UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

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

For the fiscal year ended June 30, 2016

OR

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

Commission File Number: 001-36690

Zayo Group Holdings, Inc.

(Exact Name of Registrant as Specified in Its Charter)

DELAWARE	26-1398293
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1805 29th Street, Suite 2050,

Boulder, CO 80301

(Address of Principal Executive Offices)

(303) 381-4683

(Registrant’s Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
Common Stock, par value $0.001 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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

As of December 31, 2015, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately $4.4 billion based on the closing price as reported on the New York Stock Exchange.

As of August 19, 2016, the number of outstanding shares of common stock of Zayo Group Holdings, Inc. was 242,649,498 shares.

DOCUMENTS INCORPORATED BY REFERENCE

None.

Table of Contents

EXPLANATORY NOTE

This Amendment No. 1 to Form 10-K (this “Amendment”) amends the Annual Report on Form 10-K for the fiscal year ended June 30, 2016 (the “Original 10-K”) filed by Zayo Group Holdings, Inc., a Delaware corporation (“Company,” “we” or “our”), on August 26, 2016 (the “Original Filing Date”). We are filing this Amendment to correct a clerical error in the report of KPMG LLP (“KPMG”), our independent registered public accounting firm, on the effectiveness of our internal control over financial reporting. This clerical error was the omission of an explanatory paragraph from KPMG’s report indicating that its audit of internal control over financial reporting did not include an evaluation of the internal control over financial reporting of Allstream, Inc. and Allstream Fiber U.S. Inc. (together “Allstream”), which we acquired on January 15, 2016. Pursuant to the Securities and Exchange Commission’s general guidance that an assessment of a recently acquired business may be omitted from the scope of an assessment in the year of acquisition, management’s report on internal control over financial reporting included in the Original 10-K noted that the scope of our assessment of the effectiveness of internal control over financial reporting did not include Allstream. In accordance with Rule 12b-15 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), this Amendment sets forth the complete text of Item 8 of Part II of the Original 10-K, which has been amended solely to provide the appropriate KPMG report that includes the explanatory paragraph regarding the exclusion of Allstream from its assessment.

This Amendment speaks only as of the Original Filing Date, does not reflect events that may have occurred subsequent to the Original Filing Date, and does not modify or update in any way the disclosures made in the Original 10-K, including, without limitation, the financial statements and accompanying notes. Except as described above, no changes have been made to the Original 10-K. This Amendment should be read in conjunction with the Original 10-K and our other filings made with the Securities and Exchange Commission subsequent to the Original Filing Date.

Pursuant to Rule 12b-15 of the Exchange Act, the certifications required pursuant to Rule 13a-14(a) and Rule 13a-14(b) of the Exchange Act, which were included as exhibits to the Original 10-K, have been re-executed as of the date of this Amendment and are included as Exhibits 31.1, 31.2 and 32 hereto.

Table of Contents

TABLE OF CONTENTS

Table of Contents

Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Reference is made to the information set forth beginning on page F-1.

Table of Contents

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Documents filed as part of this report

1. Financial Statements

Schedules not indicated above have been omitted because of the absence of the condition under which they are required or because the information called for is shown in the consolidated financial statements or in the notes thereto.

2. Exhibits

The Exhibits listed on the Exhibit Index on page 5 of this report are filed as part of this Amendment No. 1 on Form 10-K/A and are meant to supplement the Exhibits listed and/or filed with the Original Report.

Table of Contents

EXHIBIT INDEX

The following exhibits are included, or incorporated by reference, in this Amendment.

Exhibit No.	Description of Exhibit
23.1*	Consent of KPMG LLP
31.1*	Certification of Chief Executive Officer of the Registrant, pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
31.2*	Certification of Chief Financial Officer of the Registrant, pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
32*	Certification of the Registrant, pursuant to 18 U.S.C. Section 1350, as adopted, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

*Filed or furnished herewith

Table of Contents

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, this 16th day of February, 2017.

ZAYO GROUP HOLDINGS, INC.

By: /s/ Ken desGarennes
Ken desGarennes
Chief Financial Officer

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Zayo Group Holdings, Inc.:

We have audited the accompanying consolidated balance sheets of Zayo Group Holdings, Inc. and subsidiaries (the Company) as of June 30, 2016 and 2015, and the related statements of operations, comprehensive loss, stockholders' equity, and cash flows for each of the years in the three year period ended June 30, 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2016 and 2015, and the results of its operations and its cash flows for each of the years in the three year period ended June 30, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of June 30, 2016, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated August 26, 2016 expressed an adverse opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Denver, Colorado
August 26, 2016

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Zayo Group Holdings, Inc.:

We have audited Zayo Group Holdings, Inc. and subsidiaries' (the Company's) internal control over financial reporting as of June 30, 2016, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting (Item 9A). Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. Material weaknesses have been identified and are included in management's assessment. The material weaknesses related to an insufficient number of adequately trained employees with respect to the COSO 2013 Framework; ineffective monitoring activities over the information technology organization; ineffective general information technology controls, specifically program change and user access controls, over several technology systems; and inadequately designed and documented management review control and monitoring activities over the accounting for revenue recognition collectability criterion.

In our opinion, because of the effect of the aforementioned material weakness on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of June 30, 2016, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of June 30, 2016 the internal control over financial reporting related to the acquired business of Allstream associated with total assets of $477.6 million and total revenues of $213.3 million included in the consolidated financial statements of the Company as of and for the year ended June 30, 2016. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of Allstream.

Table of Contents

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of June 30, 2016 and 2015, and the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for each of the years in the three year period ended June 30, 2016. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2016 consolidated financial statements, and this report does not affect our report dated August 26, 2016, which expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Denver, Colorado

August 26, 2016

Table of Contents

ZAYO GROUP HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in millions, except share amounts)

	June 30, 2016	June 30, 2015
Assets		
Current assets		
Cash and cash equivalents	$ 170.7	$ 308.6
Trade receivables, net of allowance of $7.5 and $3.4 as of June 30, 2016 and June 30, 2015, respectively	148.4	88.0
Prepaid expenses	68.8	37.3
Deferred income taxes, net	—	129.5
Other assets	9.2	4.5
Total current assets	397.1	567.9
Property and equipment, net	4,079.5	3,299.2
Intangible assets, net	934.9	948.3
Goodwill	1,214.5	1,224.4
Deferred income taxes, net	7.0	—
Other assets	94.5	54.8
Total assets	$ 6,727.5	$ 6,094.6
Liabilities and stockholders' equity		
Current liabilities		
Current portion of long-term debt	$ —	$ 16.5
Accounts payable	97.0	40.0
Accrued liabilities	225.7	182.2
Accrued interest	28.6	57.2
Capital lease obligations, current	5.8	4.4
Deferred revenue, current	129.4	86.6
Total current liabilities	486.5	386.9
Long-term debt, non-current	4,085.3	3,652.2
Capital lease obligation, non-current	44.9	28.3
Deferred revenue, non-current	793.3	612.7
Deferred income taxes, net	41.3	174.7
Other long-term liabilities	57.0	28.6
Total liabilities	5,508.3	4,883.4
Commitments and contingencies (Note 14)		
Stockholders' equity		
Preferred stock, $0.001 par value - 50,000,000 shares authorized; no shares issued and outstanding as of June 30, 2016 and June 30, 2015, respectively	—	—
Common stock, $0.001 par value - 850,000,000 shares authorized; 242,649,498 and 243,008,679 shares issued and outstanding as of June 30, 2016 and June 30, 2015, respectively	0.2	0.2
Additional paid-in capital	1,777.6	1,705.8
Accumulated other comprehensive income/(loss)	4.5	(7.9)
Accumulated deficit	(563.1)	(486.9)

Total stockholders' equity	1,219.2	1,211.2
Total liabilities and stockholders' equity	$ 6,727.5	$ 6,094.6

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

Table of Contents

ZAYO GROUP HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions, except per share data)

	Year Ended June 30,		
	2016	2015	2014
Revenue	$ 1,721.7	$ 1,347.1	$ 1,123.2
Operating costs and expenses			
Operating costs (excluding depreciation and amortization and including stock-based compensation—Note 12)	578.7	413.5	344.2
Selling, general and administrative expenses (including stock-based compensation—Note 12)	386.4	358.4	384.7
Depreciation and amortization	516.3	406.2	338.2
Total operating costs and expenses	1,481.4	1,178.1	1,067.1
Operating income	240.3	169.0	56.1
Other expenses			
Interest expense	(220.1)	(214.0)	(203.5)
Loss on extinguishment of debt	(33.8)	(94.3)	(1.9)
Foreign currency (loss)/gain on intercompany loans	(53.8)	(24.4)	4.7
Other (expense)/income, net	(0.3)	(0.4)	0.3
Total other expenses, net	(308.0)	(333.1)	(200.4)
Loss from operations before income taxes	(67.7)	(164.1)	(144.3)
Provision/(benefit) for income taxes	8.5	(8.8)	37.3
Loss from continuing operations	(76.2)	(155.3)	(181.6)
Earnings from discontinued operations, net of income taxes	—	—	2.3
Net loss	$ (76.2)	$ (155.3)	$ (179.3)
Weighted-average shares used to compute net loss per share:			
Basic and diluted	243.3	235.4	223.0
Loss from continuing operations per share:			
Basic and diluted	$ (0.31)	$ (0.66)	$ (0.81)
Earnings from discontinued operations per share:			
Basic and diluted	—	—	0.01
Net loss per share:			
Basic and diluted	$ (0.31)	(0.66)	(0.80)

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

Table of Contents

ZAYO GROUP HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in millions)

	Year Ended June 30,		
	2016	2015	2014
Net loss	$ (76.2)	$ (155.3)	$ (179.3)
Foreign currency translation adjustments	12.4	(22.3)	19.2
Comprehensive loss	$ (63.8)	$ (177.6)	$ (160.1)

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

Table of Contents

ZAYO GROUP HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in millions, except share amounts)

	Common Shares	Common Stock	Additional paid-in Capital	Accumulated Other Comprehensive (Loss)/Income	Accumulated Deficit	Note receivable from shareholder	Total Stockholders' Equity
Balance at June 30, 2013	223,000,000	$ 0.2	$ 763.2	$ (4.8)	$ (152.3)	$ —	$ 606.3
Capital contributed (cash)	—	—	22.0	—	—	(22.0)	—
Stock-based compensation	—	—	0.4	—	—	—	0.4
Foreign currency translation adjustment	—	—	—	19.2	—	—	19.2
CII Preferred Units issued for Corelink Data Centers, LLC purchase	—	—	1.6	—	—	—	1.6
Spin off on Onvoy, LLC	—	—	(31.8)	—	—	—	(31.8)
Net loss	—	—	—	—	(179.3)	—	(179.3)
Balance at June 30, 2014	223,000,000	$ 0.2	$ 755.4	$ 14.4	$ (331.6)	$ (22.0)	$ 416.4
Proceeds from issuance of common stock	20,008,679	—	387.2	—	—	—	387.2
Reclassification of common unit liability to additional paid in capital	—	—	490.2	—	—	—	490.2
Stock-based compensation	—	—	95.0	—	—	—	95.0
Non-cash settlement of note receivable from Communications Infrastructure Investments, LLC	—	—	(22.0)	—	—	22.0	—
Foreign currency translation adjustment	—	—	—	(22.3)	—	—	(22.3)

Net loss	—	—	—	—	(155.3)	—	(155.3)
Balance at June 30, 2015	243,008,679	$ 0.2	$ 1,705.8	$ (7.9)	$ (486.9)	$ —	$ 1,211.2
Stock-based compensation	3,114,939	—	152.9	—	—	—	152.9
Foreign currency translation adjustment	—	—	—	12.4	—	—	12.4
Repurchase and retirement of common shares	(3,474,120)	—	(81.1)	—	—	—	(81.1)
Net loss	—	—	—	—	(76.2)	—	(76.2)
Balance at June 30, 2016	242,649,498	$ 0.2	$ 1,777.6	$ 4.5	$ (563.1)	$ —	$ 1,219.2

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

F-7

Table of Contents

ZAYO GROUP HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

	Year Ended June 30, 2016	2015	2014
Cash flows from operating activities			
Net loss	$ (76.2)	$ (155.3)	$ (179.3)
Earnings from discontinued operations, net of income taxes	—	—	2.3
Loss from continuing operations	(76.2)	(155.3)	(181.6)
Adjustments to reconcile net loss to net cash provided by operating activities			
Depreciation and amortization	516.3	406.2	338.2
Loss on extinguishment of debt	33.8	94.3	1.9
Non-cash interest expense	11.9	19.7	22.1
Stock-based compensation	155.9	200.7	253.7
Amortization of deferred revenue	(111.5)	(72.1)	(55.6)
Additions to deferred revenue	184.0	149.1	163.8
Foreign currency loss/(gain) on intercompany loans	53.8	24.4	(4.7)
Excess tax benefit from stock-based compensation	(7.9)	—	—
Deferred income taxes	(2.8)	(13.3)	24.2
Provision for bad debts	3.9	1.9	1.9
Non-cash loss on investments	1.2	0.9	—
Changes in operating assets and liabilities, net of acquisitions			
Trade receivables	1.9	(11.2)	20.5
Prepaid expenses	18.7	(2.9)	(1.4)
Accounts payable and accrued liabilities	(36.0)	(22.1)	(6.6)
Other assets and liabilities	(33.0)	(14.9)	(9.9)
Net cash provided by operating activities	714.0	605.4	566.5
Cash flows from investing activities			
Purchases of property and equipment	(704.1)	(530.4)	(360.8)
Cash paid for acquisitions, net of cash acquired	(437.5)	(855.7)	(393.3)
Net cash used in investing activities	(1,141.6)	(1,386.1)	(754.1)
Cash flows from financing activities			
Proceeds from debt	929.3	1,787.3	423.6
Proceeds from revolving credit facility	—	—	195.0
Proceeds from equity offerings and contributions	—	413.7	—
Direct costs associated with initial public offering	—	(26.5)	—
Distribution to parent	—	—	(0.1)
Principal payments on long-term debt	(535.0)	(1,288.5)	(18.0)
Payment of early redemption fees on debt extinguished	(20.3)	(62.6)	—
Principal payments on capital lease obligations	(4.9)	(3.5)	(7.9)
Payment on revolving credit facility	—	—	(195.0)
Payment of debt issue costs	(4.2)	(24.2)	(4.9)
Common stock repurchases	(81.1)	—	—
Excess tax benefit from stock-based compensation	7.9	—	—

Net cash provided by financing activities	291.7	795.7	392.7
Net cash flows from continuing operations	(135.9)	15.0	205.1
Net cash flows from discontinued operations			
Operating activities	—	—	15.7
Investing activities	—	—	(5.1)
Financing activities	—	—	(7.4)
Net cash flows from discontinued operations	—	—	3.2
Effect of changes in foreign exchange rates on cash	(2.0)	(3.8)	1.0
Net (decrease)/increase in cash and cash equivalents	(137.9)	11.2	206.1
Continuing operations:			
Cash and cash equivalents, beginning of year	$ 308.6	$ 297.4	91.3
Cash flows from continuing operations	(135.9)	15.0	205.1
Effect of changes in foreign exchange rates on cash	(2.0)	(3.8)	1.0
Cash and cash equivalents, end of period	$ 170.7	$ 308.6	$ 297.4
Discontinued operations:			
Cash and cash equivalents, beginning of year	$ —	$ —	15.9
Cash flows from discontinued operations	—	—	3.2
Cash included in Onvoy, LLC spin-off	—	—	(19.1)
Cash and cash equivalents, end of period	$ —	$ —	$ —
Supplemental disclosure of non-cash investing and financing activities:			
Cash paid for interest, net of capitalized interest - continuing operations	$ 228.5	$ 191.2	$ 175.3
Cash paid for interest, net of capitalized interest - discontinued operations	—	—	0.4
Cash paid for income taxes	14.0	14.5	5.7
Non-cash purchases of equipment through capital leasing	7.6	6.8	10.5
Increase in accounts payable and accrued expenses for purchases of property and equipment - continuing operations	25.7	8.4	10.9

Refer to Note 3 — Acquisitions for details regarding the Company's recent acquisitions and Note 4 — Spin-off of Business for details regarding the Company's discontinued operations.

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

(1) ORGANIZATION AND DESCRIPTION OF BUSINESS

Zayo Group Holdings, Inc., a Delaware corporation, was formed on November 13, 2007, and is the parent company of a number of subsidiaries engaged in bandwidth infrastructure provision and services. Zayo Group Holdings, Inc. and its subsidiaries are collectively referred to as "Zayo Group Holdings" or the "Company." The Company's primary operating subsidiary is Zayo Group, LLC ("ZGL"). Headquartered in Boulder, Colorado, the Company operates bandwidth infrastructure assets, including fiber networks and data centers, in the United States, Canada and Europe to offer:

- Dark Fiber Solutions, including dark fiber and mobile infrastructure services.
- Colocation and Cloud Infrastructure, including cloud and colocation services.
- Network Connectivity, including wavelengths, Ethernet, IP and SONET services.
- Other services, including Zayo Professional Services ("ZPS"), voice and unified communications.

(2) BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation

The accompanying consolidated financial statements include all the accounts of the Company and its wholly-owned subsidiaries. All inter-company accounts and transactions have been eliminated in consolidation. The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and the instructions to Form 10-K and Regulation S-X. In the opinion of management, all adjustments considered necessary for the fair presentation of financial position, results of operations and cash flows of the Company have been included herein. Unless otherwise noted, dollar amounts and disclosures throughout the Notes to the consolidated financial statements relate to the Company's continuing operations and are presented in millions of dollars.

The Company's fiscal year ends June 30 each year, and we refer to the fiscal year ended June 30, 2016 as "Fiscal 2016," June 30, 2015 as "Fiscal 2015," and the fiscal year ended June 30, 2014 as "Fiscal 2014."

b. Earnings or Loss per Share

Basic earnings or loss per share attributable to the Company's common shareholders is computed by dividing net earnings or loss attributable to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings or loss per share attributable to common shareholders presents the dilutive effect, if any, on a per share basis of potential common shares (such as restricted stock units) as if they had been vested or converted during the periods presented. No such items were included in the computation of diluted loss per share for the years ended June 30, 2016, 2015 and 2014 because the Company incurred a loss from continuing operations in each of these periods and the effect of inclusion would have been anti-dilutive.

c. Foreign Currency Translation

For operations outside the U.S. that have functional currencies other than the U.S. dollar, assets and liabilities are translated to U.S. dollars at period-end exchange rates, and revenue, expenses and cash flows are translated using monthly average exchange rates during the year. Gains or losses resulting from currency translation are recorded as a component of accumulated other comprehensive (loss)/income in stockholders' equity and in the consolidated statements of comprehensive loss. The Company considers its investments in its foreign subsidiaries to be permanently reinvested.

d. Use of Estimates

The preparation of the Company’s consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and

Table of Contents

expense during the reporting period. Significant estimates are used when establishing allowances for doubtful accounts and accruals for billing disputes, determining useful lives for depreciation and amortization and accruals for exit activities associated with real estate leases, assessing the need for impairment charges (including those related to intangible assets and goodwill), determining the fair values of assets acquired and liabilities assumed in business combinations, accounting for income taxes and related valuation allowances against deferred tax assets, determining the defined benefit costs and defined benefit obligations related to post-employment benefits, and estimating the common unit and restricted stock unit grant fair values used to compute the stock-based compensation liability and expense. Management evaluates these estimates and judgments on an ongoing basis and makes estimates based on historical experience, current conditions, and various other assumptions that are believed to be reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities as well as identifying and assessing the accounting treatment with respect to commitments and contingencies. Actual results may differ from these estimates.

e. Cash and Cash Equivalents and Restricted Cash

The Company considers all highly liquid investments with original maturities of three months or less to be cash and cash equivalents. Cash equivalents are stated at cost, which approximates fair value. Restricted cash consists of cash balances held by various financial institutions as collateral for letters of credit and surety bonds. These balances are reclassified to cash and cash equivalents when the underlying obligation is satisfied, or in accordance with the governing agreement. Restricted cash balances expected to become unrestricted during the next twelve months are recorded as current assets. As of June 30, 2016 and 2015, the Company had a non-current restricted cash balance of $4.5 million and $4.8 million, respectively.

f. Trade Receivables

Trade receivables are recorded at the invoiced amount and do not bear interest. The Company maintains an allowance for doubtful accounts for estimated losses inherent in its trade receivable portfolio. In establishing the required allowance, management considers historical losses adjusted to take into account current market conditions and the customer’s financial condition, and the age of receivables and current payment patterns. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

g. Property and Equipment

The Company’s property and equipment includes assets in service and under construction or development.

Property and equipment is recorded at historical cost or acquisition date fair value. Costs associated directly with network construction, service installations, and development of business support systems, including employee-related costs, are capitalized. Depreciation is calculated on a straight-line basis over the asset’s estimated useful life from the date placed into service or acquired. Management periodically evaluates the estimates of the useful life of property and equipment by reviewing historical usage, with consideration given to technological changes, trends in the industry, and other economic factors that could impact the network architecture and asset utilization.

Equipment acquired under capital leases is recorded at the lower of the fair value of the asset or the net present value of the minimum lease payments at the inception of the lease. Depreciation of equipment held under capital leases is included in depreciation and amortization expense, and is calculated on a straight-line basis over the estimated useful lives of the assets, or the related lease term, whichever is shorter.

Management reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of its property and equipment may not be recoverable. An impairment loss is recognized when the assets' carrying value exceeds both the assets' estimated undiscounted future cash flows and the assets' estimated fair value. Measurement of the impairment loss is then based on the estimated fair value of the assets. Considerable judgment is required to project such future cash flows and, if required, to estimate the fair value of the property and equipment and the resulting amount of the impairment. No impairment charges were recorded for property and equipment during the years ended June 30, 2016, 2015 or 2014.

Table of Contents

The Company capitalizes interest for assets that require a period of time to get them ready for their intended use. The amount of interest capitalized is based on the Company's weighted average effective interest rate for outstanding debt obligations during the respective accounting period.

h. Goodwill and Acquired Intangibles

Intangible assets arising from business combinations, such as acquired customer contracts and relationships, (collectively "customer relationships"), are initially recorded at fair value. The Company amortizes customer relationships primarily over an estimated life of 10 to 20 years using an amortization method that approximates the timing in which the Company expects to receive the benefit from the acquired customer relationship assets. Goodwill represents the excess of the purchase price over the fair value of the net identifiable assets acquired in a business combination. Goodwill is reviewed for impairment at least annually in April, or more frequently if a triggering event occurs between impairment testing dates. The Company's impairment assessment begins with a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. The qualitative assessment includes comparing the overall financial performance of the reporting units against the planned results used in the last quantitative goodwill impairment test. Additionally, each reporting unit's fair value is assessed in light of certain events and circumstances, including macroeconomic conditions, industry and market considerations, cost factors, and other relevant entity- and reporting unit-specific events. The selection and assessment of qualitative factors used to determine whether it is more likely than not that the fair value of a reporting unit exceeds the carrying value involves significant judgments and estimates. If it is determined under the qualitative assessment that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then a two-step quantitative impairment test is performed. Under the first step, the estimated fair value of the reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed. If the estimated fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the enterprise must perform step two of the impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation in acquisition accounting. The residual amount after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit under the two-step assessment is determined using a combination of both income and market-based variation approaches. The inputs and assumptions to valuation methods used to estimate the fair value of reporting units involves significant judgments.

The Company reviews its indefinite-lived intangible assets for impairment at least annually in April and involves comparing the estimated fair value of indefinite-lived intangible assets to their respective carrying values. To the extent the carrying value of indefinite-lived intangible assets exceeds the fair value, the Company will recognize an impairment loss for the difference. The Company performed a qualitative assessment to determine whether it was more likely than not that the fair value of these assets was in excess of the carrying value for the year ended June 30, 2016, 2015 or 2014 and has concluded there is no indication of impairment.

Intangible assets with finite useful lives are amortized over their respective estimated useful lives and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. No impairment charges were recorded for goodwill or intangible assets during the years ended June 30, 2016, 2015 or 2014.

i. Derivative Financial Instruments

Derivative instruments are recorded in the balance sheet as either assets or liabilities, measured at fair value. The Company has historically entered into interest rate swaps to convert a portion of its floating-rate debt to fixed-rate debt and has not applied hedge accounting; therefore, the changes in the fair value of the interest rate swaps are recognized in earnings as adjustments to interest expense. The principal objectives of the derivative instruments are to minimize the cash flow interest rate risks associated with financing activities. The Company does not use financial instruments for trading purposes. The Company utilized interest rate swap contracts in connection with debt instruments entered into during the July 2012 financing transactions.

Table of Contents

j. Revenue Recognition

The Company recognizes revenues derived from leasing fiber optic telecommunications infrastructure and the provision of telecommunications and colocation services when the service has been provided and when there is persuasive evidence of an arrangement, the fee is fixed or determinable, customer acceptance has been obtained with relevant contract terms, and collection of the receivable is reasonably assured. Taxes collected from customers and remitted to a governmental authority are reported on a net basis and are excluded from revenue.

Most revenue is billed in advance on a fixed-rate basis and the remainder is billed in arrears on a transactional basis determined by customer usage. The Company often bills customers for upfront charges, which are non-refundable. These charges relate to activation fees, installation charges or prepayments for future services and are influenced by various business factors including how the Company and customer agree to structure the payment terms. These upfront charges are deferred and recognized over the underlying contractual term. The Company also defers costs associated with customer activation and installation to the extent of upfront amounts received from customers, which are recognized as expense over the same period for which the associated revenue is recognized.

The Company typically records revenues from leases of dark fiber, including indefeasible rights-of-use (“IRU”) agreements, over the term that the customer is given exclusive access to the assets. Dark fiber IRU agreements generally require the customer to make a down payment upon the execution of the agreement with monthly IRU fees paid over the contract term; however, in some cases, the Company receives up to the entire lease payment at the inception of the lease and recognizes the revenue ratably over the lease term. Revenue related to professional services to provide network management and technical support is recognized as services are provided.

In determining the appropriate amount of revenue and related reserves to reflect in its consolidated financial statements, management evaluates payment history, credit ratings, customer financial performance, and historical or potential billing disputes and related estimates are based on these factors and assumptions.

k. Operating Costs and Expenses

The Company’s operating costs and expenses consist primarily of network expense (“Netex”), compensation and benefits, network operations expense (“Netops”), stock-based compensation, other expenses, and depreciation and amortization.

Netex consists of third-party network service costs resulting from the leasing of certain network facilities, primarily leases of circuits and dark fiber, from carriers to augment the Company’s owned infrastructure, for which it is generally billed a fixed monthly fee. Netex also includes colocation facility costs for rent and license fees paid to the landlords of the buildings in which the Company’s colocation business operates, along with the utility costs to power those facilities.

Compensation and benefits expenses include salaries, wages, incentive compensation and benefits. Employee-related costs that are directly associated with network construction, service installations and development of business support systems are capitalized and amortized to operating costs and expenses over the customer life. Compensation and benefits expenses related to the departments attributed to generating revenue are included in “Operating costs” while compensation and benefits expenses related to the sales, product, and corporate departments are included in “Selling, general and administrative expenses” in the consolidated statements of operations.

Netops expense include all of the non-personnel related expenses of operating and maintaining the network infrastructure, including contracted maintenance fees, right-of-way costs, rent for cellular towers and other places where fiber is located, pole attachment fees, and relocation expenses. Netops expense is included in “Operating costs” in the consolidated statements of operations.

Stock-based compensation expense consists of the fair value of equity based awards granted to employees and independent directors recognized over their applicable vesting period. Stock-based compensation expense is included, based on the responsibilities of the awarded recipient, in either “Operating costs” or “Selling, general and administrative expenses” in the consolidated statements of operations. For additional information regarding our stock-based compensation expense, see Note 12 – Stock-Based Compensation.

Table of Contents

Other expenses include expenses such as property tax, franchise fees, and colocation facility maintenance, which relate to operating our network and are therefore included in "Operating costs" as well as travel, office expense and other administrative costs that are included in "Selling, general and administrative expenses". Other expenses are included in either "Operating costs" or "Selling, general and administrative expenses" in the consolidated statement of operations depending on their relationship to generating revenue or association with sales and administration.

Transaction costs include expenses associated with professional services (i.e. legal, accounting, regulatory, etc.) rendered in connection with acquisitions or disposals (including spin-offs), travel expense, severance expense incurred on the date of acquisition or disposal, and other direct expenses incurred that are associated with signed and/or closed acquisitions or disposals. Transaction costs are included in "Selling, general and administrative expenses" in the consolidated statements of operations.

Related to Netex, the Company recognizes the cost of these facilities or services when it is incurred in accordance with contractual requirements. The Company routinely disputes incorrect billings. The most prevalent types of disputes include disputes for circuits that are not disconnected on a timely basis and usage bills with incorrect records. Depending on the type and complexity of the issues involved, it may take several quarters to resolve disputes.

In determining the amount of such operating expenses and related accrued liabilities to reflect in its consolidated financial statements, management considers the adequacy of documentation of disconnect notices, compliance with prevailing contractual requirements for submitting such disconnect notices and disputes to the provider of the facilities, and compliance with its interconnection agreements with these carriers. Significant judgment is required in estimating the ultimate outcome of the dispute resolution process, as well as any other costs that may be incurred to conclude the negotiations or settle any litigation.

l. Stock-Based Compensation

In October 2014, the Company adopted a new incentive plan. The plan includes incentive cash compensation (ICC) and equity (in the form of restricted stock units). Grants under the new incentive plan are made quarterly for all participants. The Company recognizes all stock-based awards to employees and independent directors, based on their grant-date fair values and the Company's estimates of forfeitures. The Company recognizes the fair value of outstanding awards as a charge to operations over the vesting period.

The Company uses the straight-line method to recognize share-based compensation expense for outstanding share awards that do not contain a performance condition.

Prior to the Company's initial public offering ("IPO"), the Company was given authorization by Communications Infrastructure Investments, LLC ("CII") to award 625,000,000 of CII's common units as profits interests to employees, directors, and affiliates of the Company. The common units were historically considered to be stock-based compensation with terms that required the awards to be classified as liabilities due to cash settlement features. The vested portion of the awards was reported as a liability and the fair value was re-measured at each reporting date until the date of settlement, with a corresponding charge (or credit) to stock-based compensation expense. In connection with the Company's IPO and the related amendment to the CII operating agreement, there was a deemed modification to the stock compensation arrangements with the Company's employees and directors. As a result, previously issued common units which were historically accounted for as liability awards, became classified as equity awards.

Determining the fair value of certain share-based awards at the grant date and subsequent reporting dates requires judgment. If actual results differ significantly from these estimates, stock-based compensation expense and the Company's results of operations could be materially impacted.

For additional information regarding our stock-based compensation, see Note 12 – Stock-Based Compensation.

m. Legal Costs

Costs incurred to hire and retain external legal counsel to advise us on regulatory, litigation and other matters is expensed as the related services are received.

Table of Contents

n. Income Taxes

The Company recognizes income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date.

Estimating the future tax benefit associated with deferred tax assets requires significant judgment. Deferred tax assets arise from a variety of sources, the most significant being: tax losses that can be carried forward to be utilized against taxable income in future years, deferred revenue and expenses recognized in the Company's financial statements but disallowed in the Company's tax return until the associated cash flow occurs.

The Company records a valuation allowance to reduce its deferred tax assets to the amount that is expected to be recognized. The valuation allowance is established if, based on available evidence, it is more-likely-than-not that all or some portion of the asset will not be realized due to the inability to generate sufficient taxable income in the period and/or of the character necessary to utilize the benefit of the deferred tax asset. When evaluating whether it is more-likely-than-not that all or some portion of the deferred tax asset will not be realized, all available evidence, both positive and negative, that may affect the realizability of deferred tax assets is identified and considered in determining the appropriate amount of the valuation allowance. The Company continues to monitor its financial performance and other evidence each quarter to determine the appropriateness of the Company's valuation allowance. At each balance sheet date, existing assessments are reviewed and, if necessary, revised to reflect changed circumstances.

The analysis of the Company's ability to utilize its net operating loss carryforward ("NOL") balance is based on the Company's forecasted taxable income. The forecasted assumptions approximate the Company's best estimates, including market growth rates, future pricing, market acceptance of the Company's products and services, future expected capital investments and discount rates. If the Company is unable to meet its taxable income forecasts in future periods the Company may change its conclusion about the appropriateness of the valuation allowance which could create a substantial income tax expense in the Company's consolidated statement of operations in the period such change occurs.

Deferred tax liabilities related to investments in foreign subsidiaries and foreign corporate joint ventures that are essentially permanent in duration are not recognized until it becomes apparent that such amounts will reverse in the foreseeable future.

The Company records interest related to unrecognized tax benefits and penalties in the provision for income taxes.

o. Fair Value of Financial Instruments

Relevant accounting literature defines and establishes a framework for measuring fair value, and requires expanded disclosures about fair value measurements. It also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and defines fair value as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques that may be used include the market approach (comparable market prices), the income approach (present value of future income or cash flow) and the cost approach (cost to replace the service capacity of an asset or replacement cost), which are each based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions.

Fair Value Hierarchy

A fair value hierarchy is established that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of inputs that are used to measure fair value are:

Table of Contents

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2

Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Company views fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, management considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

p. Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash investments and accounts receivable. The Company's cash and cash equivalents are primarily held in commercial bank accounts in the United States and Great Britain. The Company limits its cash investments to high-quality financial institutions in order to minimize its credit risk.

During the years ended June 30, 2016, 2015 and 2014, the Company had no single customer that exceeded 10% of total revenue. The Company's trade receivables, which are unsecured, are geographically dispersed. As of June 30, 2016 and 2015, the Company had one customer with a trade receivable balance of 11% and 10%, respectively, of total receivables.

Table of Contents

q. Employee Benefits

As a result of the Allstream acquisition (see Note 3 – Acquisitions) the Company acquired certain defined benefit pension plans, a defined contribution plan and other non-pension post-employment benefit plans. The cost of providing benefits under the defined benefit pension plans and other non-pension post-employment benefits is determined annually using the projected unit credit method. These actuarial valuations require the use of assumptions, including the discount rate, expected rate of return on plan assets, price inflation, expected future salary increases, turnover, retirement, and mortality rate calculations to measure defined benefit obligations. The discount rate used to calculate the present values of the defined benefit obligation is determined by reference to market interest rates of high quality corporate bonds at the end of the reporting period. The net defined liability/(benefit) recognized in our consolidated balance sheet comprises the present value of the projected benefit obligations less the fair value of plan assets. Annually, all actuarial gains and losses arising from changes in the present value of the defined benefit obligations are recognized as a component of other comprehensive loss, and are included in accumulated other comprehensive (loss)/income. The changes in the fair value of plan assets are determined in an accounting valuation prepared by an independent actuary and recognized in the statement of operations during the period in which they occur. Any minimum funding requirements are considered in the calculation of the economic benefit. For plans recognized by a net defined benefit liability, minimum funding requirements can also result in an increase in the liability. The Company recognizes any decrease in an asset or increase in a liability as a result of the above in the statement of operations during the period in which they occur. The Company recognizes payments to the defined contribution plans as an expense in the period the employee service is incurred.

r. Condensed Financial Information of the Registrant

The restricted net assets of Zayo Group Holdings exceeds 25% of its consolidated net assets due to restrictions under the Credit Agreement and Notes (as defined in Note 8 – Long-term debt). Zayo Group Holdings is a holding company with no assets or liabilities of its own or operations other than those of its subsidiary ZGL. Accordingly, the financial position, results of operations, comprehensive loss and cash flows of Zayo Group Holdings and ZGL are the same, except that at June 30, 2016 Zayo Group Holdings had cash of $0.7 million. As such, the condensed financial information of Zayo Group Holdings is not presented as it is not meaningful.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, Leases. The new guidance supersedes existing guidance on accounting for leases in Topic 840 and is intended to increase the transparency and comparability of accounting for lease transactions. ASU 2016-02 requires most leases to be recognized on the balance sheet. Lessees will need to recognize a right-of-use asset and a lease liability for virtually all leases. The liability will be equal to the present value of lease payments. The asset will be based on the liability, subject to adjustment, such as for initial direct costs. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Lessor accounting remains similar to the current model, but updated to align with certain changes to the lessee model and the new revenue recognition standard (ASU 2014-09). The ASU will require both quantitative and qualitative disclosures regarding key information about leasing arrangements. The standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition, and provides for certain practical expedients. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. The Company is evaluating the effect that ASU 2016-02 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

On March 30, 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, which is intended to improve the accounting for share-based payment transactions as part of the FASB's simplification initiative. The ASU changes five aspects of the accounting for share-based payment award transactions that will affect public companies, including: (1) accounting for income taxes; (2) classification of excess tax benefits on the statement of cash flows; (3) forfeitures; (4) minimum statutory tax withholding requirements; and (5) classification of employee taxes paid on the statement of cash flows when an employer withholds shares for tax-withholding purposes. This ASU is effective for fiscal years beginning after December 15, 2016. Early adoption is permitted. The Company is evaluating the effect that ASU 2016-09 will have on its consolidated financial statements and related disclosures. If

Table of Contents

adopted in the current fiscal year, among other changes, $7.9 million in excess tax benefits would be reclassified from a financing activity inflow to an operating activity inflow.

In September 2015, the FASB issued ASU 2015-17, Balance Sheet Classification of Deferred Taxes. The new standard requires that deferred tax assets and liabilities be classified as noncurrent on the classified balance sheet. The guidance is effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Earlier application is permitted for all entities as of the beginning of an interim or annual reporting period. The amendments in this ASU may be applied either prospectively to all deferred tax assets and liabilities or retrospectively to all periods presented. We adopted this standard prospectively as of April 1, 2016. Our June 30, 2015 consolidated balance sheet with $129.5 million of net current deferred tax assets has not been retrospectively adjusted.

In September 2015, the FASB issued ASU 2015-16, Simplifying the Accounting for Measurement-Period Adjustments, which requires acquirers who have reported provisional amounts for items in a business combination to recognize adjustments to provisional amounts that are identified during the measurement period, in the reporting period in which the adjustments are determined. The ASU also requires that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. Prior to the issuance of ASU 2015-16, adjustments to provisional amounts were required to be retrospectively adjusted. The Company prospectively early-adopted ASU 2015-16 effective July 1, 2015. The adoption of this standard did not have a material impact on the consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in GAAP when it becomes effective. In July 2015, the FASB deferred the effective date to annual reporting periods and interim reporting periods within annual reporting periods beginning after December 15, 2017. Early adoption is permitted as of the original effective date or annual reporting periods and interim reporting periods within annual reporting periods beginning after December 15, 2016. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on the Company and its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

(3) ACQUISITIONS

Since inception, the Company has consummated 38 transactions accounted for as business combinations. The acquisitions were executed as part of the Company's business strategy of expanding through acquisitions. The acquisitions of these businesses have allowed the Company to increase the scale at which it operates, which in turn affords the Company the ability to increase its operating leverage, extend its network reach, and broaden its customer base.

The accompanying consolidated financial statements include the operations of the acquired entities from their respective acquisition dates.

Acquisitions Completed During Fiscal 2016

Clearview

On April 1, 2016, the Company acquired 100% of the equity interest in Clearview International, LLC ("Clearview"), a Texas based colocation and cloud infrastructure services provider for cash consideration of $18.3 million, subject to certain post-closing adjustments. The acquisition was funded with cash on hand and was considered an asset purchase for tax purposes.

The acquisition consisted of two Texas data centers. The data centers, located at 6606 LBJ Freeway in Dallas, Texas and 700 Austin Avenue in Waco, Texas, added approximately 30,000 square feet of colocation space, as well as a robust set of hybrid cloud infrastructure services that complement the Company's global cloud capabilities.

Table of Contents

Allstream

On January 15, 2016, the Company acquired 100% of the equity interest in Allstream, Inc. and Allstream Fiber U.S. Inc. (together “Allstream”) from Manitoba Telecom Services Inc. (“MTS”)for cash consideration of CAD $422.9 million (or $297.6 million), net of cash acquired, subject to certain post-closing adjustments. The consideration paid is net of CAD $42.1 million (or $29.6 million) of working capital and other liabilities assumed by the Company in the acquisition. The acquisition was funded with Term Loan Proceeds (as defined in Note 8 – Long-Term Debt). The acquisition was considered a stock purchase for tax purposes.

The acquisition adds more than 18,000 route miles to the Company’s fiber network, including 12,500 miles of long-haul fiber connecting all major Canadian markets and 5,500 route miles of metro fiber network connecting approximately 3,300 on-net buildings concentrated in Canada’s top five metropolitan markets.

As part of the Allstream acquisition, MTS agreed to retain Allstream’s former defined benefit pension obligations, and related pension plan assets, of retirees and other former employees of Allstream and also agreed to reimburse Allstream for certain solvency funding payments related to the pension obligations of active Allstream employees as of January 15, 2016. MTS will transfer assets from Allstream’s former defined benefit pension plans related to pre-closing service obligations for active employees to new Allstream defined benefit pension plans created by the Company, subject to regulatory approval. In addition, if the pre-closing benefit obligation for the January 15, 2016 active employees exceeds the fair value of assets transferred to the new Allstream pension plans, MTS agreed to fund the funding deficiency at the later of the asset transfer date or the date at which it is determined that no further solvency deficit exists. Any required funding of the pension benefit obligation subsequent to January 15, 2016, will be the responsibility of the Company. This amount was not material to the financial statements as of June 30, 2016.

Also as part of the Allstream acquisition, the Company assumed the liabilities related to Allstream’s other non-pension unfunded post retirement benefits plans. The liability assumed on January 15, 2016 was approximately CAD $12.8 million (or $8.3 million). The balance of this liability as of June 30, 2016 was approximately CAD $14.9 million (or $11.5 million). This liability is currently included in “Other long-term liabilities” on the consolidated balance sheet.

Viatel

On December 31, 2015, the Company completed the acquisition of a 100% interest in Viatel Infrastructure Europe Ltd., Viatel (UK) Limited, Viatel France SAS, Viatel Deutschland GmbH and Viatel Nederland BV (collectively, “Viatel”) for cash consideration of €94.2 million (or $102.7 million), net of cash acquired. The final purchase consideration is subject to certain post-closing adjustments. The acquisition was funded with cash on hand. €5.0 million (or $5.5 million) of the purchase consideration is currently held in escrow pending expiration of the indemnification adjustment period. The acquisition was considered a stock purchase for tax purposes.

Dallas Data Center Acquisition (“Dallas Data Center”)

On December 31, 2015, the Company acquired a 36,000 square foot data center located in Dallas, Texas for cash consideration of $16.6 million. The acquisition was funded with cash on hand and was considered an asset purchase for tax purposes.

Acquisitions Completed During Fiscal 2015

Neo Telecoms (“Neo”)

On July 1, 2014, the Company acquired a 96% equity interest in Neo, a Paris-based bandwidth infrastructure company. The purchase agreement also includes a call option to acquire the remaining equity interest on or after December 31, 2015. The purchase consideration of €54.1 million (or$73.9 million), net of cash acquired, was in consideration of acquiring 96% equity ownership in Neo and a call option to purchase the remaining 4% equity interest in Neo. The fair value of the 4% non-controlling interest in Neo as of the acquisition date was $2.9 million and recorded in Other long-term liabilities. The consideration consisted of cash and was paid with cash on hand from the proceeds of the Company's Term Loan Facility (as defined in Note 8 – Long-Term Debt). €8.7 million (or $11.9 million) of the purchase consideration is currently held in escrow pending the expiration of the indemnification adjustment period. The acquisition was considered a stock purchase for tax purposes.

Table of Contents

In April 2016, the Company exercised its call option to acquire the remaining 4% equity interest in Neo. The remaining equity interest was purchased for €2.0 million (or $2.3 million).

Colo Facilities Atlanta (“AtlantaNAP”)

On July 1, 2014, the Company acquired 100% of the equity interest in AtlantaNAP, a data center and managed services provider in Atlanta, for cash consideration of $51.9 million. The acquisition was considered an asset purchase for tax purposes.

IdeaTek Systems, Inc. (“IdeaTek”)

Effective January 1, 2015, the Company acquired all of the equity interest in IdeaTek. The purchase price, subject to certain post-closing adjustments, was $52.7 million and was paid with cash on hand. The acquisition was considered a stock purchase for tax purposes.

The IdeaTek acquisition added 1,800 route miles to the Company’s network in Kansas, and includes a dense metro footprint in Wichita, Kansas. The network spans across Kansas and connects to approximately 600 cellular towers and over 100 additional buildings.

Latisys Holdings, LLC (“Latisys”)

On February 23, 2015, the Company acquired the operating units of Latisys, a colocation and infrastructure as a service (“Iaas”) provider for a price of $677.8 million, net of cash acquired. The Latisys acquisition was funded with the proceeds of the January 2015 Notes Offering (as defined in Note 8 – Long-Term Debt). The acquisition was considered a stock purchase for tax purposes.

The Latisys acquisition added colocation and IaaS services through eight data centers across five markets in Northern Virginia, Chicago, Denver, Orange County and London. The acquired data centers currently total over 185,000 square feet of billable space and 33 megawatts of critical power.

Acquisitions Completed During Fiscal 2014

Corelink Data Centers, LLC ("Corelink")

On August 1, 2013, the Company entered into an asset purchase agreement to acquire Corelink. The transaction was consummated on the same date, at which time the Company acquired substantially all of the net assets of this business for consideration of approximately $1.9 million comprised of 301,949 preferred units of CII with an estimated fair value of $1.6 million and cash of $0.3 million, net of cash acquired. The acquisition was considered a stock purchase for tax purposes. The cash consideration was paid with cash on hand.

Access Communications, Inc. ("Access")

On October 1, 2013, the Company acquired 100% of the equity interest in Access, a Minnesota corporation, for cash consideration of $40.1 million net of cash acquired. The acquisition was considered a stock purchase for tax purposes. The purchase price was paid with cash on hand.

FiberLink, LLC ("FiberLink")

On October 2, 2013, the Company acquired 100% of the equity interest in FiberLink, an Illinois limited liability company, for cash consideration of $43.1 million which was primarily funded with available funds drawn on the Company's Revolver (as defined in Note 8 – Long-Term Debt). The acquisition was considered an asset purchase for tax purposes.

CoreXchange, Inc. ("CoreXchange")

On March 4, 2014, the Company consummated the asset purchase agreement to acquire CoreXchange, a data center, bandwidth and managed services provider located in Dallas, Texas for consideration of $17.2 million net of cash

Table of Contents

acquired. Through the transaction, the Company acquired one new data center operation located at 8600 Harry Hines Blvd. and secured additional square footage in its existing data center. The consideration was paid with cash on hand. The acquisition was considered an asset purchase for tax purposes.

Geo Networks Limited ("Geo")

On May 16, 2014, the Company acquired 100% of the equity interest in Ego Holdings Limited, a London-based dark fiber provider. The consideration consisted of cash of £174.3 million (or $292.3 million), net of cash acquired, and was funded with a combination of cash on hand and available funds drawn on the Company’s Revolver (as defined in Note 8 – Long-Term Debt). In conjunction with the acquisition, the Company repaid Geo’s existing debt obligations to the note holders totaling £113.4 million and £69.1 million was paid to the shareholders. The acquisition was considered a stock purchase for tax purposes.

Acquisition Method Accounting Estimates

The Company initially recognizes the assets and liabilities acquired from the aforementioned acquisitions based on its preliminary estimates of their acquisition date fair values. As additional information becomes known concerning the acquired assets and assumed liabilities, management may make adjustments to the opening balance sheet of the acquired company up to the end of the measurement period, which is no longer than a one year period following the acquisition date. The determination of the fair values of the acquired assets and liabilities assumed (and the related determination of estimated lives of depreciable tangible and identifiable intangible assets) requires significant judgment. As of June 30, 2016, the Company has not completed its fair value analysis and calculations in sufficient detail necessary to arrive at the final estimates of the fair value of certain working capital and non-working capital acquired assets and assumed liabilities, including the allocations to goodwill and intangible assets, deferred revenue and resulting deferred taxes related to its acquisitions of Allstream, Viatel, Dallas Data Center and Clearview. All information presented with respect to certain working capital and non-working capital acquired assets and liabilities assumed as it relates to these acquisitions is preliminary and subject to revision pending the final fair value analysis.

The table below reflects the Company's estimates of the acquisition date fair values of the assets and liabilities assumed from its Fiscal 2016 acquisitions:

	Clearview	Allstream	Viatel	Dallas Data Center
Acquisition date	April 1, 2016	January 15, 2016	December 31, 2015	December 31, 2015
	(in millions)			
Cash	$ —	$ 2.9	$ 3.5	$ —
Other current assets	0.6	102.3	13.5	—
Property and equipment	15.4	269.2	162.3	14.8
Deferred tax assets, net	0.2	2.4	—	—
Intangibles	9.8	57.2	—	1.8
Goodwill	3.9	—	13.0	—
Other assets	0.2	4.6	2.1	—
Total assets acquired	30.1	438.6	194.4	16.6
Current liabilities	1.1	64.4	17.6	—
Deferred revenue	0.4	46.2	57.8	—
Deferred tax liability, net	—	—	5.7	—

Other liabilities	10.3	27.5	7.1	—
Total liabilities assumed	11.8	138.1	88.2	—
Net assets acquired	18.3	300.5	106.2	16.6
Less cash acquired	—	(2.9)	(3.5)	—
Net consideration paid	$ 18.3	$ 297.6	$ 102.7	$ 16.6

Table of Contents

The table below reflects the Company's estimates of the acquisition date fair values of the assets and liabilities assumed from its Fiscal 2015 acquisitions:

	AtlantaNAP	Neo	IdeaTek	Latisys
Acquisition date	July 1, 2014	July 1, 2014	January 1, 2015	February 23, 2015
	(in millions)			
Cash	$ —	$ 4.2	$ —	$ 9.4
Other current assets	0.2	9.5	0.8	17.4
Property and equipment	7.0	31.3	32.3	222.9
Deferred tax assets, net	—	—	3.1	0.4
Intangibles	21.0	26.4	7.6	250.2
Goodwill	25.2	32.5	39.0	274.1
Other assets	—	2.3	—	5.0
Total assets acquired	53.4	106.2	82.8	779.4
Current liabilities	1.5	13.5	4.4	9.9
Deferred revenue	—	3.7	25.7	3.2
Deferred tax liability, net	—	7.6	—	79.1
Other liabilities	—	3.3	—	—
Total liabilities assumed	1.5	28.1	30.1	92.2
Net assets acquired	51.9	78.1	52.7	687.2
Less cash acquired	—	(4.2)	—	(9.4)
Net consideration paid	$ 51.9	$ 73.9	$ 52.7	$ 677.8

The table below reflects the Company's estimates of the acquisition date fair values of the acquired assets and liabilities assumed from its Fiscal 2014 acquisitions:

	Corelink	Access	Fiberlink	CoreXchange	Geo
Acquisition date	August 1, 2013	October 1, 2013	October 2, 2013	March 4, 2014	May 16, 2014
	(in millions)				
Cash	$ 0.1	$ 1.2	$ —	$ —	$ 13.7
Other current assets	0.5	2.3	0.8	0.6	8.8
Property and equipment	15.9	11.5	15.9	3.1	220.4
Deferred tax assets, net	—	—	7.7	0.2	—
Intangibles	0.2	18.0	19.3	11.0	60.8
Goodwill	2.9	24.0	19.8	3.4	113.8
Other assets	0.5	—	0.1	—	9.8
Total assets acquired	20.1	57.0	63.6	18.3	427.3
Current liabilities	0.7	1.0	1.3	0.5	34.8
Deferred revenue	0.2	5.1	19.2	0.4	45.1
Capital lease obligations	14.2	—	—	0.2	—
Deferred tax liability, net	3.0	9.6	—	—	38.2
Other liabilities	—	—	—	—	3.2
Total liabilities assumed	18.1	15.7	20.5	1.1	121.3
Net assets acquired	2.0	41.3	43.1	17.2	306.0
Less cash acquired	(0.1)	(1.2)	—	—	(13.7)

Net consideration paid	$ 1.9	$ 40.1	$ 43.1	$ 17.2	$ 292.3

The goodwill arising from the Company's acquisitions results from the cost synergies, anticipated incremental sales to the acquired company's customer base and economies-of-scale expected from the acquisitions. The Company has allocated the goodwill to the reporting units (in existence on the respective acquisition dates) that were expected to benefit from the acquired goodwill. The allocation was determined based on the excess of the fair value of the acquired business over the fair value of the individual assets acquired and liabilities assumed that were assigned to the reporting units. Note 6 - Goodwill, displays the allocation of the Company's acquired goodwill to each of its reporting units.

Table of Contents

Purchase Accounting Estimates Associated with Deferred Taxes

The Company acquired material deferred tax liabilities in its acquisitions of Latisys and Geo. Based on the Company’s fair value assessment related to deferred taxes acquired in the Latisys and Geo acquisitions , a value of $78.7 million and $38.2 million, respectively, was assigned to the acquired net deferred income tax liabilities.

In conjunction with the acquisition accounting for Latisys, the Company completed a “change in ownership” analysis, within the meaning of Section 382 of the Internal Revenue Code (“IRC”). Section 382 of the IRC limits an acquiring company’s ability to utilize NOLs previously generated by an acquired company in order to reduce future taxable income. As a result of the Company’s acquisition of Latisys, the Company is subject to annual limitations on usage of the acquired $134.9 million of NOLs generated by Latisys prior to the acquisition date.

The tax effect of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	Latisys February 23, 2015	Geo May 16, 2014
	(in millions)	
Deferred income tax assets:		
Net operating loss carryforwards	$ 53.4	$ 2.5
Deferred revenue	1.3	4.4
Accrued expenses	0.2	—
Allowance for doubtful accounts	0.3	—
Other	1.2	—
Total deferred income tax assets	56.4	6.9
Deferred income tax liabilities:		
Property and equipment	(42.0)	(32.9)
Intangible assets	(93.1)	(12.2)
Total deferred income tax liabilities	(135.1)	(45.1)
Net deferred income tax liabilities	$ (78.7)	$ (38.2)

Transaction Costs

Transaction costs include expenses associated with professional services (i.e., legal, accounting, regulatory, etc.) rendered in connection with signed and/or closed acquisitions or disposals (including spin-offs), travel expense, severance expense incurred on the date of acquisition or disposal, and other direct expenses incurred that are associated with such acquisitions or disposals. The Company incurred transaction costs of $21.5 million, $6.2 million, and $5.3 million during the years ended June 30, 2016, 2015 and 2014, respectively. Transaction costs have been included in selling, general and administrative expenses in the consolidated statements of operations and in cash flows from operating activities in the consolidated statements of cash flows during these periods.

Table of Contents

Pro-forma Financial Information (Unaudited)

The pro forma results presented below include the effects of the Company's Fiscal 2016 and 2015 acquisitions as if the acquisitions occurred on July 1, 2014. The pro forma net loss for the periods ended June 30, 2016 and 2015 includes the additional depreciation and amortization resulting from the adjustments to the value of property and equipment and intangible assets resulting from purchase accounting and adjustment to amortized revenue during Fiscal 2016 and 2015 as a result of the acquisition date valuation of assumed deferred revenue. The pro forma results also include interest expense associated with debt used to fund the acquisitions. The pro forma results do not include any anticipated synergies or other expected benefits of the acquisitions. The unaudited pro forma financial information below is not necessarily indicative of either future results of operations or results that might have been achieved had the acquisitions been consummated as of July 1, 2014.

	Year Ended June 30,	
	2016	2015
	(in millions)	
Revenue	$ 1,983.2	$ 1,902.7
Net loss	$ (79.3)	$ (199.0)

The Company is unable to determine the amount of revenue associated with each acquisition recognized in the post-acquisition period as a result of integration activities with the exception of Allstream which is currently tracked as a separate reportable segment (see Note 16 – Segment Reporting).

(4) SPIN-OFF OF BUSINESS

On June 13, 2014, the Company completed a spin-off of Onvoy, LLC and its subsidiaries ("OVS"), a company that provided voice and managed services. Prior to the spin-off, on March 7, 2014, OVS converted from a corporation to a limited liability company. At that time, certain tax attributes were retained by the Company in connection with the conversion, primarily deferred tax assets associated with net operating loss carry forwards totaling $13.7 million. On the spin-off date, the remaining net assets of OVS were distributed to CII.

The spin-off is reported as an equity distribution at carryover basis equal to the net assets and liabilities of OVS on the spin-off date, as the transaction was between entities under common control.

The Company determined that all significant cash flows and continuing involvement associated with the operations of OVS were discontinued. The results of operations of OVS are reported as discontinued operations in the accompanying consolidated financial statements for all periods presented and are presented net of intercompany eliminations.

Earnings from discontinued operations, net of income taxes in the accompanying consolidated statements of operations are comprised of the following:

	Period Ended June 30, 2014
	(in millions)
Revenues	$ 75.7
Earnings before income taxes	10.0
Income tax expense	$ 7.7
Earnings from discontinued operations, net of income taxes	$ 2.3

Table of Contents

(5) PROPERTY AND EQUIPMENT

Property and equipment, including assets held under capital leases, was comprised of the following:

	Estimated useful lives (in years)	As of June 30, 2016	2015
		(in millions)	
Land	N/A	$ 16.7	$ 16.2
Buildings - leasehold and site improvements	15 to 35	187.3	109.2
Furniture, fixtures and office equipment	3 to 7	6.8	5.1
Computer hardware	3 to 5	24.5	15.1
Software	3	37.2	8.3
Machinery and equipment	5 to 7	326.6	272.1
Fiber optic equipment	8	732.5	623.3
Circuit switch equipment	10	20.3	12.1
Packet switch equipment	5	97.9	76.2
Fiber optic network	15 to 20	3,393.0	2,715.4
Construction in progress	N/A	656.8	437.1
Total		5,499.6	4,290.1
Less accumulated depreciation		(1,420.1)	(990.9)
Property and equipment, net		$ 4,079.5	$ 3,299.2

Total depreciation expense, including depreciation of assets held under capital leases, for the years ended June 30, 2016, 2015 and 2014 was $440.5 million, $351.4 million and $294.2 million, respectively.

During the years ended June 30, 2016, 2015 and 2014, the Company capitalized interest in the amounts of $13.8 million, $12.5 million and $12.6 million, respectively. The Company capitalized $64.5 million, $58.3 million, and $42.7 million of direct labor costs to property and equipment accounts during the years ended June 30, 2016, 2015 and 2014, respectively.

(6) GOODWILL

The Company’s goodwill balance was $1,214.5 million and $1,224.4 million as of June 30, 2016 and 2015, respectively.

The Company’s reporting units are comprised of its strategic product groups (“SPGs”): Zayo Dark Fiber (“Dark Fiber”), Zayo Wavelength Services (“Waves”), Zayo SONET Services (“SONET”), Zayo Ethernet Services (“Ethernet”), Zayo IP Services (“IP”), Zayo Mobile Infrastructure Group (“MIG”), Zayo Colocation (“zColo"), Zayo Cloud Services (“Cloud”), Allstream business (“Zayo Canada”) and Other (primarily ZPS).

Table of Contents

The following reflects the changes in the carrying amount of goodwill during Fiscal 2016:

Product Group	As of June 30, 2015	Fiscal 2016 Acquisitions	Adjustments to Fiscal 2015 Acquisitions	Foreign Currency Translation and Other	As of June 30, 2016
	(in millions)				
Dark Fiber	$ 299.1	$ 10.2	$ —	$ (14.2)	$ 295.1
Waves	265.6	—	—	(7.3)	258.3
Sonet	50.3	1.0	—	—	51.3
Ethernet	104.2	—	—	0.1	104.3
IP	86.3	1.4	—	(0.2)	87.5
MIG	73.4	—	0.2	—	73.6
zColo	273.2	1.3	(5.7)	—	268.8
Cloud	57.0	3.0	—	—	60.0
Other	15.3	—	—	0.3	15.6
Total	$ 1,224.4	$ 16.9	$ (5.5)	$ (21.3)	$ 1,214.5

The following reflects the changes in the carrying amount of goodwill during Fiscal 2015:

Product Group	As of July 1, 2014	Fiscal 2015 Acquisitions	Foreign Currency Translation and Other	As of June 30, 2015
	(in millions)			
Dark Fiber	$ 293.3	$ 16.0	$ (10.2)	$ 299.1
Waves	269.0	1.4	(4.8)	265.6
Sonet	50.3	—	—	50.3
Ethernet	96.7	8.2	(0.7)	104.2
IP	80.5	6.8	(1.0)	86.3
MIG	43.7	29.8	(0.1)	73.4
zColo	18.6	256.0	(1.4)	273.2
Cloud	—	57.2	(0.2)	57.0
Other	14.6	0.9	(0.2)	15.3
Total	$ 866.7	$ 376.3	$ (18.6)	$ 1,224.4

Table of Contents

(7) INTANGIBLE ASSETS

Identifiable intangible assets as of June 30, 2016 and 2015 were as follows:

	Gross Carrying Amount (in millions)	Accumulated Amortization	Net
June 30, 2016			
Finite-Lived Intangible Assets			
Customer relationships	$ 1,143.6	$ (228.8)	$ 914.8
Trade names	0.2	(0.2)	—
Underlying rights	1.6	(0.3)	1.3
Total	1,145.4	(229.3)	916.1
Indefinite-Lived Intangible Assets			
Certifications	3.5	—	3.5
Underlying Rights	15.3	—	15.3
Total	$ 1,164.2	$ (229.3)	$ 934.9
June 30, 2015			
Finite-Lived Intangible Assets			
Customer relationships	$ 1,080.3	$ (155.0)	$ 925.3
Trade names	0.2	(0.1)	0.1
Underlying rights	1.7	(0.2)	1.5
Total	1,082.2	(155.3)	926.9
Indefinite-Lived Intangible Assets			
Certifications	3.5	—	3.5
Underlying Rights	17.9	—	17.9
Total	$ 1,103.6	$ (155.3)	$ 948.3

The weighted average remaining amortization period for the Company's customer relationships asset is 14.7 years. The Company has determined that certain underlying rights (including easements) and the certifications have indefinite lives. The amortization period for underlying rights (including easements) is 20 years. The amortization of intangible assets for the years ended June 30, 2016, 2015 and 2014 was $75.8 million, $54.8 million, and $44.0 million, respectively.

During the years ended June 30, 2016 and 2015, the Company wrote off $1.8 million and $3.5 million in fully amortized intangible assets, respectively. Estimated future amortization of finite-lived intangible assets is as follows:

June 30,	(in millions)
2017	$ 74.0
2018	72.6
2019	70.6
2020	65.6
2021	63.5

Thereafter	569.8
Total	$ 916.1

Table of Contents

(8) LONG-TERM DEBT

As of June 30, 2016 and 2015, long-term debt was as follows:

	2016	2015
	(in millions)	
Term Loan Facility due 2021	$ 1,837.4	$ 1,646.8
10.125% Senior Unsecured Notes due 2020	—	325.6
6.00% Senior Unsecured Notes due 2023	1,430.0	1,430.0
6.375% Senior Unsecured Notes due 2025	900.0	350.0
Total debt obligations	4,167.4	3,752.4
Unamortized discount on Term Loan Facility	(19.0)	(19.8)
Unamortized premium on 6.00% Senior Unsecured Notes due 2023	6.3	7.1
Unamortized discount on 6.375% Senior Unsecured Notes due 2025	(15.6)	—
Unamortized debt issuance costs	(53.8)	(71.0)
Carrying value of debt	4,085.3	3,668.7
Less current portion	—	(16.5)
Long-term debt, less current portion	$ 4,085.3	$ 3,652.2

Term Loan Facility due 2021 and Revolving Credit Facility

On May 6, 2015, ZGL and Zayo Capital, Inc. ("Zayo Capital") entered into an Amendment and Restatement Agreement whereby the Credit Agreement (the "Credit Agreement") governing their senior secured term loan facility (the "Term Loan Facility") and $450.0 million senior secured revolving credit facility (the "Revolver") was amended and restated in its entirety. The amended and restated Credit Agreement extended the maturity date of the outstanding term loans under the Term Loan Facility to May 6, 2021. The interest rate margins applicable to the Term Loan Facility were decreased by 25 basis points to LIBOR plus 2.75% with a minimum LIBOR of 1.0%. In addition, the amended and restated Credit Agreement removed the fixed charge coverage ratio covenant and replaced such covenant with a springing senior secured leverage ratio maintenance requirement applicable only to the Revolver, increased certain lien and debt baskets, and removed certain covenants related to collateral. The terms of the Term Loan Facility require the Company to make quarterly principal payments of $5.1 million plus an annual payment of up to 50% of excess cash flow, as determined in accordance with the Credit Agreement (no such payment was required during Fiscal 2016 or Fiscal 2015).

The Revolver matures at the earliest of (i) April 17, 2020 and (ii) six months prior to the maturity date of the Term Loan Facility, subject to amendment thereof. The Credit Agreement also allows for letter of credit commitments of up to $50.0 million. The Revolver is subject to a fee per annum of 0.25% to 0.375% (based on ZGL's current leverage ratio) of the weighted-average unused capacity, and the undrawn amount of outstanding letters of credit backed by the Revolver are subject to a 0.25% fee per annum. Outstanding letters of credit backed by the Revolver accrue interest at a rate ranging from LIBOR plus 2.0% to LIBOR plus 3.0% per annum based upon ZGL's leverage ratio.

On January 15, 2016, ZGL and Zayo Capital entered into an Incremental Amendment (the "Amendment") to the Credit Agreement. Under the terms of the Amendment, the Term Loan Facility was increased by $400.0 million. The additional amounts borrowed bear interest at LIBOR plus 3.5% with a minimum LIBOR rate of 1.0%. The $400.0 million add-on was priced at 99.0% (the "Term Loan Proceeds"). The issue discount of $4.8 million on the Amendment is being accreted to interest expense over the term of the Term Loan Facility under the effective interest method. No other terms of the Credit Agreement were amended. The Term Loan Proceeds were used to fund the Allstream acquisition (see Note 3 – Acquisitions) and for general corporate purposes.

The weighted average interest rates (including margins) on the Term Loan Facility were approximately 3.9% and 3.75% at June 30, 2016 and 2015, respectively. Interest rates on the Revolver as of June 30, 2016 and 2015 were approximately 3.4% and 3.0%, respectively.

Table of Contents

As of June 30, 2016, no amounts were outstanding under the Revolver. Standby letters of credit were outstanding in the amount of $7.9 million as of June 30, 2016, leaving $442.1 million available under the Revolver, subject to certain conditions.

6.00% Senior Unsecured Notes Due 2023 and 6.375% Senior Unsecured Notes due 2025

On January 23, 2015, ZGL and Zayo Capital (together "the Issuers") completed a private offering (the "January 2015 Notes Offering") of $700.0 million aggregate principal amount of 6.00% senior unsecured notes due in 2023 (the "2023 Unsecured Notes"). On March 9, 2015, the Issuers completed a private offering of an additional $730.0 million aggregate principal amount of 2023 Unsecured Notes at a premium of 1% (the "March 2015 Notes Offering", and together with the January 2015 Notes Offering, the "2023 Notes Offerings") resulting in aggregate gross proceeds for the 2023 Unsecured Notes of $1,437.3 million. The issue premium of $7.3 million on the March 2015 Notes Offering is being accreted against interest expense over the term of the notes under the effective interest method. The 2023 Unsecured Notes bear interest at the rate of 6.00% per year, which is payable on April 1 and October 1 of each year, beginning on October 1, 2015. The 2023 Unsecured Notes will mature on April 1, 2023. The net proceeds from the January 2015 Notes Offering were used to fund the Latisys acquisition (see Note 3 – Acquisitions). The net proceeds from the March 2015 Notes Offering were used to redeem the Company's remaining $675.0 million 2020 Secured Notes (the "Second Notes Redemption") at a price of 105.75%. As part of the Second Notes Redemption, we recorded an early redemption call premium of $38.8 million. The call premium has been recorded as a loss on extinguishment of debt on the consolidated statements of operations for the year ended June 30, 2015.

On May 6, 2015, ZGL and Zayo Capital issued $350.0 million aggregate principal amount of 6.375% senior unsecured notes due in 2025 (the "2025 Unsecured Notes"). The net proceeds from the 2025 Unsecured Notes were used to repay $344.5 million of the Company's Term Loan Facility. As a result of the repayment, the Company recorded a loss on extinguishment of debt of $8.4 million.

On April 14, 2016, the Issuers completed a private offering of $550.0 million aggregate principal amount of additional 2025 Unsecured Notes (the "New 2025 Notes"). The New 2025 Notes are an additional issuance of the Issuers' existing 2025 Unsecured Notes and were priced at 97.1%. The issue discount of $15.9 million of the New 2025 Notes is being accreted to interest expense over the term of the New 2025 Notes using the effective interest method. The net proceeds from the offering plus cash on hand (i) were used to redeem the Issuers' remaining $325.6 million 2020 Unsecured Notes (as defined below), including the required $20.3 million make-whole premium and accrued interest, and (ii) were used to repay $196.0 million of borrowings under its secured Term Loan Facility. Per the terms of the Credit Agreement, the $196.0 million prepayment on the Term Loan Facility relieves the Company of its obligation to make quarterly principal payments on the Term Loan Facility until the cumulative amount of such relieved payments exceeds $196.0 million. The Company recorded a $2.1 million loss on extinguishment of debt associated with the write-off of unamortized debt discount on the Term Loan Facility accounted for as an extinguishment. Following the offering of the New 2025 Notes, $900.0 million aggregate principal amount of the 2025 Unsecured Notes is outstanding.

The 2025 Unsecured Notes bear interest at the rate of 6.375% per year. Interest on the 2025 Unsecured Notes is payable on May 15 and November 15 of each year. The 2025 Unsecured Notes will mature on May 15, 2025.

10.125% Senior Unsecured Notes due 2020

On July 2, 2012, the Issuers issued $500.0 million aggregate principal amount of 10.125% senior unsecured notes due 2020 (the "2020 Unsecured Notes"). On December 15, 2014, the Issuers redeemed $174.4 million of their outstanding 2020 Unsecured Notes at a price of 110.125% and $75.0 million of the then outstanding 8.125% senior secured notes due 2020 at a price of 108.125% (the "Partial Notes Redemption"). As part of the Partial Notes Redemption, the

Company paid an early redemption call premium of $23.8 million, which was recorded as a loss on extinguishment of debt in the consolidated statements of operations during the year ended June 30, 2015.

Debt covenants

The indentures (the “Indentures”) governing the 2023 Unsecured Notes and the 2025 Unsecured Notes (collectively the “Notes”) contain covenants that, among other things, restrict the ability of ZGL and its subsidiaries to

Table of Contents

incur additional indebtedness and issue preferred stock; pay dividends or make other distributions with respect to any equity interests, make certain investments or other restricted payments, create liens, sell assets, incur restrictions on the ability of the ZGL's restricted subsidiaries to pay dividends or make other payments to ZGL, consolidate or merge with or into other companies or transfer all or substantially all of their assets, engage in transactions with affiliates, and enter into sale and leaseback transactions. The terms of the Indentures include customary events of default.

The Credit Agreement contains customary events of default, including among others, non-payment of principal, interest, or other amounts when due, inaccuracy of representations and warranties, breach of covenants, cross default to certain other indebtedness, insolvency or inability to pay debts, bankruptcy, or a change of control. The Credit Agreement also contains a covenant, applicable only to the Revolver, that ZGL maintain a senior secured leverage ratio below 5.25:1.00 at any time when the aggregate principal amount of loans outstanding under the Revolver is greater than 35% of the commitments under the Revolver. The Credit Agreement also requires ZGL and its subsidiaries to comply with customary affirmative and negative covenants, including covenants restricting the ability of ZGL and its subsidiaries, subject to specified exceptions, to incur additional indebtedness, make additional guaranties, incur additional liens on assets, or dispose of assets, pay dividends, or make other distributions, voluntarily prepay certain other indebtedness, enter into transactions with affiliated persons, make investments and amend the terms of certain other indebtedness.

The Indentures limit any increase in ZGL's secured indebtedness (other than certain forms of secured indebtedness expressly permitted under such indentures) to a pro forma secured debt ratio of 4.50 times ZGL's previous quarter's annualized modified EBITDA (as defined in the indentures), and limit ZGL's incurrence of additional indebtedness to a total indebtedness ratio of 6.00 times the previous quarter's annualized modified EBITDA.

The Company was in compliance with all covenants associated with its debt agreements as of June 30, 2016 and 2015.

Redemption rights

At any time prior to May 15, 2018 (for the 2025 Unsecured Notes) and April 1, 2018 (for the 2023 Unsecured Notes) the Company may redeem all or part of the applicable Notes at a redemption price equal to the sum of (i) 100% of the principal amount thereof, plus (ii) accrued interest and a "make-whole" premium, which is a lump sum payment derived from a formula based on the net present value of future coupon payments that will not be paid because of the early redemption.

On or after May 1, 2020 (for the 2025 Unsecured Notes) or April 1, 2018 (for the 2023 Unsecured Notes), the Company may redeem all or part of the applicable Notes, at the redemption prices (expressed as percentages of principal amount and set forth below), plus accrued and unpaid interest and additional interest, if any, thereon, to the applicable redemption date, subject to the rights of the holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date, if redeemed during the 12-month period of the years indicated below:

Year	Redemption Price (2023 Unsecured Notes)	
2018	104.500	%
2019	103.000	%
2020	101.500	%
2021 and thereafter	100.000	%

Table of Contents

Year	Redemption Price (2025 Unsecured Notes)	
2020	103.188	%
2021	102.125	%
2022	101.063	%
2023 and thereafter	100.000	%

The Company may purchase the Notes in open-market transactions, tender offers, or otherwise. The Company is not required to make any mandatory redemption or sinking fund payments with respect to the Notes.

Aggregate future contractual maturities of long-term debt (excluding issue discounts and premiums) were as follows as of June 30, 2016:

Year Ended June 30,	(in millions)
2017	$ —
2018	—
2019	—
2020	—
2021	1,837.4
Thereafter	2,330.0
Total	$ 4,167.4

Guarantees

The Notes are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis by all of the ZGL's current and future domestic restricted subsidiaries. The Notes were co-issued with Zayo Capital, which does not have independent assets or operations.

Debt issuance costs

In connection with the Credit Agreement (and subsequent amendments thereto), and the various Notes offerings, the Company incurred debt issuance costs of $89.6 million (net of extinguishments). These costs are being amortized to interest expense over the respective terms of the underlying debt instruments using the effective interest method, unless extinguished earlier, at which time the related unamortized costs are to be immediately expensed.

Unamortized debt issuance costs of $11.4 million, $23.2 million and $0.7 million associated with the Company's previous indebtedness were recorded as part of the loss on extinguishment of debt during the years ended June 30, 2016, 2015 and 2014, respectively.

The balance of debt issuance costs as of June 30, 2016 and 2015 was $53.8 million and $71.0 million, net of accumulated amortization of $35.8 million and $28.3 million, respectively. The amortization of debt issuance costs is included on the consolidated statements of cash flows within the caption "Non-cash interest expense" along with the amortization or accretion of the premium and discount on the Company's indebtedness and changes in the fair value of the Company's interest rate derivatives. Interest expense associated with the amortization of debt issuance costs was $10.0 million for the year ended June 30, 2016 and $13.9 million for the years ended June 30, 2015 and 2014.

Debt issuance costs are presented in the consolidated balance sheets as a reduction to “Long-term debt, non-current”.

Interest rate derivatives

On August 13, 2012, the Company entered into forward-starting interest rate swap agreements with an aggregate notional value of $750.0 million, a maturity date of June 30, 2017, and a start date of June 30, 2013. There were no up-front fees for these agreements. The contract states that the Company shall pay a 1.67% fixed rate of interest for the term of the agreement beginning on the start date. The counter-party will pay to the Company the greater of actual LIBOR or

Table of Contents

1.25%. The Company entered in to the forward-starting swap arrangements to reduce the risk of increased interest costs associated with potential changes in LIBOR rates.

Changes in the fair value of interest rate swaps are recorded in interest expense in the consolidated statements of operations for the applicable period. The fair value of the interest rate swaps of $3.0 million and $4.1 million are included in "Other long term liabilities" in the Company's consolidated balance sheet as of June 30, 2016 and 2015, respectively. During the years ended June 30, 2016, 2015 and 2014, $(1.1) million, $2.1 million and $4.6 were recorded as a (decrease)/increase in interest expense for the change in the fair value of the interest rate swaps.

(9) INCOME TAXES

The Company's provision/(benefit) for income taxes from operations are summarized as follows:

	June 30,		
	2016	2015	2014
	(in millions)		
Current Income Taxes			
Federal	$ (1.3)	$ 1.7	$ 6.2
State	8.7	4.4	3.6
Foreign	3.9	(1.6)	3.3
Total	$ 11.3	$ 4.5	$ 13.1
Deferred Income Taxes			
Federal	$ 7.3	$ (8.7)	$ 23.8
State	(2.3)	(6.9)	1.0
Foreign	(7.8)	2.3	(0.6)
Total	(2.8)	(13.3)	24.2
Total provision/(benefit) for income taxes	$ 8.5	$ (8.8)	$ 37.3

The United States and foreign components of loss from operations before income taxes are as follows:

	June 30,		
	2016	2015	2014
	(in millions)		
United States	$ (46.9)	$ (159.7)	$ (135.3)
Foreign	(20.8)	(4.4)	(9.0)
Total	$ (67.7)	$ (164.1)	$ (144.3)

The Company's effective income tax rate differs from what would be expected if the federal statutory rate were applied to earnings before income taxes primarily because of certain expenses that represent permanent differences between book and tax expenses and deductions, such as the stock-based compensation expense related to the Company's CII common units that is recorded as an expense for financial reporting purposes but is not deductible for tax purposes.

Table of Contents

A reconciliation of the actual income tax provision and the tax computed by applying the U.S. federal rate to the earnings before income taxes during the years ended June 30, 2016, 2015 and 2014 are as follows:

	June 30, 2016	2015	2014
	(in millions)		
Expected benefit at the statutory rate	$ (23.8)	$ (57.4)	$ (50.5)
Increase/(decrease) due to:			
Non-deductible stock-based compensation	27.9	59.4	96.5
State income taxes benefit, net of federal benefit	(2.1)	(7.4)	(6.6)
Transactions costs not deductible for tax purposes	1.5	0.7	0.8
Reversal of uncertain tax positions, net	—	—	(2.6)
Change in statutory tax rate	(3.6)	(2.2)	(0.3)
Change in valuation allowance	2.8	—	1.3
Foreign tax rate differential	2.7	0.6	1.0
Other, net	3.1	(2.5)	(2.3)
Provision/(benefit) for income taxes	$ 8.5	$ (8.8)	$ 37.3

Deferred income taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The tax effect of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	June 30, 2016	2015
	(in millions)	
Deferred income tax assets		
Net operating loss carry forwards	$ 563.9	$ 448.7
Alternate minimum tax credit carryforwards	17.2	8.7
Deferred revenue	318.3	243.5
Accrued expenses	40.2	27.9
Other liabilities	25.5	14.4
Reserves against accounts receivable	14.8	10.2
Other	15.5	17.4
Total deferred income tax assets	995.4	770.8
Valuation allowance	(135.3)	(1.1)
Net deferred tax assets	860.1	769.7
Deferred income tax liabilities		
Property and equipment	559.2	468.9
Intangible assets	321.5	327.2
Debt issuance costs	13.7	18.8
Total deferred income tax liabilities	894.4	814.9
Net deferred income tax liabilities	$ (34.3)	$ (45.2)

In accordance with ASU No. 2015-17, at June 30, 2016 all deferred tax assets and liabilities are presented as noncurrent. No prior periods were adjusted retrospectively.

As of June 30, 2016, the Company had $1,239.7 million of U.S. federal net operating loss ("NOL") carry forwards. It utilized approximately $23.0 million during Fiscal 2016. The Company has completed several acquisitions in which it acquired net operating loss tax attributes as part of the purchase. These acquisitions, however, were considered a "change in ownership" within the meaning of Section 382 of the Internal Revenue Code and, as a result, such NOL carry forwards are subject to an annual limitation, reducing the amount available to offset income tax liabilities absent the limitation. Currently available U.S. NOL carry forwards as of June 30, 2016 are approximately $730.7 million. An additional $200.8 million will become available for use during fiscal year ended June 30, 2017. The Company's NOL carry forwards, if not utilized to reduce taxable income in future periods, will expire in various amounts beginning in 2019 and ending in 2035.

Table of Contents

As of June 30, 2016, the Company had approximately $401.1 million of foreign jurisdiction net operating loss carry forwards, primarily in Canada, the United Kingdom and France. The majority of these foreign NOLs have a valuation allowance against the value of the corresponding deferred tax asset in the financial statements due to current forecasts of the Company's limited ability to use them in the future.

As of June 30, 2016, the Company had tax-effected state net operating loss carry forwards of approximately $37.8 million, which are subject to limitations on their utilization and have various expiration dates through 2034.

Management believes it is more likely than not that it will utilize its net deferred tax assets to reduce or eliminate tax payments in future periods, with the exception of deferred tax assets related to certain foreign subsidiaries. The Company's evaluation encompassed (i) a review of its recent history of taxable income for the past three years and (ii) a review of internal financial forecasts demonstrating its expected ability to fully utilize its deferred tax assets prior to expiration.

(10) ACCRUED LIABILITIES

Accrued liabilities included in current liabilities consisted of the following:

	June 30,	
	2016	2015
	(in millions)	
Accrued compensation and benefits	$ 27.9	$ 19.4
Accrued property and equipment purchases	46.7	54.7
Network expense accruals	94.8	77.2
Other accrued taxes	9.1	12.7
Accrued professional fees	2.3	3.4
Other accruals	44.9	14.8
Total	$ 225.7	$ 182.2

(11) EQUITY

Prior to October 16, 2014, the Company was a wholly owned subsidiary of CII. CII was organized on November 6, 2006, and subsequently capitalized on May 7, 2007, with capital contributions from various institutional and founder investors. Prior to October 16, 2014, the Company was controlled by the CII board of managers, which was in turn controlled by the members of CII in accordance with the rights specified in CII's operating agreement. At formation, 1,000 shares of common stock, par value $0.001, were issued to CII by the Company.

As part of the Company's IPO in October 2014, the Company sold 16,008,679 shares of its common stock at a price of $19.00 per share for $304.2 million in gross proceeds. The Company incurred costs directly associated with the IPO of $22.2 million. In March 2015, the Company completed a follow-on equity offering selling 4,000,000 shares of its common stock at a price of $27.35 per share for $109.5 million in gross proceeds. The Company incurred costs directly associated with the follow-on offering of $4.3 million. Proceeds from the IPO and the follow-on equity offering (net of issuance costs) of $387.2 million are reflected on the Company's consolidated statement of stockholders' equity during the year ended June 30, 2015.

During the year ended June 30, 2015, there was a deemed modification to the Company's stock compensation arrangements with employees and directors. The modification resulted in a reclassification of the previously recorded stock-based compensation liability to additional paid-in capital (see Note 12 – Stock-Based Compensation).

As discussed in Note 12—Stock-Based Compensation, during the quarter ended December 31, 2013, the Board of CII authorized a non-liquidating distribution to certain common unit holders of up to $10.0 million and advanced $10.0 million to CII, evidenced by an intercompany note receivable. During the quarter ended March 31, 2014, the Board of CII authorized and paid a non-liquidating distribution to the Company's CEO for $3.0 million and amended the intercompany note receivable with CII for the incremental distribution. During the quarter ended June 30, 2014, the Board of CII authorized and paid a non-liquidating distribution to a member of management for $9.0 million in full and final settlement of his outstanding common unit grants and further amended the intercompany note receivable with CII

Table of Contents

for the incremental distribution. The amount due from CII is reflected as a reduction of stockholder's equity as of June 30, 2014.

On October 16, 2014, the Company entered into an agreement with CII which relieved CII of its obligation to repay the Company the outstanding intercompany note receivable balance of $22.0 million. The cancelation of the intercompany note receivable with CII is reflected on the consolidated statement of stockholders' equity during the year ended June 30, 2015 as a decrease to additional paid-in-capital of $22.0 million and an offsetting decrease to the note receivable from shareholder.

As discussed in Note 4—Spin-Off of Business, during the year ended June 30, 2014, the Company spun off OVS to CII with a corresponding non-cash distribution to CII totaling $31.8 million.

As discussed in Note 3—Acquisitions, CII issued 301,949 preferred units with an estimated fair value of $1.6 million in connection with the Corelink acquisition during the first quarter of Fiscal 2014.

During the year ended June 30, 2016, the Company recorded a $152.9 million increase in additional paid-in capital associated with stock-based compensation expense related to the Company's equity classified stock-based compensation awards (See Note 12 –Stock-based Compensation). Additionally, during the first quarter of the year the Company recorded an increase of $7.9 million to additional paid-in capital associated with a net tax benefit from stock-based compensation. The net tax benefit is a result of the stock-based compensation deduction for tax purposes exceeding the stock-based compensation expense recorded in the Company's consolidated statement of operations. Subsequently during the year, the additional paid-in capital was reduced to the extent stock-based compensation expense recorded in the books exceeded the tax deduction up to the original $7.9 million recorded. Under GAAP, the gross tax benefit recognized during the period of $7.9 million has been recorded on the consolidated statement of cash flows as a cash inflow in the financing activities section and an offsetting outflow of $7.9 million has been recorded as a cash outflow in the cash provided by operating activities section.

Share Repurchases

During the year ended June 30, 2016, the Company repurchased 3,474,120 shares of its outstanding common stock. This amount includes 3,103,350 shares repurchased at an average price of $23.07 per share, or $71.7 million, excluding commissions, under a $500 million, 6-month share repurchase program authorized by the Company's Board of Directors (the "Board") on November 10, 2015. The 6-month share repurchase program expired in May 2016. The amounts included in the "Common stock repurchases" line in the Company's Consolidated Statements of Cash Flows represents both shares authorized by the Board for repurchase under the publically announced authorization described above, as well as $9.4 million, or 370,770 shares, withheld from employees to cover tax withholding obligations on restricted stock units that have vested.

Table of Contents

(12) STOCK-BASED COMPENSATION

The following tables summarize the Company's stock-based compensation expense for liability and equity classified awards included in the consolidated statements of operations:

	Year Ended June 30,		
	2016	2015	2014
	(in millions)		
Included in:			
Operating costs	$ 17.4	$ 23.3	$ 20.2
Selling, general and administrative expenses	138.5	177.4	233.5
Total stock-based compensation expense	$ 155.9	$ 200.7	$ 253.7
CII common and preferred units	$ 73.0	$ 156.8	$ 253.7
Part A restricted stock units	45.3	12.6	—
Part B restricted stock units	36.5	31.3	—
Part C restricted stock units	1.1	—	—
Total stock-based compensation expense	$ 155.9	$ 200.7	$ 253.7

CII Common and Preferred Units

Prior to the Company's IPO, the Company was given authorization by CII to award 625,000,000 of CII's common units as profits interests to employees, directors, and affiliates of the Company. The common units were historically considered to be stock-based compensation with terms that required the awards to be classified as liabilities due to cash settlement features. The vested portion of the awards was reported as a liability and the fair value was re-measured at each reporting date until the date of settlement, with a corresponding charge (or credit) to stock-based compensation expense. In connection with the Company's IPO and the related amendment to the CII operating agreement, there was a deemed modification to the stock compensation arrangements with the Company's employees and directors. As a result, previously issued common units which were historically accounted for as liability awards, became classified as equity awards. Prior to reclassifying the common unit liability to equity, the Company re-measured the fair value of the CII common units factoring in the change in fair value since September 30, 2014 and the change in fair value caused by the modification. The fair value of these previously vested common units was estimated to be $490.2 million on the modification date and this amount is reflected in the Company's consolidated statement of stockholders' equity as an increase to additional-paid-in-capital during the year ended June 30, 2015. The fair value of the unrecognized compensation expense associated with unvested CII common units is being recognized over the remaining vesting period of the Company's outstanding common units through May 15, 2017.

On October 9, 2014, the Company and CII's board of managers approved a non-liquidating distribution by CII of shares of the Company's common stock held by CII to holders of CII vested common units. Employees and independent directors of the Company with vested CII common units received shares of the Company's common stock equal in value to the underlying value of their vested CII common units. The total number of shares of the Company's common stock that were distributed to CII common unit holders in connection with this non-liquidating distribution was 20,460,047 shares.

Employees with unvested CII common units have and/or will continue to receive monthly distributions from CII of the Company's common stock as they vest under the original terms of the CII common unit grant agreements. A total of 6,353,302 shares of the Company's common stock associated with unvested CII common units have or will be distributed subsequent to the IPO date. In addition, CII has and may in the future be required to distribute additional shares of the Company's common stock to CII common unit holders on a quarterly basis based on the Company's stock price performance through June 30, 2016 results, subject to the existing vesting provisions of the CII common units. The shares to be distributed to the common unit holders are based on a pre-existing distribution mechanism, whose primary input is the Company's stock price at each subsequent measurement date. Any remaining shares of common stock owned by CII will be distributed to the CII preferred unit holders. The total number of shares of the Company's common stock that have or will be distributed to CII preferred or common unit holders subsequent to the IPO date is 10,294,867 shares.

The valuation of the CII common units as of the IPO date was determined based on a Monte Carlo simulation. The Monte Carlo valuation analysis attempts to approximate the probability of certain outcomes by running multiple trial runs, called simulations, using random variables to generate potential future stock prices. This valuation technique was used to estimate the fair value associated with future distributions of common stock to CII common unit holders. The Monte Carlo simulation first projects the number of shares to be distributed by CII to the common unit holders at each subsequent measurement date based on stock price projections under each simulation. Shares attributable to unvested CII common units are subject to the existing vesting provisions of the CII common unit awards. The estimated future value of shares scheduled to be distributed by CII based on vesting provisions are calculated under each independent simulation. The present value of the number of shares of common stock to be distributed to common unit holders under each simulation is then computed, and the average of each simulation is the fair value of the Company's common shares to be distributed by CII to the common unit holders. This value was then adjusted for prior non-liquidating distributions made by the Company to derive a value for CII common units by class and on per unit basis. These values were used to calculate the fair value of outstanding CII common units as of the IPO date. Various inputs and assumptions were utilized in the valuation method, including forfeiture behavior, vesting provisions, holding restrictions, peer companies' historical volatility, and an appropriate risk-free rate.

The value of the CII common units is derived from the value of CII's investments in the Company and OVS (see Note 4 – Spin-off of Business). As the value derived from each of these investments is separately determinable and there is a plan in place to distribute the value associated with the investment in Company shares separate from the value derived from OVS, the two components are accounted for separately. The OVS component of the CII awards is adjusted to fair value each reporting period. On December 31, 2015, CII entered into an agreement to sell OVS to a third party. The sale was completed in May 2016. Based on the sale price, the estimated fair value of OVS awards has been increased, resulting in an increase to stock based compensation expense and corresponding increase to additional paid-in capital of $12.9 million for the year ended June 30, 2016. Proceeds from the sale to be distributed to the Company's employees will be paid by CII.

During the years ended June 30, 2016, 2015 and 2014, the Company recognized $73.0 million, $156.8 million and $253.7 million, respectively, of stock-based compensation expense related to vesting of CII common and preferred units. As of June 30, 2016, the unrecognized compensation associated with unvested CII common units was $10.1 million.

Performance Incentive Compensation Plan

During October 2014, the Company adopted the 2014 Performance Compensation Incentive Plan ("PCIP"). The PCIP includes incentive cash compensation (ICC) and equity (in the form of restricted stock units or "RSUs"). Grants under the PCIP RSU plans are made quarterly for all participants. The PCIP was effective on October 16, 2014 and will remain in effect for a period of 10 years (or through October 16, 2024) unless it is earlier terminated by the Company's Board of Directors.

The PCIP has the following components:

Part A

Under Part A of the PCIP, all full-time employees, including the Company's executives, are eligible to earn quarterly awards of RSUs. Each participant in Part A of the PCIP will have a RSU annual award target value, which will be allocated to each fiscal quarter. The final Part A value awarded to a participant for any fiscal quarter is determined by the Compensation Committee subsequent to the end of the respective performance period taking into account the Company's measured value creation for the quarter, as well as such other subjective factors that it deems relevant (including group and individual level performance factors). The number of Part A RSUs granted will be calculated based on the final award value determined by the Compensation Committee divided by the average closing price of the Company's common stock over the last ten trading days of the respective performance period. Part A RSUs will vest assuming continuous employment fifteen months subsequent to the end of the performance period. Upon vesting, the RSUs convert to an equal number of shares of the Company's common stock.

Table of Contents

During the years ended June 30, 2016 and 2015 the Company recognized $45.3 million and $12.6 million of compensation expense associated with the vested portion of the Part A awards, respectively. The June 2016 and June 2015 quarterly awards were recorded as liabilities totaling $2.0 million and $1.9 million as of June 30, 2016 and 2015, respectively, as the awards represent an obligation denominated in a fixed dollar amount to be settled in a variable number of shares during the subsequent quarter. The quarterly stock-based compensation liability is included in “Other long-term liabilities” in the accompanying consolidated balance sheets. Upon the issuance of the RSUs, the liability is re-measured and then reclassified to additional paid-in capital, with a corresponding charge (or credit) to stock based compensation expense. The value of the remaining unvested RSUs is expensed ratably through the vesting date. At June 30, 2016, the remaining unrecognized compensation cost to be expensed over the remaining vesting period for Part A awards is $27.3 million.

The following table summarizes the Company’s Part A RSU activity for the years ended June 30, 2016 and 2015:

	Number of Part A RSUs	Weighted average grant-date fair value per share	Weighted average remaining contractual term in months
Outstanding at July 1, 2014	—	$ —	—
Granted	955,831	26.25	
Vested	—		
Forfeited	(22,614)	n/a	
Outstanding at July 1, 2015	933,217	$ 26.25	7.1
Granted	2,190,785	26.04	
Vested	(852,853)	26.14	
Forfeited	(101,248)	n/a	
Outstanding at June 30, 2016	2,169,901	$ 26.04	7.9

Part B

Under Part B of the PCIP, participants, who include members of the Company’s senior management team, are awarded quarterly grants of RSUs. The number of the RSUs earned by the participants is based on the Company’s stock price performance over a four fiscal quarter measurement period and vest, assuming continuous employment at the end of the measurement period. The existence of a vesting provision that is associated with the performance of the Company’s stock price is a market condition, which affects the determination of the grant date fair value. Upon vesting, RSUs earned convert to an equal number of shares of the Company’s common stock.

The following table summarizes the Company’s Part B RSU activity for the years ended June 30, 2016 and 2015:

	Number of Part B RSUs	Weighted average grant-date fair value per unit	Weighted average remaining contractual term in months
Outstanding at July 1, 2014	—	$ —	—
Granted	1,251,671	42.90	
Vested	—		
Forfeited	(1,798)	n/a	
Outstanding at July 1, 2015	1,249,873	$ 42.90	5.5
Granted	1,152,176	26.8	

Vested	(1,463,893)		38.7	
Forfeited	(77,220)		n/a	
Outstanding at June 30, 2016	860,936	$	29.50	6.2

Table of Contents

The table below reflects the total Part B RSUs granted during each period presented, the maximum eligible shares of the Company's stock that the respective Part B RSU grant could be converted into shares of the Company's common stock and the grant date fair value per Part B RSU:

	During the three months ended			
	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015
Part B RSUs granted	312,516	284,773	282,074	272,813
Maximum eligible shares of the Company's common stock	1,606,332	1,463,733	1,449,860	1,426,812
Grant date fair value per Part B RSU	$ 37.03	$ 25.12	$ 25.26	$ 17.83

	During the three months ended		
	June 30, 2015	March 31, 2015	December 31, 2014
Part B RSUs granted	316,353	359,658	575,660
Maximum eligible shares of the Company's common stock	1,490,023	1,388,280	2,220,293
Grant date fair value per Part B RSU	$ 27.10	$ 24.36	$ 63.12
Units converted to Company's common stock	—	—	2,220,293

During years ended June 30, 2016 and 2015, the Company recognized stock-based compensation expense of $36.5 million and $31.3 million related to Part B awards.

The grant date fair value of Part B RSU grants is estimated utilizing a Monte Carlo simulation. This simulation estimates the ten-day average closing stock price ending on the vesting date, the stock price performance over the performance period, and the number of common shares to be issued at the vesting date. Various assumptions are utilized in the valuation method, including the target stock price performance ranges and respective share payout percentages, the Company's historical stock price performance and volatility, peer companies' historical volatility and an appropriate risk-free rate. The aggregate future value of the grant under each simulation is calculated using the estimated per share value of the common stock at the end of the vesting period multiplied by the number of common shares projected to be granted at the vesting date. The present value of the aggregate grant is then calculated under each of the simulations, resulting in a distribution of potential present values. The fair value of the grant is then calculated based on the average of the potential present values. The remaining unrecognized compensation cost associated with Part B RSU grants is $14.5 million at June 30, 2016.

Part C

Under Part C of the PCIP, independent directors of the Company are eligible to receive quarterly awards of RSUs. Independent directors electing to receive a portion of their annual director fees in the form of RSUs are granted a set dollar amount of Part C RSUs each quarter. The quantity of Part C RSUs granted is based on the average closing price of the Company's common stock over the last ten trading days of the quarter ended immediately prior to the grant date and vest at the end of each quarter for which the grant was made. During the year ended June 30, 2016, the Company's independent directors were granted 41,793 Part C RSUs. During the year ended June 30, 2016, the Company recognized $1.1 million of compensation expense associated with the Part C RSUs.

(13) FAIR VALUE MEASUREMENTS

The Company's financial instruments consist of cash and cash equivalents, restricted cash, trade receivables, accounts payable, interest rate swaps, certain post-employment plans, stock-based compensation liabilities and long-term debt. The carrying values of cash and cash equivalents, restricted cash, trade receivables, and accounts payable approximated their fair values at June 30, 2016 and 2015, due to the short maturity of these instruments.

The carrying value of the Company's Notes reflects the original amounts borrowed, inclusive of unamortized net discount but excluding debt issuance costs, was $2,320.7 million and $2,112.7 million as of June 30, 2016 and 2015, respectively. Based on market interest rates for debt of similar terms and average maturities, the fair value of the Company's Notes as of June 30, 2016 and 2015 was estimated to be $2,338.1 million and $2,109.3 million, respectively.

Table of Contents

The Company's fair value estimates associated with its Note obligations were derived utilizing Level 2 inputs – quoted prices for similar instruments in active markets.

The carrying value of the Company's Term Loan Facility reflects the original amounts borrowed, inclusive of the unamortized discounts but excluding debt issuance costs, was $1,818.4 million and $1,627.0 million as of June 30, 2016 and 2015, respectively. The Company's Term Loan Facility accrues interest at variable rates based upon the one month, three month or six month LIBOR (with a LIBOR floor of 1.0%) plus a spread of 2.75% or 3.50% depending on the Term Loan tranche. Since management does not believe that the Company's credit quality has changed significantly since the date when the Term Loan Facility last amended on May 6, 2015, its carrying amount approximates fair value. Excluding any offsetting effect of the Company's interest rate swaps, a hypothetical increase in the applicable interest rate on the Company's term loan of one percentage point above the 1.0% LIBOR floor would increase the Company's annual interest expense by approximately $18.4 million.

The Company's interest rate swaps are valued using discounted cash flow techniques that use observable market inputs, such as LIBOR-based yield curves, forward rates, and credit ratings. Changes in the fair value of the interest rate swaps of $(1.1) million, $2.1 million and $4.6 million were recorded as a (decrease)/increase to interest expense during the years ended June 30, 2016, 2015 and 2014, respectively. A hypothetical increase in LIBOR rates of 100 basis points would favorably increase the fair value of the interest rate swaps by approximately $3.0 million.

As of June 30, 2016 and 2015, there is no balance currently outstanding under the Company's Revolver.

Financial instruments measured at fair value on a recurring basis are summarized below:

	Level	June 30, 2016	June 30, 2015
Liabilities Recorded at Fair Value in the Financial Statements:		(in millions)	
Interest rate swap	Level 2	$ 3.0	$ 4.1

(14) COMMITMENTS AND CONTINGENCIES

Capital Leases

Future contractual payments under the terms of the Company's capital lease obligations were as follows:

Year Ended June 30,	(in millions)
2017	$ 6.8
2018	5.7
2019	5.1
2020	4.4
2021	4.4
Thereafter	36.5
Total minimum lease payments	62.9
Less amounts representing interest	(12.2)

Less current portion	(5.8)
Capital lease obligations, non-current	$ 44.9

Operating Leases

The Company leases office space, warehouse space, network assets, switching and transport sites, points of presence and equipment under non-cancelable operating leases. Lease expense was $102.0 million, $125.3 million, and $90.1 million for the years ended June 30, 2016, 2015 and 2014, respectively.

For scheduled rent escalation clauses during the lease terms or for rental payments commencing at a date other than the date of initial occupancy, the Company records minimum rental expenses on a straight-line basis over the terms of the leases. When the straight-line expense recorded exceeds the cash outflows during the respective period, the

Table of Contents

Company records a deferred lease obligation on the consolidated balance sheets and amortizes the deferred rent over the terms of the respective leases.

Minimum contractual lease payments due under the Company's long-term operating leases are as follows:

Year Ended June 30,	(in millions)
2017	$ 133.3
2018	135.1
2019	124.6
2020	104.2
2021	80.9
Thereafter	332.0
	$ 910.1

Purchase Commitments

At June 30, 2016, the Company was contractually committed for $268.7 million of capital expenditures for construction materials and purchases of property and equipment. A majority of these purchase commitments are expected to be satisfied in the next twelve months. These purchase commitments are primarily success based; that is, the Company has executed customer contracts that support the future capital expenditures.

Outstanding Letters of Credit

As of June 30, 2016, the Company had $7.9 million in outstanding letters of credit, which were primarily entered into in connection with various lease agreements.

Contingencies

In the normal course of business, the Company is party to various outstanding legal proceedings, asserted and unasserted claims, and carrier disputes. In the opinion of management, the ultimate disposition of these matters, both asserted and unasserted, will not have a material adverse effect on the Company's financial condition, results of operations, or cash flows.

(15) RELATED-PARTY TRANSACTIONS

As discussed in Note 4—Spin-off of Business, the Company spun-off the OVS business to CII on June 13, 2014. In May 2016, CII sold OVS to an entity that has a material ownership interest in the Company. The Company continues to have ongoing contractual relationships with OVS, whereby the Company provides OVS and its subsidiaries with bandwidth capacity and OVS provides the Company and its subsidiaries with voice services. The contractual relationships are based on agreements that were entered into at estimated market rates. Subsequent to the spin-off date, transactions with OVS are included in the Company's results of operations.

The following table represents the revenue and expense transactions the Company recorded with OVS:

	Year Ended June 30,		
	2016	2015	2014
	(in millions)		
Revenues	$ 6.6	$ 6.9	$ 7.0
Operating costs	$ 0.5	$ 1.0	$ 1.6

As of June 30, 2016 and June 30, 2015, the Company had a balance due from OVS in the amount of nil and $0.6 million, respectively.

Table of Contents

As discussed in Note 11 – Equity, during Fiscal 2014, (i) the Board of CII authorized a non-liquidating distribution to certain common unit holders of up to $10.0 million, and the Company advanced $10.0 million to CII, evidenced by an intercompany note receivable, (ii) the board of managers of CII authorized and paid a non-liquidating distribution to the Company's CEO of $3.0 million and amended the intercompany note receivable with CII for the incremental distribution, and (iii) the board of managers of CII authorized and redeemed for cash the vested common units held by a member of management for $9.0 million in full and final settlement of his outstanding common unit grants and further amended the intercompany note receivable with CII for the incremental distribution. The amount due to the Company from CII of $22.0 million was reflected as a reduction of stockholder's equity as of June 30, 2014. In October 2014, the Company and CII entered into an agreement which relieved CII of its obligation to repay the outstanding intercompany note receivable balance. As of June 30, 2016, the Company does not have an outstanding receivable balance from CII.

Dan Caruso, the Company's Chief Executive Officer and Chairman of the Board is a party to an aircraft charter (or membership) agreement through his affiliate, Bear Equity LLC, for business and personal travel. Under the terms of the charter agreement, all fees for the use of the aircraft are effectively variable in nature. For his business travel on behalf of the Company, Mr. Caruso is reimbursed for his use of the aircraft subject to quarterly and annual maximum reimbursement thresholds approved by the Company's Nominating and Governance Committee. During the years ended June 30, 2016, 2015 and 2014, respectively, the Company reimbursed Mr. Caruso $0.5 million, $0.7 million and $0.1 million for his business use of the aircraft.

On June 28, 2012, Matt Erickson, President and COO of Global Sales & Customer Success, purchased $0.6 million in aggregate principal amount of 2020 Unsecured Notes at the offering price for such notes. Mr. Erickson qualifies as an "accredited investor" (as defined in Rule 501 under the Securities Act), and this purchase was on terms available to other investors. In December 2014, in connection with the Partial Notes Redemption, approximately $0.2 million of Mr. Erickson's notes were redeemed. In May 2016, in connection with the Remaining Notes Redemption, the Company redeemed the remaining $0.4 million held by Mr. Erickson. See Note 8 – Long-Term Debt.

(16) SEGMENT REPORTING

The Company uses the management approach to determine the segment financial information that should be disaggregated and presented separately in the Company's notes to its financial statements. The management approach is based on the manner by which management has organized the segments within the Company for making operating decisions, allocating resources, and assessing performance.

As the Company has increased in scope and scale, it has developed its management and reporting structure to support this growth. The Company's dark fiber solutions, network connectivity, colocation and cloud infrastructure, Zayo Canada and other services are comprised of various related product groups generally defined around the type of service the customer is buying, referred to as Strategic Product Groups ("SPG" or "SPGs"). Each SPG is responsible for the revenue, costs and associated capital expenditures of their respective services. The SPGs enable sales, make pricing and product decisions, engineer networks and deliver services to customers, and support customers for their specific telecom and Internet infrastructure services.

With the continued increase in the Company's scope and scale, effective October 1, 2015 the Company's chief operating decision maker ("CODM"), the Company's Chief Executive Officer, implemented certain organizational changes to the management and operation of the business that directly impacts how the CODM makes resource allocation decisions and manages the Company. The change in structure had the impact of establishing a new reportable segment and re-aligning the Company's existing SPGs to the revised reportable segments. Prior to this change, the operating segments were reported as Physical Infrastructure, which included the Company's Dark Fiber, MIG and zColo SPGs, Cloud and Connectivity, which included the Company's Waves, SONET, Ethernet, IP and Cloud SPGs, and Other, which primarily included ZPS. The new structure has moved the zColo and Cloud SPGs out of the Physical Infrastructure and Cloud and Connectivity reporting segments, respectively, creating a new reportable segment named Colocation and Cloud Infrastructure. The Dark Fiber and MIG SPGs are now reported in the Dark Fiber Solutions operating segment, and Ethernet, IP, Waves, and SONET SPGs, are now reported in the Network Connectivity operating segment. SPGs report directly to the reportable segment managers who are responsible for the operations and financial results for the Dark Fiber Solutions, Network Connectivity, Colocation and Cloud Infrastructure, and Other reportable segments (collectively, the "Revised Segments"). The segment managers report directly to the CODM, and it is the financial results of those segments that are evaluated and drive the resource allocation decisions made by the CODM.

On January 15, 2016, the Company acquired Allstream. As a result of this acquisition, management established a new reportable segment to account for the fact that this business is viewed as separate and distinct from the other segments for purposes of operating decisions, allocation of resources, and performance assessment. The Zayo Canada segment, which is composed primarily of Allstream's legacy business, has some of the business products and services that are like those within the Company's other SPGs but also has voice and unified communications and small enterprise businesses, which are additions to the Company's service offerings. The Zayo Canada segment contains all financial information related to the acquired Allstream business, and to the extent products and services are included within the Zayo Canada segment, such products and services are not included within the Company's other SPGs.

The Company's segments are further described below:

Dark Fiber Solutions. Through the Dark Fiber Solutions segment, the Company provides raw bandwidth infrastructure to customers that require more control of their internal networks. These services include dark fiber and mobile infrastructure (fiber-to-the-tower and small cell). Dark fiber is a physically separate and secure, private platform for dedicated bandwidth. The Company leases dark fiber pairs (usually 2 to 12 total fibers) to its customers, who "light" the fiber using their own optronics. The Company's mobile infrastructure services provide direct fiber connections to cell towers, small cells, hub sites, and mobile switching centers. Dark Fiber Solutions customers include carriers and other communication service providers, Internet service providers, wireless service providers, major media and content companies, large enterprises, and other companies that have the expertise to run their own fiber optic networks or require interconnected technical space. The contract terms in the Dark Fiber Solutions segment tend to range from three to twenty years.

Network Connectivity. The Network Connectivity segment provides bandwidth infrastructure solutions over the Company's metro, regional, and long-haul fiber networks where it uses optronics to light the fiber and the Company's customers pay for access based on the amount and type of bandwidth they purchase. The Company's services within this segment include wavelength, Ethernet, IP and SONET. The Company targets customers who require a minimum of 10G of bandwidth across their networks. Network Connectivity customers include carriers, financial services companies, healthcare, government institutions, education institutions and other enterprises. The contract terms in this segment tend to range from two to five years.

Colocation and Cloud Infrastructure. The Colocation and Cloud Infrastructure segment provides data center infrastructure solutions to a broad range of enterprise, carrier, content and cloud customers. The Company's services within this segment include colocation, interconnection, cloud, hosting and managed services, such as security and remote hands offerings. Solutions range in size from single cabinet and server support to comprehensive international outsourced IT infrastructure environments. The Company's data centers also support a large component of the Company's networking equipment for the purpose of aggregating and distributing data, voice, Internet, and video traffic. The contract terms in this segment tend to range from two to five years

Zayo Canada. The Zayo Canada segment is comprised of the recently acquired business of Allstream, Inc. and Allstream Fiber U.S. Inc. (together, "Allstream"). The services provided by this segment include legacy dark fiber, network connectivity, cloud and colocation infrastructure, voice, unified communications, managed security services and small and medium businesses ("SMB") of Allstream. Voice provides a full range of local voice services allowing business customers to complete telephone calls in their local exchange, as well as make long distance, toll-free and related calls. Unified communications is the integration of real-time communication services such as telephony (including IP telephony), instant messaging and video conferencing with non-real-time communication services, such as integrated voicemail and e-mail. Unified communications provides a set of products that give users the ability to work and communicate across multiple devices, media types and geographies. Managed security services provide proactive services and solutions designed to enable organizations to operate in an environment of constantly evolving threats from organized cyber-crime. The service provides real-time threat analysis and correlation of information security threats, response and mitigations services, secure access to the internet and the cloud,

Table of Contents

information risk and compliance services, and management of the IT security envelope. Zayo Canada provides services to over 26,000 customers in the SMB market while leveraging its extensive network and product offerings. These include IP, internet, voice, IPT trunking, cloud private branch exchange, collaboration services and unified communications.

Other. The Other segment is primarily comprised of ZPS. ZPS provides network and technical resources to customers who wish to leverage our expertise in designing, acquiring and maintaining networks. Services are typically provided for a term of one year for a fixed recurring monthly fee in the case of network and on an hourly basis for technical resources (usage revenue).

Revenues for all of the Company's products are included in one of the Company's segments. The segment presentation has been recast for all prior periods presented for comparability. The results of operations for each segment include an allocation of certain indirect costs and corporate related costs, including overhead and third party-financed debt. The allocation is based on a percentage that represents management's estimate of the relative burden each segment bears of indirect and corporate costs. Management has evaluated the allocation methods utilized to allocate these costs and determined they are systematic, rational and consistently applied. Identifiable assets for each reportable segment are reconciled to total consolidated assets including unallocated corporate assets and intersegment eliminations. Unallocated corporate assets consist primarily of cash and deferred taxes.

Segment Adjusted EBITDA

Segment Adjusted EBITDA is the primary measure used by the Company's CODM to evaluate segment operating performance.

The Company defines Segment Adjusted EBITDA as earnings/(loss) from continuing operations before interest, income taxes, depreciation and amortization ("EBITDA") adjusted to exclude acquisition or disposal-related transaction costs, losses on extinguishment of debt, stock-based compensation, unrealized foreign currency gains/(losses) on intercompany loans, and non-cash income/(loss) on equity and cost method investments. The Company uses Segment Adjusted EBITDA to evaluate operating performance, and this financial measure is among the primary measures used by management for planning and forecasting of future periods. The Company believes that the presentation of Segment Adjusted EBITDA is relevant and useful for investors because it allows investors to view results in a manner similar to the method used by management and facilitates comparison of the Company's results with the results of other companies that have different financing and capital structures.

Segment Adjusted EBITDA results, along with other quantitative and qualitative information, are also utilized by the Company and its Compensation Committee for purposes of determining bonus payouts to employees.

Segment Adjusted EBITDA has limitations as an analytical tool and should not be considered in isolation from, or as a substitute for, analysis of the Company's results from operations and operating cash flows as reported under GAAP. For example, Segment Adjusted EBITDA:

- does not reflect capital expenditures, or future requirements for capital and major maintenance expenditures or contractual commitments;
- does not reflect changes in, or cash requirements for, working capital needs;
- does not reflect the significant interest expense, or the cash requirements necessary to service the interest payments, on the Company's debt; and
- does not reflect cash required to pay income taxes.

The Company’s computation of Segment Adjusted EBITDA may not be comparable to other similarly titled measures computed by other companies because all companies do not calculate segment Adjusted EBITDA in the same fashion.

Table of Contents

	For the year ended June 30, 2016						
	Dark Fiber Solutions	Network Connectivity	Colocation and Cloud Infrastructure	Zayo Canada	Other	Corp/ Eliminations	Total
	(in millions)						
Revenue from external customers	$ 563.9	$ 683.5	$ 240.7	$ 213.3	$ 20.3	$ —	$ 1,721.7
Segment Adjusted EBITDA	406.5	359.3	119.4	45.2	4.5	—	934.9
Total assets	3,155.0	1,901.8	1,069.4	477.6	33.4	90.3	6,727.5
Capital expenditures	420.6	185.0	77.4	21.1	—	—	704.1

	For the year ended June 30, 2015						
	Dark Fiber Solutions	Network Connectivity	Colocation and Cloud Infrastructure	Zayo Canada	Other	Corp/ Eliminations	Total
	(in millions)						
Revenue from external customers	$ 525.9	$ 648.0	$ 150.0	$ —	$ 23.2	$ —	$ 1,347.1
Segment Adjusted EBITDA	364.3	339.2	73.8	—	5.3	—	782.6
Total assets	2,830.1	1,807.7	1,032.6	—	35.0	389.2	6,094.6
Capital expenditures	279.7	195.1	55.4	—	0.2	—	530.4

	For the year ended June 30, 2014						
	Dark Fiber Solutions	Network Connectivity	Colocation and Cloud Infrastructure	Zayo Canada	Other	Corp/ Eliminations	Total
	(in millions)						
Revenue from external customers	$ 419.8	$ 606.2	$ 75.6	$ —	$ 28.1	$ (6.5)	$ 1,123.2
Segment Adjusted EBITDA	287.6	325.9	37.3	—	8.0	(5.2)	653.6
Capital expenditures	181.0	151.6	28.2	—	—	—	360.8

Reconciliation from Total Segment Adjusted EBITDA to loss from continuing operations

For the year ended June 30,

	2016	2015	2014
Total Segment Adjusted EBITDA	$ 934.9	$ 782.6	$ 653.6
Interest expense	(220.1)	(214.0)	(203.5)
(Provision)/benefit for income taxes	(8.5)	8.8	(37.3)
Depreciation and amortization expense	(516.3)	(406.2)	(338.2)
Transaction costs	(21.5)	(6.2)	(5.3)
Stock-based compensation	(155.9)	(200.7)	(253.7)
Loss on extinguishment of debt	(33.8)	(94.3)	(1.9)
Foreign currency (loss)/gain on intercompany loans	(53.8)	(24.4)	4.7
Non-cash loss on investments	(1.2)	(0.9)	—
Loss from continuing operations	$ (76.2)	$ (155.3)	$ (181.6)

Table of Contents

The following is a summary of geographical information:

	For the year ended June 30,		
	2016	2015	2014
Revenue from external customers:			
United States	$ 1,334.1	$ 1,193.5	$ 1,052.8
Europe	174.1	153.6	70.3
Canada	213.3	—	—
Other	0.2	—	0.1
Total Revenue	$ 1,721.7	$ 1,347.1	$ 1,123.2
Long-lived assets:			
United States	$ 4,236.1	$ 3,848.0	3,142.4
Europe	527.8	454.0	429.9
Canada	326.4	—	—
Other	25.6	0.3	0.3
Total Long-lived assets	$ 5,115.9	$ 4,302.3	$ 3,572.6

The Company includes all non-current assets, except for goodwill and assets of discontinued operations, in its long-lived assets.

(17) QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table presents the unaudited quarterly results for the year ended June 30, 2016:

	2016 Quarter Ended				
	September 30	December 31	March 31 (1) (2)	June 30 (3) (4)	Total
	(in millions)				
Revenue	$ 366.8	$ 369.6	$ 478.0	$ 507.3	$ 1,721.7
Operating costs and expenses					
Operating costs (excluding depreciation and amortization and including stock-based compensation)	113.0	112.2	170.8	182.7	578.7
Selling, general and administrative expenses (including stock-based compensation)	84.6	85.0	112.5	104.3	386.4
Depreciation and amortization	117.1	113.7	137.2	148.3	516.3
Total operating costs and expenses	314.7	310.9	420.5	435.3	1,481.4
Operating income	52.1	58.7	57.5	72.0	240.3
Other expenses					
Interest expense	(53.8)	(51.2)	(57.7)	(57.4)	(220.1)
Loss on extinguishment of debt	—	—	—	(33.8)	(33.8)
Foreign currency loss on intercompany loans	(10.7)	(7.1)	(11.1)	(24.9)	(53.8)
Other expense, net	(0.1)	(0.1)	(0.2)	0.1	(0.3)
Total other expenses, net	(64.6)	(58.4)	(69.0)	(116.0)	(308.0)
(Loss)/earnings from operations before income taxes	(12.5)	0.3	(11.5)	(44.0)	(67.7)
Provision/(benefit) for income taxes	2.7	11.1	7.8	(13.1)	8.5

Net loss	$ (15.2)	$ (10.8)	$ (19.3)	$ (30.9)	$ (76.2)

(1) The Company realized an increase in revenue and operating expenses beginning January 1, 2016 as a result of the acquisitions of Viatel and Dallas Data Center.
(2) The Company realized an increase in revenue and operating expenses beginning January 15, 2016 as a result of the acquisition of Allstream.
(3) The Company realized an increase in revenue and operating expenses beginning April 1, 2016 as a result of the acquisition of Clearview.
(4) The Company completed debt refinancing transactions during April and May, resulting in a loss on debt extinguishment in the fourth quarter. See Note 8 – Long Term Debt.

Table of Contents

The following table presents the unaudited quarterly results for the year ended June 30, 2015:

	2015 Quarter Ended (1)				
	September 30 (1) (in millions)	December 31	March 31 (3) (4)	June 30	Total
Revenue	$ 320.6	$ 323.9	$ 340.7	$ 361.9	$ 1,347.1
Operating costs and expenses					
Operating costs (excluding depreciation and amortization and including stock-based compensation)	107.3	97.8	100.9	107.5	413.5
Selling, general and administrative expenses (including stock-based compensation) (2)	156.8	32.1	83.0	86.5	358.4
Depreciation and amortization	96.0	96.9	100.1	113.2	406.2
Total operating costs and expenses	360.1	226.8	284.0	307.2	1,178.1
Operating (loss)/income	(39.5)	97.1	56.7	54.7	169.0
Other expenses					
Interest expense	(46.9)	(53.4)	(60.7)	(53.0)	(214.0)
Loss on extinguishment of debt (5)	—	(30.9)	(54.9)	(8.5)	(94.3)
Foreign currency (loss)/gain on intercompany loans	(14.7)	(13.3)	(13.2)	16.8	(24.4)
Other expense, net	—	(0.1)	—	(0.3)	(0.4)
Total other expenses, net	(61.6)	(97.7)	(128.8)	(45.0)	(333.1)
(Loss)/earnings from operations before income taxes	(101.1)	(0.6)	(72.1)	9.7	(164.1)
Provision/(benefit) for income taxes	9.4	(4.4)	(18.4)	4.6	(8.8)
Net (loss)/earnings	$ (110.5)	$ 3.8	$ (53.7)	$ 5.1	$ (155.3)

(1) The Company realized an increase in revenue and operating expenses beginning July 1, 2014 as a result of the acquisition of AtlantaNap and Neo.

(2) The Company realized an increase in compensation expense in the first quarter as a result of an increase in the estimated fair value of CII common units as a result of the pending IPO. The common unit fair values were further adjusted in second quarter upon completion of the IPO. See Note 12— Stock-based Compensation.

(3) The Company realized an increase in revenue and operating expenses beginning January 1, 2015 as a result of the acquisition of IdeaTek.

(4) The Company realized an increase in revenue and operating expenses beginning February 23, 2015 as a result of the acquisition of Latisys.

(5) The Company completed debt refinancing transactions during the second, third and fourth quarters of Fiscal 2015, resulting in a loss on debt extinguishment for those respective periods. See Note 8— Long-Term Debt.

(18) SUBSEQUENT EVENTS

On July 22, 2016, the Company amended the terms of its Credit Agreement governing its Term Loan Facility (the “Repricing Amendment”). Per the terms of the Repricing Amendment, the $361.0 million term loan tranche under the Credit Agreement was repriced at par and will bear interest at a rate of LIBOR plus 2.75%, with a minimum LIBOR rate of 1.00%, which represents a decrease of 75 basis points. No other terms of the Credit Agreement were amended.