BINGHAM

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January 24, 2011

***Via e-Docket***

Elizabeth A. Rolando, Chief Clerk
Illinois Commerce Commission
527 East Capitol Avenue
Springfield, IL 62701

**Re: Verified Application of Zayo Group, LLC for Certificate to Become a Telecommunications Carrier**

Dear Ms. Rolando:

Zayo Group, LLC ("Zayo"), through undersigned counsel, submits its above-referenced Application for a Certificate.

Zayo is submitting Exhibit G to the Application only as a Proprietary Copy. Exhibit G contains Zayo's chart of accounts, which is confidential and proprietary. Pursuant to its Motion for Confidential Treatment, which is being submitted with this Application, Zayo requests that this exhibit be accorded confidential and proprietary treatment and not be released to the public without the prior written permission of Zayo.

Zayo requests that the Commission acknowledge receipt of this Application. If you have any questions regarding this filing, or require additional information, please do not hesitate Brett Ferenchak at 202-373-6697.

Respectfully submitted,

Brett P Ferenchak

Jean L. Kiddoo
Brett P. Ferenchak

Counsel to Zayo Group, LLC

Boston
Hartford
Hong Kong
London
Los Angeles
New York
Orange County
San Francisco
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Walnut Creek
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(File this application via e-docket, or if unable to do so, file one original verified application with the Chief Clerk.)

Docket No.____________________________
ICC Office Use Only

Please provide the appropriate information in the ( ) areas in the heading below.

| | |
|---|---|
| Zayo Group, LLC | : |
| | : |
| Application for a certificate of | : |
| local and interexchange authority | : |
| to operate as a reseller and a facilities | : |
| based carrier of telecommunications | : |
| services within the State of Illinois. | : |

**APPLICATION FOR CERTIFICATE TO BECOME A TELECOMMUNICATIONS CARRIER**
(Use additional sheets as necessary.)

## GENERAL

1. Applicant's Name(including d/b/a, if any) FEIN # **208979899**

**Zayo Group, LLC**

Address: Street **400 Centennial Parkway, Suite 200**

City **Louisville** State/Zip **Colorado 80027**

2. Authority Requested: (Mark all that apply) __X___13-403 Facilities Based Interexchange

__X___13-404 Resale of Local and/or Interexchange

__X___13-405 Facilities Based Local

3. Request for waivers/variances: In applications for local exchange service authority under Sections 13-404 or 13-405, waivers of Part 710 and of Section 735.180 of Part 735 are generally requested. In applications for interexchange service authority under Sections 13-403 and 13-404, waivers of Part 710 and Part 735 are generally requested. Please indicate which waivers Applicant is requesting and explain why Applicant is requesting each waiver/variance.

__X___Part 710 Uniform System of Accounts for Telecommunications Carriers

__X___Part 735 Procedures Governing the Establishment of Credit, Billing, Deposits, Termination of Service and Issuance of Telephone Directories for Local Exchange Telecommunications Carriers in the State of Illinois

__X___Section 735.180 Directories

_X___ Other

**Zayo Group, LLC ("Zayo" or "Applicant" or "Company") requests authorization to maintain its books and records at its principal place of business pursuant to 83 Ill. Admin. Code Part 250.**

**This Application is being filed in connection with an intra-corporate reorganization that Zayo will undertake with its various subsidiaries to simplify its existing corporate structure. Among other things, the reorganization will include the merger of Zayo Bandwidth, LLC ("ZB")[1] into Zayo, with Zayo surviving.[2] This intra-corporate transaction will not affect the rates, terms or conditions of service to customers, and customers will continue to see the same "Zayo" name on invoices and other communications. Moreover, upon completion of the reorganization the Company will continue to be operated by the same well-qualified and highly experienced managerial, operational and technical personnel but the consolidation of business entities will reduce Zayo's reporting and accounting burdens and provide other operational efficiencies. In order for Zayo to provide telecommunications services to the Illinois customers of its subsidiaries following the consolidation, Zayo requests that the Commission grant Zayo authority to provide telecommunications services in Illinois.**

4. For all applicants requesting local exchange authority under Section 13-404 or Section 13-405, please complete the following:

   (a) the Standard Questions for Applicants Seeking Local Exchange Service Authority found in Appendix A of this document
   (b) the 9-1-1 Questions for Applicants Seeking Local Exchange Service Authority found in Appendix B of this document;
   (c) the Financial Questions for Applicants Seeking Local Exchange Service Authority found in Appendix C of this document; and
   (d) if applicable, the Prepaid Service Questions for Applicants Seeking Local Exchange Service Authority found in Appendix D of this document.

5. In what area of the state does the Applicant propose to provide service?

**Zayo seeks authority to provide telecommunications service throughout the State of Illinois.**

6. Please attach a sheet designating contact persons to work with Staff on the following:

   a) issues related to processing this application
   b) consumer issues
   c) customer complaint resolution
   d) technical and service quality issues
   e) "tariff" and pricing issues
   f) 9-1-1 issues
   g) security/law enforcement

   Please identify each contact person's (i) name, (ii) title, (iii) mailing address, (iv) telephone number, (v) facsimile number, and (vi) e-mail address.

**Please See Exhibit A.**

7. Please check type of organization?

_____ Individual _____ Corporation
_____ Partnership Date corporation was formed **November 13, 2007**
In what state? **Delaware**
__X___ Other (Specify) **Limited Liability Company**

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[1] ZB is authorized to provide facilities-based local exchange and interexchange services in Illinois pursuant to Certificates issued in Docket No. 09-0086.

[2] Filings regarding the intra-company transaction will be submitted separately.

8. Submit a copy of articles of incorporation and a copy of certificate of authority to transact business in Illinois.

**Please see Exhibits B and C, respectively.**

9. List jurisdictions in which Applicant is offering service(s).

**Applicant is not currently authorized to provide telecommunications service in any state, but is seeking such authority in every state where its subsidiaries currently provide telecommunications services. Collectively, Zayo's subsidiaries, including ZB, are currently authorized to provide telecommunications services in the District of Columbia and the following states: Arizona, California, Colorado, Delaware, Georgia, Idaho, Illinois, Indiana, Kansas, Kentucky, Maryland, Michigan, Minnesota, Missouri, Nevada, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, Tennessee, Texas, Utah, Virginia, Washington and West Virginia.**

10. Has the Applicant, or any principal in Applicant, been denied a Certificate of Service or had its certification revoked or suspended in any jurisdiction in this or another name?

______ YES (Please provide details) __X____ NO

11. Have there been any complaints or judgments levied against the Applicant in any other jurisdiction?

_____ YES ___X__ NO

If YES, describe fully. ______________________________________________

______________________________________________

12. Has Applicant provided service under any other name?

_____YES ___X__ NO

If YES, please list.______________________________________________

______________________________________________

13. Will the Applicant keep its books and records in Illinois? ______ YES __X___ NO
If NO, permission pursuant to 83 Ill. Adm Code Part 250 needs to be requested.

**See the above response to Question 3.**

**MANAGERIAL**

14. Please attach evidence of the applicant's managerial and technical resources and ability to provide service. This may be in either narrative form, resumes of key personnel, or a combination of these forms.

**Please See Exhibit D.**

15. List officers of Applicant.

**Daniel P. Caruso (President & Chief Executive Officer)**
**Ken desGarennes (Vice President and Chief Financial Officer)**
**Scott Beer (Vice President, General Counsel, & Secretary)**

16. Does any officer of Applicant have an ownership or other interest in any other entity which has provided or is currently providing telecommunications services? ___X__ YES ___ NO

If YES, list entity. ________________________________

**These officers are also officers of certain subsidiaries and affiliates of Zayo that currently provide telecommunications services including Zayo Bandwidth, LLC, Zayo Enterprise Networks, LLC ("ZEN"), Zayo Fiber Solutions, LLC ("ZFS"), American Fiber Systems, Inc. ("AFS") and Onvoy, Inc. and Minnesota Independent Equal Access Corporation (together, "Onvoy").[3] As part of the intra-corporate transactions described above, ZB and ZFS will be merged with and into Zayo, with Zayo surviving.**

17. How will Applicant bill for its service(s)? (At a minimum, describe how often the Applicant will bill for service and details of the billing statement.)

**Zayo will bill its customers directly through its own internal billing system. Bills are issued to customers on a monthly basis.**

18. How does Applicant propose to handle service, billing, and repair complaints? (At a minimum, describe Applicant's internal process for complaint resolution, the complaint escalation process, the timeframe and process by which the customer is notified by Applicant that they may seek assistance from the Commission?)

**Customers with billing questions or complaints may reach Zayo at its toll-free number at 1-800-390-6094. Customers can contact representatives of the company during the 24 hours a day, 7 days a week. In the event of a billing dispute, Zayo will perform a review of the disputed billing amount and promptly attempt to reach a settlement to the mutual satisfaction of all parties. Following a full investigation to determine whether or not the charges may have been fraudulent or improper, Zayo may adjust the disputed bill. Applicant's repair service centers are available 24 hours a day, 7 days a week to assist customers with questions or complaints.**

19. Will personnel be available at Applicant's business office during regular working hours to respond to inquiries about service or billing? __X___ YES _______ NO

20. What telephone number(s) would a customer use to contact your company?

**1-800-390-6094**

21. Will Applicant abide by all Federal and State slamming and cramming laws pursuant to Section 13-902 of the Public Utilities Act and Section 258 of the 1996 Telecommunications Act?

__X____ YES ______ NO

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[3] Onvoy provides competitive local exchange services in Indiana, Iowa, Michigan, Minnesota, North Dakota, Ohio and Wisconsin and interexchange services in Indiana, Iowa, Michigan, Minnesota, Nebraska, North Dakota, Ohio, South Dakota and Wisconsin. MIEAC provides centralized equal access services in Minnesota and North Dakota.

22. Please describe applicant's procedures to prevent slamming and cramming of customers?

**Zayo does not intend to provide local exchange or interexchange voice services in any areas in Illinois. In the event Zayo may provide such services in the future, Zayo will comply with applicable Illinois law as well as Federal Communications Commission regulations regarding how carriers may change a consumer's Primary Interexchange Carrier ("PIC"). Zayo will follow a "zero-tolerance" slamming/cramming policy that all employees that interface with customers in the sales and ordering processes are required to execute.**

23. If granted authority to operate as a local exchange carrier, will the applicant abide by the following 83 Illinois Administrative Code Parts: 705, 710, 720, 725, 730, 732, 735, 755, 756, 757, 770, and 772?

___X___ YES ______ NO (If no, please provide an explanation.)

**Applicant will abide by all of the above referenced Illinois Administrative Code Parts except those from which it seeks a waiver in this Application. (Please see response to Question 3 above.)**

24. Is Applicant aware that it must file tariffs prior to providing service in Illinois?

___X___ YES ______ NO

## FINANCIAL

25. Please attach evidence of Applicant's financial fitness through the submission of its most current income statement and balance sheet, or other appropriate documentation of applicant's financial resources and ability to provide service.

**Zayo possesses the requisite financial resources to provide all forms of resold and facilities-based telecommunications service. Applicant's financial information demonstrating its financial qualifications are provided as Exhibit E. As shown in the attached information, Zayo is financially qualified to operate within the State of Illinois.**

## TECHNICAL

26. Does Applicant utilize its own equipment and/or facilities? __X___ YES ______ NO

If YES, please list the facilities Applicant intends to utilize. Also include evidence that Applicant possesses the necessary technical resources to deploy and maintain said facilities:

**While Zayo intends to provide service primarily through its own facilities, Zayo also expects to provide service using facilities leased from other carriers. As evidenced by the managerial biographies, attached hereto as Exhibit D, Zayo meets the technical requirements needed to maintain and deploy facilities.**

If NO, which facility provider(s)'s services does the Applicant intend to use?

____________________________ ____________________________

27. Please describe the nature of service to be provided (e.g., operator services, internet, debit cards, long distance service, data services, local service, prepaid local service).

**Zayo seeks statewide authority to provide facilities-based and resold local exchange, interexchange, exchange access and private line telecommunications services in Illinois. Zayo provides Private Line, Ethernet, Wavelength, Dedicated Internet Access and Collocation services to wholesale (e.g., other carriers) and large enterprise customers. While Zayo will not initially offer switched local exchange and interexchange services, it seeks authority to provide such service so that it has flexibility to add those services in the future.**

28. Will technical personnel be available at all times to assist customers with service problems?

____X____YES _______NO

29. If Applicant intends to provide payphone service, will the equipment utilized comply with FCC requirements and Finding (9) of the Commission Order entered in Docket No. 84-0442 on June 11, 1986, including, but not limited to: (a) touch dialing; (b) access to 9-1-1 and "0" operator dialing without use of a coin; (c) rules governing use of payphones by disabled persons; (d) ability to complete local and long-distance calls; (e) unlimited duration for local calls; and (f) a message explaining the telephone's general operations, dialing instructions for emergency assistance, payphone owner's name, method of reporting service problems and method of receiving credit for faulty calls? __________YES __________NO

**Not applicable.**

____________________________________
(Signature of Applicant)

JSB

# VERIFICATION

This application shall be verified under oath.

# OATH

State of Colorado )
)ss
County of Boulder )

Scott E. Beer makes oath and says that he is Vice President, General Counsel &Secretary
(Insert here the name of affiant) (Insert the official title of the affiant)

of Zayo Group, LLC
(Insert here the exact legal title or name of the Applicant)

that he has examined the foregoing application and that to the best of his knowledge, information, and belief, all statements of fact contained in the said application are true, and the said application is a correct statement of the business and affairs of the above-named applicant in respect to each and every matter set forth therein.

(Signature of affiant)

Subscribed and sworn to before me, a Notary Public/ LINDA BEER EXP: 6-8-2011
(Title of person authorized to administer oaths)

in the State and County above named, this 20th day of January, 2011.

Linda Beer
(Signature of person authorized to administer oath)

IL Cert.

A/73638306.1

JSB

## Standard Questions for Applicants Seeking Local Exchange Service Authority

1. Is your company seeking any waivers or variances of certain Commission rules and regulations in this proceeding that pertain to local exchange service? Please provide evidence as to why your company is seeking any waiver or variance.

**Zayo seeks a waiver of Parts 710 and 735. The Commission has previously found that it is not necessary to apply these regulatory provisions to competitive service providers and has exempted competitive carriers from the application of these provisions. Such waivers reduce the economic burdens of regulation and are not consistent with the law or the purposes and policies of Article XIII of the Act.**

2. Will your company comply with 83 Illinois Administrative Code Part 772, Pay-Per-Call Services, including Part 772.55(a)(1), Billing and Part 772.100(d) Notices?

**Yes. Zayo intends to abide by all applicable rules and regulations.**

3. Will your company comply with 83 Illinois Administrative Code Part 705, Preservation of Records of Telephone Utilities?

**Yes. Zayo intends to abide by all applicable rules and regulations.**

4. Will your company abide by 83 Illinois Administrative Code Part 735, "Procedures Governing the Establishment of Credit, Billing, Deposits, Termination of Service and Issuance of Telephone Directories for Telephone Utilities in the State of Illinois"?

**Yes. Zayo intends to abide by all applicable rules and regulations.**

5. Will your company abide by 83 Illinois Administrative Code Part 732, "Customer Credits"?

**Yes. Zayo intends to abide by all applicable rules and regulations.**

6. Who will provide customer repair service for your company?

**Zayo will provide maintenance and repair services through either its own technicians, through contractual arrangements it may have with repair or maintenance service companies that will be contractors of Zayo, or through arrangements carriers whose facilities Zayo may lease.**

7. How many people does the company employ?

**Zayo and its subsidiaries collectively have approximately 400 employees.**

8. Will your company meet the requirements as they pertain to the Telephone Assistance Programs imposed by Sections 13.301 and 13.301.1 of the Illinois Public Utilities Act and 83 Illinois Administrative Code Part 757?

**Yes. Zayo intends to abide by all applicable rules and regulations.**

9. Will your company solicit, collect, and remit the voluntary contributions from its telephone subscribers to support the Telephone Assistance Programs?

**Yes. Zayo intends to abide by all applicable rules and regulations.**

10. Does your company plan on filing to become an Eligible Telecommunications Carrier?

**Zayo has no current plans to become an Eligible Telecommunications Carrier.**

11. Does the company realize that it will not be able to receive any of the federal reimbursements for the Lifeline and Link Up Programs if it is not an eligible carrier?

**Yes.**

12. Will your company offer all of the waivers associated with the Universal Telephone Service Assistance Programs (UTSAP)?

**Yes. Zayo intends to abide by all applicable rules and regulations and offer all applicable waivers.**

13. Will your company abide by the regulations as prescribed in 83 Illinois Administrative Code Part 755, "Telecommunications Access for Persons with Disabilities," 83 Illinois Administrative Code Part 756 "Telecommunications Relay Service," and Sections 13-703 of the Illinois Public Utilities Act?

**Yes. Zayo intends to abide by all applicable rules and regulations.**

14. Will the company's billing system be able to distinguish between resale and facilities based service for the collection of the ITAC line charge?

**Yes.**

15. Has your company signed and return the Universal Telephone Assistance Corporation ("UTAC") and the Illinois Telecommunications Access Corporation ("ITAC") to Commission staff?

**Please see Exhibit F.**

16. How does your company plan to solicit customers once it begins to provide local service?

**Zayo will initially utilize a direct sales force.**

17. Has your company provided service under any other name?

**Applicant has not previously provided service in Illinois under any other name. However, Applicant's wholly owned subsidiary, Zayo Bandwidth, LLC ("ZB"), has provided facilities-based local exchange and interexchange services in Illinois pursuant to Certificates issued in Docket No. 09-0086. As stated in the Application, ZB will merger with and into Applicant, with Applicant surviving as part of certain *pro forma* intra-corporate transactions planned by Applicant.**

18. Have any complaints or judgments been levied against the company? (Instate, out-of-state, or FCC).

**There have been no formal complaints filed against Zayo that ended with judgments levied against Zayo.**

## 9-1-1 Questions for Applicants Seeking Local Exchange Service Authority

1. Will your company ensure that 911 traffic is handled in accordance with the 83 Illinois Administrative Code Part 725 and the Emergency Telephone System Act?

**Yes. Zayo intends to abide by all applicable rules and regulations and offer all applicable waivers.**

2. Will your company contact and establish a working relationship with the 911 systems when you begin to provide local telephone service?

**Yes.**

3. Will your company coordinate with the incumbent LEC(s) and local 911 systems to provide transparent service for your local exchange customers?

**Yes.**

4. Who will be responsible for building and maintaining the 911 database for your local exchange customers?

**Zayo will be responsible for building and maintaining the 911 database for local exchange customers.**

5. How often will your company update the 911 database with customer information?

**Zayo will update the 911 information database as often as is required, but at a minimum, Zayo will update the 911 information database on a daily basis.**

6. Will your company's billing system have the ability to distinguish between facilities based and resale for the collection of the 911 surcharge?

**Yes.**

7. Does your company have procedures for the transitioning of the 911 surcharge collection and disbursement to the local 911 system?

**Yes.**

8. Will your company's proposal require any network changes to any of the 911 systems?

**No.**

9. Will your company be able to meet the requirements specified under Part 725.500(o) and 725.620(b) for the installation of call boxes?

**Yes. To the extent that Zayo provides resold or facilities-based local exchange (dial tone) services using switch platforms of an underlying carrier, Zayo will rely on the underlying carrier (and their call boxes or diverse routing) to comply with these rules. In the event that Zayo deploys its own switches to provide facilities-based local exchange (dial tone) services, Zayo will either install call boxes or, more likely, rely on diverse routing as permitted in Section 725.500(p). Any diverse routing used by Zayo in order to comply with the requirements under Part 725.500(o) and 725.620(b), will also meet the requirements in Section 725.500(p)(1).**

10. Does your company plan to file for a waiver of Part 725.500(o) and 725.620(b) in the future?

**At this time, Zayo does not plan to file in the future for a waiver of Part 725.500(o) and 725.620(b). In the event that Zayo finds that compliance with the provision is either technologically infeasible or that it is financially incapable of complying with the requirement, Zayo may seek a temporary waiver as permitted under Section 725.101.**

## Financial Questions for Applicants Seeking Local Exchange Service Authority

1. (Answer if requesting waiver of Part 710) What circumstances warrant a departure from the prescribed Uniform System of Accounts ("USOA")?

**Part 710 requires compliance with the Uniform System of Accounts ("USOA"). While this provision is appropriately applied to incumbent LECs that have market power, it imposes unnecessary and burdensome requirements on competitive carriers and are inconsistent with a competitive environment. Zayo seeks a waiver of this requirement.**

2. Will records be maintained in accordance with Generally Accepted Accounting Principles ("GAAP")?

**Yes. Zayo will keep its books in accordance with GAAP, which will result in a substantially equivalent portrayal of its operating results and financial condition and will maintain uniformity in the substantive results as among telecommunications companies.**

3. Will applicants accounting system provide an equivalent portrayal of operating results and financial condition as the USOA?

**Yes.**

4. Will applicants accounting procedures maintain or improve uniformity in substantive results as among similar telecommunications companies?

**Yes.**

5. Will applicant maintain its records in sufficient detail to facilitate the calculation of all applicable taxes?

**Yes.**

6. Does the accounting system currently in use by applicant provide sufficiently detailed data for the preparation of Illinois Gross Receipts Tax returns? What specific accounts or sub-accounts provide this data?

**The necessary data is provided by Zayo's billing system which requires a definition of customer service locations (city, county, state) that provide Zayo with the ability to levy proper taxes which are pass thru's to end users or provide Zayo the appropriate information to correctly report revenues consistent with Zayo's tax reporting requirements.**

7. If a waiver of Part 710 is granted, will applicant provide annual audited statements or all periods subsequent to granting of the waiver?

**Yes.**

8. Does applicant agree that the requested waiver of Part 710 will not excuse it from compliance with future Commission rules or amendments to Part 710 otherwise applicable to the Company?

**Yes.**

9. Please attached a copy of applicant's chart of accounts.

**Yes. Attached hereto under seal as Exhibit G is a copy of Zayo's Chart of Accounts.**

## Prepaid Service Questions for Applicants Seeking Local Exchange Service Authority

**Not applicable. Zayo will not provide prepaid services.**

1. Will customers have the ability to sign up with any long distance company they choose?

2. Will customers have the ability to use dial around long distance companies?

3. Does the applicant have interexchange authority in Illinois? If yes, please provide the docket number.

4. Will customers have access to the Illinois Relay Service?

5. Will customers be able to make 1-800 calls for free?

6. Will the Company offer operator services?

7. Please describe how applicant plans to collect the monthly fee to be paid in advance.

8. Will customers' monthly bills show a breakdown of services, features, surcharges, taxes, etc.?

9. Will customers pay an installation fee? If yes, will payment arrangements be offered for the installation fee?

10. Will telephone service be in the Company's name or the customer's name. If in the Company's name how will information appear in data bases, such as 9-1-1, directory assistance, etc.?

11. Will applicant offer prepaid service as a monthly service or as a usage service?

12. Will applicant provide a warning when the remaining value of service is about to cease?

13. Is the customer given more than one notice of the remaining value of service?

14. How much advance notice is given to the customer of the remaining value of service?

15. If the customer is in the middle of a call will they be disconnected when the remaining value of service has expired?

16. Has the customer been made aware of potentially being disconnected during a call when the remaining value of service expires?

17. When does the timing of a call start?

18. If the person called does not answer, is any time deducted from the customer's account?

19. Will there be any other instances in which the Company would disconnect a customer, other than running out of prepaid time?

20. When a customer runs out of time is their phone immediately disconnected or on suspension? (Will they still be able to receive calls?)

21. Are applicant's services available to TTY callers?

22. How will the applicant handle a complaint from a customer who disputes the amount of time used or remaining?

23. The Public Utilities Act requires a local calling area that has no time or duration charges. How will the Company define each customer's untimed local calling area?

# Exhibit A

## Contact Information

A) issues related to processing this application:

**Jean L. Kiddoo**
**Brett P. Ferenchak**
**Bingham McCutchen LLP**
**2020 K Street, N.W.**
**Washington, DC 20006**
**Tel: (202) 373-6000**
**Fax: (202) 373-6001**
**jean.kiddoo@bingham.com**
**brett.ferenchak@bingham.com**

B) consumer issues:

**Peter Chevalier**
**Associate General Counsel**
**Zayo Group**
**400 Centennial Parkway, Suite 200**
**Louisville, CO 80027**
**Tel: (303) 414-4008**
**Fax: (303) 226-5039**
**pchevalier@zayo.com**

C) customer complaint resolution:

**Peter Chevalier**
**Associate General Counsel**
**Zayo Group**
**400 Centennial Parkway, Suite 200**
**Louisville, CO 80027**
**Tel: (303) 414-4008**
**Fax: (303) 226-5039**
**pchevalier@zayo.com**

**End user's should contact the following:**

**Zayo Customer Care**
**400 Centennial Parkway, Suite 200**
**Louisville, CO 80027**
**Tel: (800) 390-6094**
**Fax: (303) 604-6869**
**info@zayo.com**

D) technical and service quality issues:

**Peter Chevalier**
**Associate General Counsel**
**Zayo Group**
**400 Centennial Parkway, Suite 200**
**Louisville, CO 80027**
**Tel: (303) 414-4008**
**Fax: (303) 226-5039**
**pchevalier@zayo.com**

E) "tariff" and pricing issues:

**Peter Chevalier**
**Associate General Counsel**
**Zayo Group**
**400 Centennial Parkway, Suite 200**
**Louisville, CO 80027**
**Tel: (303) 414-4008**
**Fax: (303) 226-5039**
**pchevalier@zayo.com**

F) 9-1-1 issues:

**Peter Chevalier**
**Associate General Counsel**
**Zayo Group**
**400 Centennial Parkway, Suite 200**
**Louisville, CO 80027**
**Tel: (303) 414-4008**
**Fax: (303) 226-5039**
**pchevalier@zayo.com**

G) security/law enforcement:

**Peter Chevalier**
**Associate General Counsel**
**Zayo Group**
**400 Centennial Parkway, Suite 200**
**Louisville, CO 80027**
**Tel: (303) 414-4008**
**Fax: (303) 226-5039**
**pchevalier@zayo.com**

H) ongoing regulatory contact following certification

**Peter Chevalier**
**Associate General Counsel**
**Zayo Group**
**400 Centennial Parkway, Suite 200**
**Louisville, CO 80027**
**Tel: (303) 414-4008**
**Fax: (303) 226-5039**

## Exhibit B

## Certificate of Formation

# *Delaware*



*The First State*

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE DO HEREBY CERTIFY THAT THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF CONVERSION OF A DELAWARE CORPORATION UNDER THE NAME OF "ZAYO BANDWIDTH, INC." TO A DELAWARE LIMITED LIABILITY COMPANY, CHANGING ITS NAME FROM "ZAYO BANDWIDTH, INC." TO "ZAYO GROUP, LLC", FILED IN THIS OFFICE ON THE FIFTEENTH DAY OF FEBRUARY, A.D. 2008, AT 9:32 O'CLOCK A.M.

Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

4346984 8100V

080165531

AUTHENTICATION: 6384856

DATE: 02-15-08

State of Delaware
Secretary of State
Division of Corporations
Delivered 09:39 AM 02/15/2008
FILED 09:32 AM 02/15/2008
SRV 080165531 - 4346984 FILE

# CERTIFICATE OF CONVERSION OF ZAYO BANDWIDTH, INC. TO ZAYO GROUP, LLC

In accordance with the provisions of Section 266 of the Delaware General Corporation Law, **Zayo Bandwidth, Inc.**, a corporation existing under the laws of the State of Delaware (the "**Converting Corporation**"), hereby adopts and authorizes for filing with the Delaware Secretary of State, this Certificate of Conversion (this "**Certificate**") for the purpose of converting the Converting Corporation into a limited liability company organized under the laws of the State of Delaware named **Zayo Group, LLC** (the "**New Company**").

The undersigned, a duly authorized officer of the Converting Corporation, certifies as follows:

1. The Converting Corporation is a corporation organized under the laws of the State of Delaware.

2. The name of the Converting Corporation immediately prior to the conversion and subsequent filing of this Certificate is Zayo Bandwidth, Inc.

3. The date the Converting Corporation was organized under the laws of the State of Delaware is May 4, 2007 under the name CII Holdco, Inc.

4. The name of the New Company as set forth in its Certificate of Formation is Zayo Group, LLC.

This Certificate is executed by the undersigned authorized officer of the Converting Corporation as of February 15th, 2008.

**ZAYO BANDWIDTH, INC.,**
a Delaware corporation

By: ______________________
Name: Scott E. Beer
Title: Vice President, General Counsel and Secretary

# Delaware



*The First State*

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE DO HEREBY CERTIFY THAT THE ATTACHED IS A TRUE AND CORRECT COPY OF CERTIFICATE OF FORMATION OF "ZAYO GROUP, LLC" FILED IN THIS OFFICE ON THE FIFTEENTH DAY OF FEBRUARY, A.D. 2008, AT 9:32 O'CLOCK A.M.

Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

4346984 8100V

080165531

AUTHENTICATION: 6384856

DATE: 02-15-08

State of Delaware
Secretary of State
Division of Corporations
Delivered 09:39 AM 02/15/2008
FILED 09:32 AM 02/15/2008
SRV 080165531 - 4346984 FILE

# CERTIFICATE OF FORMATION
# OF
# ZAYO GROUP, LLC

TO THE SECRETARY OF STATE
OF THE STATE OF DELAWARE:

The undersigned, an authorized natural person, for the purpose of forming a limited liability company, under the provisions and subject to the requirements of the State of Delaware (particularly Chapter 18, Title 6 of the Delaware Code and the acts amendatory thereof and supplemental thereto, and known, identified, and referred to as the "Delaware Limited Liability Company Act") hereby certifies that:

## ARTICLE I

## NAME

The name of the limited liability company is Zayo Group, LLC (the "**Company**").

## ARTICLE II

## INITIAL REGISTERED OFFICE AND REGISTERED AGENT

The address of the registered office and the name and address of the registered agent of the limited liability company required to be maintained by Section 18-104 of the Delaware Limited Liability Company Act is The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801, County of New Castle.

**IN WITNESS WHEREOF,** the undersigned authorized agent of the Company has executed this Certificate of Formation as of the 15th day of February, 2008.

By: ______________________
Name: Scott E. Beer
Title: Authorized Person

# <u>Exhibit C</u>

## Authority to Transact Business in Illinois

# OFFICE OF THE SECRETARY OF STATE

**JESSE WHITE** • Secretary of State

JANUARY 18, 2011 0336369-4

C T CORPORATION SYSTEM
208 SO LASALLE ST, SUITE 814
CHICAGO, IL 60604-1101

RE ZAYO GROUP, LLC

DEAR SIR OR MADAM:

IT HAS BEEN OUR PLEASURE TO APPROVE YOUR REQUEST TO TRANSACT BUSINESS IN THE STATE OF ILLINOIS. ENCLOSED PLEASE FIND THE APPROVED APPLICATION FOR ADMISSION.

PLEASE NOTE! THE LIMITED LIABILITY COMPANY MUST FILE AN ANNUAL REPORT PRIOR TO THE FIRST DAY OF THIS MONTH OF QUALIFICATION NEXT YEAR. FAILURE TO TIMELY FILE WILL RESULT IN A $300 PENALTY AND/OR REVOCATION. A PRE-PRINTED ANNUAL REPORT WILL BE MAILED TO THE REGISTERED AGENT AT THE ADDRESS ON OUR RECORDS APPROXIMATELY 45 DAYS BEFORE THE DUE DATE.

MANY OF OUR SERVICES ARE AVAILABLE AT OUR CONTINUOUSLY UPDATED WEBSITE. VISIT WWW.CYBERDRIVEILLINOIS.COM TO VIEW THE STATUS OF THIS COMPANY, PURCHASE A CERTIFICATE OF GOOD STANDING, OR EVEN FILE THE ANNUAL REPORT REFERRED TO IN THE EARLIER PARAGRAPH.

SINCERELY YOURS,

JESSE WHITE
SECRETARY OF STATE
DEPARTMENT OF BUSINESS SERVICES
LIMITED LIABILITY DIVISION
(217) 524-8008

0336369-4

Form **LLC-45.5**
June 2010

**Secretary of State**
Department of Business Services
Limited Liability Division
501 S. Second St., Rm. 351
Springfield, IL 62756
217-524-8008
www.cyberdriveillinois.com

Payment must be made by certified check, cashier's check, Illinois attorney's check, C.P.A.'s check or money order payable to Secretary of State.

Illinois Limited Liability Company Act

# Application for Admission to Transact Business

**SUBMIT IN DUPLICATE**
Type or Print Clearly.

**This space for use by Secretary of State.**

**Filing Fee:** $500
**Penalty:** $
**Approved:** Jw

**FILE #:**

**This space for use by Secretary of State.**

**FILED**

**JAN 18 2011**

**JESSE WHITE**
**SECRETARY OF STATE**

1. Limited Liability Company Name: Zayo Group, LLC

2. Assumed Name: N/A
**(This item is only applicable if the company name in item 1 is not available for use in Illinois, in which case form LLC 1.20 must be completed and submitted with this application.)**

3. Jurisdiction of Organization: Delaware

4. Date of Organization: 5/4/2007

5. Period of Duration: Perpetual
(Enter Perpetual unless there is a Date of Dissolution provided in the agreement, in which case enter that date.)

6. Address of the Office required to be maintained in the jurisdiction of its organization or, if not required, of the Principal Place of Business: (P.O. Box alone or c/o is unacceptable.)

400 Centennial Pkwy, Suite 200
Number / Street / Suite #

Louisville, CO 80247
City,State / ZIP Code

7. Registered Agent: C T Corporation System
First Name / Middle Name / Last Name

Registered Office: 208 South LaSalle Street, Suite 814
(P.O. Box alone or c/o is unacceptable.)
Number / Street / Suite #

Chicago, Illinois 60604
City / Zip Code

8. If applicable, Date on which Company first conducted business in Illinois: Upon Filing

(continued on back)

LLC-45.5

9. Purpose(s) for which the Company is Organized and Proposes to Conduct Business in Illinois: Wholesale Telecommunications

10. The Limited Liability Company: (check one)

a. ☒ is managed by the **manager(s)** (List names and addresses.)

Ken desGarennes 400 Centennial Pkwy, Suite 200, Louisville, CO 80247

Scott Beer 400 Centennial Pkwy, Suite 200, Louisville, CO 80247

b. ☐ has management vested in the **members(s)** (List names and addresses.)

11. The Illinois Secretary of State is hereby appointed the agent of the Limited Liability Company for service of process under circumstances set forth in subsection (b) of Section 1-50 of the Illinois Limited Liability Company Act.

12. **This application is accompanied by a Certificate of Good Standing or Existence, duly authenticated within the last 60 days, by the officer of the state or county wherein the LLC is formed.**

13. The undersigned affirms, under penalties of perjury, having authority to sign hereto, that this application for admission to transact business is to the best of my knowledge and belief, true, correct and complete.

Dated: 1/14/2011
Month, Day, Year

Signature

Ken desGarennes, Manager
Name and Title (type or print)

If applicant is signing for a Company or other Entity, state Name of Company and indicate whether it is a member or manager of the LLC.

# Delaware



*The First State*

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "ZAYO GROUP, LLC" IS DULY FORMED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE ELEVENTH DAY OF JANUARY, A.D. 2011.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL TAXES HAVE BEEN PAID TO DATE.

SECRETARY'S OFFICE 1793 DELAWARE 1855

Jeffrey W. Bullock, Secretary of State

4346984 8300

110032472

AUTHENTICATION: 8487046

DATE: 01-11-11

**Exhibit D**

**Management and Technical Qualifications**

**Dan Caruso**
**Co-Founder, President and CEO**

Dan is currently President and CEO of the Zayo Group (www.zayo.com) and Chairman of Envysion (www.envysion.com). As part of his Zayo Group responsibilities, Dan also oversees Onvoy Voice Services (www.onvoy.com). He is a board member of GTS Central Europe (www.gtsce.com) and, until recently, sat on the board of New Global Telecom (www.ngt.com). NGT was sold to Comcast in February 2010.

Between 2004 and 2006, Dan was President and CEO of ICG Communications. In 2004, he led a buyout of ICG and took it private. ICG, at the time, had about $100M of debt and was burning their remaining $30M of cash at a rate of $8M a month. Columbia Capital and M/C Venture Partners, who backed the buyout, invested a total of $8.7M. In 2006, ICG was sold to Level 3 for $170M, resulting in a total distribution to the buyout group and management of over $225M and a total return on investment of 25x.

Dan was one of the founding executives of Level(3) Communications; from inception in 1997 through ~2000, Dan was responsible for Level 3's engineering, construction, and operations organizations; between 2001 and 2003, most of Level 3's lines of business and marketing functions were his responsibility. Prior to Level 3, Dan was a member of the MFS Communications senior management team. He began his career at Illinois Bell/Ameritech.

Dan has an MBA from the University of Chicago and a BS in Mechanical Engineering from University of Illinois. He is a board member in Colorado Uplift, a charity that helps Denver's inner city youth stay focused on school and personal development.

**Ken desGarennes**
**Chief Financial Officer**

Ken desGarennes has 13 years of experience in technology and communications, most recently as the CFO of Wire One Communications. Wire One, the largest international provider of videoconferencing solutions in the market, was created through the acquisition and integration of three videoconferencing properties. In addition to leading the acquisition and integration efforts, Ken was responsible for raising debt and building a world class finance organization.

Prior to joining Wire One, Ken was a Senior Director at the Gores Group, a technology focused private equity firm. While at the Gores Group, Ken led the financial due diligence and negotiations on numerous acquisitions in both the telecom and technology market. Ken started his career as a commercial banking officer with First Union Bank before moving to Accenture where he worked for 6 years in a corporate development role.

Ken received his BS in finance from the University of Maryland in College Park.

**Scott Beer**

**General Counsel**

Scott Beer has 17 years of experience in the legal field, with an emphasis on telecommunications. He most recently worked for Level 3 Communications as VP of Carrier Relations, responsible for vendor relations covering $1.8 billion in network expenses. Prior to Level 3's acquisition of ICG Communications, Scott was VP and General Counsel of ICG, overseeing all legal and regulatory matters for the company. Scott started with ICG as Director of Government Affairs handling all state and federal regulatory matters and providing legal support to new product development.

Before starting with ICG, Scott was in house counsel at MCI WorldCom supporting the Mass Markets Finance Department for three years. He began his legal career as an associate attorney for a Denver law firm, where he was a commercial litigator and represented several large communication companies.

Scott holds a Juris Doctorate from Detroit College of Law at Michigan State University. He earned his B.A. from Michigan State in Communications and Pre-law.

**David Howson**
**President, Zayo Bandwidth**

David has 17 years telecommunications experience and was most recently President of zColo, a Zayo Group company. Prior to zColo, David served as Senior Vice President of Customer Service Management at Level 3 Communications. In this role David oversaw customer and network operations of all of Level 3's services including colocation, his responsibilities included customer service, security, network monitoring and maintenance. He was also responsible for the design and build of more than 15 Colocation Centers totaling more than 300,000 sq ft of space. Prior to that, David held a number of leadership roles where he was responsible for access management, M&A integrations, network and infrastructure planning and development, and network and facility construction in Asia, Europe, and North America. David earned his Engineering Degree with Honors from Oxford.

# Exhibit E

## Financial Qualifications

# Consolidated Financial Statements

**As of June 30, 2010 and 2009 and for the three years ended June 30, 2010**

# Zayo Group, LLC

| | |
|---|---|
| **Delaware**<br>(State of Incorporation) | **26-2012549**<br>(I.R.S. Employer Identification No.) |
| **400 Centennial Parkway, Suite 200, Louisville, CO**<br>(Address of principal executive offices) | **80027**<br>(Zip Code) |

**(303) 381-4683**
(Company's telephone number, including area code)

**ZAYO GROUP, LLC AND SUBSIDIARIES**
**CONSOLIDATED FINANCIAL STATEMENTS**

# Report of Independent Certified Public Accountants

Audit • Tax • Advisory

**Grant Thornton LLP**
707 17th Street, Suite 3200
Denver, CO 80202-3336

T 303.813.4000
F 303.839.5711
www.GrantThornton.com

To the Members of
Zayo Group, LLC and Subsidiaries

We have audited the accompanying consolidated balance sheets of Zayo Group, LLC (a Delaware corporation) and subsidiaries (collectively, the "Company") as of June 30, 2010 and 2009, and the related consolidated statements of operations, member's equity, and cash flows for each of the three years in the period ended June 30, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Zayo Group, LLC and subsidiaries as of June 30, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2010 in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Denver, Colorado
September 10, 2010

## ZAYO GROUP, LLC AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS
**(in thousands)**

| | June 30, 2010 | June 30, 2009 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | $ 89,161 | $ 38,781 |
| Restricted cash, current | 809 | - |
| Trade receivables, net of allowance of $1,093 and $1,151 as of June 30, 2010 and 2009, respectively | 12,721 | 4,755 |
| Due from related parties | 871 | 30 |
| Other receivables | 348 | 158 |
| Prepaid expenses | 5,144 | 2,626 |
| Deferred income taxes | 4,060 | - |
| Debt issuance costs, net | - | 1,176 |
| Assets of discontinued operations, current | - | 5,810 |
| **Total current assets** | **113,114** | **53,336** |
| | | |
| Property and equipment, net of accumulated depreciation of $57,425 and $28,379 as of June 30, 2010 and 2009, respectively | 301,911 | 216,583 |
| Intangible assets, net of accumulated amortization of $28,222 and $16,159 as of June 30, 2010 and 2009, respectively | 59,851 | 30,242 |
| Goodwill | 68,751 | 68,751 |
| Deferred income taxes | 7,050 | - |
| Restricted cash, non-current | - | 245 |
| Debt issuance costs, net | 9,560 | 3,536 |
| Other assets | 4,144 | 3,072 |
| Assets of discontinued operations, non-current | | 46,397 |
| **Total assets** | **$ 564,381** | **$ 422,162** |
| | | |
| **Liabilities and member's equity** | | |
| Current liabilities | | |
| Accounts payable | $ 10,502 | $ 6,279 |
| Accrued liabilities | 18,349 | 10,060 |
| Accrued interest | 7,794 | 1,579 |
| Current portion of capital lease obligations | 1,673 | 1,959 |
| Current portion long-term debt | - | 1,350 |
| Deferred revenue, current portion | 8,146 | 2,602 |
| Liabilities of discontinued operations, current | - | 2,602 |
| **Total current liabilities** | **46,464** | **26,431** |
| | | |
| Capital lease obligations, net of current portion | 11,033 | 13,204 |
| Long-term debt, net of current portion | 247,080 | 134,975 |
| Deferred revenue, net of current portion | 22,648 | 18,724 |
| Stock-based compensation liability | 21,623 | 4,590 |
| Deferred income taxes | - | 6,470 |
| Other long term liabilities | 2,397 | 2,382 |
| Liabilities of discontinued operations, non-current | - | 2,367 |
| **Total liabilities** | **351,245** | **209,143** |
| | | |
| **Member's equity** | | |
| Member's interest | 217,129 | 217,473 |
| Accumulated deficit | (3,993) | (4,454) |
| **Total member's equity** | **213,136** | **213,019** |
| **Total liabilities and member's equity** | **$ 564,381** | **$ 422,162** |

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

**ZAYO GROUP, LLC AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF OPERATIONS**
**(in thousands)**

| | Years ended June 30, 2010 | 2009 | 2008 |
|---|---|---|---|
| Revenue | $ 224,045 | $ 150,804 | $ 77,569 |
| Operating costs and expenses | | | |
| Operating costs, excluding depreciation and amortization | 73,537 | 48,797 | 24,328 |
| Selling, general and administrative expenses | 73,771 | 62,419 | 37,404 |
| Stock-based compensation | 18,228 | 6,418 | 3,381 |
| Depreciation and amortization | 41,184 | 29,567 | 11,922 |
| Total operating costs and expenses | 206,720 | 147,201 | 77,035 |
| Operating income | 17,325 | 3,603 | 534 |
| Other income (expense) | | | |
| Interest expense | (18,692) | (15,248) | (6,287) |
| Other income | 10,607 | 249 | 351 |
| Loss on extinguishment of debt | (5,881) | - | - |
| Total other expense, net | (13,966) | (14,999) | (5,936) |
| Earnings/(loss) from continuing operations before income taxes | 3,359 | (11,396) | (5,402) |
| Provision/(benefit) for income taxes | 6,293 | (2,106) | (699) |
| Loss from continuing operations | (2,934) | (9,290) | (4,703) |
| Earnings from discontinued operations, net of income taxes | 3,395 | 7,043 | 2,750 |
| **Net earnings/(loss)** | **$ 461** | **$ (2,247)** | **$ (1,953)** |

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

## ZAYO GROUP, LLC AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF MEMBER'S EQUITY
**(in thousands)**

| | Member's interest | Accumulated deficit | Total Member's equity |
|---|---|---|---|
| **Balance at July 1, 2007** | **$ 6,797** | **$ (254)** | **$ 6,543** |
| Capital contributed (cash) | 166,450 | - | 166,450 |
| Property contributed | 3,250 | - | 3,250 |
| Stock-based compensation | 3,381 | - | 3,381 |
| Net loss | - | (1,953) | (1,953) |
| **Balance at June 30, 2008** | **179,878** | **(2,207)** | **177,671** |
| Capital contributed (cash) | 35,546 | - | 35,546 |
| Stock-based compensation | 2,049 | - | 2,049 |
| Net loss | - | (2,247) | (2,247) |
| **Balance at June 30, 2009** | **217,473** | **(4,454)** | **213,019** |
| Capital contributed (cash) | 39,800 | - | 39,800 |
| Capital contributions (non-cash) | 1,200 | - | 1,200 |
| Stock-based compensation | 1,195 | - | 1,195 |
| Spin-off of Onvoy Voice Services | (42,539) | - | (42,539) |
| Net earnings | - | 461 | 461 |
| **Balance at June 30, 2010** | **$ 217,129** | **$ (3,993)** | **$ 213,136** |

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS
## (in thousands)

| | June 30, 2010 | June 30, 2009 | June 30, 2008 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Net earnings/(loss) | $ 461 | $ (2,247) | $ (1,953) |
| Earning from discontinued operations | 3,395 | 7,043 | 2,750 |
| **Loss from continuing operations** | **(2,934)** | **(9,290)** | **(4,703)** |
| *Adjustments to reconcile net earnings/(loss) from continuing operations to net cash provided by operating activities* | | | |
| Depreciation and amortization | 41,184 | 29,567 | 11,922 |
| Loss on extinguishment of debt | 5,881 | - | - |
| Loss on disposal of assets | - | 66 | - |
| Bad debt expense | 278 | 756 | 112 |
| Amortization of deferred financing costs | 1,624 | 1,114 | 500 |
| Stock-based compensation | 18,228 | 6,418 | 3,381 |
| Gain on bargain purchase | (9,081) | - | - |
| Amortization of deferred revenue | (7,858) | (3,843) | (4,944) |
| Unrealized loss on interest rate swaps | 744 | 3,143 | - |
| Deferred income taxes | 5,421 | (1,906) | (600) |
| **Changes in operating assets and liabilities, net of acquisitions** | | | |
| Customer prepayments | 7,988 | 7,462 | 1,317 |
| Interest rate swap | (2,463) | (859) | - |
| Receivables | 727 | 2,126 | 6,740 |
| Prepaid expenses | (288) | (775) | (189) |
| Restricted cash | (564) | - | - |
| Other assets | (995) | (1,973) | (179) |
| Accounts payable and accrued liabilities | 5,538 | (3,283) | (1,617) |
| Payables to related parties | (2,030) | 7 | (37) |
| Other liabilities | 15 | (322) | 781 |
| **Net cash provided by operating activities** | **61,415** | **28,408** | **12,484** |
| | | | |
| **Cash flows from investing activities:** | | | |
| Purchases of property and equipment | (59,779) | (62,107) | (22,729) |
| Proceeds from disposition of property and equipment | - | - | 1,189 |
| Acquisition of FiberNet Telecom Group, Inc., net of cash acquired | (96,571) | - | - |
| Acquisition of Columbia Fiber Solutions LLC, net of cash acquired | - | (12,091) | - |
| Acquisition of Onvoy, Inc. net of cash acquired | - | - | (34,327) |
| Acquisition of Memphis Networx , LLC, net of cash acquired | - | - | (9,173) |
| Acquisition of PPL Telcom, LLC, net of cash acquired | - | - | (41,318) |
| Acquisition of Indiana Fiber Works, LLC, net of cash acquired | - | - | (22,601) |
| Acquisition of Vopicepipe Communications, Inc., net of cash acquired | - | (15) | 465 |
| Acquisition of Citynet Fiber Network, LLC, net of cash acquired | - | (35) | (99,168) |
| Acquisition of Northwest Telephone, Inc., net of cash acquired | - | 618 | (5,799) |
| Acquisition of NTI CA LLC, net of cash acquired | - | (15) | - |
| **Net cash used in investing activities** | **(156,350)** | **(73,645)** | **(233,461)** |

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

**Continued**

## ZAYO GROUP, LLC AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS
## (in thousands)

| | June 30, 2010 | June 30, 2009 | June 30, 2008 |
|---|---|---|---|
| **Cash flows from financing activities:** | | | |
| Equity contributions | 39,800 | 35,546 | 166,450 |
| Proceeds from borrowings | 276,948 | 47,000 | 100,002 |
| Principal repayments on debt obligations | (166,193) | (10,677) | - |
| Principal repayments on capital lease obligations | (2,192) | (2,267) | (877) |
| Restricted cash | - | - | (230) |
| Deferred financing costs | (12,353) | (1,681) | (4,645) |
| **Net cash provided by financing activities** | **136,010** | **67,921** | **260,700** |
| **Cash flows from discontinued operations:** | | | |
| Operating activities | 10,144 | 11,932 | 1,149 |
| Investing activities | (781) | (1,033) | (36,782) |
| Financing activities | - | - | - |
| **Net cash provided/(used) by discontinued operations** | **9,363** | **10,899** | **(35,633)** |
| Net increase in cash and cash equivalents | 50,438 | 33,583 | 4,090 |
| Cash and cash equivalents, beginning of year | 38,781 | 4,554 | 1,552 |
| (Increase)/ decrease in cash and cash equivalents of discontinued operations | (58) | 644 | (1,088) |
| **Cash and cash equivalents, end of year** | **$ 89,161** | **$ 38,781** | **$ 4,554** |
| **Supplemental disclosure of cash flows information:** | | | |
| Cash paid for interest | $ 6,215 | $ 10,845 | $ 5,346 |
| Cash paid for income taxes | 257 | 326 | 5 |

### Supplemental disclosure of non-cash, investing and financing activities:

The Company had approximately $7,032, $3,665 and $5,012 of accrued construction liabilities relating to its various development projects as of June 30, 2010, 2009 and 2008, respectively. The Company has adjusted the total purchases of property and equipment by these amounts to reflect the cash amounts paid in the respective periods. In addition, the Company entered into capital leases of approximately $324, $1,650 and $1,180 during the year ended June 30, 2010, 2009 and 2008, respectively. The Company has offset the total purchases of property and equipment by these amounts.

Subsequent to the spin-off of Onvoy Voice Services ("Onvoy") (See Note 4 – *Spin-off of Onvoy Voice Services Segment*) the Company utilized $3,001 of net operating losses ("NOL") of Onvoy which is now a subsidiary of the Company's parent – Communications Infrastructure Investments, LLC ("CII"). The Company has accounted for the benefit realized from the usage of the NOLs of $1,200 as a non-cash equity contribution from its Parent.

During fiscal year 2008 CII contributed to the Company through Holdings property from Voicepipe Communications, Inc. valued at $3,250.

Refer to Note 3 – *Acquisitions*, of the Company's consolidated financial statements for details of the Company's recent acquisitions and Note 4 – *Spin-off of Onvoy Voice Services Segment*, for details of 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, LLC, a Delaware Limited Liability Company ("LLC"), formerly CII Holdco, Inc., and, prior to that, Zayo Bandwidth, Inc., was formed on May 4, 2007, and is the operating parent company of a number of subsidiaries engaged in telecommunication services. Zayo Group, LLC and its subsidiaries are collectively referred to as "Zayo Group" or the "Company". Headquartered in Louisville, Colorado, the Company operates an integrated metropolitan and nationwide fiber optic infrastructure to offer:

- Converged and data services.
- Private line services consisting of local and intercity dedicated facilities.
- Colocation services and intra building transport services.

Zayo Group, LLC is wholly owned by Zayo Group Holdings, Inc., ("Holdings") which in turn is wholly owned by Communications Infrastructure Investments, LLC ("CII"). Zayo Group Holdings, Inc. has no operations and was formed to pledge its equity interest in Zayo Group, LLC, to the Company's lenders.

## (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 intercompany accounts and transactions have been eliminated in consolidation. Certain prior year amounts have been reclassified to conform to the current year presentation. The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP").

### b. Spin-off of operating segment

On March 12, 2010, the Company completed a spin-off of one of its operating segments, Onvoy Voice Services ("Onvoy"). The Company distributed all assets and liabilities of Onvoy to Holdings. Consistent with the discontinued operations reporting provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 280-20, *Discontinued Operations*, the Company determined that it had discontinued all significant cash flows and continuing involvement with respect to Onvoy's operations and therefore consider these to be discontinued operations. Therefore, for the periods presented the results of the operations of Onvoy have been aggregated and are presented in a single caption entitled "Earnings from discontinued operations, net of income taxes" on the accompanying consolidated statements of operations. The Company has not allocated any general corporate overhead to amounts presented in discontinued operations, nor has it elected to allocate interest costs. Assets and liabilities associated with Onvoy have been segregated from continuing operations and presented as assets and liabilities of discontinued operations on the accompanying June 30, 2009 consolidated balance sheet. Also see Note 4 – *Spin-off of Onvoy Voice Service Segment* for further information.

Unless otherwise noted, dollar amounts and disclosures throughout the Company's Notes to the Consolidated Financial Statements relate to the Company's continuing operations and are presented in thousands of dollars.

**c. Use of Estimates**

The preparation of the Company's consolidated financial statements in conformity with accounting principles generally accepted in the United States requires the Company's 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 expense during the reporting period. Significant estimates are used when establishing allowances for doubtful accounts, reserves for disputed line cost billings, determining useful lives for depreciation and amortization, assessing the need for impairment charges, allocating purchase price among the fair values of assets acquired and liabilities assumed, accounting for income taxes, stock-based compensation liability and various other items. The Company evaluates these estimates and judgments on an ongoing basis and bases its estimates 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 under different assumptions or conditions.

**d. 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.

**e. Trade Receivables**

Trade receivables are recorded at the invoiced amount and do not bear interest. Amounts collected on trade receivables are included in net cash provided by operating activities in the consolidated statements of cash flows. 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, the amount of receivables in dispute, 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.

**f. 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 fair value (net of reductions for the allocation of gain on bargain purchase for acquisitions recorded prior to July 1, 2009). 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 assets' estimated useful lives from the date placed into service, which are determined based on 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. Assets held for sale are stated at the lower of the carrying value or fair market value less costs to sell and are not depreciated.

Equipment acquired under capital leases are 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 (net of reductions for the allocation of gain on bargain purchase for acquisitions recorded prior to July 1, 2009). Amortization 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.

In accordance with ASC 360-10-35 (formerly FASB Statement No 144), the Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of its assets 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 long-lived assets and the amount of the impairment.

**g. Goodwill and Purchased Intangibles**

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 and when a triggering event occurs between impairment test dates, in accordance with the provisions of ASC 350 (formerly FASB Statement No. 142), *Goodwill and Other Intangible Assets.* The goodwill impairment test is a two-step test. Under the first step, the fair value of the reporting unit is compared with its carrying value (including goodwill). If the 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 accordance with ASC 805-10 (Formerly FASB Statement No. 141), *Business Combinations*. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is determined using a discounted cash flow analysis. If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed.

Intangible assets with estimable 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 charge was recorded during the years ended June 30, 2010, 2009 or 2008.

**h. Derivative Financial Instruments**

The Company utilizes interest rate swaps to mitigate its exposure to interest rate risk. Derivative instruments are recorded in the balance sheet as either assets or liabilities, measured at fair value. Changes in fair value are recognized in earnings. The Company entered into interest rate swaps to convert a portion of its floating rate debt to fixed rate debt and did not elect to apply hedge accounting. The interest rate differentials to be paid or received under such derivatives and the changes in the fair value of the instruments are recognized and recorded as adjustments to interest expense. The principle objectives of the derivative instruments are to minimize the interest rate risks associated with financing activities. The Company does not use financial instruments for trading purposes. The Company has open interest rate swap contracts which were entered into in connection with obtaining the Company's term loans. The term loans were paid in full from the proceeds of the Company's high yield bond offering in March 2010. The interest rate swaps associated with the term loans were not cancelled however the contracts terminate in September 2010. See Note 8 – *Long-term Debt*, for further discussion of the Company's debt obligations and Note 12 – *Fair Market Measurements*, for a discussion of the fair market value of the interest rate swaps.

**i. Revenue Recognition**

The Company's revenue was generated from the following products and services:

| | Year ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2010 | | 2009 | | 2008 | |
| | Amounts | Percentage (1) | Amounts | Percentage (1) | Amounts | Percentage (1) |
| Converged and data services | $33,245 | 14.8% | $26,043 | 17.3% | $12,946 | 16.7% |
| Private line services | 169,736 | 75.8 | 124,761 | 82.7 | 64,623 | 83.3 |
| Colocation services (2) | 21,064 | 9.4 | N/A (2) | N/A (2) | N/A (2) | N/A (2) |
| | $224,045 | 100% | $150,804 | 100% | $77,569 | 100% |

(1) Represents percentage of revenue

(2) Colocation services business was acquired in September 2009.

In accordance with ASC 605-10 *Revenue Recognition*, the Company recognizes revenues derived from leasing fiber optic telecommunications infrastructure and the provision of telecommunications and co-location services when the service has been provided and when there is persuasive evidence of an arrangement, the fee is fixed or determinable and collection of the receivable is reasonably assured. Taxes collected from customers and remitted to governmental authority are reported on a net basis and are excluded from revenue.

Most revenue is billed in advance on a fixed rate basis. The remainder of revenue is billed in arrears on a transactional basis determined by customer usage. Fees billed in connection with customer installations and other up-front charges are deferred and recognized as revenue ratably over the contract life.

**j. Operating Costs and Accrued Liabilities**

The Company leases certain network facilities, primarily circuits, from other local exchange carriers to augment its owned infrastructure for which it is generally billed a fixed monthly fee. The Company also uses the facilities of other carriers for which it is billed on a usage basis.

The Company recognizes the cost of these facilities or services when it is incurred in accordance with contractual requirements. The Company 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 or inadequate call detail 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, the Company 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 amounts that may be incurred to conclude the negotiations or settle any litigation.

**k. Stock-based Compensation**

The Company accounts for stock-based compensation in accordance ASC 718 (formerly FASB Statement No. 123R), *Compensation – Stock Compensation.* The common units granted in the Company's ultimate Parent company, CII, are considered stock-based compensation with terms that require the awards to be classified as liabilities. As such, the Company accounts for these awards as a liability and re-measures the liability at each reporting date. These awards vest over a period of four years or fully vest subsequent to a liquidation event.

**l. Government Grants**

The Company receives grant moneys from the Federal Recovery Act Broadband Opportunity Program. The Company accounts for grant moneys received as a deduction from the cost of the asset in arriving at its book value. The grant is thus recognized in earnings over the useful life of a depreciable asset by way of a reduced depreciation charge.

**m. Income Taxes**

The Company accounts for income taxes in accordance with ASC 740 (formerly SFAS No. 109 *Accounting for Income Taxes*). 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.

The Company records interest related to unrecognized tax benefits and penalties in income tax expense.

**n. Fair Value of Financial Instruments**

The Company adopted ASC 820-10 (formerly FASB No. 157, *Fair Value Measurements*), for its financial assets and liabilities effective June 30, 2009. This pronouncement defines fair value, establishes a framework for measuring fair value, and requires expanded disclosures about fair value measurements. ASC 820-10 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. ASC 820-10 discusses valuation techniques, such as 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*

ASC 820-10 establishes a fair value hierarchy 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. GAAP establishes three levels of inputs that may be used to measure fair value:

*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;
- 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.

ASC 820-10 defines 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, the Company 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.

The Company's financial instruments consist of cash and cash equivalents, restricted cash, accounts receivable, accounts payable, interest rate swaps and long-term debt. The Company records its stock-based compensation liability at fair value

**o. Concentration of Credit Risk**

Financial instruments which potentially subject the Company to concentration of credit risk consist principally of temporary cash investments and accounts receivable. The Company does not enter into financial instruments for trading or speculative purposes. The Company's cash and cash equivalents are held in commercial bank accounts in the United States of America. Account balances generally exceed federally insured limits, however the Company limits its cash investments to high quality financial institutions in order to minimize its credit risk. The Company's trade receivables, which are unsecured, are geographically dispersed. During fiscal year 2010 the Company had one customer which represented 12 percent of the Company's total revenue. No customers represented greater than 10 percent of total revenue during 2009 and 2008. As of June 30, 2010 and 2009 the Company did not have a single customer with a trade receivable balance exceeding 10 percent of the Company's consolidated net trade receivable balance.

**p. Recently Issued Accounting Standards**

In June 2009, the FASB issued ASC 105 (formerly FASB Statement No. 168), *Generally Accepted Accounting Principles*, establishing the *FASB Accounting Standards Codification* (ASC) as the source of authoritative generally accepted accounting principles (GAAP) to be applied by nongovernmental entities. ASC 105 is effective for annual and interim periods ending after September 15, 2009, and the Company has updated its references to GAAP in this report in accordance with the provisions of this pronouncement. The implementation of ASC 105 did not have an effect on the Company's financial position or results of operations.

In February 2010, the FASB issued Accounting Standards Update ("ASU") 2010-09, *Subsequent Events*, which updated ASC 855, *Subsequent Events* ("ASC 855"). FASB ASU 2010-09 clarifies the date through which the Company is required to evaluate subsequent events. Companies are required to evaluate subsequent events through the date that the financial statements are available to be issued. The Company has adopted this standard effective June 30, 2010.

In January 2010, the FASB issued ASU 2010-06, *Improving Disclosures about Fair Value Measurements.* ASU 2010-06 requires a reporting entity to disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 and describe the reasons for the transfers. A reporting entity should separately disclose information about purchases, sales, issuances and settlements for Level 3 reconciliation disclosures. The new disclosures and clarifications of existing disclosures are effective for financial statements issued interim or annual financial periods ending after December 15, 2009, with the exception for the reconciliation disclosures for Level 3, which are effective for financial statements issued with interim or annual financial periods ending after December 15, 2010. The adoption of the new accounting standards update did not have an impact on the Company's consolidated results of operations, financial condition or financial disclosures.

In June 2009, the FASB issued ASU 2009-17, *Consolidations* (ASC Topic 860), a new accounting standard that changes the consolidation rules as they relate to variable interest entities. The new standard makes significant changes to the model for determining who should consolidate a variable interest entity, and also addresses how often this assessment should be performed. The standard becomes effective for Zayo on July 1, 2010. The adoption of the new accounting standards update is not expected to have a material impact on the Company's consolidated results of operations, financial condition or financial disclosures.

In October 2009, the FASB issued Accounting Standards Update Number 2009-13, *Revenue Recognition (ASC 605) Multiple-Deliverable Revenue Arrangements a consensus of the FASB Emerging Issues Task Force*. This ASU establishes a new selling price hierarchy to use when allocating the sales price of a multiple element arrangement between delivered and undelivered elements. This ASU is generally expected to result in revenue recognition for more delivered elements than under current rules. The Company is required to adopt this ASU prospectively for new or materially modified agreements beginning January 1, 2011. The Company is evaluating the effect of this ASU, but does not expect its adoption to have a material effect on its consolidated financial statements.

## (3) ACQUISITIONS

The Company adopted the revised guidance for accounting for business combinations in accordance with ASC 805-10. These revisions apply to business combinations for acquisitions consummated on or after July 1, 2009. These revisions had several significant changes to existing accounting practices for business combinations. Most notably, (i) acquisition-related transaction costs, such as legal and professional fees, are expensed rather than accounted for as part of the acquisition cost; (ii) acquired in-process research and development is capitalized rather than expensed at the acquisition date; (iii) contingent consideration is recorded at fair value at the acquisition date rather than the points in time that payment becomes probable; and (iv) bargain purchases are recognized by the acquirer in earnings rather than as a reduction to certain assets acquired. The standard defines a bargain purchase as a business combination in which the total acquisition-date fair value of the identifiable net assets acquired exceeds the fair value of the consideration transferred plus any non-controlling interest in the acquiree,

The adoption of this guidance has and will continue to impact the results of operations and financial position of the Company to the extent that the Company makes acquisitions.

During the three year period ended June 30, 2010, the Company has consummated the acquisition of ten entities. The consummation of the acquisitions was executed as part of the Company's business strategy of expanding through acquisitions. The acquisition of these companies will allow 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 and financial position of the acquired entities from their respective acquisition dates.

**Acquisition during fiscal year 2010**

*Fibernet Networks Telecom Group, Inc. (“Fibernet”)*

On September 9, 2009 the Company acquired all of the outstanding equity interest in Fibernet. Fibernet is a communications service provider focused on providing complex interconnection services enabling the exchange of voice, video and data traffic between global networks. Fibernet owns and operates integrated colocation facilities and diverse transport routes in the two gateway markets of New York/New Jersey, Los Angeles, Chicago, Miami and San Francisco. FiberNet’s network infrastructure and facilities are designed to provide comprehensive broadband interconnectivity for the world’s largest network operators, including leading domestic and international telecommunications carriers, service providers and enterprises.

The following table presents the allocation of the purchase price to the assets acquired and liabilities assumed, and based on their estimated fair values. Acquisition-related costs associated with the Fibernet acquisition of $698 have been charged to selling, general and administrative expenses during the year ended June 30, 2010.

| | Fibernet |
|---|---|
| Acquisition date | September 9, 2009 |
| Current assets | $ 16,824 |
| Property and equipment | 50,734 |
| Intangibles | 43,900 |
| Deferred income taxes | 19,659 |
| Other assets | 838 |
| Total assets acquired | 131,955 |
| Current liabilities | 11,534 |
| Deferred revenue | 7,257 |
| Total liabilities assumed | 18,791 |
| Net assets | 113,164 |
| Excess of net assets over purchase consideration (bargain purchase) | 9,081 |
| Purchase consideration | 104,083 |
| Cash acquired | 7,512 |
| Net cash paid | $ 96,571 |

During the year ended June 30, 2010, the Company recognized a gain on bargain purchase associated with the Fibernet acquisition. The gain of $9,081 is included in the other income caption on the consolidated statements of operations. The bargain purchase is primarily the result of recording of deferred income tax assets for the Net Operating Loss carryforwards (“NOLs”) of Fibernet, in view of the Company’s evaluation that these deferred income tax assets will more likely than not be realized. Upon the determination that the Company was going to recognize a gain related to the bargain purchase, the Company reassessed its valuation assumptions utilized as part of the acquisition accounting. No adjustments to the acquisition accounting valuations were identified as a result of management’s reassessment.

**Acquisition during fiscal year 2009**

*Columbia Fiber Solutions ("CFS") and Northwest Telephone, Inc. CA, LLC ("NTI CA")*

On September 30, 2008 the Company acquired all of the outstanding equity interests in CFS. CFS is a provider of leased dark fiber services and fiber-based Ethernet services over a transparent LAN (TLS) infrastructure in the Inland Northwest. On May 26, 2009, the Company acquired all of the outstanding equity interest in NTI CA. NTI CA is a local exchange carrier and inter exchange carrier which provides carrier access services in rural and underserved markets in California.

The following table presents the allocation, of the purchase price to the assets acquired and liabilities assumed, based on their estimated fair values:

| | CFS | NTI CA |
|---|---|---|
| Acquisition date | September 30, 2008 | May 26, 2009 |
| Current assets | $ 461 | $ 1 |
| Property and equipment | 4,772 | 92 |
| Intangibles | 3,412 | - |
| Goodwill | 4,170 | - |
| Other assets | - | 101 |
| Total assets acquired | 12,815 | 194 |
| Current liabilities | 500 | 179 |
| Deferred revenue | 154 | - |
| Total liabilities assumed | 654 | 179 |
| Purchase consideration | 12,161 | 15 |
| Less cash acquired | 70 | - |
| Net cash paid | $ 12,091 | $ 15 |

The full amount of the goodwill associated with the CFS acquisition was allocated to the Zayo Bandwidth business segment.

### Acquisitions during fiscal year 2008

| | Memphis | PPL | Indiana | Onvoy | Voicepipe | Citynet | Northwest |
|---|---|---|---|---|---|---|---|
| Acquisition date | July 31, 2007 | August 24, 2007 | Sepbember 28, 2007 | November 7, 2007 | November 7, 2007 | February 15, 2008 | May 30, 2008 |
| Current assets | $ 754 | $ 2,819 | $ 1,669 | $ 16,175 | $ 810 | $ 4,365 | $ 1,224 |
| Property and equipment | 10,771 | 54,631 | 25,646 | 41,910 | 180 | 32,185 | 4,353 |
| Intangibles | 1,581 | 6,307 | - | 26,912 | 1,085 | 16,947 | 786 |
| Goodwill | - | - | 5,606 | 3,032 | 2,184 | 52,967 | 2,957 |
| Deferred income taxes | - | 56 | 4,534 | 22,448 | 27 | - | 28 |
| Other assets | 506 | 100 | 13 | 88 | - | 301 | 113 |
| Total assets acquired | 13,612 | 63,913 | 37,468 | 110,565 | 4,286 | 106,765 | 9,461 |
| Current liabilities | 3,823 | 4,220 | 3,485 | 13,261 | 364 | 1,989 | 1,023 |
| Capital lease obligations | 616 | 10,433 | - | 1,407 | - | 1,688 | 1,594 |
| Long-term debt | - | - | - | 303 | - | - | - |
| Deferred revenue | - | 2,909 | 10,849 | 3,051 | 227 | 2,520 | 689 |
| Deferred income taxes | - | - | - | 13,255 | 445 | - | 852 |
| Other liabilities | - | 50 | - | 3,831 | - | 73 | - |
| Total liabilities assumed | 4,439 | 17,612 | 14,334 | 35,108 | 1,036 | 6,270 | 4,158 |
| Purchase consideration | 9,173 | 46,301 | 23,134 | 75,457 | 3,250 | 100,495 | 5,303 |
| Less cash acquired | - | - | 533 | 5,495 | 450 | 1,292 | 122 |
| Less units issued | - | - | - | - | 3,250 | - | - |
| Net cash paid (received) | $ 9,173 | $ 46,301 | $ 22,601 | $ 69,962 | $ (450) | $ 99,203 | $ 5,181 |

From the acquisitions consummated in fiscal year 2008, the Zayo Bandwidth and Zayo Enterprise Networks business segments were allocate goodwill of $63,861 and $2,541, respectively. $344 of the acquired goodwill was allocated to the OVS business segment.

During the year ended June 30, 2009, additional purchase price in the amount of $8, $15 and $35 was recorded in connection with the Onvoy, Voicepipe and Citynet acquisitions, respectively, due to additional acquisition related expenses incurred. The purchase price of the Northwest acquisition was reduced by $618 due to the seller not being able to fulfill some of the closing conditions resulting in the Company receiving purchase consideration held in escrow.

A portion of the consideration in the Memphis, Onvoy, Citynet and Northwest acquisitions was paid into escrow accounts, to be disbursed upon the settlement of various purchase agreement terms including net working capital adjustments, severance payments and claims for indemnification. As of June 30, 2010, 2009 and 2008, $100, $7,335 and $10,067 was in escrow, respectively.

In connection with the various acquisitions, the previous owners entered into various agreements, including indefeasible rights-of-use agreements with other telecommunication service providers to lease them fiber and other infrastructure. In accordance ASC 805-10 *Business Combinations* the estimated value of deferred revenue was calculated based on its estimated fair value at the acquisition date. The Company determined that approximately $7,257, $154 and $20,245 of deferred revenue acquired during the years ended June 30, 2010, 2009 and 2008, respectively, met the standards of ASC 805-10 as representing assumed legal obligations, the balance of the deferred revenue, mostly customer prepayments with no remaining obligations was not recorded. This deferred revenue is expected to be recognized over the next five to twenty years.

*Goodwill*

The goodwill arising from these acquisitions consists largely of the synergies and economies of scale expected from combining the operations of the acquired entities and the Company. Goodwill of $4,170, $5,606 and $52,967 million from the CFS, Indiana and Citynet acquisitions, respectively, are deductible for tax purposes. The goodwill associated with all other acquisitions is not deductible for tax purposes.

*Pro Forma Results (Unaudited)*

The unaudited pro forma results presented below include the effects of the Company's 2009 acquisition of Fibernet as if it had been consummated as of July 1, 2008. The pro-forma loss for fiscal years 2010 and 2009 include the additional depreciation and amortization resulting from the adjustments to the value of fixed assets and intangible assets resulting from purchase accounting, and interest expense associated with debt used to fund the acquisition. The pro-forma results for fiscal year 2010 also includes an adjustment to reduce the historical FiberNet's stock-based compensation related to the acceleration of stock-based compensation upon the change of control of Fibernet and a reduction to FiberNet's selling, general and administrative expenses related to transaction costs incurred by FiberNet related to the acquisition and severance paid to FiberNet's executives upon a change of control. However, the pro forma results do not include any anticipated synergies or other expected benefits of the acquisition. Accordingly, 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 acquisition been consummated as of July 1, 2009.

| | Year ended June 30, | |
|---|---|---|
| **(unaudited)** | 2010 | 2009 |
| Revenue | $ 236,111 | $ 212,580 |
| Loss from continuing operations | (3,913) | (13,265) |

As a result of the numerous acquisitions which occurred during fiscal year 2008 and the time which has elapsed since those acquisitions, the Company does not have access to all of the required information necessary to prepare pro forma revenue and earnings/(loss) estimates for fiscal year 2008.

## (4) SPIN-OFF OF ONVOY VOICE SERVICES SEGMENT

During the third quarter of fiscal year 2010, management determined that the services provided by one of the Company's operating segments - Onvoy Voice Services ("Onvoy"), did not fit within the Company's current business model of providing telecom and internet infrastructure services, and the Company therefore spun-off Onvoy to Holdings – the parent of the Company.

Consistent with the discontinued operations reporting provisions of ASC 205-20, *Discontinued Operations*, the Company determined that it has discontinued all significant cash flows and continuing involvement with respect to the Onvoy operations effective March 12, 2010. Therefore, for the periods presented the results of the Onvoy operations have been aggregated in a single caption entitled "Earnings from discontinued operations, net of income taxes" on the accompanying consolidated statements of operations. The Company has not allocated any general corporate overhead to amounts presented in discontinued operations, nor has it elected to allocate interest costs. Assets and liabilities associated with Onvoy have been segregated from continuing operations and presented as assets and liabilities of discontinued operations on the accompanying consolidated balance sheet of June 30, 2009.

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

| | Years ended June 30, | | |
|---|---|---|---|
| | 2010 | 2009 | 2008 |
| Revenue | $ 28,489 | $ 38,721 | $ 24,780 |
| Earnings before income taxes | $ 6,037 | $ 11,687 | $ 4,181 |
| Income tax expense | 2,642 | 4,644 | 1,431 |
| Earnings from discontinued operations, net of tax | $ 3,395 | $ 7,043 | $ 2,750 |

The following is a detail of the assets and liabilities associated with Onvoy classified as assets and liabilities of discontinued operations on the accompanying consolidated balance sheet as of June 30, 2009:

| | | |
|---|---|---|
| Current assets | $ | 5,810 |
| Property and equipment, net | | 18,579 |
| Intangible assets, net | | 6,494 |
| Deferred tax asset and other | | 21,324 |
| Total assets | $ | 52,207 |
| Current liabilities | $ | 2,602 |
| Other liabilities | | 2,367 |
| Total liabilities | $ | 4,969 |

The Company continues to have ongoing contractual relationships with Onvoy, which are based on agreements which were entered into at estimated market rates among the relevant Onvoy and Zayo parties. Subsequent to the spin-off the Company has contractual relationships to provide Onvoy with certain data and colocation services and Onvoy has contractual relationships to provide the Company with certain voice services. Prior to March 12, 2010 these transactions were eliminated upon consolidation. The following table represents the revenue and expense transactions the Company incurred with Onvoy during the years ended June 30, 2010, 2009 and 2008 which were eliminated upon consolidation.

| | Year ended June 30, | | |
|---|---|---|---|
| | 2010 | 2009 | 2008 |
| **Zayo Group, LLC** | | | |
| Revenue from Onvoy Voice Services | $ 2,488 | $ 1,570 | $ 967 |
| Operating costs from Onvoy Voice Services | 473 | [1] (3,720) | [1] (2,269) |
| Selling, general and administrative expenses from Onvoy Voice Services | 82 | 25 | - |

[1] - Certain intercompany transactions between the Company and Onvoy have historically been internally accounted for as a reduction to expenses rather than revenues. Prior to the spin-off these transactions eliminated upon consolidation.

Subsequent to the spin-off the revenue and expenses associated with transactions with Onvoy are recorded in the results from continuing operations. The Company recognized revenue and incurred expenses from Onvoy in the amount of $1,436 and $564 during the period March 12, 2010 through June 30, 2010. As of the spin-off date the Company had a receivable balance from Onvoy in the amount of $841.

The Company has determined that the continuing cash flows to and from Onvoy are not direct cash flows of the disposed segment and as such the requirements of ASC 205-20-50 *Disclosures*, as it relates to discontinued operations presentation have been met.

## (5) PROPERTY AND EQUIPMENT

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

| | Estimated useful lives (in years) | June 30, 2010 | 2009 |
|---|---|---|---|
| Land | N/A | $209 | $209 |
| Buildings improvements and site improvements | 15 | 9,003 | 8,230 |
| Furniture, fixtures and office equipment | 7 | 1,219 | 623 |
| Computer hardware | 3 to 5 | 3,292 | 2,165 |
| Software | 3 | 4,066 | 2,658 |
| Machinery and equipment | 4 to 7 | 3,568 | 3,327 |
| Fiber optic equipment | 8 | 127,379 | 94,127 |
| Circuit switch equipment | 10 | 7,225 | 7,027 |
| Packet switch equipment | 5 | 21,761 | 19,527 |
| Fiber optic network | 20 | 141,171 | 89,877 |
| Construction in progress | N/A | 40,443 | 17,192 |
| Total | | 359,336 | 244,962 |
| Less accumulated depreciation | | (57,425) | (28,379) |
| Property and equipment, net | | $301,911 | $216,583 |

Total depreciation expense, including depreciation of assets held under capital leases, for the years ended June 30, 2010, 2009 and 2008 was $29,121, $19,047 and $7,307 respectively.

Included in property and equipment are assets under capital leases of $17,092 and $16,768 as of June 30, 2010 and 2009, respectively. Depreciation expense related to these assets during the year ended June 30, 2010, 2009 and 2008 was $1,293, $1,253 and $593, respectively. Accumulated depreciation associated with assets under capital leases was $3,037 and $1,744 as of June 30, 2010 and 2009, respectively.

As of June 30, 2010 the Company has received $70 in grant money from the Federal Recovery Act Broadband Opportunity Program for reimbursement of property and equipment expenditures. The Company has accounted for these funds as a reduction of the cost of its fiber optic network. The Company anticipates the receipt of an additional $24,934 in grant money related to grant agreements entered into under the Federal Recovery Act Broadband Opportunity Program, as of June 30, 2010.

**(6) GOODWILL**

The Company's goodwill balance at June 30, 2010 and June 30, 2009 was $68,751 and was allocated as follows to the Company's business units:

| | | |
|---|---|---|
| Zayo Bandwidth | $ | 66,548 |
| Zayo Enterprise Networks | | 2,203 |
| Total | $ | 68,751 |

**(7) INTANGIBLE ASSETS**

Identifiable acquisition-related intangible assets as of June 30, 2010 and June 30, 2009 were as follows:

| | Gross Carrying Amount | | Accumulated Amortization | | Net | |
|---|---|---|---|---|---|---|
| **June 30, 2010** | | | | | | |
| Customer relationships | $ | 78,738 | $ | (19,182) | $ | 59,556 |
| Non-compete Agreements | | 8,835 | | (8,623) | | 212 |
| Tradenames | | 500 | | (417) | | 83 |
| **Total** | $ | 88,073 | $ | (28,222) | $ | 59,851 |
| **June 30, 2009** | | | | | | |
| Customer relationships | | 37,556 | | (9,961) | | 27,595 |
| Non-compete Agreements | | 8,845 | | (6,198) | | 2,647 |
| **Total** | $ | 46,401 | $ | (16,159) | $ | 30,242 |

The amortization of intangible assets for the years ended June 30, 2010, 2009 and 2008 was $12,063, $10,520 and $4,615, respectively. Estimated future amortization of intangible assets is as follows:

| | | |
|---|---|---|
| Year ending June 30, | | |
| 2011 | $ | 10,276 |
| 2012 | | 9,981 |
| 2013 | | 9,981 |
| 2014 | | 7,096 |
| 2015 | | 4,435 |
| Thereafter | | 18,082 |
| | $ | 59,851 |

Non-compete agreements are being amortized on a straight-line basis over the expected term of the contracts ranging from two to three years. Customer relationships are being amortized on a straight-line basis over six to ten years. The trademark asset from the Fibernet acquisition has a limited life and is being amortized over one year.

## (8) LONG-TERM DEBT

In March 2010, the Company co-issued, with one of its subsidiaries - Zayo Capital Inc., (at an issue price of 98.779%) $250 million of Senior Secured Notes (the "Notes"). The Notes bear interest at 10.25 % annually and are due on March 15, 2017. The net proceeds from this debt issuance were approximately $239,060 after deducting the discount on the Notes of $3,052 and debt issuance costs of approximately $7,888. The Notes are being accreted to their par value over the term of the Notes as additional interest expense. The effective interest rate of the Company's Notes is 10.7 percent.

The Notes are secured and backed by substantially all of the assets of the Company.

A portion of the proceeds from the Notes were used to pay off all of the Company's term loans. Long-term debt consisted of the following as of June 30, 2010 and June 30, 2009:

| | Year ended June 30, | |
|---|---|---|
| | **2010** | **2009** |
| Senior Secured Notes due 2017 (10.25%) | $ 247,080 | $ - |
| Tranche A term loan due 2013 (6.39%) | - | 69,650 |
| Tranche B term loan due 2013 (5.86%) | - | 29,850 |
| Tranche C term loan due 2013 (6.33%) | - | 34,825 |
| Revolver maturing in 2013 (6.36%)(1) | - | 2,000 |
| Less current portion | - | (1,350) |
| Total long-term debt | $ 247,080 | $ 134,975 |

Each of the term loans and the Revolver were paid off in March 2010 with proceeds from the issuance of the Notes. The interest rates reflected for the term loans and the Revolver represents the interest rates for these loans at June 30, 2009.

In September 2009 the Company entered into a $30 million term loan to finance the Fibernet acquisition. This loan was paid off in March 2010 with the proceeds from the Notes.

In March 2010 the Company also entered into a revolving line-of-credit with Sun Trust Bank ("the Revolver"). During the term of the Revolver, the Company can borrow, repay and re-borrow against the Revolver in an amount up to $75,000 (adjusted for letter of credit usage). The Revolver matures on March 1, 2014. Loans under the Revolver bear interest at a rate equal to the higher of either (i) the rate which the administrative agent announces as its prime lending rate, (ii) the Federal Funds Rate plus one-half of one percent per annum or (iii) the Eurodollar Rate.

As of June 30, 2010, no amounts were outstanding under the Revolver. Standby letters of credit were outstanding in the amount of $5,945 as of June 30, 2010, resulting in $69,055 being available on the Revolver as of June 30, 2010. Outstanding letters of credit backed by the Revolver accrue interest at a rate ranging from 3.5 to 4.25 percent per annum based upon the Company's leverage ratio. As of June 30, 2010 the interest rate was 4 percent.

*Debt issuance costs*

Debt issuance costs have been capitalized on the accompanying consolidated balance sheets and are being amortized using the effective interest rate method over the term of the borrowing agreements, unless terminated earlier, at which time the unamortized costs are immediately expensed. The unamortized debt issuance costs of $5,881 associated with the term loans (Tranche A through D) and the Revolver maturing in 2013 were expensed in March 2010 upon the settlement of these credit agreements. Debt issuance costs associated with the Senior Secured Notes issued in March 2010 were $7,888. Debt issuance costs associated with the Revolver entered into in March 2010 were $2,148. The balance of debt issuance costs as of June 30, 2010 and 2009 was $9,560 (net of accumulated amortization of $526) and $4,712 (net of accumulated amortization of $1,614), respectively. Interest expense associated with the amortization of debt issuance costs was $1,624, $1,114 and $500 for the years ended June 30, 2010, 2009 and 2008, respectively.

*Debt covenants*

The Company's credit agreement associated with the Notes contains two financial covenants: (1) a maximum leverage ratio and (2) a minimum fixed charge coverage ratio.

*Leverage ratio:* The Company must not exceed a consolidated leverage ratio (funded debt to EBITDA), as determined under the credit agreement, of 4.25x for any trailing four-quarter period ending on March 31, 2010 or later.

*Fixed charge coverage ratio:* The Company must maintain a consolidated fixed charge coverage ratio, as determined under the credit agreement, of at least 1.0x for the periods ending September 30 and December 31, 2010; 1.1x for the periods ending March 31 and June 30, 2011; 1.15x for the periods ending September 30 and December 31, 2011 and March 31 and June 30, 2012; and 1.25x for the periods ending September 30, 2012 and each fiscal quarter thereafter.

The Company's credit agreement contains customary representations and warranties, affirmative and negative covenants, and 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 indebtedness in excess of $10.0 million, insolvency or inability to pay debts, bankruptcy, or a change of control.

The Company was in compliance with all covenants associated with its Notes as of June 30, 2010.

*Interest rate derivatives*

On June 30, 2008, the Company entered into an interest rate swap agreement on a notional value of $60,000 with a maturity date of September 13, 2010. There was no up-front cost for this agreement. The contract states that the Company pays 3.69% fixed for the term of the agreement. The counterparty either pays to the Company or receives from the Company the difference between actual LIBOR and the fixed rate.

On March 23, 2009, the Company entered into another interest rate swap agreement on a notional value of $40,000 with a maturity date of September 13, 2010. There was no up-front cost for this agreement. The contract states that the Company pays 1.42% fixed for the term of the agreement. The counterparty either pays to the Company or receives from the Company the difference between actual LIBOR and the fixed rate.

Any change in fair value of the interest rate swaps are recorded as an increase or decrease in interest expense in the consolidated statements of operations for the applicable period. During the years ended June 30, 2010 and 2009 $744 and $3,143, respectively, were recorded as an increase in interest expense for the change in the fair value of the interest rate swaps. The Company made payments on the swaps of $2,463 and $859 during the years ended June 30, 2010 and 2009, respectively, which are also recorded as interest expense. The liability associated with the swaps was $566 and $2,284 as of June 30, 2010 and 2009, respectively.

## (9) INCOME TAXES

The Company, a Limited Liability Corporation, is taxed at its ultimate parent level - CII. The parent is a holding company with no operations and therefore all income tax balances are pushed down to the Company.

The Company's provision for income taxes is summarized as follows:

| | Year ended June 30, | | |
|---|---|---|---|
| | 2010 | 2009 | 2008 |
| Federal income taxes – current | $ - | $ - | $ - |
| Federal income taxes – deferred | 4,726 | (1,662) | (703) |
| Provision for federal income taxes | 4,726 | (1,662) | (703) |
| State income taxes – current | 872 | (200) | 107 |
| State income taxes – deferred | 695 | (244) | (103) |
| Provision for state income taxes | 1,567 | (444) | 4 |
| Total provision for income taxes | $ 6,293 | $ (2,106) | $ (699) |

Deferred income taxes reflect the net 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.

A reconciliation of the actual income tax provision and the tax computed by applying the U.S. federal rate (34%) to the earnings/(loss) before income taxes for each of the years in the three-year period ended June 30, 2010 follows:

| | Year ended June 30, | | |
|---|---|---|---|
| | 2010 | 2009 | 2008 |
| Expected provision/(benefit) at statutory rate of 34% | $ 1,142 | $ (3,874) | $ (1,837) |
| Increase/(decrease) due to: | | | |
| Deferred compensation | 6,198 | 2,160 | 1,150 |
| State taxes, net of federal benefit | 985 | (200) | (55) |
| Transaction costs not deductible | 438 | - | - |
| Gain on bargain purchase | (3,087) | - | - |
| Other, net | 337 | (192) | 43 |
| Adjustment of income taxes provided for in prior periods | 280 | | |
| Provision/(benefit) for income taxes | $ 6,293 | $ (2,106) | $ (699) |

On a consolidated basis, $217, $326 and $5 of income taxes was paid to federal and state jurisdictions during the years ended June 30, 2010, 2009 and 2008.

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

| | Year ended June 30, | |
|---|---|---|
| | **2010** | **2009** |
| Deferred income tax assets | | |
| Net operating loss carry forwards | $ 38,262 | $ 2,209 |
| Alternate minimum tax credit carryforwards | 78 | 150 |
| Deferred revenue | 8,790 | 5,462 |
| Unrealized loss on interest rate swaps | 223 | 860 |
| Accrued expenses | 722 | 685 |
| Other liabilities | 354 | 53 |
| Allowance for doubtful accounts | 1,402 | 76 |
| Other | 1 | 1 |
| Total deferred income tax assets | $ 49,832 | $ 9,496 |
| | | |
| Deferred income tax liabilities | | |
| Property and equipment | 24,483 | 11,325 |
| Intangible assets | 13,884 | 4,641 |
| Total deferred income tax liabilities | 38,367 | 15,966 |
| Less: Valuation allowance | (355) | - |
| Net deferred income tax assets | $ 11,110 | $ (6,470) |

As of June 30, 2010, the Company had $102,036 of net operating loss (“NOLs”) carry forwards. The Company acquired $5,060 of NOLs in the Northwest Telephone acquisition and $94,655 of NOLs in the FiberNet acquisition. Each of these acquisitions, however, was a “change in ownership” within the meaning of Section 382 of the Internal Revenue Code and, as a result, such NOL’s are subject to an annual limitation, and thus the Company is limited in its ability to use such NOLs to reduce its income tax exposure. The current annual NOL usage limitation related to the Company’s acquired NOLs is $7,456. Additionally the Company generated $2,321 of NOLs for the years ended June 30, 2009 and 2008 which are also available to offset future taxable income.

From the period of the respective acquisitions through June 30, 2010, the Company has not utilized any of its own or acquired NOLs; however the Company has used approximately $10,290 of NOLs which were generated by Onvoy – See Note 11 *Equity*, for a discussion of the tax sharing agreement between the Company and Onvoy. The Company utilized $3,001 of Onvoy’s NOL’s subsequent to the spin-off date of March 12, 2010. This amount has been reflected on the statement of member’s interest.

As of June 30, 2010 management believes it is more-likely-than-not that the Company will not be able to utilize $1.0 million of the NOLs acquired from the FiberNet acquisition; as such the Company has recorded a $0.4 million valuation allowance against such NOLs to reflect the portion of NOLs that the Company would not be able to use.

The Company is subject to audit by various taxing authorities, and these audits may result in proposed assessments where the ultimate resolution results in the Company owning additional taxes. The Company is required to establish reserves under ASC 740-10 (formerly FASB Interpretation No. 48 *Accounting for Uncertainty in Income Taxes*), when the Company believes there is uncertainty with respect to certain positions and the Company may not succeed in realizing the tax benefits. The Company adopted ASC 740-10-25 during the current year. In accordance with ASC 740-10-25 the Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. Prior to the adoption, the Company recognized the effect of income tax positions only if such positions were probable of being sustained. The application of income tax law is inherently complex, as such; it requires many subjective assumptions and judgments regarding income tax exposures. Interpretations of and guidance surrounding income tax laws and regulations change over time; as such, changes in these subjective assumptions and judgments can materially affect amounts recognized in the balance sheets and statements of operations. At the adoption date of July 1, 2009, the Company had no unrecognized tax benefits which would affect the effective tax rate if recognized. At June 30, 2010, there were no unrecognized tax benefits. As of June 30, 2010, there was no accrued interest or penalties related to uncertain tax positions.

## (10) ACCRUED LIABILITIES

Accrued liabilities included in current liabilities consisted of the following:

| | Year ended June 30, | |
|---|---|---|
| | 2010 | 2009 |
| Accrued compensation and benefits | $ 3,854 | $ 2,347 |
| Accrued property and equipment purchases | 2,441 | 697 |
| Network expense accruals | 4,445 | 2,636 |
| Other accruals | 7,609 | 4,380 |
| Total | $ 18,349 | $ 10,060 |

## (11) EQUITY

Zayo Group, LLC was initially formed on May 4, 2007 and is a wholly owned subsidiary of Zayo Group Holdings, Inc., which in turn is wholly owned by Communications Infrastructure Investments, LLC (“CII”). CII was organized on November 6, 2006 and subsequently capitalized on May 7, 2007 with capital contributions from various institutional and founder investors. The cash proceeds from the capitalization of CII were contributed to the Company and are reflected in the Company’s member’s equity.

During the years ended June 30, 2010, 2009 and 2008, CII contributed $39,800, $35,546 and $166,450, respectively in capital to the Company through Holdings. Additionally, during fiscal year 2008 CII contributed to the Company through Holdings property from Voicepipe Communications, Inc. valued at $3,250.

During fiscal year 2008, CII issued 6,400,000 Class A preferred units in CII to the two founders of the Company. The Class A preferred units issued to the two Company founders vest according to the following schedule: 10% in the 24th month, 10% in the 30th month, 10% in the 36th month, 10% in the 42nd month and the remaining 60% in the 48th month. Stock-based compensation expense recognized in connection with these executive Class A issuances for the years ended June 30, 2010, 2009 and 2008 totaled $1,150, $1,628, and $3,381, respectively. The remaining stock-based compensation expense of $241 will be recognized in fiscal 2011. CII has also issued 465,000 Class A preferred units to three of the Company's executives in fiscal 2009. The Class A preferred units issued to two of the executives vested during the year ended June 30, 2009 and the remaining units became fully vested in February 2010. Stock-based compensation expense recognized for these grants for the years ended June 30, 2010 and 2009 totaled $45 and $421, respectively.

As these awards have been issued by CII to employees of the Company as compensation, the expense has been recorded by the Company in the accompanying consolidated statements of operations in accordance with ASC 718 – *Compensation – Stock Compensation*.

Onvoy Voice Services ("OVS") was spun-off from Zayo Group, LLC on March 12, 2010 to its parent - Holdings (see Note 4). At the time of the spin-off, the book value of OVS was $39,401. As a result of the spin-off the Company's member's interest account was initially reduced by $39,401. Subsequent to the spin-off date, the Company entered into a tax sharing agreement with OVS and CII – the taxable entity. As part of the agreement management of the Company and OVS allocated the deferred tax assets and liabilities of CII to the Company and OVS based on the source of the asset or liability generating the benefit. NOLs generated by entities acquired by Zayo Group entities and which the assets and liabilities of such acquisition remain at one of Zayo Group's subsidiaries were allocated to Zayo Group. The agreement provided for the past and future settlement of due-to/due-from balances related to the allocation of deferred tax assets and liabilities between the two entities as an increase or decrease to the respective entities member's equity. As a result of the tax sharing agreement and non-cash settlement of the inter-company balances as of the spin-off date, the net book value of the OVS business segment was increased by $3,138 resulting in a non-cash decrease to the member's account of the Company. Subsequent to the spin-off date the Company utilized $3,001 of Onvoy's NOLs resulting in a non-cash capital contribution from CII, the taxable entity and parent of the Company, in the amount of $1,200.

## (12) STOCK COMPENSATION

The Company has been given authorization by CII to issue 125,000,000 of CII's common units as awards to employees and directors. CII has three classes of common units with different liquidation preferences – Class A, B and C units. Common units are issued to employees and to independent directors and are allocated by the Chief Executive Officer and the Board of Managers on the terms and conditions specified in the employee equity agreement. At June 30, 2010, 70,975,130 of common units were issued and outstanding.

As these awards have been issued by CII to employees and directors of the Company the related compensation expense has been pushed down and recorded by the Company in the accompanying consolidated statements of operations in accordance with ASC 718 – *Compensation – Stock Compensation*.

The common units are considered to be stock-based compensation with terms which require the awards to be classified as liabilities. As such, the Company accounts for these awards as a liability and re-measures the liability at each reporting date until the date of settlement.

The Common units vest according to the following schedule: 1/4th in the 12th month and 1/48th in each of the next 36 months or immediately five months after the consummation of a sale of the Company. As of June 30, 2010 and June 30, 2009, the value of the Class A common units was determined to be $0.49 and $0.16 per unit, respectively. As of June 30, 2010 and June 30, 2009 the value of the Class B common units was determined to be $0.28 and $0 per unit, respectively. As of June 30, 2010 and June 30, 2009 the value of Class C common units was determined to be $0.03 and $0 per unit, respectively.

The liability associated with the common units was $21,623 and $4,590 as of June 30, 2010 and 2009, respectively. The stock-based compensation expenses associated with the common units was $17,033, $4,590 and $0 for the years ended June 30, 2010, 2009 and 2008, respectively.

The holders of common units are not entitled to receive dividends or distributions, except at the discretion of the Board of Directors. Upon a liquidation of CII, or upon a non-liquidating distribution, the holders of common units share in the proceeds after the CII preferred unit holders receive their unreturned capital contributions and their priority return (6% per annum). After the preferred unreturned capital contributions and the priority return are satisfied, the remaining proceeds are allocated on a scale ranging from 85% to the Class A preferred unit holders and 15% to the common unit holders and 80% to the Class A preferred unit holders and 20% to the common unit holders depending upon the return multiple to the Class A preferred unit holders up to the amount of the Class A gain percentage. Once the amount of proceeds related to the Class A percentage gain has been distributed, then the Class B gain percentages are distributed in a similar method as the Class A gains.

The following table represents the activity as it relates to common unit issuances and forfeitures during the years ended June 30, 2010, 2009 and 2008.

| | **A Common Units** | **B Common Units** | **C Common Units** | **Totals Units** |
|---|---|---|---|---|
| Balance at June 30, 2007 | - | - | - | - |
| | | | | |
| Common units issued | 45,954,072 | - | - | 45,954,072 |
| Common units forfeited | (720,417) | - | - | (720,417) |
| | | | | |
| Balance at June 30, 2008 | 45,233,655 | - | - | 45,233,655 |
| | | | | |
| Common units issued | 6,199,665 | - | - | 6,199,665 |
| Common units forfeited | (3,212,262) | - | - | (3,212,262) |
| | | | | |
| Balance at June 20, 2009 | 48,221,058 | - | - | 48,221,058 |
| | | | | |
| Common units issued | - | 19,879,500 | 3,630,218 | 23,509,718 |
| Common units forfeited | (545,646) | (210,000) | - | (755,646) |
| | | | | |
| Balance at June 30, 2010 | 47,675,412 | 19,669,500 | 3,630,218 | 70,975,130 |

The following table represents the activity as it relates to common units vested during the years ended June 30, 2010, 2009 and 2008.

| | Year ended June 30, | | | |
|---|---|---|---|---|
| | 2008 | 2009 | 2010 | Totals |
| Common A vested | 15,846,600 | 11,837,579 | 12,604,516 | 40,288,695 |
| Common B vested | - | 2,604,479 | 4,092,625 | 6,697,104 |
| Common C vested | - | 54,792 | 258,859 | 313,651 |
| Total Vested | 15,846,600 | 14,496,850 | 16,956,000 | 47,299,450 |

## (13) FAIR VALUE MEASUREMENTS

The Company's financial instruments consist of cash and cash equivalents, restricted cash, accounts receivable, accounts payable, interest rate swaps, long-term debt and stock-based compensation. The carrying values of cash and cash equivalents, restricted cash, trade receivable and accounts payable approximated their fair values at June 30, 2010 and 2009 because of the short maturity of these instruments. The interest rate swaps are recorded in the consolidated balance sheets at fair value. The carrying value of the Company's long-term debt reflects the original amounts borrowed, net of unamortized discounts and was $247,080 as of June 30, 2010. Based on current market interest rates for debt of similar terms and average maturities and based on recent transactions, the fair value of the long-term debt as of June 30, 2010, is estimated to be $252,500 compared to its carrying value of $247,080. The Company records its stock-based compensation liability at its estimated value.

GAAP defines 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, the Company 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.

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

| | | As of June 30, | |
|---|---|---|---|
| | Level | 2010 | 2009 |
| *Liabilities Recorded at Fair Value in the Financial Statements:* | | | |
| Interest rate swap liabilities | Level 2 | $ 566 | $ 2,284 |
| Stock-based compensation liability | Level 3 | 21,623 | 4,590 |
| Total liabilities recorded at fair value in the consolidated financial statements | | $ 22,189 | $ 6,874 |
| *Liabilities not Recorded at Fair Value in the Financial Statements:* | | | |
| Long-term debt, including the current portion | | $ 247,080 | $ 136,325 |

The 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.

The stock-based compensation liability is valued using both an income and market based approach. The income based approach is based on an analysis of discounted cash flows. The market based approach is primarily based on an analysis of prices paid by investors and acquirers of interests of comparable companies in the public and private markets.

Changes in the fair market value of the interest rate swaps resulted in an increase of $744 and $3,143 in interest expense during the years ended June 30, 2010 and 2009, respectively.

Changes in the estimated fair value of common units resulted in an increase of $17,033, $4,369 and $0 in the stock-based compensation liability during the years ended June 30, 2010, 2009 and 2008, respectively.

## (14) COMMITMENTS AND CONTINGENCIES

*Capital leases*

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

| | As of June 30, 2010 |
|---|---|
| Year ending June 30, | |
| 2011 | $ 2,572 |
| 2012 | 1,745 |
| 2013 | 1,709 |
| 2014 | 1,670 |
| 2015 | 1,627 |
| Thereafter | 8,792 |
| Total minimum lease payments | 18,115 |
| Less amounts representing interest | (5,409) |
| Less current portion | (1,673) |
| Capital lease obligations, less current portion | $ 11,033 |

The weighted average interest rate on capital lease obligations was 12.1% and 12.4% as of June 30, 2010 and 2009, respectively.

*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 $30,439, $15,186 and $6,983 for the years ended June 30, 2010, 2009 and 2008, respectively.

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

| | As of June 30, 2010 |
|---|---|
| Year ending June 30, | |
| 2011 | $ 22,688 |
| 2012 | 19,257 |
| 2013 | 17,177 |
| 2014 | 15,460 |
| 2015 | 14,406 |
| Thereafter | 86,347 |
| | $ 175,335 |

At June 30, 2010, the Company had commitments of approximately $26,847 for construction materials and purchases of property and equipment all of which are expected to be acquired in the next twelve months.

*Contingencies*

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

*Outstanding letters of credit*

As of June 30, 2010, the Company had $5,945 in outstanding letters of credit primarily to collateralize surety bonds securing the Company's performance under various contracts.

*Acquisitions*

AGL Networks

On March 14, 2010, the Company entered into a definitive agreement to purchase AGL Networks, LLC ("AGL Networks"). The Company closed on this transaction on July 1, 2010 at which time the Company acquired 100% of the ownership interest of AGL Networks which operates a network of approximately 786 route miles and over 190,000 fiber miles. The purchase price of this acquisition, after post-close adjustments, was $72,979. The acquisition was financed with cash on hand.

AGL Networks provides Bandwidth Infrastructure services to customers primarily in Georgia, Arizona, and North Carolina.

The unaudited pro forma results presented below include the effect of the AGL acquisition as if the acquisition was consummated as of July 1, 2008. The pro-forma loss for fiscal years 2010 and 2009 include the additional depreciation and amortization resulting from the adjustments to the value of fixed assets and intangible assets resulting from purchase accounting. The pro forma results do not include any anticipated synergies or other expected benefits of the acquisition. Accordingly, 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 acquisition been consummated as of July 1, 2008.

| | Year ended June 30, | |
|---|---|---|
| **(Unaudited)** | 2010 | 2009 |
| Revenue | $ 247,681 | $ 168,238 |
| Loss, from continuing operations | 1,950 | (13,943) |

American Fiber Systems

On June 24, 2010, the Company entered into a definitive agreement to acquire American Fiber Systems Holding Corporation ("AFS") for a purchase price of $115,500, including $110,000 in cash and a $5,500 promissory note. The purchase price is based upon the valuation of both the business and assets directly owned by AFS and their ownership interest in US Carrier Telecom Holdings, LLC. The purchase price is subject to adjustments in the event certain AFS financial measures deviate from those detailed in the definitive agreement. AFS is a provider of lit and dark Bandwidth Infrastructure services in nine metropolitan markets: Atlanta, Georgia, Boise, Idaho, Cleveland, Ohio, Kansas City, Missouri, Las Vegas, Nevada, Minneapolis, Minnesota, Nashville, Tennessee, Reno, Nevada and Salt Lake City, Utah. AFS's services and customers are similar to those of Zayo Bandwidth, Zayo Enterprise Networks and Zayo Fiber Solutions and, as a result, its contracts and assets will be assigned to the appropriate business units in order to retain Zayo's current operating structure. American Fiber Systems owns and operates approximately 1,200 routes miles and over 160,000 fiber miles of fiber networks and has 620 on-net buildings in these markets.

*Other Commitments*

In February 2010, the Company was awarded a Federal stimulus project in Indiana. The Indiana Stimulus Project involves the expenditure of approximately $31.4 million of capital expenditures, of which $25.1 million is to be funded by a government grant and approximately $6.3 million is to be funded by the Company. The Company expects to receive $2.5 million in up-front customer payments. In connection with this project, 626 route miles of fiber are to be constructed and lit. The Company began construction on this project in April of 2010 and began receiving grant funds in May 2010. As of June 30, 2010, the Company has been reimbursed for $96 of expenses and $70 of capital expenditures related to the Indiana Stimulus Project.

## (15) RELATED PARTY TRANSACTIONS

Subsequent to the spin-off of Onvoy Voice Services (See Note 4 – *Spin-off of Onvoy Voice Services Segment*), the Company and Onvoy will continue to have certain contractual relationships. Prior to the spin-off, transactions between the Company and Onvoy have been eliminated upon consolidation. Subsequent to the spin-off these transactions are included in the operating results of the Company. As of June 30, 2010, the Company has a receivable from an affiliate in the amount of $871. $30 of this amount relates to receivables from CII for various legal costs that have been paid by the Company on CII's behalf. The remaining balance relates to amounts owed to the Company from Onvoy Voice Services related to the services provided to Onvoy, net of amounts payable to Onvoy for services it provided to the Company discussed in Note 4.

Subsequent to the spin-off, the revenue and expenses associated with transactions with Onvoy are recorded in the results from continuing operations. The Company recognized revenue from Onvoy in the amount of $1,436 during the period March 12, 2010 through June 30, 2010. The Company purchased services from Onvoy during the same period in the amount of $564.

**(16) SEGMENT REPORTING**

ASC 280-10-50 defines an operating segment as a component of an entity that has all of the following characteristics:

- It engages in business activities from which it may earn revenues and incur expenses.
- Its operating results are regularly reviewed by the public entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.
- Its discrete financial information is available.

The Company operates its business as four business segments which are defined by the product sets they offer and customers they target. Zayo Bandwidth ("BW") offers bandwidth infrastructure services to the Company's 200 largest users, Zayo Enterprise Networks ("ZEN") provides bandwidth infrastructure to regional and enterprise customers and converged and data communications services and Zcolo provides colocation services and intra building transport services.

In anticipation of the close of the AGL Networks acquisition (See Note 13 - *Commitments and Contingencies*), Zayo has established a fourth business unit, Zayo Fiber Solutions ("ZFS"). Zayo Fiber Solutions is dedicated to marketing and supporting dark fiber related services to a broad set of customers. Although ZFS did not have operation or hold long term assets as of June 30, 2010, upon the acquisition of AGL on July 1, 2010 all of the Company's dark fiber assets were transferred to the ZFS business unit. In preparation of establishing this new business segment the Company incurred certain selling, general and administrative costs associated with the new segment.

Revenues for all of the Company's products are included in one of these four business segments. The results of operations for each business segment include an allocation of certain corporate overhead costs. The allocation is based on a percentage determined by management that represents management's estimate of the relative burden each segment bears on corporate overhead costs.. Identifiable assets for each business segment are reconciled to total consolidated assets including unallocated corporate assets and intercompany eliminations. Unallocated corporate assets consist primarily of cash, deferred tax assets and deferred debt issuance costs.

The following tables summarize significant financial information of each of the segments:

| | For the year ended June 30, 2010 | | | | | |
|---|---|---|---|---|---|---|
| | BW | ZEN | Zcolo | ZFS | Corporate | Total |
| Revenue | $ 175,348 | $ 33,953 | $ 22,850 | $ - | $ - | $ 232,151 |
| Intersegment revenue | (5,612) | (708) | (1,786) | - | - | (8,106) |
| Revenue from external customers | 169,736 | 33,245 | 21,064 | - | - | 224,045 |
| Depreciation and amortization | 32,915 | 3,765 | 4,504 | - | - | 41,184 |
| Operating income/(loss) | 26,992 | 750 | 3,386 | (393) | (13,410) | 17,325 |
| Interest expense | (1,130) | - | (164) | - | (17,398) | (18,692) |
| Loss on extinguishments of debt | - | - | - | - | (5,881) | (5,881) |
| Other income [1] | 382 | - | - | - | 10,225 | 10,607 |
| Total assets | 373,391 | 35,666 | 56,431 | 98 | 98,795 | 564,381 |
| Capital Expenditures | 57,013 | 2,201 | 514 | 51 | - | 59,779 |

[1] Other income includes a gain of $9,081 on the bargain purchase of Fibernet. See Note 3 – *Acquisitions*.

| | For the year ended June 30, 2009 | | | | | |
|---|---|---|---|---|---|---|
| | BW | ZEN | Zcolo | ZFS | Corporate | Total |
| Revenue | $ 128,695 | $ 26,135 | $ - | $ - | $ - | $ 154,830 |
| Intersegment revenues | (3,934) | (92) | - | - | - | (4,026) |
| Revenues from external customers | 124,761 | 26,043 | - | - | - | 150,804 |
| Depreciation and amortization | 26,287 | 3,280 | - | - | - | 29,567 |
| Operating income/(loss) | 17,153 | (3,195) | - | - | (10,356) | 3,602 |
| Interest expense | (1,182) | (3) | - | - | (14,063) | (15,248) |
| Other income | 52 | 15 | - | - | 182 | 249 |
| Total assets [2] | 302,577 | 26,685 | - | - | 92,900 | 422,162 |
| Capital expenditures | 60,829 | 1,278 | - | - | - | 62,107 |

[2] Total assets of corporate include $52,207 of assets of discontinued operations.

| | For the year ended June 30, 2008 | | | | | |
|---|---|---|---|---|---|---|
| | BW | ZEN | Zcolo | ZFS | Corporate | Total |
| Revenue | $ 66,149 | $ 12,946 | $ - | $ - | $ - | $ 79,095 |
| Intersegment revenues | (1,526) | - | - | - | - | (1,526) |
| Revenues from external customers | 64,623 | 12,946 | - | - | - | 77,569 |
| Depreciation and amortization | 10,374 | 1,548 | - | - | - | 11,922 |
| Operating income/(loss) | 6,034 | (1,139) | - | - | (4,361) | 534 |
| Interest expense | (820) | - | - | - | (5,467) | (6,287) |
| Other income | 220 | 44 | - | - | 87 | 351 |
| Total assets [3] | 275,761 | 12,684 | - | - | 50,994 | 339,439 |
| Capital expenditures | 22,729 | - | - | - | - | 22,729 |

[3] Total assets of corporate include $69,936 of assets of discontinued operations.

**(17) SUBSEQUENT EVENTS**

Management performed an evaluation of the Company’s activity through September 10, 2010, the date the consolidated financial statements were available to be issued.

In July 2010, the Company was awarded from the federal Recovery Act Broadband Opportunity Program a $13.4 million grant to construct 286 miles of fiber network in Anoka County, Minnesota, outside of Minneapolis.

On August 24, 2010 the Company made a capital call to its investors for the remainder of the investor’s $35 million capital commitment to the Company. The Company expects to receive the funds in September. The invested capital will be used to fund a portion of the AFS acquisition.

## (18) QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table presents the unaudited quarterly results for the year-ended June 30, 2010:

| | 2010 Quarter Ended | | | | |
|---|---|---|---|---|---|
| | September 30 | December 31 | March 31 | June 30 | Total |
| Revenue | $ 45,503 | $ 58,227 [1] | $ 58,912 | $ 61,403 | $ 224,045 |
| | | | | | - |
| Operating costs and expenses | | | | | - |
| Operating costs, excluding depreciation and amortization | 14,426 | 19,777 [1] | 19,536 | 19,798 | 73,537 |
| Selling, general and administrative expenses | 16,850 | 18,920 [1] | 18,726 | 19,275 | 73,771 |
| Stock-based compensation | 852 | 592 | 11,831 [2] | 4,953 [2] | 18,228 |
| Depreciation and amortization | 9,062 | 10,565 | 10,630 | 10,927 | 41,184 |
| Total operating costs and expenses | 41,190 | 49,854 | 60,723 | 54,953 | 206,720 |
| Operating income/(loss) | 4,313 | 8,373 | (1,811) | 6,450 | 17,325 |
| Other income (expense) | | | | | |
| Interest expense | (3,570) | (3,241) | (4,449) | (7,432) [3] | (18,692) |
| Other income | 5 | - | 1,001 | 9,601 [4] | 10,607 |
| Loss on extinguishment of debt | - | - | (5,881) [3] | - | (5,881) |
| Total other expense, net | (3,565) | (3,241) | (9,329) | 2,169 | (13,966) |
| Earnings/(loss) from continuing operations before income taxes | 748 | 5,132 | (11,139) | 8,619 | 3,359 |
| Provision/(benefit) for income taxes | 1,112 | 2,513 | 525 | 2,143 | 6,293 |
| Earnings/(loss) from continuing operations | $ (364) | $ 2,619 | $ (11,664) | $ 6,476 | $ (2,934) |
| Earnings/(loss) from discontinued operations, net of income taxes | 1,963 | 1,436 | 879 | (883) | 3,395 |
| Net earnings/(loss) | $ 1,599 | $ 4,055 | $ (10,785) | $ 5,593 | $ 461 |

[1] The Company realized an increase in revenue beginning September 9, 2009 as a result of the acquisition of Fibernet. As a result of the acquisition the Company incurred additional operating and selling, general and administrative expenses attributed to the additional revenues associated with the acquisition.

[2] Stock-based compensation expense increased significantly during the quarters ended March 31, 2010 and June 30, 2010 as a result of an increase in the value of the common units granted to the Company's employees and additional units vesting during these quarters. See Note 12 - *Stock Compensation*.

[3] Interest expense increased during the quarter ended June 30, 2010 primarily as a result of the bond offering which closed on March 11, 2010. Interest expense increased as a result of the higher interest rates on the bonds as compared to the senior debt which was repaid on March 11, 2010 and as a result of the larger debt balance during the quarter. As a result of paying off the senior notes with the proceeds from the bond offering, the Company wrote

off $5,881 in unamortized debt issuance costs during the quarter ended March 31, 2010. See Note 8 *Long Term Debt*.

(4) During the year ended June 30, 2010 the Company recognized a gain on bargain purchase of $9,081 associated with the Fibernet acquisition. See Note 3 – *Acquisitions*.

The following table presents the unaudited quarterly results for the year-ended June 30, 2009:

| | 2009 Quarter Ended | | | | |
|---|---|---|---|---|---|
| | September 30 | December 31 | March 31 | June 30 | Total |
| Revenue | $ 34,515 | $ 37,446 | $ 38,399 | $ 40,444 | $ 150,804 |
| Operating costs and expenses | | | | | |
| Operating costs, excluding depreciation and amortization | 12,360 | 12,319 | 11,898 | 12,220 | 48,797 |
| Selling, general and administrative expenses | 13,921 | 14,996 | 15,565 | 17,937 | 62,419 |
| Stock-based compensation | 403 | 547 | 403 | 5,065 | 6,418 |
| Depreciation and amortization | 6,212 | 7,003 | 7,498 | 8,854 | 29,567 |
| Total operating costs and expenses | 32,896 | 34,865 | 35,364 | 44,076 | 147,201 |
| Operating income/(loss) | 1,619 | 2,581 | 3,035 | (3,632) | 3,603 |
| Other income (expense) | | | | | |
| Interest expense | (3,242) | (5,661) | (3,455) | (2,890) | (15,248) |
| Other income | 39 | 105 | 81 | 24 | 249 |
| Total other expense, net | (3,203) | (5,556) | (3,374) | (2,866) | (14,999) |
| Earnings/(loss) from continuing operations before income taxes | (1,584) | (2,975) | (339) | (6,498) | (11,396) |
| Provision/(benefit) for income taxes | 82 | (368) | 519 | (2,339) | (2,106) |
| Earnings/(loss) from continuing operations | (1,666) | (2,607) | (858) | (4,159) | (9,290) |
| Earnings/(loss) from discontinued operations, net of income taxes | 2,536 | 2,282 | 2,321 | (96) | 7,043 |
| Net earnings/(loss) | $ 870 | $ (325) | $ 1,463 | $ (4,255) | $ (2,247) |

# <u>Exhibit F</u>

## UTAC and ITAC forms

JB

MEMBERSHIP APPLICATION AND AGREEMENT
UNIVERSAL TELEPHONE ASSISTANCE CORPORATION

Name of Applicant: Zayo Group, LLC

Address of Applicant: 400 Centennial Parkway, Suite 200

Louisville, Colorado 80027

Name, title, address, and telephone number of responsible individual with applicant to whom communications should be sent:

Scott E Beer, General Counsel and Secretary

400 Centennial Parkway, Suite 200

Louisville, Colorado 80027

Tel: (303) 381-4664

The applicant hereby applies for membership in the Universal Telephone Assistance Corporation ("Corporation"), an Illinois not-for-profit corporation. Upon the applicant's execution of this application and submission of this application to the Corporation, the Corporation will accept and execute this application in the space provided below, and will return an executed copy of this application to the applicant.

In support of its application for membership, the applicant states and agrees as follows:

1. Applicant is a telecommunications carrier providing local service as defined in the Illinois Public Utilities Act ("PUA").
2. Applicant agrees that it will be subject to, and have those rights and obligations set forth in, the By-laws of the corporation as adopted by the Corporation's board of directors and approved by the Illinois Commerce Commission ("Commission"), as now in effect and as amended from time to time in the future.
3. Applicant acknowledges that the corporation is subject to the continuing supervision of and regulation by the Commission, and that the rights and obligations of each member may change as a result of this supervision and regulation.
4. To the extent from time to time approved by the Commission, the applicant delegates to the corporation authority to make such actions on behalf of the applicant as shall be necessary for the applicant to comply with its obligations under Section 13-301.1 of the PUA.
5. Applicant agrees to pay such portions of the monies collected by or on behalf of the applicant under and pursuant to Section 13-301.1 of the PUA (including income therefrom and appreciation thereon) as the Commission may from time to time order or as the corporation may from time to time request in accordance with orders of the Commission.

Dated: 1-20-2011

By: SCOTT E BEER

Title: Vice President, General Counsel & Secretary

SPACE BELOW TO BE COMPLETED BY UTAC ONLY

Acceptance: The above application and agreement is hereby accepted and the applicant is hereby accepted for membership in the corporation.

Date:__________ Universal Telephone Assistance Corporation

By:__________

Title:__________

IL Cert.

A/73638306.1

JB

8B

# MEMBERSHIP APPLICATION AND AGREEMENT
# ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION

Name of Applicant: Zayo Group, LLC

Address of Applicant: 400 Centennial Parkway, Suite 200

Louisville, Colorado 80027

Name, title, address and telephone number of responsible individual with applicant to whom communications should be sent:

Scott E Beer, General Counsel and Secretary

400 Centennial Parkway, Suite 200

Louisville, Colorado 80027

Tel: (303) 381-4664

The applicant hereby applies for membership in the Illinois Telecommunications Access Corporation ("Corporation"), an Illinois non-for-profit corporation. Upon the applicant's execution of this application and submission of this application to the corporation, the corporation will accept and execute this application in the space provided below, and will return and executed copy of this application to the applicant.

In support of its application for membership, the applicant states and agrees as follows:

1. Applicant is a telecommunications carrier providing local service as defined in the Illinois Public Utilities Act ("PUA").
2. Applicant agrees that it will be subject to, and have those rights and obligations set forth in, the By-laws of the corporation as adopted by the corporation's board of directors and approved by the Illinois Commerce Commission ("Commission"), as now in effect and as amended from time to time in the future.
3. Applicant acknowledges that the corporation is subject to the continuing supervision of and regulation by the Commission, and that the rights and obligations of each member may change as a result of this supervision and regulation.
4. To the extent from time to time approved by the Commission, the applicant delegates to the corporation authority to make such actions on behalf of the applicant as shall be necessary for the applicant to comply with its obligations under Section 13-703 of the PUA.
5. Applicant agrees to pay such portions of the monies collected by or on behalf of the applicant under and pursuant to Section 13-703 of the PUA (including income there from and appreciation thereon) as the Commission may from time to time order or as the corporation may from time to time request in accordance with orders of the Commission.

Dated: 1-20-2011

By: [signature] SCOTT E BEER

Title: Vice President, General Counsel & Secretary

SPACE BELOW TO BE COMPLETED BY ITAC ONLY

Acceptance: The above application and agreement is hereby accepted and the applicant is hereby accepted for membership in the corporation.

Date: ____________________

Illinois Telecommunications Access Corporation

By: ____________________

Title: ____________________

**Please submit completed form to:**
**Illinois Telecommunications Access Corporation**
**3001 Montvale Drive**
**Suite D**
**Springfield, IL 62704**
**217-698-4170 (V/TTY)**
**217-698-0942 (Fax)**
**nhostick@itactty.org**
**pabren@aol.com**

IL Cert.

A/73638306.1

8B

# Exhibit G

## Chart of Accounts

**[CONFIDENTIAL - SUBMITTED UNDER SEAL]**