to existing or future laws and regulations related to climate change, our business could be impacted adversely. For example, in the normal course of business, we enter into agreements with providers of electric power for our data centers, and the costs of electric power comprise a significant component of our operating expenses. Changes in regulations that affect electric power providers, such as regulations related to the control of greenhouse gas emissions or other climate change related matters, could adversely affect the costs of electric power and increase our operating costs and may adversely affect our business, financial condition and results of operations or those of our customers.

We may be subject to unknown or contingent liabilities related to properties or businesses that we acquire for which we may have limited or no recourse against the sellers.

Assets and entities that we have acquired or may acquire in the future, including the properties contributed by CBI, may be subject to unknown or contingent liabilities for which we may have limited or no recourse against the sellers. Unknown or contingent liabilities might include liabilities for clean-up or remediation of environmental conditions, claims of customers, vendors or other persons dealing with the acquired entities, tax liabilities and other liabilities whether incurred in the ordinary course of business or otherwise. In the future we may enter into transactions with limited representations and warranties or with representations and warranties that do not survive the closing of the transactions, in which event we would have no or limited recourse against the sellers of such properties. While we usually require the sellers to indemnify us with respect to breaches of representations and warranties that survive, such indemnification (including the indemnification by CBI) is often limited and subject to various materiality thresholds, a significant deductible or an aggregate cap on losses.

As a result, there is no guarantee that we will recover any amounts with respect to losses due to breaches by the sellers of their representations and warranties. In addition, the total amount of costs and expenses that we may incur with respect to liabilities associated with acquired properties and entities may exceed our expectations, which may adversely affect our business, financial condition and results of operations. Finally, indemnification agreements between us and the sellers typically provide that the sellers will retain certain specified liabilities relating to the assets and entities acquired by us. While the sellers are generally contractually obligated to pay all losses and other expenses relating to such retained liabilities, there can be no guarantee that such arrangements will not require us to incur losses or other expenses as well.

We have no operating history as a REIT or an independent public company, and our inexperience may impede our ability to successfully manage our business or implement effective internal controls.

We have no operating history as a REIT. Similarly, while we currently operate as a subsidiary of a public company, and key members of our management team have served in leadership roles of public companies, we have no operating history as an independent public company. We cannot assure you that our past experience will be sufficient to successfully operate our company as a REIT or an independent public company. Upon completion of this offering, even though we will be an emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012 (the JOBS Act) and therefore may take advantage of various exemptions to public reporting requirements (see We are an emerging growth company, and we cannot be certain if the reduced reporting requirements applicable to emerging growth companies will make our common stock less attractive to investors), we will still be required to implement substantial control systems and procedures in order to maintain our qualification as a REIT, satisfy our periodic and current reporting requirements under applicable Securities and Exchange Commission (SEC) regulations and comply with the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act), the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank) and NASDAQ Global Select Market listing standards. As a result, we will incur significant legal, accounting and other expenses that we have not previously incurred, particularly after we are no longer an emerging growth company, and our management and other personnel will need to devote a substantial amount of time to comply with these rules and regulations and establish the corporate infrastructure and controls demanded of a publicly-traded REIT. These costs and time commitments could be substantially more than we currently expect. Therefore, our historical financial statements may not be indicative of our future costs and performance as a stand-alone company. If our finance and accounting organization is unable for any reason to respond adequately to the increased demands that will result from being an independent public company, the quality and timeliness of our financial reporting may suffer, and we could experience significant deficiencies or material weaknesses in our disclosure controls and procedures or our internal control over financial reporting.

We have identified a significant deficiency, as defined in the U.S. Public Company Accounting Oversight Board Standard AU Section 325, related to our internal control over financial reporting. This significant deficiency relates to IT controls over our change management process and logical access to our general ledger system. Following the identification of the significant deficiency, we have taken measures which we believe will remediate the significant deficiency. However, the implementation of these measures may not fully address the significant deficiency, and we cannot yet conclude that it has been fully remedied.

An inability to establish effective disclosure controls and procedures and internal control over financial reporting or remediate existing deficiencies could cause us to fail to meet our reporting obligations under the Securities Exchange Act of 1934, as amended (the Exchange Act), or result in material weaknesses, material misstatements or omissions in our Exchange Act reports, any of which could cause investors to lose confidence in our company and could adversely affect our business, financial condition and results of operations and the trading price of our common stock.

We have not obtained third-party appraisals to establish the amount of operating partnership units issued in exchange for the properties contributed to our operating partnership in connection with the formation transactions, and the operating partnership units issued by our operating partnership in exchange for these properties may exceed their fair market values.

The initial public offering price of our common stock has been determined in consultation with the underwriters and based on a number of factors, including the Predecessor s historical results of operations, management experience and expertise, projected net income, projected FFO, projected cash available for distribution, anticipated dividend yield and growth prospects, the current market valuations, financial performance and dividend yields of publicly traded companies considered to be comparable to us and the current state of the data center industry and the economy as a whole, as well as market demand for this offering. As a result, the initial public offering price may not necessarily bear any relationship to our U.S. GAAP book value, the fair market value of our assets or the appraised value of our properties. Consequently, the operating partnership units received by CBI, if valued on an as-exchanged basis for shares of our common stock at the per share price set forth on the cover of this prospectus, may exceed the fair market value or the appraised value of the properties contributed for such operating partnership units, and the aggregate value of our common stock at the initial offering price plus the aggregate amount of our debt may exceed the aggregate appraised values of our properties.

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We face significant competition and may be unable to lease vacant space, renew existing leases or re-lease space as leases expire, which may adversely affect our business, financial condition and results of operations.

We compete with numerous developers, owners and operators of technology-related real estate and data centers, many of which own properties similar to ours in the same markets, as well as various other public and privately held companies that may provide data center colocation as part of a more expansive managed services offering, and local developers. In addition, we may face competition from new entrants into the data center market. Some of our competitors may have significant advantages over us, including greater name recognition, longer operating histories, lower operating costs, pre-existing relationships with current or potential customers, greater financial, marketing and other resources, and access to less expensive power. These advantages could allow our competitors to respond more quickly to strategic opportunities or changes in our industries or markets. If our competitors offer data center space that our existing or potential customers perceive to be superior to ours based on numerous factors, including power, security considerations, location or network connectivity, or if they offer rental rates below our or current market rates, we may lose existing or potential customers, incur costs to improve our properties or be forced to reduce our rental rates.

The loss of any of our key personnel, including our executive officers or key sales associates, could adversely affect our business, financial condition and results of operations.

Our success will continue to depend to a significant extent on our executive officers and key sales associates. Each of our executive officers has a national or regional industry reputation that attracts business and investment opportunities and assists us in negotiations with lenders, existing and potential customers and industry personnel. The loss of key sales associates could hinder our ability to continue to benefit from existing and potential customers. We cannot provide any assurance that we will be able to retain our current executive officers or key sales associates. The loss of any of these individuals could adversely affect our business, financial condition and results of operations.

Our data center infrastructure may become obsolete, and we may not be able to upgrade our power and cooling systems cost-effectively, or at all.

The markets for the data centers we own and operate, as well as the industries in which our customers operate, are characterized by rapidly changing technology, evolving industry standards, frequent new service introductions, shifting distribution channels and changing customer demands. Our data center infrastructure may become obsolete due to the development of new systems to deliver power to or eliminate heat from the servers that we house. Additionally, our data center infrastructure could become obsolete as a result of the development of new server technology that does not require the levels of critical load and heat removal that our facilities are designed to provide and could be run less expensively on a different platform. In addition, our power and cooling systems are difficult and expensive to upgrade. Accordingly, we may not be able to efficiently upgrade or change these systems to meet new demands without incurring significant costs that we may not be able to pass on to our customers. The obsolescence of our power and cooling systems could have a material negative impact on our business, financial condition and results of operations.

Declining real estate valuations and impairment charges could adversely affect our earnings and financial condition.

We review each of our properties for indicators that its carrying amount may not be recoverable. Examples of such indicators may include a significant decrease in market price, a significant adverse change in the extent or manner the property is being used or in its physical condition, an accumulation of costs significantly in excess of the amount originally expected for the acquisition or development, or a history of operating or cash flow losses. When such impairment indicators exist, we review an estimate of the future undiscounted net cash flows (excluding interest charges) expected to result from the real estate investment s use and eventual disposition and compare to the carrying value of the property. We consider factors such as future operating income, trends and prospects, as well as the effects of leasing demand, competition and other factors. If our future undiscounted net

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cash flow evaluation indicates that we are unable to recover the carrying value of a real estate investment, an impairment loss is recorded to the extent that the carrying value exceeds the estimated fair value of the property. These losses have a direct impact on our net income because recording an impairment loss results in an immediate negative adjustment to net income. The evaluation of anticipated cash flows is highly subjective and is based in part on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results in future periods. A worsening real estate market may cause us to re-evaluate the assumptions used in our impairment analysis. Impairment charges could adversely affect our business, financial condition and results of operations.

We are an emerging growth company, and we cannot be certain if the reduced reporting requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are an emerging growth company as defined in the JOBS Act. We will remain an emerging growth company until the earliest to occur of (i) the last day of the fiscal year during which our total annual revenue equals or exceeds $1 billion (subject to adjustment for inflation), (ii) the last day of the fiscal year following the fifth anniversary of this offering, (iii) the date on which we have, during the previous three-year period, issued more than $1 billion in non-convertible debt or (iv) the date on which we are deemed to be a large accelerated filer under the Exchange Act. We may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including but not limited to, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be adversely affected and more volatile.

Risks Related to the Real Estate Industry

Our performance and value are subject to risks associated with real estate assets and with the real estate industry.

Our ability to make expected distributions to our stockholders depends on our ability to generate revenues in excess of expenses, scheduled principal payments on debt and capital expenditure requirements. Events and conditions generally applicable to owners and operators of real property that are beyond our control may decrease cash available for distribution to you and the value of our properties. These events include:

- local oversupply, increased competition or reduction in demand for technology-related space;
- inability to collect rent from customers;
- vacancies or our inability to rent space on favorable terms;
- inability to finance property development and acquisitions on favorable terms;
- increased operating costs to the extent not paid for by our customers;
- costs of complying with changes in governmental regulations;
- the relative illiquidity of real estate investments, especially the specialized real estate properties that we hold and seek to acquire and develop; and

changing submarket demographics.

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Illiquidity of real estate investments, particularly our data centers, could significantly impede our ability to respond to adverse changes in the performance of our properties, which could harm our financial condition.

Because real estate investments are relatively illiquid, our ability to promptly sell one or more properties in our portfolio in response to adverse changes in the real estate market or in the performance of such properties may be limited, thus harming our financial condition. The real estate market is affected by many factors that are beyond our control, including:

- adverse changes in national and local economic and market conditions;
- changes in interest rates and in the availability, cost and terms of debt financing;
- changes in governmental laws and regulations, fiscal policies and zoning ordinances and costs of compliance therewith;
- the ongoing cost of capital improvements that are not passed on to our customers, particularly in older structures;
- changes in operating expenses; and
- civil unrest, acts of war, terrorism and natural disasters, including fires, earthquakes, tropical storms, hurricanes, and floods, which may result in uninsured and underinsured losses.

The risks associated with the illiquidity of real estate investments are even greater for our data center properties. Our data centers are highly specialized real estate assets containing extensive electrical and mechanical systems that are uniquely designed to house and maintain our customers equipment, and, as such, have little, if any, traditional office space. As a result, most of our data centers are not suited for use by customers as anything other than as data centers and major renovations and expenditures would be required in order for us to re-lease data center space for more traditional commercial or industrial uses, or for us to sell a property to a buyer for use other than as a data center.

Risks Related to Our Organizational Structure

Our rights and the rights of our stockholders to take action against our directors and officers are limited.

Maryland law provides that a director has no liability in the capacity as a director if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in the company s best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. As permitted by the Maryland General Corporation Law (MGCL), our charter limits the liability of our directors and officers to the company and our stockholders for money damages, except for liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or
- a final judgment based upon a finding of active and deliberate dishonesty by the director or officer that was material to the cause of action adjudicated.

In addition, our charter authorizes us to obligate the company, and our bylaws require us, to indemnify our directors and officers for actions taken by them in those capacities and to pay or reimburse their reasonable expenses in advance of final disposition of a proceeding to the maximum extent permitted by Maryland law, and effective upon completion of this offering, we will enter into indemnification agreements with our directors and executive officers. As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist under common law. Accordingly, in the event that actions taken by any of our directors or officers are immune or exculpated from, or indemnified against, liability but which impede our performance, our stockholders ability to recover damages from that director or officer will be limited.

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Conflicts of interest exist or could arise in the future with our operating partnership or its partners.

Conflicts of interest exist or could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our operating partnership or any partner thereof, on the other. Our directors and officers have duties to our company under applicable Maryland law in connection with their direction of the management of our company. At the same time, we, as trustee, have duties to CyrusOne GP which, in turn, as general partner of our operating partnership, has duties to our operating partnership and to the limited partners under Maryland law in connection with the management of our operating partnership. Under Maryland law, the general partner of a Maryland limited partnership has fiduciary duties of care and loyalty, and an obligation of good faith, to the partnership and its partners. While these duties and obligations cannot be eliminated entirely in the limited partnership agreement, Maryland law permits the parties to a limited partnership agreement to specify certain types or categories of activities that do not violate the general partner s duty of loyalty and to modify the duty of care and obligation of good faith, so long as such modifications are not unreasonable. These duties as general partner of our operating partnership to the partnership and its partners may come into conflict with the interests of our company. Under the partnership agreement of our operating partnership, the limited partners of our operating partnership will expressly agree that the general partner of our operating partnership is acting for the benefit of the operating partnership, the limited partners of our operating partnership and our stockholders, collectively. The general partner is under no obligation to give priority to the separate interests of the limited partners in deciding whether to cause our operating partnership to take or decline to take any actions. If there is a conflict between the interests of us or our stockholders, on the one hand, and the interests of the limited partners of our operating partnership, on the other, the partnership agreement of our operating partnership provides that any action or failure to act by the general partner that gives priority to the separate interests of us or our stockholders that does not result in a violation of the contractual rights of the limited partners of our operating partnership under the partnership agreement will not violate the duties that the general partner owes to our operating partnership and its partners.

Additionally, the partnership agreement of our operating partnership expressly limits our liability by providing that we and our directors, officers, agents and employees, will not be liable or accountable to our operating partnership or its partners for money damages. In addition, our operating partnership is required to indemnify us, our directors, officers and employees, the general partner and its trustees, officers and employees, employees of our operating partnership and any other persons whom the general partner may designate from and against any and all claims arising from operations of our operating partnership in which any indemnitee may be involved, or is threatened to be involved, as a party or otherwise unless it is established that the act or omission of the indemnitee constituted fraud, intentional harm or gross negligence on the part of the indemnitee, the claim is brought by the indemnitee (other than to enforce the indemnitee s rights to indemnification or advance of expenses) or the indemnitee is found to be liable to our operating partnership, and then only with respect to each such claim.

No reported decision of a Maryland appellate court has interpreted provisions that are similar to the provisions of the partnership agreement of our operating partnership that modify the fiduciary duties of the general partner of our operating partnership, and we have not obtained an opinion of counsel regarding the enforceability of the provisions of the partnership agreement that purport to waive or modify the fiduciary duties and obligations of the general partner of our operating partnership.

Upon completion of this offering, CBI will own 9.7% of our outstanding shares of common stock and a majority of our operating partnership units and will have the right initially to nominate three directors. CBI s interests may differ from or conflict with the interests of our other stockholders.

Upon completion of this offering, CBI will own 9.7% of our outstanding shares of common stock and 68.7% of our outstanding operating partnership units, which it received in exchange for the contribution of direct and indirect interests in a portfolio of properties and certain other assets related to such properties to our operating partnership. If exchanged for shares of our common stock, the operating partnership units owned by CBI would represent an additional approximately 62.0% interest in our common stock. The ownership of 9.7% of our outstanding shares of common stock and, if acquired, the ownership of additional shares of our common

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stock could permit CBI to have a significant impact on the result of any vote of our stockholders. In fact, if CBI were to acquire more than 50% of our outstanding shares of common stock it could elect our entire board of directors and approve any matter submitted to our stockholders. In general, CBI s interest in our operating partnership will entitle it to share in cash distributions from, and in the profits and losses of, our operating partnership in proportion to its percentage ownership. In addition, the operating partnership agreement of our operating partnership will initially grant CBI the right to nominate (i) if there is an even number of directors, 50% of the number of directors minus one; or (ii) if there is an odd number of directors, 50% of the number of directors minus 0.5. If, in connection with a redemption request, a significant portion of CBI s operating partnership units are exchanged for shares of our common stock, CBI could have the ability to elect a majority of our directors. Pursuant to the terms of the operating partnership agreement of our operating partnership, subject to certain exceptions, as long as CBI and entities controlled by CBI own at least 20% of the outstanding operating partnership units of our operating partnership, CBI s consent will be required in order for the general partner to undertake certain actions, including: amending or terminating the partnership agreement of our operating partnership, transferring its general partnership interest or admitting an additional or successor general partner, withdrawing as a general partner, approving on behalf of the operating partnership a general assignment for the benefit of creditors or instituting a proceeding for bankruptcy by our operating partnership, or approving on behalf of the operating partnership a merger, consolidation or certain other change of control transactions. See Description of the Partnership Agreement of CyrusOne LP.

As a result, CBI will have the ability to exercise significant influence over our company, including with respect to decisions relating to our capital structure, issuing additional shares of our common stock or other equity securities, making distributions, incurring additional debt, making acquisitions, selling properties or other assets, merging with other companies and undertaking other extraordinary transactions. In any of these matters, the interests of CBI may differ from or conflict with the interests of our other stockholders.

Our Chairman is also the President and Chief Executive Officer and a director of CBI. In addition, some of our directors and executive officers own common stock of CBI, options and other instruments, the value of which is related to the value of common stock of CBI, which could create, or appear to create, conflicts of interest that could result in our not acting on opportunities on which we would otherwise act.

Our Chairman is the President and Chief Executive Officer and a director of CBI. In addition, some of our directors and executive officers own a substantial amount of CBI common stock, options and other instruments, the value of which is related to the value of common stock of CBI. The direct and indirect interests of our directors and executive officers in common stock of CBI, and us, could create, or appear to create, conflicts of interest with respect to decisions involving both us and CBI that could have different implications for CBI than they do for us. These decisions could, for example, relate to:

- disagreement over corporate opportunities;
- competition between CBI and us;
- management stock ownership;
- employee retention or recruiting;
- our distribution policy; and
- the services and arrangements from which we benefit as a result of our relationship with CBI.

Potential conflicts of interest could also arise if we enter into any new commercial arrangements with CBI in the future, or if CBI decides to compete with us in any of our product categories after the expiration of our non-competition agreement with CBI. Our directors and executive officers who have interests in both CBI and us may also face conflicts of interest with regard to the allocation of their time between CBI and us. See Certain Relationships and Related Transactions Other Benefits to Related Parties and Related Party Transactions.

As a result of any such conflicts of interest, we may be precluded from certain opportunities on which we would otherwise act, including growth opportunities, which may negatively affect our business, financial condition and results of operations.

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Our charter and bylaws and the partnership agreement of our operating partnership contain provisions that may delay, defer or prevent an acquisition of our common stock or a change in control.

Our charter and bylaws contain a number of provisions, the exercise or existence of which could delay, defer or prevent a transaction or a change in control that might involve a premium price for our stockholders or otherwise be in their best interests, including the following:

Our Charter Contains Restrictions on the Ownership and Transfer of Our Stock. In order for us to qualify as a REIT, no more than 50% of the value of outstanding shares of our stock may be owned, beneficially or constructively, by five or fewer individuals at any time during the last half of each taxable year other than the first year for which we elect to be taxed as a REIT. Subject to certain exceptions, our charter prohibits any stockholder from owning beneficially or constructively more than 9.8% in value or in number of shares, whichever is more restrictive, of the outstanding shares of our common stock, or 9.8% in value of the aggregate of the outstanding shares of all classes or series of our stock. We refer to these restrictions collectively as the ownership limits. The constructive ownership rules under the Code are complex and may cause the outstanding stock owned by a group of related individuals or entities to be deemed to be constructively owned by one individual or entity. As a result, the acquisition of less than 9.8% of our outstanding common stock or the outstanding shares of all classes or series of our stock by an individual or entity could cause that individual or entity or another individual or entity to own constructively in excess of the relevant ownership limits. Our charter also prohibits any person from owning shares of our stock that would result in our being closely held under Section 856(h) of the Code or otherwise cause us to fail to qualify as a REIT. Any attempt to own or transfer shares of our common stock or of any of our other capital stock in violation of these restrictions may result in the shares being automatically transferred to a charitable trust or may be void. These ownership limits may prevent a third-party from acquiring control of us if our board of directors does not grant an exemption from the ownership limits, even if our stockholders believe the change in control is in their best interests. Our board of directors has granted CBI exemptions from the ownership limits applicable to other holders of our common stock, subject to certain initial and ongoing conditions designed to protect our status as a REIT, including the receipt of an IRS private letter ruling or an opinion of counsel from a nationally recognized law firm that the exercise of any such exemption should not cause any rent payable by CBI to jeopardize our REIT status.

Our Board of Directors Has the Power to Cause Us to Issue Additional Shares of Our Stock without Stockholder Approval. Our charter authorizes us to issue additional authorized but unissued shares of common or preferred stock. In addition, our board of directors may, without stockholder approval, amend our charter to increase the aggregate number of our shares of stock or the number of shares of stock of any class or series that we have authority to issue and classify or reclassify any unissued shares of common or preferred stock and set the preferences, rights and other terms of the classified or reclassified shares. As a result, our board of directors may establish a series of shares of common or preferred stock that could delay or prevent a transaction or a change in control that might involve a premium price for our shares of common stock or otherwise be in the best interests of our stockholders. See Description of Securities Power to Increase or Decrease Authorized Shares of Stock, Reclassify Unissued Shares of Stock and Issue Additional Shares of Common and Preferred Stock.

Provisions in the partnership agreement of our operating partnership also may delay, or make more difficult, a transaction or a change in control that might involve a premium price for our stockholders or otherwise be in their best interests. These provisions include, among others:

redemption rights of CBI;

rights of certain holders of operating partnership units of our operating partnership, including CBI and its controlled entities, to approve certain change of control transactions involving us, which rights apply at any time that CBI and its controlled entities own at least 20% of the outstanding shares of our common stock (assuming all outstanding operating partnership units, excluding operating partnership units held by us or the general partner, have been exchanged for shares of our common stock);

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- transfer restrictions on operating partnership units; and

- the right of CyrusOne GP, as general partner, in some cases, to amend the partnership agreement of our operating partnership and to cause the operating partnership to issue partnership interests with terms that could delay, defer or prevent a merger or other change of control of us or our operating partnership without the consent of the limited partners.

See Description of the Partnership Agreement of CyrusOne LP.

Certain provisions of Maryland law may limit the ability of a third-party to acquire control of us.

Certain provisions of the MGCL may have the effect of inhibiting a third-party from acquiring us or of impeding a change of control under circumstances that otherwise could provide our common stockholders with the opportunity to realize a premium over the then-prevailing market price of such shares, including:

- ***business combination*** provisions that, subject to limitations, prohibit certain business combinations between an interested stockholder (defined generally as any person who beneficially owns 10% or more of the voting power of our outstanding shares of voting stock or an affiliate or associate of the corporation who, at any time within the two-year period immediately prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding stock of the corporation) or an affiliate of any interested stockholder and us for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter imposes two super-majority stockholder voting requirements on these combinations; and

- ***control share*** provisions that provide that holders of control shares of our company (defined as voting shares of stock that, if aggregated with all other shares of stock owned or controlled by the acquirer, would entitle the acquirer to exercise one of three increasing ranges of voting power in electing directors) acquired in a control share acquisition (defined as the direct or indirect acquisition of issued and outstanding control shares) have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all of the votes entitled to be cast on the matter, excluding all interested shares.

Pursuant to the Maryland Business Combination Act, our board of directors has by resolution exempted from the provisions of the Maryland Business Combination Act business combinations (i) between CBI or its affiliates and us and (ii) between any other person and us, provided that such business combination is first approved by our board of directors (including a majority of our directors who are not affiliates or associates of such person). Our bylaws contain a provision exempting from the Maryland Control Share Acquisition Act any and all acquisitions by any person of shares of our stock. There can be no assurance that these exemptions or resolutions will not be amended or eliminated at any time in the future.

Additionally, Title 3, Subtitle 8 of the MGCL permits our board of directors, without stockholder approval and regardless of what is currently provided in our charter or bylaws, to implement certain takeover defenses, such as a classified board, some of which we do not have. See Certain Provisions of Maryland Law and of Our Charter and Bylaws Business Combinations, Control Share Acquisitions and Subtitle 8.

We have assumed liabilities in connection with the formation transactions, including unknown liabilities.

As part of the formation transactions, we have assumed existing liabilities of the data center business of CBI, including, but not limited to, liabilities in connection with our properties, some of which may be unknown or unquantifiable at the time this offering is consummated. Unknown liabilities might include liabilities for cleanup or remediation of undisclosed environmental conditions claims of tenants, vendors or other persons dealing with the entities prior to this offering, tax liabilities, and accrued but unpaid liabilities whether incurred in the ordinary course of business or otherwise. In connection with the formation transactions, the Contributors have made certain

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limited representations and warranties to us regarding potential material adverse impacts on the properties and entities acquired by us in the formation transactions and agreed to indemnify us with respect to claims for breaches of those representations and warranties brought by us within one year of the completion of the formation transactions. However, such indemnification generally is limited to 10 percent of the consideration paid to CBI and its affiliates in the formation transactions and, with respect to issues at any particular property, 10 percent of the consideration paid to CBI and its affiliates with respect to such property, and is subject to a one percent deductible. Accordingly, such indemnification may not be sufficient to cover all liabilities assumed, and we are not entitled to indemnification from any other sources in connection with the formation transactions. In addition, because many liabilities, including tax liabilities, may not be identified within such period, we may have no recourse against the contributors for these liabilities. See Certain Relationships and Related Transactions Contribution Agreements.

Risks Related to Status as a REIT

If we do not qualify as a REIT, or fail to remain qualified as a REIT, we will be subject to U.S. federal income tax as a regular corporation and could face a substantial tax liability, which would reduce the amount of cash available for distribution to our stockholders.

We intend to operate in a manner that will allow us to qualify as a REIT commencing with our taxable year ending December 31, 2013. We have received an opinion of our special REIT tax counsel, Skadden, Arps, Slate, Meagher & Flom LLP (Special Tax Counsel), with respect to our qualification as a REIT in connection with this offering of common stock. Investors should be aware, however, that opinions of counsel are not binding on the IRS or any court. The opinion of Special Tax Counsel represents only the view of Special Tax Counsel based on its review and analysis of existing law and on certain representations as to factual matters and covenants made by us, including representations relating to the values of our assets and the sources of our income. The opinion is expressed as of the date issued. Special Tax Counsel will have no obligation to advise us or the holders of our common stock of any subsequent change in the matters stated, represented or assumed or of any subsequent change in applicable law. Furthermore, both the validity of the opinion of Special Tax Counsel and our qualification as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis, the results of which will not be monitored by Special Tax Counsel. Our ability to satisfy the asset tests depends upon our analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination, and for which we will not obtain independent appraisals.

We have received a private letter ruling from the IRS with respect to certain issues relevant to our qualification as a REIT. In general, the ruling provides, subject to the terms and conditions contained therein, that certain structural components of our properties (e.g., relating to the provision of electricity, HVAC, regulation of humidity, security and fire protection, and telecommunication services) and intangible assets, and certain services that we or CBI may provide, directly or through subsidiaries, to our tenants, will not adversely affect our qualification as a REIT. Although we may generally rely upon the ruling, no assurance can be given that the IRS will not challenge our qualification as a REIT on the basis of other issues or facts outside the scope of the ruling.

If we were to fail to qualify as a REIT in any taxable year, we would be subject to U.S. federal income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates, and dividends paid to our stockholders would not be deductible by us in computing our taxable income. Any resulting corporate tax liability could be substantial and would reduce the amount of cash available for distribution to our stockholders, which in turn could have an adverse impact on the value of our common stock. Unless we were entitled to relief under certain Code provisions, we also would be disqualified from re-electing to be taxed as a REIT for the four taxable years following the year in which we failed to qualify as a REIT.

Qualifying as a REIT involves highly technical and complex provisions of the Code.

Qualification as a REIT involves the application of highly technical and complex Code provisions for which only limited judicial and administrative authorities exist. Even a technical or inadvertent violation could jeopardize our REIT qualification. Our qualification as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. In addition, our ability to satisfy the requirements to qualify as a REIT may depend in part on the actions of third parties over which we have no control or only limited influence, including in cases where we own an equity interest in an entity that is classified as a partnership for U.S. federal income tax purposes.

Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends.

The maximum tax rate applicable to income from qualified dividends payable to U.S. stockholders that are individuals, trusts and estates is currently 20% (commencing in 2013). Dividends payable by REITs, however, generally are not eligible for the reduced rates. Although these rules do not adversely affect the taxation of REITs, the more favorable rates applicable to regular corporate qualified dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the stock of REITs, including our common stock.

REIT distribution requirements could adversely affect our ability to execute our business plan.

We generally must distribute annually at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains, in order for us to qualify as a REIT (assuming that certain other requirements are also satisfied) so that U.S. federal corporate income tax does not apply to earnings that we distribute. To the extent that we satisfy this distribution requirement and qualify for taxation as a REIT but distribute less than 100% of our REIT taxable income, determined without regard to the dividends paid deduction and including any net capital gains, we will be subject to U.S. federal corporate income tax on our undistributed net taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we distribute to our stockholders in a calendar year is less than a minimum amount specified under U.S. federal tax laws. We intend to make distributions to our stockholders to comply with the REIT requirements of the Code.

From time to time, we may generate taxable income greater than our cash flow as a result of differences in timing between the recognition of taxable income and the actual receipt of cash or the effect of nondeductible capital expenditures, the creation of reserves or required debt or amortization payments. If we do not have other funds available in these situations, we could be required to borrow funds on unfavorable terms, sell assets at disadvantageous prices or distribute amounts that would otherwise be invested in future acquisitions to make distributions sufficient to enable us to pay out enough of our taxable income to satisfy the REIT distribution requirement and to avoid corporate income tax and the 4% excise tax in a particular year. These alternatives could increase our costs or reduce our equity. Thus, compliance with the REIT requirements may hinder our ability to grow, which could adversely affect the value of our common stock.

Even if we remain qualified as a REIT, we may face other tax liabilities that reduce our cash flow.

Even if we remain qualified for taxation as a REIT, we may be subject to certain U.S. federal, state and local taxes on our income and assets, including taxes on any undistributed income and state or local income, property and transfer taxes. See U.S. Federal Income Tax Considerations Taxation of CyrusOne Inc. For example, in order to meet the REIT qualification requirements, we may hold some of our assets or conduct certain of our activities through one or more TRSs or other subsidiary corporations that will be subject to federal, state, and local corporate-level income taxes as regular C corporations. In addition, we may incur a 100% excise tax on transactions with a TRS if they are not conducted on an arm s length basis. Any of these taxes would decrease cash available for distribution to our stockholders.

Complying with REIT requirements may cause us to liquidate or forgo otherwise attractive opportunities.

To qualify as a REIT, we must ensure that, at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities and real estate assets (as defined in the Code), including certain mortgage loans and securities. The remainder of our investments (other than government securities, qualified real estate assets and securities issued by a TRS) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our total assets (other than government securities, qualified real estate assets and securities issued by a TRS) can consist of the securities of any one issuer, and no more than 25% of the value of our total assets can be represented by securities of one or more TRSs. See U.S. Federal Income Tax Considerations Taxation of CyrusOne Inc. If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate or forgo otherwise attractive investments. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders.

In addition to the asset tests set forth above, to qualify as a REIT we must continually satisfy tests concerning, among other things, the sources of our income, the amounts we distribute to our stockholders and the ownership of our stock. We may be unable to pursue investments that would be otherwise advantageous to us in order to satisfy the source-of-income or asset-diversification requirements for qualifying as a REIT. Thus, compliance with the REIT requirements may hinder our ability to make certain attractive investments.

Complying with REIT requirements may limit our ability to hedge effectively and may cause us to incur tax liabilities.

The REIT provisions of the Code substantially limit our ability to hedge our assets and liabilities. Any income from a hedging transaction that we enter into to manage risk of interest rate changes with respect to borrowings made or to be made to acquire or carry real estate assets does not constitute gross income for purposes of the 75% or 95% gross income tests that apply to REITs, provided that certain identification requirements are met. To the extent that we enter into other types of hedging transactions or fail to properly identify such transaction as a hedge, the income is likely to be treated as non-qualifying income for purposes of both of the gross income tests. See U.S. Federal Income Tax Considerations Taxation of CyrusOne Inc. As a result of these rules, we may be required to limit our use of advantageous hedging techniques or implement those hedges through a TRS. This could increase the cost of our hedging activities because our TRS may be subject to tax on gains or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses in our TRS will generally not provide any tax benefit, except that such losses could theoretically be carried back or forward against past or future taxable income in the TRS.

CBI may in the future acquire a significant percentage of our stock, which may result in a penalty tax if it causes certain rents we receive to be non-qualifying rents for purposes of the REIT requirements.

As described above, upon completion of this offering, CBI will own approximately 9.7% of our common stock and a majority of our operating partnership units. In certain circumstances, CBI may be able to exchange those units for shares of our stock, and any such exchange may result in CBI owning a significant percentage of our stock. See Description of the Partnership Agreement of CyrusOne LP Redemption/Exchange Rights. We have granted CBI a waiver of the ownership restrictions contained in our charter, subject to certain initial and ongoing conditions designed to protect our status as a REIT, including the receipt of an IRS private letter ruling or an opinion of counsel from a nationally recognized law firm that the exercise of any such exemption should not cause any rent payable by CBI to jeopardize our REIT status. Such an opinion of counsel or a private letter ruling will be based on certain facts and assumptions, which, if incorrect, could result in certain rents we receive being treated as non-qualifying income for purposes of the REIT requirements. An opinion of counsel is not binding on the IRS or a court, so there can be no certainty that the IRS will not challenge the conclusions reflected in the opinion or that a court would not sustain such a challenge. See U.S. Federal Income Tax Considerations Taxation of CyrusOne Inc. Income Tests Rents from Real Property. Even if we have reasonable cause for a failure to meet the REIT income tests as a result of receiving non-qualifying rental income, we would nonetheless be required to pay a penalty tax in order to retain our REIT status.

Legislative or other actions affecting REITs could have a negative effect on us.

The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Department of the Treasury (the Treasury). Changes to the tax laws or interpretations thereof, with or without retroactive application, could materially and adversely affect our investors or us. We cannot predict how changes in the tax laws might affect our investors or us. New legislation, Treasury regulations, administrative interpretations or court decisions could significantly and negatively affect our ability to qualify as a REIT or the U.S. federal income tax consequences to our investors and us of such qualification.

Risks Related to this Offering

Our cash available for distribution to stockholders may not be sufficient to make distributions at expected levels, and we may need to borrow in order to make such distributions; consequently, we may not be able to make such distributions in full.

Our expected annual distributions for the 12 months following the consummation of this offering of $0.64 per share are expected to be approximately 68.5% of estimated cash available for distribution. See Distribution Policy. If cash available for distribution generated by our assets for such 12-month period is less than our estimate or if such cash available for distribution decreases in future periods from expected levels, our inability to make the expected distributions could result in a decrease in the market price of our common stock. Distributions made by us will be authorized and determined by our board of directors in its sole discretion out of funds legally available therefor and will be dependent upon a number of factors, including restrictions under applicable law and the capital requirements of the company. We may not be able to make or sustain distributions in the future. To the extent that we decide to make distributions in excess of our current and accumulated earnings and profits, such distributions would generally be considered a return of capital for U.S. federal income tax purposes to the extent of the holder s adjusted tax basis in their shares. A return of capital is not taxable, but it has the effect of reducing the holder s adjusted tax basis in its investment. To the extent that distributions exceed the adjusted tax basis of a holder s shares, they will be treated as gain from the sale or exchange of such stock. See U.S. Federal Income Tax Considerations Taxation of Stockholders Taxation of Taxable U.S. Stockholders Distributions. If we borrow to fund distributions, our future interest costs would increase, thereby reducing our earnings and cash available for distribution from what they otherwise would have been.

Future offerings of debt, which would be senior to our common stock upon liquidation, and/or preferred equity securities which may be senior to our common stock for purposes of distributions or upon liquidation, may adversely affect the market price of our common stock.

In the future, we may attempt to increase our capital resources by making additional offerings of debt or preferred equity securities, including medium-term notes, trust preferred securities, senior or subordinated notes and preferred stock. Upon liquidation, holders of our debt securities and shares of preferred stock and lenders with respect to other borrowings will receive distributions of our available assets prior to the holders of our common stock. Additional equity offerings may dilute the holdings of our existing stockholders or reduce the market price of our common stock, or both. Holders of our common stock are not entitled to preemptive rights or other protections against dilution. Our preferred stock, if issued, could have a preference on liquidating distributions or a preference on distribution payments that could limit our ability to make a distribution to the holders of our common stock. Since our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our stockholders bear the risk of our future offerings reducing the market price of our common stock and diluting their stock holdings in us.

If you purchase shares of common stock in this offering, you will experience immediate and significant dilution in the net tangible book value per share of our common stock.

We expect the initial public offering price of our common stock to be substantially higher than the book value per share of our outstanding common stock immediately after this offering. If you purchase our common stock in this offering, you will incur immediate dilution of approximately $13.37 in the net tangible book value per share of common stock from the price you pay for our common stock in this offering, based on the initial public offering price of $19.00 per share. See Dilution for further discussion of how your ownership interest in us will be immediately diluted.

Increases in market interest rates may cause potential investors to seek higher dividend yields and therefore reduce demand for our common stock and result in a decline in our stock price.

One of the factors that may influence the price of our common stock is the dividend yield on our common stock (the amount of dividends as a percentage of the price of our common stock) relative to market interest rates. An increase in market interest rates, which are currently at low levels relative to historical rates, may lead prospective purchasers of our common stock to expect a higher dividend yield, which we may be unable or choose not to provide. Higher interest rates would likely increase our borrowing costs and potentially decrease the cash available for distribution. Thus, higher market interest rates could cause the market price of our common stock to decline.

The number of shares available for future sale could adversely affect the market price of our common stock.

We cannot predict whether future issuances of shares of our common stock or the availability of shares of our common stock for resale in the open market will decrease the market price per share of our common stock. Sales of a substantial number of shares of our common stock in the public market, either by us or by holders of operating partnership units upon exchange of such operating partnership units for our common stock, or the perception that such sales might occur, could adversely affect the market price of the shares of our common stock. CBI, as a holder of the operating partnership units issued in the formation transactions, will have the right to require us to register with the SEC the resale of the common stock issuable, if we so elect, upon redemption of these operating partnership units. CBI is restricted from exercising its redemption rights prior to the first anniversary of the completion of this offering. In addition, in connection with the consummation of this offering, we intend to register shares of common stock that we have reserved for issuance under our 2012 Long Term Incentive Plan, and once registered they can generally be freely sold in the public market after issuance, assuming any applicable restrictions and vesting requirements are satisfied. In addition, except as described herein, we, CBI and our directors and executive officers have agreed with the underwriters not to offer, sell, contract to sell, pledge or otherwise dispose of any shares of common stock or securities convertible or exchangeable into our common stock (including operating partnership units) for a period of 180 days, with respect to us and our directors and executive officers, and 12 months, with respect to CBI, after the completion of this offering; however, these lock-up agreements are subject to numerous exceptions and the representatives of the underwriters may waive these lock-up provisions without notice. If any or all of these holders cause a large number of their shares to be sold in the public market, the sales could reduce the trading price of our common stock and could impede our ability to raise future capital. In addition, the exercise of the underwriters over-allotment option to purchase up to an additional 2,475,000 shares of our common stock or other future issuances of our common stock would be dilutive to existing stockholders.

There is currently no public market for our common stock. An active trading market for our common stock may not develop following this offering, and you may be unable to sell your stock at a price above the initial public offering price or at all.

There has not been any public market for our common stock prior to this offering. Our common stock has been approved for listing on the NASDAQ Global Select Market, subject to notice of issuance. We cannot assure you, however, that an active trading market for our common stock will develop after this offering or, if one develops, that it will be sustained. In the absence of a public market, you may be unable to liquidate an investment in our common stock. The initial public offering price of our common stock has been determined in consultation with the underwriters and based on a number of factors, including our results of operations, management, estimated net income, estimated FFO, estimated cash available for distribution, anticipated dividend yield and growth prospects, the current market valuations, financial performance and dividend yields of publicly traded companies considered to be comparable to us and the current state of the data center industry and the economy as a whole. The price at which shares of our common stock trade after the completion of this offering may be lower than the price at which the underwriters sell them in this offering.

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The market price and trading volume of our common stock may be volatile following this offering.

Even if an active trading market develops for our common stock, the market price of our common stock may be volatile. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. If the market price of our common stock declines significantly, you may be unable to resell your shares at or above the public offering price or at all. We cannot assure you that the market price of our common stock will not fluctuate or decline significantly in the future.

Some of the factors that could negatively affect the market price of our common stock or result in fluctuations in the price or trading volume of our common stock include:

- actual or anticipated variations in our quarterly results of operations or distributions;
- changes in our funds from operations or earnings estimates;
- publication of research reports about us or the real estate, technology or data center industries;
- increases in market interest rates that may cause purchasers of our shares to demand a higher yield;
- changes in market valuations of similar companies;
- adverse market reaction to any additional debt we may incur in the future;
- additions or departures of key personnel;
- actions by institutional stockholders;
- speculation in the press or investment community about our company or industry or the economy in general;
- the occurrence of any of the other risk factors presented in this prospectus; and
- general market and economic conditions.

Our earnings and cash distributions will affect the market price of shares of our common stock.

We believe that the market value of a REIT s equity securities is based primarily upon market perception of the REIT s growth potential and its current and potential future cash distributions, whether from operations, sales, acquisitions, development or refinancing, and is secondarily based upon the value of the underlying assets. For these reasons, shares of our common stock may trade at prices that are higher or lower than the net asset value per share. To the extent we retain operating cash flow for investment purposes, working capital reserves or other purposes rather than distributing the cash flow to stockholders, these retained funds, while increasing the value of our underlying assets, may negatively impact the market price of our common stock. Our failure to meet market expectations with regard to future earnings and cash distributions would likely adversely affect the market price of our common stock.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We make statements in this prospectus that are forward-looking statements within the meaning of the federal securities laws. In particular, statements pertaining to our capital resources, portfolio performance and results of operations contain forward-looking statements. Likewise, our pro forma financial statements and all of our statements regarding anticipated growth in our funds from operations and anticipated market conditions, demographics and results of operations are forward-looking statements. You can identify forward-looking statements by the use of forward-looking terminology such as believes, expects, may, will, should, seeks, approximately, intends, plans, pro forma, e anticipates or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

Forward-looking statements involve numerous risks and uncertainties and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data or methods which may be incorrect or imprecise and we may not be able to realize them. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- loss of key customers;
- defaults on or non-renewal or early termination of leases by customers;
- economic downturn, natural disaster or oversupply of data centers in the limited geographic area that we serve;
- inability to supply customers with adequate electrical power;
- inability to renew leases on the data center buildings in our portfolio not owned by us;
- risks related to natural disasters and inadequate insurance coverage;
- risk related to the inability to obtain title insurance;
- risks related to the failure of our physical infrastructure or services;
- risks related to the development of our properties and our ability to successfully lease those properties;
- risks related to third-party suppliers of power, Internet connectivity and other services;
- loss of access to key third-party service providers and suppliers;
- long sales cycle for data center services;

risks related to our international activities, including expanding our international operations;

inability to identify and complete acquisitions and operate acquired properties;

customers choosing to develop their own data centers;

decrease in demand for data center services;

our failure to obtain necessary outside financing on favorable terms, or at all;

inability to manage growth;

our level of indebtedness or debt service obligations;

restrictions in the instruments governing our indebtedness;

risks related to litigation and environmental matters;

- risks related to increased regulations;
- unknown or contingent liabilities related to our acquired properties;
- management s inexperience operating as a REIT;
- significant competition in our industry;
- loss of key personnel;
- obsolescence of our data center infrastructure;
- risks related to assuming unknown liabilities;
- failure to maintain our status as a REIT;
- changes in U.S. tax law and other U.S. laws, whether or not specific to REITs;
- insufficient cash available to meet distribution requirements;
- risks related to the real estate industry;
- risks related to CBI s ownership of shares of our common stock; and
- risks related to our organizational structure.

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. We disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors of new information, data or methods, future events or other changes. For a further discussion of these and other factors that could impact our future results, performance or transactions, see the section above entitled Risk Factors.

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USE OF PROCEEDS

We estimate that we will receive gross proceeds from this offering of $314 million, or approximately $361 million if the underwriters exercise their over-allotment option in full. After deducting the underwriting discounts and commissions and estimated expenses of this offering, we expect net proceeds from this offering of approximately $284 million, or approximately $328 million if the underwriters exercise their over-allotment option in full.

We will contribute the net proceeds of this offering to our operating partnership in exchange for operating partnership units. Our operating partnership will subsequently use the proceeds received from us to fund future acquisitions of real estate, development of real estate, recurring real estate expenditures and other non-real estate capital expenditures and general working capital. Pending application of cash proceeds, we will invest the net proceeds from this offering in interest bearing accounts and short-term, interest bearing securities, which are consistent with our intention to qualify for taxation as a REIT.

DISTRIBUTION POLICY

We intend to make regular quarterly distributions to holders of our common stock. We intend to make a pro rata initial distribution with respect to the period commencing on the completion of this offering and ending March 31, 2013, based on $0.16 per share for a full quarter. On an annualized basis, this would be $0.64 per share, or an annual distribution rate of approximately 3.4% based on the initial public offering price of $19.00 per share. We estimate that this initial annual distribution rate will represent approximately 68.5% of estimated cash available for distribution for the 12 months ending September 30, 2013. Our intended initial annual distribution rate has been established based on our estimate of cash available for distribution for the 12 months ending September 30, 2013, which we have calculated based on adjustments to our pro forma loss before noncontrolling interests for the 12 months ended September 30, 2012. This estimate was based on the Predecessor s historical operating results and does not take into account our growth strategy. In estimating our cash available for distribution for the 12 months ending September 30, 2013, we have made certain assumptions as reflected in the table and footnotes below.

Our estimate of cash available for distribution does not include the effect of any changes in our working capital. Our estimate also does not reflect the amount of cash estimated to be used for investing activities for acquisitions, development and other capital expenditures and other activities, other than a provision for recurring capital expenditures and contractual obligations for leasing commissions. It also does not reflect the amount of cash estimated to be used for financing activities, except for scheduled principal payments on capital leases and other long-term obligations. Any such investing and/or financing activities may adversely affect our estimate of cash available for distribution. Because we have made the assumptions set forth above in estimating cash available for distribution, we do not intend this estimate to be a projection or forecast of our actual results of operations or our liquidity and have estimated cash available for distribution for the sole purpose of determining the amount of our initial annual distribution rate. Our estimate of cash available for distribution should not be considered as an alternative to cash flow from operating activities (computed in accordance with U.S. GAAP) or as an indicator of our liquidity or our ability to make distributions. In addition, the methodology upon which we made the adjustments described below is not necessarily intended to be a basis for determining future distributions.

We intend to maintain our initial distribution rate for the 12-month period following completion of this offering unless actual results of operations, economic conditions or other factors differ materially from the assumptions used in our estimate. Distributions made by us will be authorized and determined by our board of directors in its sole discretion out of funds legally available therefor and will be dependent upon a number of factors, including restrictions under applicable law and other factors described below. We believe that our estimate of cash available for distribution constitutes a reasonable basis for setting the initial distribution rate; however, we cannot assure you that the estimate will prove accurate, and actual distributions may therefore be significantly different from the expected distributions. We do not intend to reduce the expected distributions per share if the underwriters exercise their over-allotment option; however, this could require us to utilize additional cash on hand or borrow under our revolving credit facility to make the distributions associated with the over-allotment option.

We anticipate that, at least initially, our distributions may exceed our then-current and accumulated earnings and profits as determined for U.S. federal income tax purposes due to non-cash expenses, primarily depreciation and amortization charges that we expect to incur. Therefore, a portion of these distributions may represent a return of capital for U.S. federal income tax purposes. Distributions in excess of our current and accumulated earnings and profits will not be taxable to a taxable U.S. stockholder under current U.S. federal income tax law to the extent those distributions do not exceed the stockholder s adjusted tax basis in his or her common stock, but rather will reduce the adjusted basis of such common stock. In that case, the gain (or loss) recognized on the sale of such common stock or upon our liquidation will be increased (or decreased) accordingly. To the extent those distributions exceed a taxable U.S. stockholder s adjusted tax basis in his or her common stock, such distributions generally will be treated as a capital gain realized from the taxable disposition of those shares. The

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percentage of our stockholder distributions that exceeds our current and accumulated earnings and profits may vary substantially from year to year. For a more complete discussion of the tax treatment of distributions to holders of our common stock, see U.S. Federal Income Tax Considerations.

We cannot assure you that our estimated distributions will be made or sustained or that our board of directors will not change our distribution policy in the future. Any distributions we make in the future will depend upon our actual results of operations, economic conditions and other factors that could differ materially from our current expectations. Our actual results of operations will be affected by a number of factors, including the revenue we receive from our properties, our operating expenses, interest expense, the ability of our customers to meet their obligations and unanticipated expenditures. For more information regarding risk factors that could materially adversely affect our actual results of operations, please see Risk Factors.

U.S. federal income tax law requires that a REIT distribute annually at least 90% of its net taxable income excluding net capital gains and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its net taxable income including net capital gains. For more information, please see U.S. Federal Income Tax Considerations. We anticipate that our estimated cash available for distribution will exceed the annual distribution requirements applicable to REITs. However, under some circumstances, we may be required to make distributions in excess of cash available for distribution in order to meet these distribution requirements, and we may need to borrow funds to make these distributions.

The following table describes our pro forma income (loss) before noncontrolling interests for the year ended December 31, 2011, and the adjustments we have made thereto in order to estimate our initial cash available for distribution for the 12 months ending September 30, 2013 (amounts in millions except share data, per share data, square footage data and percentages):

Pro forma loss before noncontrolling interests for the year ended December 31, 2011	$ (3.7)
Less: pro forma loss before noncontrolling interests for the nine months ended September 30, 2011	2.0
Add: pro forma loss before noncontrolling interests for the nine months ended September 30, 2012	(16.1)
Pro forma loss before noncontrolling interests for the 12 months ended September, 30, 2012	(17.8)
Add: real estate depreciation and amortization [a]	48.4
Add: other depreciation and amortization [b]	20.0
Add: net increases (decreases) in contractual rent income [c]	12.2
Less: net decreases in contractual rent income due to lease expirations, assuming recurring rent churn based on historical data [d]	(5.4)
Less: net effect of straight line rents [e]	(8.2)
Add: non-cash compensation expense [f]	6.5
Add: amortization of financing costs [g]	2.2
Add: non-cash impairment charges [h]	13.3
Estimated cash flow from operating activities for the 12 months ending September 30, 2013	71.2
Estimated cash flows used in investing activities:	
Less: contractual obligations for leasing commissions [i]	(0.2)
Less: estimated annual provision for recurring capital expenditures [j]	(5.0)
Total estimated cash flows used in investing activities	(5.2)
Estimated cash flows used in financing activities scheduled principal amortization payments of capital and other long-term lease obligations [k]	(8.3)
Estimated cash flow available for distribution for the 12 months ending September 30, 2013	57.7
Our share of estimated cash available for distribution [l]	18.1
Noncontrolling interests share of estimated cash available for distribution	39.6

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Total estimated initial annual distributions to stockholders	12.4
Estimated initial annual distribution per share [(m)]	$ 0.64
Payout ratio based on our share of estimated cash available for distribution [(n)]	68.5%

(a)

Real estate depreciation and amortization for the 12 months ended December 31, 2011	$ 37.7
Less: Real estate depreciation and amortization for the nine months ended September 30, 2011	(26.8)
Add: Real estate depreciation and amortization for the nine months ended September 30, 2012	37.5
Real estate depreciation and amortization for the 12 months ended September 30, 2012	$ 48.4

(b) Other depreciation and amortization primarily consists of non-cash amortization of customer relationship intangibles, non-real estate depreciation, and amortization of other intangibles:

Other depreciation and amortization for the 12 months ended December 31, 2011	$ 17.8
Less: Other depreciation and amortization for the nine months ended September 30, 2011	(13.3)
Add: Other depreciation and amortization for the nine months ended September 30, 2012	15.5
Other depreciation and amortization for the 12 months ended September 30, 2012	$ 20.0

(c) Represents net increases from new leases, renewals and contractual rent increases, net of abatements, from existing leases and net decreases for terminated leases or rate reductions, in each case that were not in effect for the entire 12 month period ended September 30, 2012, or that will go into effect during the 12 months ending September 30, 2013, based on leases entered into or that expired and were not renewed through September 30, 2012, less estimated variable expenses associated with such leases using our average NOI margin of 66.9% for January 1, 2011 through September 30, 2012.

Total net increases in contractual rent revenue during the 12 months ending September 30, 2013 due to leases that were not in effect for the entire 12 month period ended September 30, 2012	$ 18.2
Average NOI margin for January 1, 2011 through September 30, 2012	66.9%
Total estimated increase in contractual rent income during the 12 months ending September 30, 2013 due to leases that were not in effect for the entire 12 month period ended September 30, 2012	$ 12.2

(d) Represents estimated decreases in contractual rent revenue during the 12 months ending September 30, 2013 due to lease expirations, assuming a recurring rent churn rate of 3.8% (which was our recurring rent annual churn rate for the period from January 1, 2011 through September 30, 2012), less estimated variable expenses associated with such leases using our average NOI margin of 66.9% for January 1, 2011 through September 30, 2012. The adjustment has been calculated as follows:

Annualized rent as of September 30, 2012	$ 211.7
Assumed recurring rent annual churn rate	3.8%
Total estimated decrease in contractual rent revenue during the 12 months ending September 30, 2013 due to lease expirations	$ 8.0
Average NOI margin for January 1, 2011 through September 30, 2012	66.9%
Total estimated decrease in contractual rent income during the 12 months ending September 30, 2013 due to lease expirations	$ 5.4

(e) Represents the conversion of estimated rental revenues on in-place leases from U.S. GAAP basis to a cash basis of recognition.

(f) Pro forma non-cash compensation expense related to awards of restricted stock and performance units that vest over a three-year period.

(g) Pro forma non-cash amortization of financing costs for the 12 months ended September 30, 2012.

(h) Represents non-cash impairment charges on real estate for the 12 months ended September 30, 2012.

(i) Reflects contractual leasing commissions for the 12 months ending September 30, 2013 based on new leases entered into through October 31, 2012. The Company has not historically paid for tenant improvements or leasing commissions for renewed leases. The Company pays leasing commissions based upon new monthly recurring revenue, not square footage sold. Commissions paid to internal personnel and third-party brokers were $3.9 million and $3.6 million for the year ended December 31, 2011 and the nine months ended September 30, 2012, respectively.

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(j) For the 12 months ending September 30, 2013, management s estimate of the costs of recurring building improvements (excluding costs of customer improvements) at our properties is approximately $5.0 million, which would exceed the weighted average annual capital expenditures costs of $1.61 per rentable square foot in our portfolio incurred during the 36 months ended September 30, 2012 multiplied by 1,628,717 NRSF. The following table sets forth certain information regarding historical recurring capital expenditures at the properties in our portfolio through September 30, 2012.

	Three Months Ended December 31, 2009	Year Ended December 31, 2010	Year Ended December 31, 2011	Nine Months Ended September 30, 2012	Weighted Average October 1, 2009- September 30, 2012
Recurring capital expenditures (in millions)	$ 0.4	$ 1.8	$ 1.8	$ 2.0	$ 2.0
Average NRSF during period	882,310	1,070,850	1,310,067	1,491,312	1,238,839
Recurring capital expenditure per square foot	$ 0.43	$ 1.68	$ 1.37	$ 1.34	$ 1.61

(k) Represents scheduled amortization payments of capital lease obligations and other long-term lease obligations due during the 12 months ending September 30, 2013.

(l) Our share of estimated cash available for distribution and estimated initial annual cash distributions to our stockholders is based on an estimated approximate 31.3% aggregate partnership interest in our operating partnership.

(m) Based on a total of 19,413,165 shares of our common stock to be outstanding after this offering.

(n) Calculated as our estimated initial annual distribution divided by our share of estimated cash available for distribution for the 12 months ending September 30, 2013.

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CAPITALIZATION

The following table sets forth the historical combined capitalization of CyrusOne and the Predecessor as of September 30, 2012 and our capitalization as of September 30, 2012, on a pro forma basis giving effect to the formation transactions, the related financing transactions and this offering. You should read this table in conjunction with Use of Proceeds, Selected Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources and our financial statements and the notes to our financial statements appearing elsewhere in this prospectus.

	As of September 30, 2012	
(dollars in millions)	**Historical Combined**	**Pro Forma Combined**
Capital lease obligations	$ 38.0	$ 38.0
Related party notes payable	618.7	
Other financing arrangements [1]	49.2	49.2
6.375% Senior Notes due 2022		525.0
Revolving credit facility [2]		
Divisional control	297.5	
Stockholders equity:		
Common stock		0.2
Paid in capital		284.0
Noncontrolling interest in operating partnership		447.9
Total capitalization	$ 1,003.4	$ 1,344.3

(1) Other financing arrangements represents leases of real estate where we are involved in the construction of structural improvements to develop buildings into data centers. When we bear substantially all the construction period risk, such as managing or funding construction, the Predecessor is deemed to be the accounting owner of the leased property. These transactions generally do not qualify for sale-leaseback accounting due to our continued involvement in these data center operations. For these transactions, at the lease inception date, we recognize the fair value of the leased building as an asset in investment in real estate and as a liability in other financing arrangements.

(2) We do not expect to have any outstanding borrowings under our new revolving credit facility upon the completion of this offering.

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DILUTION

Purchasers of our common stock offered in this prospectus will experience an immediate and substantial dilution in the net tangible book value of our common stock from the initial public offering price. At September 30, 2012, we had a combined net tangible book value of approximately $(85.4) million, or $(1.92) per share of our common stock to be held by CBI after this offering, assuming the exchange of operating partnership units into shares of our common stock on a one-for-one basis. After giving effect to the sale of the shares of our common stock offered hereby, including the use of proceeds as described under Use of Proceeds and the formation transactions, the related financing transactions, the deduction of underwriting discounts and commissions and financial advisory fees and estimated offering and formation expenses, the pro forma net tangible book value at September 30, 2012 attributable to common stockholders would have been $349.2 million, or $5.63 per share of our common stock, assuming the exchange of operating partnership units held by CBI into shares of our common stock on a one-for-one basis. This amount represents an immediate increase in net tangible book value of $7.55 per share to CBI and an immediate dilution in pro forma net tangible book value of $13.37 per share from the public offering price of $19.00 per share of our common stock to new public investors. The following table illustrates this per share dilution:

Initial public offering price per share	$ 19.00
Net tangible book value per share before the formation transactions, related financing transactions and this offering [(1)]	(1.92)
Net increase in net tangible book value per share attributable to the formation transactions, the related financing transactions and this offering	7.55
Pro forma net tangible book value per share after the formation transactions, the related financing transactions and this offering [(2)]	5.63
Dilution in net tangible book value per share to new investors [(3)]	$ 13.37

(1) Net tangible book value per share of our common stock before the formation transactions, the related financing transactions and this offering is determined by dividing net tangible book value (consisting of divisional control minus intangible assets, which are comprised of goodwill, customer relationships, trademarks and favorable leasehold interests, net) as of September 30, 2012 of the Predecessor by the number of shares of our common stock to be held by CBI after this offering, assuming the exchange in full of the operating partnership units held by CBI.

(2) Based on pro forma net tangible book value of approximately $349.2 million divided by 62,000,000 shares of our common stock and operating partnership units of our operating partnership outstanding after the formation transactions, the related financing transactions and this offering, not including 2,976,835 remaining shares of our common stock reserved for issuance pursuant to our 2012 Long Term Incentive Plan in connection with future grants of equity awards to our directors, employees and consultants.

(3) Dilution is determined by subtracting pro forma net tangible book value per share of our common stock after giving effect to the formation transactions, the related financing transactions and this offering from the initial public offering price paid by a new investor for a share of our common stock.

Differences Between New Investors and Existing Investors in Number of Shares and Amount Paid

The table below summarizes, as of September 30, 2012, on a pro forma basis after giving effect to the formation transactions, the related financing transactions and this offering, the differences between the number of shares and operating partnership units received by the existing investors in the formation transactions and the new investors purchasing shares in this offering, the total consideration paid and the average price per share paid by the existing investors in the formation transactions and paid in cash by the new investors purchasing shares in this offering (based on the net tangible book value attributable to the existing investors in the formation transactions).

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(dollars and shares in millions, except per share data)	Shares/Operating Partnership Units Issued		Net Tangible Book Value of Contribution[1]/Cash		Average Amount Per Share
	Number	Percentage	Amount	Percentage	
Existing investors[2]	45.5	73.4%	$ 65.0	18.6%	$ 1.43
New investors	16.5	26.6%	284.2	81.4%	17.22
Total	62.0	100.0%	$ 349.2	100.0%	$ 5.63

(1) Represents pro forma net tangible book value as of September 30, 2012, of the assets contributed to our operating partnership in the formation transactions, giving effect to the formation transactions, the related financing transactions and this offering.

(2) Includes 42,586,835 operating partnership units issued in connection with the formation transactions, after giving effect to a 2.8-to-1 unit reverse split immediately prior to the completion of this offering, 1,890,000 shares of our common stock owned by CBI and 1,023,165 shares of our common stock owned by our directors, executive officers and other employees.

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SELECTED FINANCIAL DATA

The following table sets forth selected financial and operating data on a combined historical basis for the Predecessor. We have not presented historical information for the newly-formed registrant, CyrusOne, because it has not had any corporate or business activity since its formation other than the incurrence of costs to support this offering, the formation transactions, the related financing transactions and the issuance of shares of common stock in connection with the initial capitalization of the company and because we believe that a discussion of the results of this newly-formed registrant would not be meaningful. For more information regarding the formation transactions, please see Structure and Formation of Our Company.

We use the term Predecessor to mean the historical data center activities and holdings of CBI. CBI has operated its Cincinnati-based data center business for over 10 years; in addition, it acquired GramTel, a data center operator in South Bend, Indiana and Chicago, Illinois, for approximately $20 million in December 2007; and it acquired Cyrus Networks, a data center operator based in Texas, for approximately $526 million, net of cash acquired, in June 2010. As part of the formation transactions, certain subsidiaries of CBI contributed these assets and operations to our operating partnership, CyrusOne LP.

The historical financial information as of December 31, 2011 and 2010 and for each of the years ended December 31, 2011, 2010 and 2009 has been derived from the Predecessor s audited combined financial statements included elsewhere in this prospectus. This historical financial information as of December 31, 2009, 2008 and 2007 and for the years ended December 31, 2008 and 2007 has been derived from the Predecessor s unaudited combined financial statements not included in this prospectus. The historical financial information as of September 30, 2012 and for the nine months ended September 30, 2012 and 2011 has been derived from the Predecessor s unaudited condensed combined financial statements included elsewhere in this prospectus. In the opinion of management, the unaudited interim financial information included herein includes all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the information set forth herein. The results of operations for the interim period ended September 30, 2012 are not necessarily indicative of the results to be obtained for the full fiscal year.

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You should read the following Predecessor selected financial data in conjunction with our combined historical financial statements and the related notes and with Management s Discussion and Analysis of Financial Condition and Results of Operations, which are included elsewhere in this prospectus.

(dollars in millions)	Nine months ended September 30, 2012	2011	Year ended December 31, 2011	2010 [(a)]	2009	2008	2007
Statement of Operations Data:							
Revenue	$ 162.8	$ 133.7	$ 181.7	$ 127.5	$ 74.1	$ 56.1	$ 35.3
Costs and expenses:							
Property operating expenses	55.3	43.3	58.2	43.9	31.0	24.9	16.5
Sales and marketing	5.8	7.1	9.1	6.8	5.1	3.7	2.1
General and administrative	15.4	8.5	12.5	7.0	4.2	7.3	4.2
Depreciation and amortization	52.9	40.0	55.5	36.2	18.0	11.4	6.1
Transaction costs [(b)]	1.3	2.6	2.6	9.0			
Management fees charged by CBI [(c)]	2.1	1.9	2.3	3.6	1.5	1.3	1.3
Loss on sale of receivables to CBF [(d)]	3.7	2.3	3.5	1.8	1.2	0.2	0.3
Restructuring costs [(e)]				1.4			
Asset impairments [(f)]	13.3						
Operating income	13.0	28.0	38.0	17.8	13.1	7.3	4.8
Interest expense	31.2	24.1	32.9	11.5	3.1	1.5	1.9
Loss on extinguishment of debt [(g)]			1.4				
Income tax (benefit) expense	(4.7)	2.1	2.2	2.7	3.9	2.3	1.1
(Loss) income from continuing operations	(13.5)	1.8	1.5	3.6	6.1	3.5	1.8
(Gain) loss on sale of real estate improvements [(h)]	(0.1)			0.1			
Net (loss) income	$ (13.4)	$ 1.8	$ 1.5	$ 3.5	$ 6.1	$ 3.5	$ 1.8
Balance Sheet Data (at period end):							
Investment in real estate, net	$ 644.6	$ 481.3	$ 529.0	$ 403.7	$ 248.7	$ 236.2	$ 152.1
Total assets	1,090.8	911.7	954.7	862.3	279.6	270.7	187.6
Debt [(i)]	650.1	470.6	523.1	452.0	69.7	64.4	26.5
Other financing arrangements [(j)]	49.2	61.3	48.2	32.5			
Divisional control [(k)]	297.5	316.1	311.5	317.8	163.4	158.3	135.2
Other Financial Data:							
Capital expenditures	$ 146.4	$ 76.3	$ 117.5	$ 29.3	$ 20.7	$ 74.5	$ 86.3

(a) In June 2010, the Predecessor completed the acquisition of Cyrus Networks. The results of operations of this business are included in the Predecessor s results from the acquisition date.

(b) Represents legal, accounting and consulting fees incurred in connection with the formation transactions, our qualification as a REIT and completed and potential business combinations.

(c) Represents management fees charged by CBI for services it provided to the Predecessor including executive management, cash management, legal, treasury, human resources, accounting, tax, internal audit and risk management services. See Note 13 to our audited combined financial statements included elsewhere in this prospectus for additional detail. Prior to this offering, we entered into a transition services agreement with CBI, pursuant to which CBI will provide certain of these services, on an as-needed basis, to our operating partnership.

(d) Represents the sale by the Predecessor of most of its trade and other accounts receivable to CBF, a bankruptcy-remote subsidiary of CBI, at a 2.5% discount to the receivables face value. Effective October 1, 2012, we terminated our participation in this program.

(e) Represents a restructuring charge recognized in 2010 to terminate a legacy sales commission plan in order to transition to a common plan for all commissioned employees.

(f) Reflects asset impairments recognized on a customer relationship intangible and property and equipment primarily related to our GramTel acquisition.

(g) Represents the termination by the Predecessor of the financing obligation for one of its facilities by purchasing the property from the former lessor. A loss of $1.4 million was recognized upon the termination of this obligation.

(h) Represents the (gain) loss that was recognized on the sale of generators in connection with upgrading of the equipment at various data center facilities.

(i) Reflects related party notes payable and capital lease obligations.

(j) Other financing arrangements represents leases of real estate where the Predecessor was involved in the construction of structural improvements to develop buildings into data centers. When the Predecessor bears substantially all the construction period risk, such as managing or funding construction, the Predecessor is deemed to be the accounting owner of the leased property. These transactions generally do not qualify for sale-leaseback accounting due to our continued involvement in these data center operations. For these transactions, at the lease inception date, we recognize the fair value of the leased building as an asset in investment in real estate and as a liability in other financing arrangements.

(k) For the historical periods presented, the Predecessor was not a separate legal entity. Divisional control represents CBI s net investment in the Predecessor.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with Selected Financial Data, Business and Properties and our historical and pro forma financial statements and the related notes included elsewhere in this prospectus. This discussion contains forward-looking statements that involve numerous risks and uncertainties. The forward-looking statements are subject to a number of important factors, including those factors discussed under Risk Factors and Special Note Regarding Forward-Looking Statements, that could cause our actual results to differ materially from the results described herein or implied by such forward-looking statements.

The combined financial statements included in this prospectus reflect the historical financial position, results of operations and cash flows of the Predecessor for all periods presented. The Predecessor s historical financial statements have been prepared on a carve-out basis from CBI s consolidated financial statements using the historical results of operations, cash flows, assets and liabilities attributable to the data center business and include allocations of income, expenses, assets and liabilities from CBI. These allocations reflect significant assumptions, and the financial statements do not fully reflect what the Predecessor s financial position, results of operations and cash flows would have been had the Predecessor been a stand-alone company during the periods presented. As a result, historical financial information is not necessarily indicative of the Predecessor s future results of operations, financial position and cash flows. The results of Cyrus Networks are included in these results from the date of its acquisition in June 2010, which affects comparability between periods.

Because we believe that a discussion of the historical results of the newly-formed registrant, CyrusOne, would not be meaningful, we have set forth below a discussion of the historical operations of the Predecessor. Any reference to our, we, and us in this discussion and analysis refers to Predecessor and the data center business. Where appropriate, the following discussion includes analysis of the effects of the formation transactions, this offering and related financing transactions. These effects are reflected in the pro forma financial statements included elsewhere in this prospectus.

Overview

Our Company. We are an owner, operator and developer of enterprise-class, carrier-neutral data center properties. Enterprise-class, carrier-neutral data centers are purpose-built facilities with redundant power, cooling and telecommunications systems and that are not network-specific, enabling customer interconnectivity to a range of telecommunications carriers.

We provide mission-critical data center facilities that protect and ensure the continued operation of IT infrastructure for approximately 500 customers. Our goal is to be the preferred global data center provider to the Fortune 1000. As of September 30, 2012, our customers included nine of the Fortune 20 and 108 of the Fortune 1000 or private or foreign enterprises of equivalent size. These 108 customers provided 79% of our annualized rent as of September 30, 2012. Additionally, as of September 30, 2012, our top 10 customers (including CBI) represented 46% of our annualized rent.

We cultivate long-term strategic relationships with our customers and provide them with solutions for their data center facilities and IT infrastructure challenges. Our offerings provide flexibility, reliability and security and are delivered through a tailored, customer service-focused platform that is designed to foster long-term relationships. We focus on attracting customers that have not historically outsourced their data center needs. We believe our capabilities and reputation for serving the needs of large enterprises will allow us to capitalize on the growing demand for outsourced data center facilities in our markets and in new markets where our customers are located or plan to be located in the future.

Formation and Structure. Our business is comprised of the historical data center activities and holdings of CBI. CBI has operated its Cincinnati-based data center business for over 10 years. In addition, it acquired GramTel, a data center operator in South Bend, Indiana and Chicago, Illinois, for approximately $20 million in December 2007; and it acquired Cyrus Networks, a data center operator based in Texas, for approximately $526 million, net of cash acquired, in June 2010. On November 20, 2012, we closed the formation transactions, which were designed to consolidate the ownership of CBI s data center properties into our operating partnership, facilitate this offering, enable us to raise necessary capital to repay indebtedness owed to CBI prior to this offering and enable us to qualify as a REIT for U.S. federal income tax purposes commencing with our taxable year ending December 31, 2013. See Structure and Formation of Our Company Formation Transactions.

Our Portfolio. As of September 30, 2012, our property portfolio included 23 operating data centers in nine distinct markets (Austin, Chicago, Cincinnati, Dallas, Houston, London, San Antonio, Singapore and South Bend), collectively providing approximately 1,630,000 NRSF, and powered by approximately 125 MW of utility power. We own nine of the buildings in which our data center facilities are located. We lease the remaining 14 buildings, which account for approximately 600,000 NRSF, or approximately 37% of our total operating NRSF. These leased buildings accounted for 36% of our total annualized rent as of September 30, 2012 and 37% of our total NOI for the three months then ended. We also currently have 379,000 NRSF under development at three data centers in three distinct markets (Dallas, Houston and Phoenix) and 762,000 NRSF of additional powered shell space under roof and available for development. In addition, we have approximately 146 acres of land that are available for future data center facility development. Along with our primary product offering, leasing of colocation space, our customers are increasingly interested in ancillary office and other space. We believe our existing operating portfolio and development pipeline will allow us to meet the evolving needs of our existing customers and continue to attract new customers. See Structure and Formation of Our Company Formation Transactions.

Business Model

Revenue base. As of September 30, 2012, we had approximately 500 customers, many of which have signed leases for multiple sites and multiple services, amenities and/or features. We generate recurring revenues from leasing colocation space and nonrecurring revenues from the initial installation and set-up of customer equipment. We provide customers with data center services pursuant to leases with a customary initial term of three to five years, and, as of September 30, 2012, our leases had a weighted average of 2.4 years remaining based upon annualized rent. Lease expirations through 2014, excluding month-to-month leases, represent 32% of our total square footage or 51% of our aggregate annualized rent as of September 30, 2012. At the end of the lease term, customers may sign a new lease or automatically renew pursuant to the terms of their lease. The automatic renewal period could be for varying lengths, depending on the terms of the contract, such as for the original lease term, one year or month-to-month. As of September 30, 2012, 10% of the NRSF in our portfolio was subject to month-to-month leases.

Our management team focuses on minimizing recurring rent churn. We define recurring rent churn as any reduction in recurring rent due to customer terminations, net pricing reductions or service reductions as a percentage of the annualized rent at the beginning of the applicable period, excluding any impact from metered power reimbursements. In 2011, we experienced a recurring rent churn of 3%, approximately half of which was attributable to customers that ceased using our facilities. For the nine months ended September 30, 2012, our recurring rent churn was 4.0% (5.3% annualized), which includes the termination of one lease for legacy data center space that had been utilized for over 20 years. The legacy data center space has been decommissioned and is expected to be developed into data center space that we believe will generate higher amounts of revenue than the prior lease. Excluding this lease, the recurring rent churn for the nine months ended September 30, 2012 would have been 2.9% (3.9% annualized).

Costs and expenses. Our property operating expenses generally consist of electricity (including the cost to power data center equipment), salaries and benefits of data center operations personnel, real estate taxes, security, rent, insurance and other site operating and maintenance costs. Our property operating expenses are expected to increase as we expand our existing data center facilities and develop new facilities.

Our sales and marketing expenses consist of salaries and benefits of our sales personnel, marketing and advertising costs. Prior to January 1, 2011, sales and marketing expenses also included sales commissions for sales personnel for a legacy plan that paid commissions as a percentage of monthly recurring revenue. This plan was terminated effective December 31, 2010 in order to transition to a common plan that pays commissions at lease inception. Our sales and marketing expenses are expected to increase as our business continues to grow.

General and administrative expenses consist of salaries and benefits of senior management and support functions, legal costs and consulting costs. These costs are expected to increase in the near term as we augment our team and back office infrastructure, including IT systems, to support the growth and expansion of our business. In addition, we expect to incur additional compensation, legal, accounting, board fees and other governance costs to operate as an independent public company subject to the reporting and compliance requirements of the SEC and the Sarbanes-Oxley Act. We estimate these incremental costs to approximate $5.0 million annually, exclusive of stock compensation costs. We also expect to issue equity awards to board members and key employees. We estimate the annual incremental, non-cash compensation costs associated with those awards to range from $8.0 million to $16.0 million. We anticipate that we will not be able to pass along these additional costs to our customers.

Depreciation and amortization expense consists of depreciation on both owned and leased property, amortization of intangible assets and amortization of deferred sales commissions. Depreciation and amortization expense is expected to increase in future periods as we acquire and develop new properties and expand our existing data center facilities.

A portion of our operating expenses has been in the form of management fees allocated from CBI for services provided by CBI. Such management services include executive management, cash management, legal, treasury, human resources, accounting, tax, internal audit, risk management and other corporate services. Depending on the nature of the respective cost, our allocated cost for these services was based upon specific identification of costs incurred on our behalf or a reasonable estimate of costs incurred on our behalf, such as relative revenues. See Note 13 to our audited combined financial statements included in this prospectus for additional detail. Prior to this offering, we entered into a transition services agreement with CBI pursuant to which CBI will provide certain of these services, on an as needed basis, to the operating partnership. See Certain Relationships and Related Transactions Transition Services Agreements.

Key Operating Metrics

Annualized Rent. We calculate annualized rent as monthly contractual rent (defined as cash rent including customer reimbursements for metered power) under existing customer leases as of September 30, 2012, multiplied by 12. For the month of September 2012, customer reimbursements were $20.6 million annualized and consisted of reimbursements by customers across all facilities with separately metered power. Other companies may not define annualized rent in the same manner. Accordingly, our annualized rent may not be comparable to others. Management believes annualized rent provides a useful measure of our currently in place lease revenue.

Colocation Square Feet (CSF). We calculate CSF as the NRSF at an operating facility that is currently leased or readily available for lease as colocation space, where customers locate their servers and IT equipment.

Utilization Rate. We calculate utilization rate by dividing CSF under signed leases for available space (whether or not the contract has commenced billing) by total CSF. Utilization rate differs from percent leased presented elsewhere in this prospectus because utilization rate excludes office space and supporting infrastructure NRSF and includes CSF for signed leases that have not commenced billing. Management uses utilization rate as a measure of CSF leased.

Recurring Rent Churn. We calculate recurring rent churn as any reduction in recurring rent due to customer terminations, net pricing reductions or service reductions as a percentage of the annualized rent at the beginning of the applicable period, excluding any impact from metered power reimbursements.

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Capital Expenditures. Cash expenditures that expand, improve or extend the life of real estate and non-real estate property are deemed capital expenditures. Management views its capital expenditures as comprised of acquisition of real estate, development of real estate, recurring real estate expenditures and all other non-real estate capital expenditures. Purchases of land or buildings from third parties represent acquisitions of real estate. Discretionary capital spending that expands or improves our data centers is deemed development of real estate. Replacements of data center assets are considered recurring real estate expenditures. Purchases of software, computer equipment and furniture and fixtures are included in all other non-real estate capital expenditures.

Factors That May Influence Future Results of Operations

Rental Income. Our revenue growth will depend on our ability to maintain our existing revenue base and to sell new capacity that becomes available as a result of our development activities. As of September 30, 2012, we have customer leases for approximately 78% of our CSF. Our ability to grow revenue will also be affected by our ability to maintain or increase rental rates at our properties. We believe the current rates charged to our customers generally reflect appropriate market rates based on square footage and power densities provided to the customer. As such, we do not anticipate significant rate increases or decreases in the aggregate as contracts renew. However, negative trends in one or more of these factors could adversely affect our revenue in future periods. Future economic downturns, regional downturns affecting our markets or oversupply of, or decrease in demand for, data center colocation services could impair our ability to attract new customers or renew existing customers leases on favorable terms, and this could adversely affect our ability to maintain or increase revenues.

Leasing Arrangements. As of September 30, 2012, 39% of our leased NRSF has been to customers on a full-service gross basis. Under a full-service gross model, the customer pays a fixed monthly rent amount, and we are responsible for all data center facility electricity, maintenance and repair costs, property taxes, insurance and other utilities associated with that customer s space. For leases under this model, fluctuations in our customers monthly utilization of power and the prices our utility providers charge us impact our profitability. As of September 30, 2012, 61% of our leased NRSF has been to customers with separately metered power. Under the metered power model, the customer pays us a fixed monthly rent amount, plus its actual costs of sub-metered electricity used to power its data center equipment, plus an estimate of costs for electricity used to power supporting infrastructure for the data center, expressed as a factor of the customer s actual electricity usage. We are responsible for all other costs listed in the description of the full-service gross model above. Fluctuations in a customer s utilization of power and the supplier pricing of power do not impact our profitability under the metered power model. In future periods, we expect more of our contracts to be structured to bill power on a metered power basis.

Growth and Expansion Activities. Our ability to grow our revenue and profitability will depend on our ability to acquire and develop data center space at an appropriate cost and to lease the data center space to customers on favorable terms. During the first nine months of 2012, we completed development of approximately 290,000 NRSF, primarily in Austin, Carrollton, Houston and San Antonio, Texas, bringing our total operating NRSF to approximately 1,630,000 at September 30, 2012. For the nine months ended September 30, 2012, our average cost of development was $828 per square foot. Fluctuations may occur in our average cost of development per CSF from period to period based on power density, customer requirements (such as required resiliency level) and the type of property. Our portfolio, as of September 30, 2012, also included approximately 379,000 NRSF under development as well as 762,000 NRSF of additional powered shell space under roof and available for development. In addition, we have approximately 146 acres of land that are available for future data center facility development. We expect that the eventual construction of this future development space will enable us to accommodate a portion of the future demand of our existing and future customers and increase our future revenue, profitability and cash flows.

Scheduled Lease Expirations. Our ability to maintain low recurring rent churn and renew expiring customer leases on favorable terms will impact our results of operations. As of September 30, 2012, 10% of the NRSF in our portfolio was subject to month-to-month leases. Our data center uncommitted capacity as of that date was approximately 337,000 NRSF. Excluding month-to-month leases, leases representing 12% and 13% of our total

NRSF were scheduled to expire in 2012 and 2013, respectively. These leases represented approximately 13% and 24% of our annualized rent as of September 30, 2012. Month-to-month leases represented 11% of our annualized rent as of September 30, 2012. Our recurring rent annual churn for 2011 was 3%.

Conditions in Significant Markets. Our operating properties are located primarily in the Dallas and Houston metro areas of Texas and the Cincinnati, Ohio metro area. These markets comprised 19%, 37% and 38%, respectively, of our annualized rent as of September 30, 2012. Positive or negative conditions in these markets could impact our overall profitability.

Related Party Transactions

The following related party transactions are based on agreements and arrangements that are either currently in place or that we expect to enter into prior to this offering. See Note 13 to our audited combined financial statements included elsewhere in this offering memorandum for additional information on these arrangements. See Certain Relationships and Related Transactions.

We lease colocation space in our data centers to CBT and CBTS, subsidiaries of CBI. Revenue recognized from CBI subsidiaries was $5.4 million for the full year 2012 and was $4.4 million in 2011, $2.0 million in 2010 and $1.0 million in 2009. Prior to this offering, we entered into separate data center colocation agreements with CBT and CBTS whereby we will continue to lease colocation space to each of them at certain of our data centers. The data center colocation agreement with CBT provides for CBT s lease of data center space, power and cooling in our West Seventh Street (7th St.), Kingsview Drive (Lebanon), Knightsbridge Drive (Hamilton) and Industrial Road (Florence) data center facilities for a period of five years at an aggregate rate of $3.8 million per year. Our data center colocation agreement with CBTS provides for CBTS s lease of data center space, power and cooling in our West Seventh Street (7th St.), Kingsview Drive (Lebanon) and Industrial Road (Florence) data center facilities for a period of five years at an aggregate rate of $1.6 million per year. Both agreements are renewable for an additional five year term at market rates.

We have also entered into services agreements with CBT and CBTS. Under the CBTS services agreement, CBTS has agreed to provide us with certain managed storage and backup services. These services will be provided on a month-to-month basis, and charges will be based on the variable amount of gigabytes managed by CBTS each month. CBTS will charge us a rate of $0.56 per gigabyte and the annual fee to be paid by us for these services is approximately $0.2 million. We expect that services under this agreement may extend for as long as 36 months.

Under the CBT services agreement, CBT provides us with connectivity services for a period of five years related to several of our data center facilities. These services are related to the use of fiber and circuit assets that are currently a part of the CBI network. The annual fee paid by us for these services in 2012 was approximately $0.9 million.

Prior to this offering, we purchased the property located at 229 West Seventh Street, included under Summary CyrusOne Inc. Our Portfolio as one of our 23 operating facilities, which we had formerly leased from CBT. The purchase price was $18 million, which was in the form of a promissory note that accrued interest at a rate of 10% per annum and was payable on demand by CBT. This promissory note was repaid in connection with the closing of the formation transactions on November 20, 2012 with a portion of the net proceeds from our senior notes offering. CBT continues to own the adjacent property that was historically operated together with 229 West Seventh Street as one property. We also executed a reciprocal easement and shared services agreement and a right of first opportunity and refusal agreement with CBT with respect to such properties. Pursuant to the reciprocal easement and shared services agreement, we granted reciprocal easements to each other; CBT has easements for continued use of portions of our building and CBT provides fuel storage, fire suppression and other building services to us; and we provide chilled water, building automation systems related to HVAC and other building services to CBT. The shared services agreement is expected to continue for a period of 15 years with five renewal options of five years each. Initially, we are responsible for operating and managing the service facilities for both buildings. Each party will bear its own utility costs, as well as property taxes and insurance. Shared building operating costs will be charged to each party on the basis of the actual costs incurred, allocated based on the proportionate share of usage. Each party will also pay the other party less than $0.2 million per year to maintain shared building infrastructure systems. This agreement contains a make-whole provision that requires us to make a payment to CBT if CBT s carrier access revenue declines below $5.0 million per annum as a result of certain actions taken by us which result in circuit disconnections or reductions at CBT. The term of this make-whole provision is approximately four years.

Pursuant to the right of first opportunity and refusal agreement, we and CBT have agreed to grant to each other rights of first opportunity and first refusal to purchase each other party s property in the event that either party desires to sell its property to a non-affiliate third party.

CBT occupies space in our 229 West Seventh Street facility that is utilized in its network operations. In connection with our purchase of this property, we entered into an agreement to lease this space to CBT for a period of five years, with three renewal options of five years each, at an initial annual base rent of approximately $0.1 million, plus a proportionate share of building operating costs. Commencing on January 1, 2014, and on January 1 of each year thereafter, such base rent shall increase by 1% of the previous year s base rent.

Prior to this offering, we also entered into an agreement to lease space at CBT s 209 West Seventh Street facility for a period of five years, with three renewal options of five years each. The initial annual base rent will be approximately $0.1 million per year, plus our proportionate share of building operating costs. Commencing on January 1, 2014, and on January 1 of each year thereafter, such base rent shall increase by 1% of the previous year s base rent.

Prior to this offering, we entered into agreements to lease office space to CBT at our Goldcoast Drive (Goldcoast) data center facility and to CBTS at our Parkway (Mason) data center facility. The aggregate annual base rent for these spaces will be approximately $0.3 million per year. The term of these agreements will be five years each. Both agreements contain three five-year renewal options at market rates.

As of September 30, 2012, certain of the Predecessor s leases had not yet been assigned to us. CBTS is the lessor named in these contracts. Revenues associated with these leases were $23.7 million in 2011, $20.2 million in 2010 and $12.9 million in 2009. In 2012, we entered into an agreement with CBTS whereby we perform all obligations of CBTS under the lease agreements, CBTS confers the benefits received under such lease agreements to us and CBTS is granted sufficient usage rights in each of our data centers so that it remains as lessor under each such lease agreement until the lease can be assigned to us. In addition, CBTS will continue to perform billing and collections on these accounts until the assignment has been completed.

On November 20, 2012, we also entered into a non-competition agreement with CBI, pursuant to which we and CBI have agreed not to enter into each other s lines of business, subject to certain exceptions for a period of four years from such date. Pursuant to the terms of this agreement, we have agreed not to directly or indirectly engage in, or have any interest in any entity that engages in, the business of providing telecommunications services in certain areas of Ohio, Kentucky and Indiana in which CBI operates as of such date. We have also agreed not to seek, request or apply for any certification or license to provide telecommunications services in such areas during the term of the agreement. CBI has agreed not to directly or indirectly engage in, or have any interest in any entity that engages in, the business of constructing and selling, operating or providing data center services in the United States or any foreign jurisdiction in which we operate. However, CBI may continue to offer certain data center services, provided that such services are ancillary to its provision of existing IT services, and CBI does not own, lease or is contracted to own, lease or manage the data center infrastructure of the facility in which such existing IT services are being provided.

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Services Performed by CBI and Other Affiliates

Transition Services

CBI currently provides various management services, including executive management, cash management, legal, treasury, human resources, accounting, tax, internal audit and risk management services. Our allocated cost for these services was based upon specific identification of costs incurred on our behalf or a reasonable estimate of costs incurred on our behalf, such as relative revenues. Our allocated cost for management services was $2.3 million, $3.6 million and $1.5 million in 2011, 2010 and 2009, respectively. Prior to this offering, we entered into a transition services agreement with CBI pursuant to which CBI will continue to provide certain of these services, on an as needed basis to the operating partnership until the earlier of December 31, 2014 and one year from the completion of this offering, provided, however, that the agreement or the provision of a particular service to be provided thereunder may be terminated for convenience by us upon 30 days prior written notice. The fees for these services will be based on actual hours incurred for these services at negotiated hourly rates or a negotiated set monthly fee. See Certain Relationships and Related Transactions Transition Services Agreements.

Effective January 1, 2012, the Predecessor entered into a transition services agreement with CBTS pursuant to which each party agreed to provide certain services to the other party. Services provided by CBTS to the Predecessor included network support, service calls, monitoring and management, storage and backup and IT systems support. The 2012 annual fee to be paid for these services is approximately $1.6 million. Transition Services provided by the Predecessor to CBTS included network interface charges for a fiber network. The Predecessor will earn 2012 annual revenue of approximately $0.5 million for these services.

Prior to this offering, we replaced this transition services agreement with a new transition services arrangement with CBTS pursuant to which each party will provide certain services to the other party. Services provided by CBTS to us include migration and support services for hardware and applications used for local telephony and IT services by our employees, as well as back office billing transition support for customers that have not yet been transitioned off of the CBTS billing platform. The annual fee to be paid by us for these services is approximately $0.3 million. Services provided by us to CBTS consist of network interface charges. The annual fee to be paid by CBTS for these services is approximately $0.5 million, which may decline in future periods as CBTS migrates its network interfaces on to an independently architected and managed CBTS network. These services will be provided on a month-to-month basis, until such time as both parties agree that the services in question have been fully transitioned, which we expect may be as long as 24 month for certain services. See Certain Relationships and Related Transactions Transition Services Agreements.

Other Services

Some of our employees participate in pension, postretirement, health care, and stock-based compensation plans sponsored by CBI or an affiliate. Our allocated costs for employee benefits was determined by specific identification of the costs associated with our participating employees or based upon the percentage our employees represent of total participants. Our allocated employee benefit plan costs were $1.8 million, $1.1 million and $1.0 million in 2011, 2010 and 2009, respectively. See Notes 11 and 12 to the audited combined financial statements included elsewhere in this prospectus for further details. Subsequent to this offering, we will sponsor our own benefit and incentive plans.

We also participate in centralized insurance programs managed by CBI which include coverage for general liability, workers compensation, automobiles and various other risks. CBI has third-party insurance policies for certain of these risks and is also self-insured within certain limits. CBI s self-insured costs have been actuarially determined based on the historical experience of paid claims. Our allocated cost for participation in these programs was determined on the basis of revenues, headcount or insured vehicles. Our allocated insurance costs were $0.4 million, $0.2 million and $0.1 million in 2011, 2010, and 2009, respectively. Subsequent to this offering, CyrusOne LP will maintain its own commercial insurance policies.

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Effective January 1, 2012, the Predecessor entered into marketing agreements with CBT and CBTS to appoint these affiliates as CyrusOne s authorized marketing representatives. Pursuant to the terms of these agreements, the Predecessor pays these affiliates a commission for all new leases for space they attain, which is calculated as a percentage of the first month s recurring revenue with respect to such space, which ranges from 30% to 140%, depending on the lease term. For the nine months ended September 30, 2012, commissions earned pursuant to these arrangements were $0.1 million. The term of these agreements expired on December 31, 2012.

Financing and Cash Management Arrangements

Prior to the closing of the formation transactions on November 20, 2012, the Predecessor participated in CBI s centralized cash management program. On a periodic basis, all of the Predecessor s excess cash was transferred to CBI s corporate cash accounts. Likewise, substantially all funds to finance our operations, including acquisitions and development costs, were funded by CBI. As of September 30, 2012, advances and borrowings under this program were $9.6 million and $212.1 million, respectively. These advances and borrowings were governed by an intercompany cash management agreement. Effective November 19, 2010, all advances and borrowings were subject to interest at the average 30-day Eurodollar rate for the calendar month plus the applicable credit spread for Eurodollar rate borrowings charged for CBI s revolving line of credit. Prior to such date, the interest rate applied to such advances and borrowings was CBI s short-term borrowing rate. The average rate earned or charged was 5.0% in 2011, 4.2% in 2010 and 2.4% in 2009. Net interest expense recognized on related party notes was $1.1 million in both 2011 and 2010, and $0.6 million in 2009.

On December 31, 2010, CBI restructured its data center legal entities, including intercompany borrowings. In conjunction with this restructuring, CBI acquisition-related debt of $160.2 million (net of unamortized discount and debt issuance costs) and other related party notes payable to CBI of $24.8 million were subsumed into a new $400 million note payable to CBI, and a non-cash distribution was issued to CBI in the amount of $215.0 million. The $400 million note payable to CBI was subject to interest at 7.25% and was scheduled to mature in 2018. Interest on this note was settled monthly through CBI s centralized cash management program, effectively increasing the borrowings owed from the Predecessor to CBI. As of September 30, 2012, the Predecessor owed CBI $612.1 million, comprised of the $400 million note and additional borrowings of $212.1 million under the cash management program described above. We used approximately $480 million of our senior notes issuance to partially repay the Predecessor s notes payable to CBI. The note payable amounts not repaid from proceeds of our senior notes issuance were not contributed to our operating partnership.

As of September 30, 2012, CBI had issued $2.2 billion of unsecured long-term debt which has been guaranteed by several of its subsidiaries, including substantially all of the businesses that form the Predecessor. These guarantees were full and unconditional and joint and several. The guarantees from the businesses that form the Predecessor were released in connection with the closing of the formation transactions on November 20, 2012. As of September 30, 2012, CBF had arranged for a $16.9 million letter of credit to be issued to guarantee certain performance commitments of the Predecessor. This letter of credit expired without renewal as of December 26, 2012. We will reimburse CBF for the out-of-pocket costs related to this letter of credit.

Prior to October 1, 2012 we participated in an accounts receivable securitization program sponsored by CBI for certain of its subsidiaries. Under this program, we continuously sold certain trade accounts receivable to CBF. In turn, CBF granted, without recourse, a senior undivided interest in the pooled receivables to various purchasers, including commercial paper conduits, in exchange for cash. The loss on sale of our accounts receivable in accordance with this program was $3.5 million in 2011, $1.8 million in 2010 and $1.2 million in 2009. Because most of our receivables were sold, the Predecessor incurred an inconsequential amount of bad debt expense in 2011, 2010 and 2009. If this accounts receivable securitization program had not been in place, incremental bad debt expense would have been $0.2 million in 2011 and less than $0.1 million in both 2010 and 2009. Effective October 1, 2012, we terminated our participation in this receivable securitization program.

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Results of Operations

Comparison of Three Months Ended September 30, 2012 and 2011

(dollars in millions)	Three Months Ended September 30, 2012	2011	$ Change	% Change
Revenue	$ 56.7	$ 46.5	$ 10.2	22%
Costs and expenses:				
Property operating expenses	20.0	15.5	4.5	29%
Sales and marketing	2.1	2.6	(0.5)	(19)%
General and administrative	5.3	3.7	1.6	43%
Depreciation and amortization	18.8	13.8	5.0	36%
Transaction costs	0.6		0.6	n/m
Management fees charged by CBI	0.9	0.6	0.3	50%
Loss on sale of receivables to CBF	1.3	1.2	0.1	8%
Total costs and expenses	49.0	37.4	11.6	31%
Operating income	7.7	9.1	(1.4)	(15)%
Interest expense	11.3	7.9	3.4	43%
(Loss) income before income taxes	(3.6)	1.2	(4.8)	n/m
Income tax (benefit) expense	(0.7)	0.7	(1.4)	n/m
(Loss) income from continuing operations	(2.9)	0.5	(3.4)	n/m
Gain on sale of real estate improvements	(0.1)		(0.1)	n/m
Net (loss) income	$ (2.8)	$ 0.5	$ (3.3)	n/m
Operating margin	13.6%	19.6%		(6.0) pts
Capital expenditures*:				
Acquisitions of real estate	$ 2.0	$ 14.8	$ (12.8)	(86%)
Development of real estate	37.5	25.5	12.0	47%
Recurring real estate	1.4	0.5	0.9	180%
All other non-real estate	0.7	0.2	0.5	250%
Total	$ 41.6	$ 41.0	$ 0.6	1%
Metrics information:				
Colocation square feet*	896,000	736,000	160,000	22%
Utilization rate*	78%	86%		(8) pts

* See Key Operating Metrics for a definition of capital expenditures, CSF and utilization rate.

Revenue

Revenue was $56.7 million in the third quarter of 2012, an increase of $10.2 million, or 22%, compared to the corresponding quarter in 2011. Revenue increased on leasing of incremental space and sale of power and related colocation services to both new and existing customers. During the third quarter of 2012, 22 new customers were added. The amount of CSF that was contractually committed as of September 30, 2012 increased by 65,000 CSF, or 10%, compared to the end of the third quarter of 2011, generating the increased revenue. Our capacity increased to approximately 896,000 CSF at September 30, 2012, an increase of 22% from a year earlier. During the third quarter of 2012, we added 47,000

CSF at our Frankford Road (Carrollton) facility, 36,000 CSF at our Westover Hills Blvd (San Antonio) facility, and 15,000 CSF at our Westway Park Blvd (Houston West) facility. At September 30, 2012, the utilization rate of our data center facilities was 78%, down eight percentage points from September 30, 2011, as a result of additional CSF being placed in service. Our recurring rent churn for the quarter ended September 30, 2012 was approximately 1.5% (6.0% annualized).

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Costs and Expenses

Property operating expenses Property operating expenses were $20.0 million in the third quarter of 2012, an increase of $4.5 million, or 29%, compared to the corresponding quarter in 2011. Substantially all property operating expenses increased due to expansion of our data center facilities. Utilities increased by $2.4 million on higher electricity usage. Payroll and other employee-related costs increased by $0.9 million from additions to our operations staff. Contract services and rent each increased by $0.5 million compared to the third quarter of 2011.

Sales and marketing expenses Sales and marketing expenses were $2.1 million in the third quarter of 2012, a decrease of $0.5 million, or 19%, compared to the third quarter of 2011. Compensation to sales and marketing personnel and other support costs decreased by $0.5 million in the third quarter of 2012 compared to the third quarter of 2011, resulting from the integration of the Cincinnati-based sales function into the CyrusOne organization in 2012. Marketing costs increased by $0.1 million compared to the third quarter of 2011. Partially offsetting these increases, consulting costs decreased by $0.1 million compared to the third quarter of 2011.

General and administrative expenses General and administrative expenses were $5.3 million in the third quarter of 2012, an increase of $1.6 million, or 43%, compared to the third quarter of 2011. This increase was due to higher payroll, employee benefits and other employee-related costs as we continued to build and strengthen the number and quality of our personnel in finance and senior management. In addition, stock-based compensation costs on awards indexed to CBI s common stock market price increased by $0.8 million compared to the third quarter of 2011.

Depreciation and amortization expense Depreciation and amortization expense was $18.8 million in the third quarter of 2012, an increase of $5.0 million, or 36%, compared to the corresponding quarter in 2011, driven by new assets placed in service in 2011 and 2012.

Transaction costs Transaction costs were $0.6 million in the third quarter of 2012, with no such costs in the corresponding period in 2011. Transaction costs consisted of legal and consulting costs incurred in connection with the formation transactions and the qualification of CyrusOne as a REIT.

Management fees charged by CBI Management fees were $0.9 million in the third quarter of 2012, an increase of $0.3 million, or 50%, compared to the third quarter of 2011. These fees were allocated for services provided by CBI, including executive management, legal, treasury, human resources, accounting, tax, internal audit and IT services. Depending on the nature of the respective cost, our allocated cost for these services was based upon specific identification of costs incurred on our behalf or a reasonable estimate of costs incurred on our behalf. See Note 13 to our audited combined financial statements included elsewhere in this prospectus for additional detail. The increase in management fees resulted from higher allocations of executive compensation associated with stock compensation indexed to CBI s common stock market price.

Loss on sale of receivables to CBF Loss on sale of receivables was $1.3 million in the third quarter of 2012, an increase of $0.1 million, or 8%, compared to the corresponding quarter in 2011. Growth in our revenues resulted in more receivables sold in the third quarter of 2012, as compared to the corresponding period in 2011.

Operating Income

Operating income was $7.7 million in the third quarter of 2012, a decrease of $1.4 million, or 15%, compared to the corresponding quarter in 2011. Operating income decreased due to transaction costs of $0.6 million, higher management fees and increased general and administrative expenses incurred to support our growing business. Operating margin was 13.6% in the third quarter of 2012, compared to 19.6% in the corresponding quarter in 2011.

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Nonoperating Expenses

Interest expense Interest expense was $11.3 million in the third quarter of 2012, an increase of $3.4 million, or 43%, compared to the corresponding quarter in 2011. The increase in interest expense was primarily due to an increase in related party notes payable. Capitalized interest expense was $0.2 million in the third quarter of 2012, down $0.5 million as compared to the third quarter of 2011. Lower capitalized interest expense in the third quarter of 2012 was due to the completion of two significant projects in July 2012.

Income tax (benefit) expense Income tax benefit was $0.7 million in the third quarter of 2012, compared to income tax expense of $0.7 million in the corresponding quarter in 2011, driven by a decrease in our income before income taxes.

Gain on sale of real estate improvements Gain on sale of real estate improvements was $0.2 million ($0.1 million net of tax) in the third quarter of 2012, with no such gains in the corresponding period of 2011. A gain was realized on the sale of generators as we upgraded the equipment at our Southwest Fwy (Galleria) data center facility.

Capital Expenditures

Capital expenditures were $41.6 million in the third quarter of 2012, an increase of $0.6 million, or 1%, compared to the corresponding quarter in 2011. Acquisitions of real estate were $2.0 million in the third quarter of 2012, down $12.8 million, or 86%, compared to the third quarter in 2011. In the third quarter of 2012, we purchased six acres of land adjacent to our Westway Park Blvd (Houston West) property. In the third quarter of 2011, we purchased 56 acres of land near Phoenix, Arizona. Development of real estate was $37.5 million in the third quarter of 2012, an increase of $12.0 million, or 47%, compared to the corresponding quarter in 2011. In the third quarter of 2012, significant development projects included $11.3 million at Frankford Road (Carrollton), $8.0 million at South Ellis Street (Phoenix), $7.1 million at Westover Hills Blvd (San Antonio), and $5.9 million at Westway Park Blvd (Houston West). In 2011, the largest development projects consisted of expansions at S. State Highway 121 Business (Lewisville), Westway Park Blvd (Houston West) and Metropolis Drive (Austin 2). Recurring real estate expenditures were $1.4 million in the third quarter of 2012, up $0.9 million, or 180%, compared to the corresponding quarter in 2011 due to an increase in CSF in service. Other non-real estate capital expenditures were $0.7 million, up $0.5 million, or 250%, over the comparable period a year ago, as we invested more in back office systems.

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Comparison of Nine Months Ended September 30, 2012 and 2011

(dollars in millions)	Nine Months Ended September 30, 2012	2011	$ Change	% Change
Revenue	$ 162.8	$ 133.7	$ 29.1	22%
Costs and expenses:				
Property operating expenses	55.3	43.3	12.0	28%
Sales and marketing	5.8	7.1	(1.3)	(18)%
General and administrative	15.4	8.5	6.9	81%
Depreciation and amortization	52.9	40.0	12.9	32%
Transaction costs	1.3	2.6	(1.3)	(50)%
Management fees charged by CBI	2.1	1.9	0.2	11%
Loss on sale of receivables to CBF	3.7	2.3	1.4	61%
Asset impairments	13.3		13.3	n/m
Total costs and expenses	149.8	105.7	44.1	42%
Operating income	13.0	28.0	(15.0)	(54)%
Interest expense	31.2	24.1	7.1	29%
(Loss) income before income taxes	(18.2)	3.9	(22.1)	n/m
Income tax (benefit) expense	(4.7)	2.1	(6.8)	n/m
(Loss) income from continuing operations	(13.5)	1.8	(15.3)	n/m
Gain on sale of real estate improvements	(0.1)		(0.1)	n/m
Net (loss) income	$ (13.4)	$ 1.8	$ (15.2)	n/m
Operating margin	8.0%	20.9%		(12.9) pts
Capital expenditures*:				
Acquisitions of real estate	$ 25.4	$ 14.8	$ 10.6	72%
Development of real estate	116.1	56.9	59.2	104%
Recurring real estate	2.0	1.3	0.7	54%
All other non-real estate	2.9	3.3	(0.4)	(12)%
Total	$ 146.4	$ 76.3	$ 70.1	92%
Metrics information:				
Colocation square feet*	896,000	736,000	160,000	22%
Utilization rate*	78%	86%		(8) pts

* See Key Operating Metrics for a definition of capital expenditures, CSF and utilization rate.

Revenue

Revenue was $162.8 million in the first nine months of 2012, an increase of $29.1 million, or 22%, compared to the corresponding period in 2011. Revenue increased on leasing of incremental space and sale of power and related colocation services to both new and existing customers. During the first nine months of 2012, 52 new customers were added, including six Fortune 1000 customers or private or foreign enterprises of equivalent size. The amount of CSF that was contractually committed as of September 30, 2012 increased by 65,000 CSF, or 10%, compared to September 30, 2011, generating the increased revenue. Our capacity increased to approximately 896,000 CSF at September 30, 2012, an increase of 22% from the corresponding period end. Compared to the third quarter of 2011, we added 190,000 CSF and decommissioned legacy space totaling approximately 30,000 CSF. At September 30, 2012, the utilization rate of our data center facilities was 78%, down eight percentage points from September 30, 2011, as a result of additional CSF being placed in service.

For the nine months ended September 30, 2012, our recurring rent churn was 4.0% (5.3% annualized), which includes the termination of one lease for legacy data center space that had been utilized for over 20 years.

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The legacy data center space has been decommissioned and is expected to be developed into data center space that we believe will generate higher amounts of revenue than the prior lease. Excluding this lease, the recurring rent churn for the nine months ended September 30, 2012 would have been 2.9% (3.9% annualized).

Costs and Expenses

Property operating expenses Property operating expenses were $55.3 million in the first nine months of 2012, an increase of $12.0 million, or 28%, compared to the corresponding period in 2011. Substantially all property operating expenses increased due to expansion of our data center facilities. Utilities increased by $6.2 million as we expanded our CSF. Payroll and other employee-related costs increased by $1.9 million due to increases in our operations staff. Contract services, including security, increased by $2.2 million in the first nine months of 2012. Rent increased by $1.2 million compared to the corresponding period in 2011 as we expanded our leased CSF.

Sales and marketing expenses Sales and marketing expenses were $5.8 million in the first nine months of 2012, a decrease of $1.3 million, or 18%, compared to the corresponding period in 2011. Compensation to sales and marketing personnel and other support costs decreased by $2.0 million in the first nine months of 2012 compared to the corresponding period of 2011, resulting from the integration of the Cincinnati-based sales function into the CyrusOne organization in 2012. Marketing costs increased by $0.6 million in the first nine months of 2012 as we continue to build our brand awareness.

General and administrative expenses General and administrative expenses were $15.4 million in the first nine months of 2012, an increase of $6.9 million, or 81%, compared to the corresponding period in 2011. Payroll, employee benefits and other employee-related costs increased by $4.9 million in the first nine months of 2012 as we continued to build and strengthen the quality of personnel in finance and senior management. Consulting and legal costs increased by $1.2 million compared to the first nine months of 2011. Consulting and legal costs for the first nine months of 2012 included a $0.5 million settlement of an employee dispute related to commissions. Severance costs associated with the termination of a member of senior management were $0.4 million in the first nine months of 2012, with no such costs in the corresponding period in 2011.

Depreciation and amortization expense Depreciation and amortization expense was $52.9 million in the first nine months of 2012, an increase of $12.9 million, or 32%, compared to the corresponding period in 2011, driven by new assets placed in service in 2011 and 2012.

Transaction costs Transaction costs were $1.3 million in the first nine months of 2012, down $1.3 million, or 50% compared to the corresponding period in 2011. In 2012, transaction costs consisted of legal and consulting costs incurred in connection with the formation transactions and the qualification of CyrusOne as a REIT. In 2011, transaction costs were incurred to pursue acquisition opportunities.

Management fees charged by CBI Management fees were $2.1 million in the first nine months of 2012, an increase of $0.2 million, or 11%, compared to the corresponding period in 2011. These fees were allocated for services provided by CBI, including executive management, legal, treasury, human resources, accounting, tax, internal audit and IT services. Depending on the nature of the respective cost, our allocated cost for these services was based upon specific identification of costs incurred on our behalf or a reasonable estimate of costs incurred on our behalf. See Note 13 to our audited combined financial statements included elsewhere in this prospectus for additional details. The increase in management fees in 2012 resulted from higher amounts of executive compensation indexed to CBI s common stock market price.

Loss on sale of receivables to CBF Loss on sale of receivables was $3.7 million in the first nine months of 2012, an increase of $1.4 million, or 61%, compared to the corresponding period in 2011. In the first nine months of 2012, substantially all of our receivables were sold to CBF at a discount of 2.5% from their face value. In the first nine months of 2011, a smaller amount of receivables was sold, as not all of our subsidiaries participated in this program at that time.

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Asset impairments During the first nine months of 2012, asset impairments of $13.3 million were recognized on a customer relationship intangible and long-lived assets primarily associated with our GramTel acquisition. No asset impairments were recognized in the corresponding period in 2011.

Operating Income

Operating income was $13.0 million in the first nine months of 2012, a decrease of $15.0 million, or 54%, compared to the corresponding period in 2011. Operating income decreased primarily due to asset impairments of $13.3 million. Operating margin was 8.0% in the first nine months of 2012, compared to 20.9% in the corresponding period in 2011.

Nonoperating Expenses

Interest expense Interest expense was $31.2 million in the first nine months of 2012, an increase of $7.1 million, or 29%, compared to the corresponding period in 2011. The increase in interest expense is primarily due to growth in related party notes payable. Capitalized interest expense was $1.6 million in the first nine months of both 2012 and 2011.

Income tax (benefit) expense Income tax benefit was $4.7 million in the first nine months of 2012, compared to income tax expense of $2.1 million in the corresponding period in 2011, driven by a decrease in our income before income taxes.

Gain on sale of real estate improvements Gain on sale of real estate improvements was $0.2 million ($0.1 million net of tax) in the first nine months of 2012, with no such gains in the corresponding period of 2011. A gain was realized on the sale of generators as we upgraded the equipment at our Southwest Fwy (Galleria) data center facility.

Capital Expenditures

Capital expenditures were $146.4 million in the first nine months of 2012, an increase of $70.1 million, or 92%, compared to the corresponding period in 2011. Acquisitions of real estate were $25.4 million in the first nine months of 2012 for the purchase of the Frankford Road (Carrollton) building and land adjacent to our Westway Park Blvd (Houston West) facility. In the first nine months of 2011, acquisitions of real estate were $14.8 million for the purchase of 56 acres of land near Phoenix, Arizona. Development of real estate was $116.1 million in the first nine months of 2012, an increase of $59.2 million, or 104%, compared to the corresponding period of 2011. In the first nine months of 2012, significant development projects included $29.6 million at Westover Hills Blvd (San Antonio), $27.3 million at Frankford Road (Carrollton), $25.0 million at Westway Park Blvd (Houston West), $13.5 million at South Ellis Street (Phoenix) and $7.5 million at Metropolis Drive (Austin 2). In the first nine months of 2011, the largest development projects consisted of expansions at S. State Highway 121 Business (Lewisville), Westway Park Blvd (Houston West) and Metropolis Drive (Austin 2). Recurring real estate capital spend was $2.0 million in the first nine months of 2012, up $0.7 million, or 54%, compared to the first nine months of 2011 due to an increase in CSF in service. Other non-real estate capital expenditures were $2.9 million, down $0.4 million, or 12%, over the comparable period in 2011.

For 2012, our capital expenditures were approximately $230 million, of which $146.4 million was spent in the first nine months of 2012. See Liquidity and Capital Resources Short-Term Liquidity for further details on how we expect to fund these expenditures.

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Comparison of Years Ended December 31, 2011 and 2010

(dollars in millions)	2011	2010	$ Change 2011 vs. 2010	% Change 2011 vs. 2010
Revenue	$ 181.7	$ 127.5	$ 54.2	43%
Costs and expenses:				
Property operating expenses	58.2	43.9	14.3	33%
Sales and marketing	9.1	6.8	2.3	34%
General and administrative	12.5	7.0	5.5	79%
Depreciation and amortization	55.5	36.2	19.3	53%
Acquisition costs	2.6	9.0	(6.4)	(71)%
Management fees charged by CBI	2.3	3.6	(1.3)	(36)%
Loss on sale of receivables to CBF	3.5	1.8	1.7	94%
Restructuring costs		1.4	(1.4)	n/m
Total costs and expenses	143.7	109.7	34.0	31%
Operating income	38.0	17.8	20.2	113%
Interest expense	32.9	11.5	21.4	186%
Loss on extinguishment of debt	1.4		1.4	n/m
Income before income taxes	3.7	6.3	(2.6)	(41)%
Income tax expense	2.2	2.7	(0.5)	(19)%
Income from continuing operations	1.5	3.6	(2.1)	(58)%
Loss on sale of real estate improvements		0.1	(0.1)	n/m
Net income	$ 1.5	$ 3.5	$ (2.0)	(57)%
Operating margin	20.9%	14.0%		6.9 pts
Capital expenditures*:				
Acquisitions of real estate	$ 22.4	$	$ 22.4	n/m
Development of real estate	91.8	24.7	67.1	272%
Recurring real estate	1.8	1.8		0%
All other non-real estate	1.5	2.8	(1.3)	(46)%
Total	$ 117.5	$ 29.3	$ 88.2	301%
Metrics information:				
Colocation square feet*	763,000	639,000	124,000	19%
Utilization rate*	88%	88%		0 pts

* See Key Operating Metrics for a definition of capital expenditures, CSF and utilization rate.

Revenue

Revenue was $181.7 million in 2011, an increase of $54.2 million, or 43%, compared to 2010. Results for 2011 include a full year of results from Cyrus Networks, which we acquired in June 2010. Cyrus Networks revenue was $95.4 million for the full year in 2011 compared to a partial year of revenues of $44.9 million in 2010. New business also contributed to the growth in revenue in 2011. In 2011, we completed construction on 124,000 CSF and leased 110,000 CSF. During the year, 82 new customers were added, including 14 Fortune 1000 customers or private or foreign enterprises of equivalent size. During 2011, we also commenced our operations in London and Singapore.