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Transcript Exhibit(s)

Docket #(s): T-20783A-11-0024

Exhibit #: A1, A2, S1

Arizona Corporation Commission
DOCKETED

JUL 11 2011
DOCKETED BY *[Signature]*

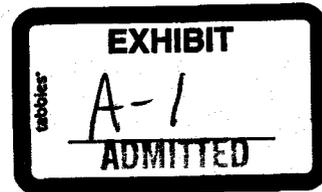
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ORIGINAL

NEW APPLICATION



ARIZONA CORPORATION COMMISSION

Amended Application and Petition for Certificate of Convenience and Necessity as a Provider of Intrastate Telecommunications Services

Mail original plus 13 copies of completed application to:

For Docket Control Only:
(Please Stamp Here)

Docket Control Center
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007-2927

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JAN 24 2011

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Please indicate if you have current applications pending in Arizona as an Interexchange reseller, AOS provider, or as the provider of other telecommunication services.

T-20783A-11-0024

Type of Service: _____

Docket No.: _____ Date: _____ Date Docketed: _____

Type of Service: _____

Docket No.: _____ Date: _____ Date Docketed: _____

A. COMPANY AND TELECOMMUNICATION SERVICE INFORMATION

(A-1) Please indicate the type of telecommunications services that you want to provide in Arizona and mark the appropriate box(s).

- Resold Long Distance Telecommunications Services (Answer Sections A, B).
- Resold Local Exchange Telecommunications Services (Answer Sections A, B, C).
- Facilities-Based Long Distance Telecommunications Services (Answer Sections A, B, D).
- Facilities-Based Local Exchange Telecommunications Services (Answer Sections A, B, C, D, E)
- Alternative Operator Services Telecommunications Services (Answer Sections A, B)
- Other Resold and Facilities-Based IntraLATA and InterLATA Private Line Services

(A-2) The name, address, telephone number (including area code), facsimile number (including area code), e-mail address, and World Wide Web address (if one is available for consumer access) of the Applicant:

Zayo Group, LLC ("Zayo" or "Applicant" or the "Company")
400 Centennial Parkway, Suite 200
Louisville, CO 80027
Phone: 303-381-4664
Fax: 303-226-5923
sbeer@zayo.com
www.zayo.com and www.zayo-bandwidth.com

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2011 JAN 24 P 4: 28
AZ CORP COMMISSION
DOCKET CONTROL

(A-3) The d/b/a ("Doing Business As") name if the Applicant is doing business under a name different from that listed in Item (A-2):

(A-4) The name, address, telephone number (including area code), facsimile number (including area code), and E-mail address of the Applicant's Management Contact:

Scott E. Beer
VP, General Counsel & Secretary
Zayo Group, LLC
400 Centennial Parkway, Suite 200
Louisville, CO 80027
Phone: 303-381-4664
Fax: 303-226-5923
sbeer@zayo.com

(A-5) The name, address, telephone number (including area code), facsimile number (including area code), and E-mail address of the Applicant's Attorney and/or Consultant:

Michael T. Hallam
Lewis & Roca
40 North Central Avenue
Suite 1900
Phoenix, AZ 85004
Phone: (602) 262-5340
Fax: (602) 734-3886
Mhallam@lrlaw.com

with a copy to:

Jean L. Kiddoo
Brett P. Ferenchak
Bingham McCutchen LLP
2020 K Street N.W.
Washington, DC 20006
Phone: (202)373-6697
Fax: (202)373-6001
jean.kiddoo@bingham.com
brett.ferenchak@bingham.com

(A-6) The name, address, telephone number (including area code), facsimile number (including area code), and E-mail address of the Applicant's Complaint Contact Person:

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

(A-7) What type of legal entity is the Applicant? Mark the appropriate box(s) and category.

- Sole proprietorship
- Partnership: ___ Limited, ___ General, ___ Arizona, ___ Foreign
- Limited Liability Company: ___ Arizona, X Foreign
- Corporation: ___ "S", ___ "C", ___ Non-profit

Other, specify: _____

(A-8) Please include "Attachment A":

Attachment "A" must include the following information:

1. A copy of the Applicant's Certificate of Good Standing as a domestic or foreign corporation, LLC, or other entity in Arizona.
2. A list of the names of all owners, partners, limited liability company managers (or if a member managed LLC, all members), or corporation officers and directors (specify).

The officers of Applicant are as follows:

Dan Caruso (President & Chief Executive Officer)
Scott E. Beer (Vice President, General Counsel & Secretary)
Ken desGarennes (Vice President & CFO)

The managers of Applicant are as follows:

Daniel P. Caruso
Gillis Cashman
John Siegel
John A. Downer
Michael Choe
Rick Connor
Don Detampel

All officers and managers can be reached through Applicant's principal place of business.

3. Indicate percentages of ownership of each person listed in A-8.2.

Zayo is a direct subsidiary of Zayo Group Holdings, Inc. ("Holdings"), a Delaware corporation.

(A-9) Include your Tariff as "Attachment B".

Your Tariff must include the following information:

1. Proposed Rates and Charges for each service offered (reference by Tariff page number). **See Intrastate Telecommunications Services Tariff, pages 34-37.**
2. Tariff Maximum Rate and Prices to be charged (reference by Tariff page number). **See Intrastate Telecommunications Services Tariff, pages 34-37.**
3. Terms and Conditions Applicable to provision of Service (reference by Tariff page number). **See Intrastate Telecommunications Services Tariff, pages 9-28.**
4. Deposits, Advances, and/or Prepayments Applicable to provision of Service (reference by Tariff page number). **See Intrastate Telecommunications Services Tariff, pages 17-19.**
5. The proposed fee that will be charged for returned checks (reference by Tariff page number). **See Intrastate Telecommunications Services Tariff, page 23.**

(A-10) Indicate the geographic market to be served:

Statewide. (Applicant adopts statewide map of Arizona provided with this application).

Other. Describe and provide a detailed map depicting the area.

(A-11) Indicate if the Applicant or any of its officers, directors, partners, or managers has been or are currently involved in any formal or informal complaint proceedings pending before any state or federal regulatory commission, administrative agency, or law enforcement agency.

Describe in detail any such involvement. Please make sure you provide the following information:

1. States in which the Applicant has been or is involved in proceedings.
2. Detailed explanations of the Substance of the Complaints.
3. Commission Orders that resolved any and all Complaints.
4. Actions taken by the Applicant to remedy and/or prevent the Complaints from re-occurring.

Neither Applicant nor any of its officers, directors, partners or managers has been or are currently the subject of any formal or informal complaint proceedings pending before any state or federal regulatory commission, administrative agency, or law enforcement agency.

(A-12) Indicate if the Applicant or any of its officers, directors, partners, or managers has been or are currently involved in any civil or criminal investigation, or had judgments entered in any civil matter, judgments levied by any administrative or regulatory agency, or been convicted of any criminal acts within the last ten (10) years.

Describe in detail any such judgments or convictions. Please make sure you provide the following information:

1. States involved in the judgments and/or convictions.
2. Reasons for the investigation and/or judgment.
3. Copy of the Court order, if applicable.

Neither Applicant nor any of its officers, directors, partners, or managers has been or are currently the subject of any civil or criminal investigation, or had judgment entered in or any judgments levied by an administrative agency or regulatory agency, or been convicted of any criminal acts within the last ten (10) years.

(A-13) Indicate if the Applicant's customers will be able to access alternative toll service providers or resellers via 1+101XXXX access.

Yes

No

To the extent Applicant provides basic local exchange services, Applicant's customers will be able to access alternative toll service providers or resellers via 1+101XXXX access.

(A-14) Is Applicant willing to post a Performance Bond? Please check appropriate box(s).

For Long Distance Resellers, a \$10,000 bond will be recommended for those resellers who collect advances, prepayments or deposits.

Yes

No

If "No", continue to question (A-15).

For Local Exchange Resellers, a \$25,000 bond will be recommended.

Yes

No

If "No", continue to question (A-15).

For Facilities-Based Providers of Long Distance, a \$100,000 bond will be recommended.

Yes

No

If "No", continue to question (A-15).

For Facilities-Based Providers of Local Exchange, a \$100,000 bond will be recommended.

Yes

No

If any box in (A-14) is marked "No", continue to question (A-15).

Note: Amounts are cumulative if the Applicant is applying for more than one type of service.

While Applicant is willing to post a Performance Bond, Applicant does not believe that a bond should be required because Applicant does not intend to provide telecommunications services to residential customers. Instead, Applicant will provide telecommunications services to enterprise and carrier customers. As described below, Applicant will primarily provide Private Line, Wavelength, Ethernet, Dedicated Internet Access and collocation services. Applicant notes that its subsidiary, Zayo Bandwidth, LLC ("ZB"), whose operations Applicant will assume upon completion of their merger, was not required to post a bond prior to providing private line services, but only prior to providing local exchange services. See Docket No. T-20694A-09-0379, Decision No. 71784 at Para. 14 (July 30, 2010). Applicant seeks similar treatment in this application.

(A-15) If any box in (A-14) is marked "No", provide the following information. Clarify and explain the Applicant's deposit policy (reference by tariff page number). Provide a detailed explanation of why the Applicant's superior financial position limits any risk to Arizona consumers.

Applicant's deposit policy can be found on pages 17-19 of the Intrastate Telecommunications Tariff. Applicant does not intend to provide telecommunications services to residential customers.

(A-16) Submit copies of affidavits of publication that the Applicant has, as required, published legal notice of the Application in all counties where the Applicant is requesting authority to provide service.

Note: For Resellers, the Applicant must complete and submit an Affidavit of Publication Form as Attachment "C" before Staff prepares and issues its report. Refer to the Commission's website for Legal Notice Material (Newspaper Information, Sample Legal Notice and Affidavit of Publication). For Facilities-Based Service Providers, the Hearing Division will advise the Applicant of the date of the hearing and the publication of legal notice. Do not publish legal notice or file affidavits of publication until you are advised to do so by the Hearing Division.

(A-17) Indicate if the Applicant is a switchless reseller of the type of telecommunications services that the Applicant will or intends to resell in Arizona:

Yes

No

If "Yes", provide the name of the company or companies whose telecommunications services the Applicant resells.

Applicant will primarily provide services using its own facilities and facilities leased from other carriers.

(A-18) List the States in which the Applicant has had an application approved or denied to offer telecommunications services similar to those that the Applicant will or intends to offer in Arizona:

Note: If the Applicant is currently approved to provide telecommunications services that the Applicant intends to provide in Arizona in less than six states, excluding Arizona, list the Public Utility Commission ("PUC") of each state that granted the authorization. For each PUC listed provide the name of the contact person, their phone number, mailing address including zip code, and e-mail address.

Applicant is not currently authorized to provide telecommunications service in any state, but is seeking such authority in every state where certain of its subsidiaries currently provide telecommunications services so that it can provide those services to their customers upon completion of the intra-corporate consolidation described herein. Collectively, Zayo's subsidiaries 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. Applicant has not had an application approved or denied to offer telecommunications services in any state.

(A-19) List the States in which the Applicant currently offers telecommunications services similar to those that the Applicant will or intends to offer in Arizona.

Note: If the Applicant currently provides telecommunication services that the Applicant intends to provide in Arizona in six or more states, excluding Arizona, list the states. If the Applicant does not currently provide telecommunications services that the Applicant intends to provide in Arizona in five or less states, list the key personnel employed by the Applicant. Indicate each employee's name, title, position, description of their work experience, and years of service in the telecommunications services industry.

Applicant does not currently provide telecommunications service in any state, but intends to provide telecommunications services in every state where its subsidiaries currently provide telecommunications services upon completion of the intra-corporate consolidation described below. Specifically, 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 Fiber Solutions, LLC ("ZFS) and Zayo Bandwidth, LLC ("ZB") with and into Zayo, with Zayo surviving. Organization charts illustrating the current and post-transaction corporate structures are attached hereto as Exhibit A. An application for any required Commission approvals for the intra-corporate transactions will be submitted separately

Collectively, Zayo's subsidiaries currently provide telecommunications services in each jurisdiction listed in the response to A-18. Please see the responses to A-18 and A-20 for information regarding the services offered by other Zayo entities.

Biographies of Zayo's key personnel are provided as Exhibit B.

(A-20) List the names and addresses of any alternative providers of the service that are also affiliates of the telecommunications company, as defined in R14-2-801.

In Arizona, ZB is currently authorized to provide facilities-based local exchange and long distance pursuant to authority granted in Docket No. T-20694A-09-0379 on July 12, 2010. ZFS is currently authorized to provide Competitive Private Line Telecommunications Services pursuant to authority granted in Docket No. T-20667A-09-0179 on February 23, 2010.

In addition, American Fiber Systems, Inc. is currently authorized to provide facilities-based and resold local exchange, exchange access and interexchange telecommunications services pursuant to authority issued in Docket No. T-03980A-01-002 on March 9, 2001.

(A-21) Check here if you wish to adopt as your petition a statement that the service has already been classified as competitive by Commission Decision:

- Decision # 64178 Resold Long Distance
 Decision # 64178 Resold LEC
 Decision # 64178 Facilities Based Long Distance
 Decision # 64178 Facilities Based LEC

B. FINANCIAL INFORMATION

(B-1) Indicate if the Applicant has financial statements for the two (2) most recent years.

Yes No

If "No," explain why and give the date on which the Applicant began operations.

(B-2) Include "Attachment D".

Provide the Applicant's financial information for the two (2) most recent years.

1. A copy of the Applicant's balance sheet.
2. A copy of the Applicant's income statement.
3. A copy of the Applicant's audit report.
4. A copy of the Applicant's retained earnings balance.
5. A copy of all related notes to the financial statements and information.

Note: Make sure "most recent years" includes current calendar year or current year reporting period.

Applicant provides as Attachment D the most recent audited financial statements of Zayo for the period ended June 30, 2010. Zayo's SEC Form 10-Q for the period ended September 30, 2010 is available at http://investor.zayo.com/sites/zayo.investorhq.businesswire.com/files/report/file/10Q_-_September_20_2010_Quarterly_Report.pdf.

(B-3) Indicate if the Applicant will rely on the financial resources of its Parent Company, if applicable.

Zayo will rely on its own financial resources.

(B-4) The Applicant must provide the following information.

Applicant's business is building communications solutions for large enterprise and carrier customers on an individual case basis for each project's needs. The responses to questions 1 and 2, below, therefore, are based on a rough estimate of the projects that Applicant might obtain in the first twelve months of operations.

1. Provide the projected total revenue expected to be generated by the provision of telecommunications services to Arizona customers for the first twelve months following certification, adjusted to reflect the maximum rates for which the Applicant requested approval. Adjusted revenues may be calculated as the number of units sold times the maximum charge per unit.

Subject to the qualification above, Applicant projects total revenue of \$100,000 for the first twelve months of providing telecommunications services following certification.

2. Provide the operating expenses expected to be incurred during the first twelve months of providing telecommunications services to Arizona customers following certification.

Subject to the qualification above, Applicant projects operating expenses of \$25,000 during the first twelve months of providing telecommunications services following certification.

3. Provide the net book value (original cost less accumulated depreciation) of all Arizona jurisdictional assets expected to be used in the provision of telecommunications service to Arizona customers at the end of the first twelve months of operation. Assets are not limited to plant and equipment. Items such as office equipment and office supplies should be included in this list.

At the end of the first twelve months of operation, Applicants net book value of all Arizona jurisdictional assets expected to be used in the provision of telecommunications service to Arizona customers is \$22,500,000.

4. If the projected value of all assets is zero, please specifically state this in your response.

N/A, See response to #3.

5. If the projected fair value of the assets is different than the projected net book value, also provide the corresponding projected fair value amounts.

The current fair value of assets is the same as the current net book value.

C. RESOLD AND/OR FACILITIES-BASED LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES

(C-1) Indicate if the Applicant has a resale agreement in operation,

Yes

No

If "Yes", please reference the resale agreement by Commission Docket Number or Commission Decision Number.

D. FACILITIES-BASED LONG DISTANCE AND/OR FACILITIES BASED LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES

(D-1) Indicate if the Applicant is currently selling facilities-based long distance telecommunications services AND/OR facilities-based local exchange telecommunications services in Arizona. This item applies to an Applicant requesting a geographic expansion of their CC&N:

Yes No

If "Yes," provide the following information:

1. The date or approximate date that the Applicant began selling facilities-based long distance telecommunications services AND/OR facilities-based local exchange telecommunications services in Arizona.
2. Identify the types of facilities-based long distance telecommunications services AND/OR facilities-based local exchange telecommunications services that the Applicant sells in Arizona.

If "No," indicate the date when the Applicant will begin to sell facilities-based long distance telecommunications AND/OR facilities-based local exchange telecommunications services in Arizona.

Applicant intends to provide facilities-based telecommunications services primarily using its own facilities. Zayo has not yet entered into or requested interconnection/resale agreements in Arizona. The timeframe for providing facilities-based services in Arizona is as soon as commercially possible after certificate granted.

Applicant's subsidiaries, ZB and ZFS, currently provide facilities-based telecommunications services in Arizona. As described above, Zayo will assume the operations of ZB and ZFS upon completion of the intra-corporate transactions described herein.

E. FACILITIES-BASED LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES

(E-1) Indicate whether the Applicant will abide by the quality of service standards that were approved by the Commission in Commission Decision Number 59421:

Yes No

To the extent that Applicant provides basic local exchange services, Applicant will abide by the quality of service standards approved in Commission Decision Number 59421.

(E-2) Indicate whether the Applicant will provide all customers with 911 and E911 service, where available, and will coordinate with incumbent local exchange carriers ("ILECs") and emergency service providers to provide this service:

Yes No

To the extent that Applicant provides basic local exchange services, Applicant will provide all customers with 911 and E911 service, where available, and will coordinate with ILEC and emergency service providers to provide this service.

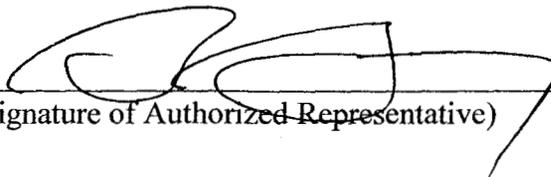
(E-3) Indicate that the Applicant's switch is "fully equal access capable" (i.e., would provide equal access to facilities-based long distance companies) pursuant to A.A.C. R14-2-1111 (A):

Yes No

To the extent Applicant deploys its own switch, it will be fully equal access capable.

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I certify that if the applicant is a Delaware limited liability company, a current copy of the Certificate of Formation is on file with the Arizona Corporation Commission and the applicant holds a Certificate of Good Standing from the Commission. If the company is a foreign corporation or partnership, I certify that the company has authority to transact business in Arizona. I certify that all appropriate city, county, and/or State agency approvals have been obtained. Upon signing of this application, I attest that I have read the Commission's rules and regulations relating to the regulations of telecommunications services (A.A.C. Title 14, Chapter 2, Article 11) and that the company will abide by Arizona state law including the Arizona Corporation Commission Rules. I agree that the Commission's rules apply in the event there is a conflict between those rules and the company's tariff, unless otherwise ordered by the Commission. I certify that to the best of my knowledge the information provided in this Application and Petition is true and correct.



(Signature of Authorized Representative)

1-20-2011

(Date)

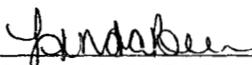
Scott E. Beer

(Print Name of Authorized Representative)

Vice President, General Counsel & Secretary

(Title)

SUBSCRIBED AND SWORN to before me this 20 day of January, 2011.



NOTARY PUBLIC Linda BEER

My Commission Expires 6-8-2011

13

LIST OF ATTACHMENTS & EXHIBITS

Attachment A-1	Certificate of Formation
Attachment A-2	Certificate of Good Standing as Foreign Entity
Attachment B	Proposed Intrastate Tariff
Attachment C	[NOT APPLICABLE]
Attachment D	Financial Information
Exhibit A	Organization Charts
Exhibit B	Management Biographies

ATTACHMENT A-1

Certificate of Formation

Delaware

PAGE 1

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.

4346984 8100V

080165531

You may verify this certificate online
at corp.delaware.gov/authver.shtml



Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

AUTHENTICATION: 6384856

DATE: 02-15-08

**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

PAGE 2

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.



4346984 8100V

080165531

You may verify this certificate online
at corp.delaware.gov/authver.shtml

Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

AUTHENTICATION: 6384856

DATE: 02-15-08

**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

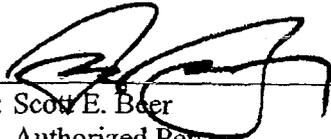
The name of the limited liability company is Zayo Group, LLC (the "Company").

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. Boer
Title: Authorized Person

ATTACHMENT A-2

Certificate of Good Standing as Foreign Entity

STATE OF ARIZONA



Office of the
CORPORATION COMMISSION
CERTIFICATE OF GOOD STANDING

To all to whom these presents shall come, greeting:

I, Ernest G. Johnson, Executive Director of the Arizona Corporation Commission, do hereby certify that

*****ZAYO GROUP, LLC*****

a foreign limited liability company organized under the laws of the jurisdiction of Delaware did obtain a Certificate of Registration in Arizona on the 14th day of January 2011.

I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said limited liability company has not had its Certificate of Registration revoked for failure to comply with the provisions of A.R.S. section 29-601 et seq., the Arizona Limited Liability Company Act; and that the said limited liability company has not filed a Certificate of Cancellation as of the date of this certificate.

This certificate relates only to the legal authority of the above named entity as of the date issued. This certificate is not to be construed as an endorsement, recommendation, or notice of approval of the entity's condition or business activities and practices.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capital, this 24th Day of January, 2011, A. D.



A handwritten signature in black ink, appearing to read "EG Johnson", written over a horizontal line.

Executive Director

By: _____ 564118

ATTACHMENT B-1

Proposed Intrastate Tariff

ZAYO GROUP, LLC
400 Centennial Parkway, Suite 200
Louisville, CO 80027

RATES, RULES AND ADMINISTRATIVE REGULATIONS
FOR FURNISHING
INTRASTATE TELECOMMUNICATIONS SERVICES
WITHIN THE STATE OF ARIZONA

FILED WITH THE ARIZONA CORPORATION COMMISSION

Issued: January __, 2011

Effective: _____, 2011

Peter Chevalier, Associate General Counsel
Zayo Group, LLC
400 Centennial Parkway, Suite 200
Louisville, CO 80027

CHECK SHEET

The sheets inclusive of this tariff are effective as of the date shown at the bottom of the respective sheet(s). Original and revised sheets as named below comprise all changes from the original tariff and are currently in effect as of the date on the bottom of this sheet.

<u>Page</u>	<u>Number of Revision</u>	<u>Page</u>	<u>Number of Revision</u>
Title	Original		
1	Original	28	Original
2	Original	29	Original
3	Original	30	Original
4	Original	31	Original
5	Original	32	Original
6	Original	33	Original
7	Original	34	Original
8	Original	35	Original
9	Original	36	Original
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Issued: January __, 2011

Effective: _____, 2011

Peter Chevalier, Associate General Counsel
Zayo Group, LLC
400 Centennial Parkway, Suite 200
Louisville, CO 80027

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TARIFF FORMAT

- A. **Page Numbering** - Page numbers appear in the upper right corner of the page. Pages are numbered sequentially. However, new pages are occasionally added to the tariff. When a new page is added between pages already in effect, a decimal is added. For example, a new page added between Page 14 and 15 would be 14.1.
- B. **Page Revision Numbers** - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current page version on file with the Commission. For example, the 4th revised Page 14 cancels the 3rd revised Page 14.
- C. **Paragraph Numbering Sequence** - There are various levels of paragraph coding. Each level of coding is subservient to its next higher level:
- 2
 - 2.1
 - 2.1.1
 - 2.1.1.1
- D. **Check Sheets** - When a tariff filing is made with the Commission, an updated Check Sheet accompanies the tariff filing. The Check Sheet lists the pages contained in the tariff, with a cross-reference to the current revision number. When new pages are added, the Check Sheet is changed to reflect the revision. An asterisk designates all revisions made in a given filing (*). There will be no other symbols used on this page if these are the only changes made to it (i.e., the format, etc. remain the same, just revised revision levels on some pages.) The tariff user should refer to the latest Check Sheet to find out if a particular page is the most current on file with the Commission.

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Explanation of Symbols

- (C) – To signify changed administrative regulation
- (D) – To signify a discontinued rate, administrative regulation or test
- (I) – To signify an increase in a rate
- (M) – To signify text or rates relocated without change
- (N) – To signify a new rate, regulation or other text or new test
- (R) – To signify a reduction in a rate
- (T) – To signify a change in text but no change in rate

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DEFINITIONS

“Access Line” refers to facilities and transmission path used to create a telecommunications connection from a network device to the serving center and composing the local loop.

“Applicant” refers to an individual, partnership, corporation, association, or government agency who applies to the Company for any new or additional telephone service.

“Business Hours” refers to the time after 8:00 A.M. and before 5:00 P.M., Monday through Friday excluding holidays

“Carrier,” “Company” or “Utility” refers to Zayo Group, LLC.

“Central office” refers to a switching unit that provides central office telecommunications services to the general public having the necessary equipment and operating arrangements for terminating Access Lines and trunks or trunks only.

“Commission” refers to the Arizona Corporation Commission.

“Customer” refers to any person, firm, corporation, or governmental entity who has applied for and is granted service or who is responsible for payment of service.

“Delinquent or Delinquency” refers to an account for which payment has not been paid in full on or before the last day for timely payment.

“Facility” refers to one or all of the elements of a physical plant used to provide telecommunications services.

“Grade of Service” refers to the type of service furnished to a Customer with respect to the functionality and capabilities of the service offering.

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DEFINITIONS (Cont'd)

"Grandfathered Service" applies to an obsolete and/or outdated service the Utility no longer wishes to provide. The grandfathering of a service is the Utility's method of managing a tariff for this service prior to ultimately discontinuing the service, or change existing tariff regulations without discontinuing certain rights, privileges or conditions of the service to existing customers.

"ICB" refers to pricing arrangements made on an individual case basis.

"Local Access Transport Area ("LATA")" refers to a geographic area established for the provision and administration of communications service. A LATA encompasses designated exchanges, which are grouped to serve common social, economic and other purposes.

"On-Net" refers to services where all originating and terminating points are on Company owned or operated facilities.

"Service" refers to any telecommunications service(s) provided by the Company under this tariff.

"Subscriber" refers to the firm, company, corporation, or other entity that contracts for service under this tariff and that is responsible for the payment of charges as well as compliance with the Company's regulations pursuant to this tariff.

"Switching" refers to the machines that switch telephone calls from/to other telephones or trunks.

"Tariffs" refer to the tariffs, price lists, and generally applicable terms and conditions on file with a state or federal regulatory authority or publicly available on the Company's website in accordance with the regulations of a state or federal regulatory authority.

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SECTION 1. APPLICATION OF TARIFF

- 1.1.1 This tariff governs the services provided by Zayo Group, LLC that originate and terminate within the State of Arizona. Specific services and rates are described elsewhere in this tariff.
- 1.1.2 The Company installs operates, and maintains the communications services provided herein in accordance with the terms and conditions set forth under this tariff. The Company may act as the Customer's agent for ordering access connection facilities provided by other carriers or entities when authorized by the Customer, to allow connection of a Customer's location to the Company's network. The Customer shall be responsible for all charges due for such service arrangement.
- 1.1.4 The Company's services are available to large enterprise, government and wholesale Customers only. The Company's obligation to furnish, or to continue to furnish, telecommunications service is subject to availability and dependent upon its ability to obtain, retain, and maintain, without unreasonable expense, suitable rights of way and facilities required to furnish and maintain that service.

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SECTION 2. RULES AND REGULATIONS

2.1 Undertaking of the Company

This tariff contains the regulations, rates and charges applicable to resold and facilities-based competitive telecommunications services provided by the Company in the State of Arizona.

2.2 Obligations of the Customer

2.2.1 The Customer shall be responsible for:

- 2.2.1.1 The payment of all applicable charges pursuant to this tariff.
- 2.2.1.2 Reimbursing the Company for damage to, or loss of, the Company's facilities or equipment caused by the acts or omissions of the Customer; or the noncompliance by the Customer, with these regulations, or by fire or theft or other casualty on the Customer's premises unless caused by the negligence or willful misconduct of the employees or agents of the Company.
- 2.2.1.3 Providing at no charge, as specified from time to time by the Company, any needed space and power to operate the Company's facilities and equipment installed on the Customer's premises.
- 2.2.1.4 Complying with all laws and regulations regarding the working conditions on the premises at which the Company's employees and agents shall be installing or maintaining the Company's facilities and equipment. The Customer may be required to install and maintain the Company's facilities and equipment within a hazardous area if, in the Company's opinion, injury or damage to the Company's employees or property might result from installation or maintenance by the Company. The Customer shall be responsible for identifying, monitoring, removing and disposing of any hazardous material prior to any construction or installation work.

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SECTION 2. RULES AND REGULATIONS (Cont'd)

2.2 Obligations of the Customer (Cont'd)

2.2.1.5 Complying with all laws and regulations applicable to, and obtaining all consents, approvals, licenses and permits as may be required with respect to, the location of the Company's facilities and equipment in any Customer premises for the purpose of installing, inspecting, maintaining, repairing, or upon termination of service as stated herein, removing the facilities or equipment of the Company.

2.2.1.6 Making Company facilities and equipment available periodically for maintenance purposes at a time agreeable to both the Company and the Customer. No allowance for interruptions in service will be made for the period during which service is interrupted for such purposes.

2.2.2 With respect to any service or facility provided by the Company, the Customer shall indemnify, defend and hold harmless the Company from all claims, actions, damages, liabilities, costs and expenses for:

2.2.2.1 Any loss, destruction or damage to property of the Company or any third party, or injury to persons, including, but not limited to, employees or invitees of either the Company or the Customer, to the extent caused by or resulting from the negligent or intentional act or omission of the Customer, its employees, agents, representatives or invitees; or

2.2.2.2 Any claim, loss, damage, expense or liability for infringement of any copyright, patent, trade secret, or any proprietary infringement of any copyright, patent, trade secret, or any proprietary or intellectual property right of any third party, arising from any act or omission by the Customer.

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SECTION 2. RULES AND REGULATIONS (Cont'd)**2.2 Obligations of the Customer (Cont'd)**

2.2.3 The Customer is responsible for ensuring that Customer-provided equipment connected to Company equipment and facilities is compatible with such equipment and facilities. The connection, operation, testing, or maintenance of such equipment shall be such as not to cause damage to the Company-provided equipment and facilities or injury to the Company's employees or other persons. Any additional protective equipment required to prevent such damage or injury shall be provided by the Company at the Customer's expense.

2.2.4 The Company's services (as detailed in this tariff) may be connected to the services or facilities or other communications carriers only when authorized by, and in accordance with, the terms and conditions of the tariffs or contracts which are applicable to such connections.

2.2.5 Upon reasonable notification to the Customer, and at a reasonable time, the Company may make such tests and inspections as may be necessary to determine that the Customer is complying with the requirements set forth in this tariff for the installation, operation, and maintenance of Customer-provided facilities and equipment that is connected to Company-owned facilities and equipment.

2.3 Liability of the Company

2.3.1 In view of the fact that the Customer has exclusive control over the use of service and facilities furnished by the Company, and because certain errors incident to the services and to the use of such facilities of the Company are unavoidable, services and facilities are furnished by the Company subject to the terms, conditions and limitations herein specified:

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SECTION 2. RULES AND REGULATIONS (Cont'd)

2.3 Liability of the Company (Cont'd)

2.3.1 (Cont'd)

- (A) The Company's damages arising out of its negligent acts, or mistakes, omissions, interruptions, delays, errors, or defects during the course of furnishing service, shall in no event exceed an amount equivalent to Company's charges for service during the period affected by such negligence, or in which such mistakes, omissions, interruptions, delays, errors, or defects occurred. Any mistakes, omissions, interruptions, delays, errors, or defects that are caused by or materially contributed to by the negligence or willful acts of Customer, or that arise from facilities or equipment used by Customer and not provided by Company, shall not result in the imposition of any liability upon Company.

- (B) Customer shall defend, indemnify, and hold harmless the Company, its officers and directors, employees, and agents from and against any and all lawsuits, claims, demands, penalties, losses, fines, liabilities, damages, and expenses of any kind and nature (including, without limitation, liability to third parties for personal injury or death and for loss or damage to property, and loss or damage to Company property, and injury to Company employees), without limitation whatsoever, that in any way arise out of or result from Customer's operations, installation or maintenance of equipment and facilities, or performance under this tariff, or that arises out of or in any way is connected with Customer's provision of service to its end users, or any use or attempted use by Customer or any such end user of services provided by the Company hereunder; provided that this section shall not apply to the extent that any injury, loss, or damage is caused by the gross negligence or willful misconduct on the part of the Company.

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SECTION 2. RULES AND REGULATIONS (Cont'd)

2.3 Liability of the Company (Cont'd)

2.3.1 (Cont'd)

- (C) The Company will not be liable for any act, omission to act, negligence, or defect in the quality of service of any underlying carrier or other service provider whose facilities or services are used in furnishing any portion of the service received by Customer. Company will not be liable for any failure of performance that is caused by or the result of any act or omission by Customer or any entity other than Company, that furnishes services, facilities, or equipment used in connection with Company's services or facilities.
- (D) EXCEPT AS EXPRESSLY PROVIDED IN THIS TARIFF, COMPANY MAKES NO EXPRESSED OR IMPLIED REPRESENTATIONS, OR WARRANTIES, INCLUDING ANY WARRANTIES REGARDING MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.
- (E) IN NO EVENT SHALL COMPANY BE LIABLE TO CUSTOMER FOR SPECIAL, INCIDENTAL, INDIRECT, CONSEQUENTIAL, OR PUNITIVE DAMAGES (INCLUDING WITHOUT LIMITATION, LOST PROFITS OR REVENUE).

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SECTION 2. RULES AND REGULATIONS (Cont'd)

2.3 Liability of the Company (Cont'd)

2.3.2 Limitation of Liability

2.3.2.1 Nothing in this tariff shall be construed to limit the Company's liability in cases of gross negligence or willful misconduct.

2.3.2.2 Neither Party shall be responsible for delays or failures in performance, except for the obligation to make payments required under this tariff, resulting from acts or occurrences in the nature of force majeure such as fire, explosion, acts of God, war, or civil commotion; any law, order, regulation, or ordinance of any government or legal body; strikes; or delays caused by the other Party. In such event, the Party affected shall, upon giving prompt notice to the other, be excused from such performance to the extent of such interference. The affected Party shall use its reasonable efforts to avoid or remove the cause of non-performance and both Parties shall proceed to perform with dispatch once the causes are removed or cease.

2.4 Application for Service

2.4.1 Minimum Contract Period

2.4.1.1 Except as otherwise provided, the minimum contract period is one month for all services furnished. When a service is discontinued prior to the expiration of the minimum period, charges are applicable, whether the service is used or not.

2.4.1.2 The Company may require a minimum contract period longer than one month in connection with special, non-standard types or arrangements of equipment, or for unusual construction, necessary to meet special demands for service.

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SECTION 2. RULES AND REGULATIONS (Cont'd)

2.4 Application for Service (Cont'd)

2.4.2 Cancellation of Service

- 2.4.2.1 Where the applicant cancels an order for service prior to the start of the installation or special construction of facilities, no charge shall apply, except to the extent the Company incurs a service order or similar charge from a supplying carrier, if any, prior to the construction.
- 2.4.2.2 Where the installation of facilities, other than those provided by special construction, has been started prior to cancellation, the lower of the following charge applies;
 - 2.4.2.2.A The total costs of installing and removing such facilities; or
 - 2.4.2.2.B The monthly charges for the entire initial contract period of the service ordered by the Customer as provided in this tariff plus the full amount of any applicable installation and termination charges.
- 2.4.2.3 Where special construction of facilities has been started prior to the cancellation, and the Company has another requirement for the specially constructed facilities, no charge applies.
- 2.4.2.4 The Company reserves the right to redefine its regions, add new regions, or remove regions from its current offering, as it deems appropriate in its sole discretion and will provide the Customer with at least thirty (30) days' notice of any change in the definition of the Company's regions.
- 2.4.2.5 In the event the Company plans to exit a current region, the Company shall provide Customer with thirty (30) days prior written notification of the Company's intent. The Customer shall be allowed to immediately terminate services in the affected region without penalty.

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SECTION 2. RULES AND REGULATIONS (Cont'd)**2.5 Payment for Service**

2.5.1 Company will bill Customer monthly, unless there is a contract for a longer billing period, with recurring charges being billed in advance and any usage charges billed in arrears. All amounts due Company are payable in full within thirty (30) days ("Due Date") from the date of invoice ("Bill Date").

2.5.2 Payments are past due if not received by the Company by the Due Date. Any amounts past due will be subject to a late payment charge accruing at the rate of 1-1/2% per month or the highest lawful rate, whichever is lower, until paid. In addition, invoices not paid within forty (40) days of the Bill Date and which have not been disputed in accordance with the procedures set forth in Section 2.7.1 of this tariff, may result in suspension of service until the overdue payment and any additional charges that may be imposed to restore service, have been paid. Customer agrees to pay all costs incurred by Company in collecting any unpaid amounts. Failure of the Customer to pay all undisputed amounts by the Due Date is a material breach and Company shall notify Customer and allow five (5) days for Customer to cure a monetary breach, and if default remains uncured, Company may terminate services hereunder for non-payment.

2.5.3 The Customer is responsible for payment of all charges for service furnished to the Customer. Charges based on actual usage during a month will be billed monthly, unless there is a contract for a longer billing period, in the month following the month in which the service was used. All fixed monthly and nonrecurring charges for services ordered will be billed monthly in advance.

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SECTION 2. RULES AND REGULATIONS (Cont'd)

2.5 Payment for Service (Cont'd)

2.5.4 The Company reserves the right to require from an applicant for service advance payments of fixed charges and nonrecurring charges. The advance payment will not exceed an amount equal to the nonrecurring charge(s) and one month's recurring charges for the service or facility. In addition, where special construction is involved, the advance payment may also include an amount equal to the estimated nonrecurring charges for the special construction. The advance payment will be applied to any indebtedness for the service and facilities for which the advance payment is made on the Customer's initial bill.

Advanced payments for installation costs or special construction will be credited on the first bill in their entirety.

2.6 Customer Deposits

2.6.1 The Company may require a deposit or guarantee of payment from any Customer or applicant who has not established good credit with that utility. Deposit or guarantee of payment requirements as prescribed by the utility must be based upon standards which bear a reasonable relationship to the assurance of payment.

A deposit shall not exceed an estimated two months gross bill or existing two months bill where applicable. All deposits shall be in addition to payment of an outstanding bill or a part of such bill as has been resolved to the satisfaction of the Company, except where such bill has been discharged in bankruptcy. The Company will not require a deposit or a guarantee of payment without explaining in writing why that deposit or guarantee is being required and under what conditions, if any, the deposit will be diminished upon return.

The Company may determine whether a Customer has established good credit with that utility, except as herein restricted:

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SECTION 2. RULES AND REGULATIONS (Cont'd)**2.6 Customer Deposits (Cont'd)**

- 2.6.1.1 A Customer, who within the last 12 months has not had service disconnected for nonpayment of a bill and has not been liable for disconnection of service for nonpayment of a bill, and the bill is not in dispute, shall be deemed to have established good credit.
- 2.6.1.2 The Company shall not require a deposit or a guarantee of payment based upon income, home ownership, residential location, employment tenure, nature of occupation, race, color, creed, sex, marital status, age, national origin, or any other criteria which does not bear a reasonable relationship to the assurance of payment or which is not authorized by this chapter.
- 2.6.1.3 No utility shall use any credit reports other than those reflecting the purchase of utility services to determine the adequacy of a Customer's credit history without the permission in writing of the Customer. Any credit history so used shall be mailed to the Customer in order to provide the Customer an opportunity to review the data. Refusal of a Customer to permit use of a credit rating or credit service other than that of a utility shall not affect the determination by the utility as to that Customer's credit history.
- 2.6.1.4 The deposit will bear simple interest computed from the date of its receipt by the Company to the date the deposit is refunded or service is terminated. In the event that a deposit is retained during time periods having different rates of interest, the interest accrued on the deposit will be credited using the interest rate applicable to each time period.
- 2.6.1.5 The rate of interest to be paid on Customer deposits is equivalent to the rate paid on 2-year U.S. treasury notes for the preceding 12 months ending December 31 of any year.

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SECTION 2. RULES AND REGULATIONS (Cont'd)

2.6 Customer Deposits (Cont'd)

2.6.2 Return of Deposit

Upon termination of service, the deposit with accrued interest shall be credited to the Customer's final invoice and the balance shall be returned within 45 days to the Customer.

2.6.3 Guarantee of Payment

The Utility may accept, in lieu of deposit, a contract signed by a guarantor satisfactory to the Utility whereby payment of a specified sum, not exceeding the deposit requirement, is guaranteed. The term of such contract shall be for no longer than 12 months, but shall automatically terminate after the Customer has closed and paid the account with the Utility, or at the guarantor's request upon 60 days' written notice to the Utility. Upon termination of a guarantee contract or whenever the Utility deems same insufficient as to amount or surety, a cash deposit or a new or additional guarantee may be required for good cause upon reasonable written notice to the Customer.

The service of any Customer who fails to comply with these requirements may be disconnected upon notice as prescribed in Arizona Rules. The Utility shall mail the guarantor copies of all disconnect notices sent to the customer whose account he has guaranteed unless the guarantor waives such notice in writing.

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SECTION 2. RULES AND REGULATIONS (Cont'd)

2.7 Customer Complaints and Billing Disputes

2.7.1 In the event that Customer disputes any charges, Customer must submit a written claim describing the disputed amount. Customer shall submit all documentation as may reasonably be required to support the claim. Payment may be withheld for the amounts subject to a dispute submitted prior to the Due Date. All disputes and claims for refunds must be submitted to Company within forty-five (45) days of the Bill Date. If Customer does not submit a claim as stated above, Customer waives all rights to file a claim thereafter. Company shall investigate and resolve all disputes within forty-five (45) days of receipt of the dispute and Company's resolution of such a dispute is final. Any portion of a disputed amount deemed payable by Company must be paid in full within ten (10) days of resolution or Customer's service may be subject to disconnection and late payment charges imposed on the overdue amount.

2.7.2 Customers may register any inquiry or complaint at:

Zayo Group, LLC
400 Centennial Parkway, Suite 200, Louisville, Colorado 80027
Telephone: (800) 390-6094
Email: billing@zayo.com
Web: www.zayo.com/

2.7.3 Customers unable to resolve a dispute with the Company may submit any inquiry or complaint to the:

Arizona Corporation Commission – Consumer Services Division
Web: www.azcc.gov

Phoenix Office:

1200 West Washington Street, Phoenix, Arizona 85007-2927
Telephone: (800) 222-7000

Tucson Office:

400 West Congress Street, Tucson, Arizona 85701-1347
Telephone: (800) 535-0148

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SECTION 2. RULES AND REGULATIONS (Cont'd)**2.8 Allowance for Interruptions in Service**

2.8.1 The following allowances are provided for interruptions in service, as specified for particular services furnished solely by the Company which become unavailable due to a Service Outage, as defined below, for reasons other than an Excused Outage, as defined below, Customer will be entitled to a service credit off of the monthly recurring charge ("MRC") for the affected circuit(s) based upon the cumulative length of time of the Service Outage in a given month as set forth below:

Length of Service Outage (in hrs:mins:secs)	Credit for Protected Services	Credit for Unprotected Services
0:00:01 – 1:00:00	0%	0%
1:00:01 – 2:00:00	2%	0%
2:00:01 – 3:00:00	5%	0%
3:00:01 – 4:00:00	10%	0%
4:00:01 – 8:00:00	20%	10%
8:00:01 or greater	50%	20%

2.8.2 For purposes of this Section, "Service Outage" means the break in transmission measured from the first ten (10) consecutive severely erred seconds ("SESs") on the affected Zayo circuit until the first ten (10) non-SESs which is known by Zayo. An SES is measured with a bit error ratio of greater than or equal to 1 in 1000. To be eligible for a credit under this Section, the Service Outage must last for more than sixty (60) consecutive minutes. Service credits shall be deducted from the charges payable by Customer hereunder and shall be expressly indicated on the next invoice to Customer. If the Customer reports Services or a facility or circuit to be unavailable but declines to release it for testing and repair, it is considered to be impaired, but shall not be deemed a Service Outage.

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SECTION 2. RULES AND REGULATIONS (Cont'd)**2.8 Allowance for Interruptions in Service (Cont'd)**

2.8.3 Service credits shall not apply to "Excused Outages", which are defined as outages (i) caused by the negligence or acts of Customer and/or its End User, affiliates, agents or representatives, (ii) the failure or malfunction of equipment or systems that are owned or controlled by Customer or Customer's agents or other third party (including off-net facility providers); (iii) a Force Majeure event; (iv) during any period in which Zayo is not given access to the Service Premises; or (v) a Planned Service Outage, including planned network testing or maintenance, and unscheduled emergency maintenance, alteration or implementation.

2.8.4 Customer shall provide a written request for a service credit within sixty (60) days after the Service Outage occurs. If Zayo confirms the Service Outage qualifies for a credit hereunder, Zayo will grant the service credit within thirty (30) days from receipt of said notice. Unless otherwise specifically stated, Service Outages are not aggregated for purposes of determining the credit allowance. Zayo agrees to provide a written Service Outage report within three (3) business days when requested by Customer. The service outage report will identify the impaired Circuit(s), the beginning and ending time/date of the Service Outage and the root cause of the Service Outage. The maximum service credit in a calendar month for any affected circuit shall not exceed 50% of the corresponding MRC for the affected circuit.

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SECTION 2. RULES AND REGULATIONS (Cont'd)

2.9 Taxes, Fees and Surcharges

2.9.1 All state and local taxes and fees shall be listed as separate line items on the Customer's bill.

2.9.2 If a municipality, other political subdivision or local agency of government, or the Commission imposes and collects from the Company a gross receipts tax, occupation tax, real estate tax, license tax, permit fee, franchise fee, or regulatory fee, such taxes and fees shall, as allowed by law, be billed pro rata to the Customer receiving service from the Company within the territorial limits of such municipality, other political subdivision or local agency of government.

2.9.3 Service shall not be subject to taxes for a given taxing jurisdiction if the Customer provides the Company with written verification, acceptable to the Company and to the relevant taxing jurisdiction, that the Customer has been granted a tax exemption.

2.10 Returned Check Charge

The charge for a returned check is \$35.00 per occurrence.

2.11 Special Customer Arrangements

In cases where a Customer requests special or unique arrangements which may include but are not limited to engineering, conditioning, installation, construction, facilities, assembly, purchase or lease of facilities and/or other special services not offered under this tariff, the Company, may provide the requested services. Appropriate recurring charges and/or nonrecurring charges and other terms and conditions will be developed for the customer for the provisioning of such arrangements.

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SECTION 2. RULES AND REGULATIONS (Cont'd)

2.12 Disconnection and Termination of Service

2.12.1 Disconnection of Service Without Notice

Company shall have the right to refuse or discontinue telephone service or service arrangements without advance notice, if the acts of the Customer or the conditions upon their premises are such as to indicate an intent to defraud Company or to use the Service to defraud a third party, including but not limited to, providing false credit information, significantly misstating expected service volumes, using the services for unlawful purposes, or using services without intent to pay.

Company will attempt to contact the Customer by telephone prior to discontinuing the Service or portions thereof. If Company is unable to contact the Customer by telephone, a letter will be mailed to the Customer on the same date that their service or service arrangement is discontinued, explaining the reasons for such action and the Customer's right to dispute such action.

Customer is responsible for all charges attributable to Customer, even if incurred as a result of fraudulent or unauthorized use of the Service by third parties. Company may, but is not obligated to, detect or report unauthorized or fraudulent use of Service.

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Louisville, CO 80027

SECTION 2. RULES AND REGULATIONS (Cont'd)**2.12 Disconnection and Termination of Service (Cont'd)****2.12.2. Disconnection of Service Requiring Notice**

Disconnection notices issued by the Company will inform the Customer facing service disconnection of the total amount which the Customer would need to pay in order to avoid disconnection of service. It must also inform the Customer of the Company's legal obligation to provide service to customers whose access service charges are paid, even while their toll service is disconnected for nonpayment of outstanding toll debt.

2.12.2.1 The Company may disconnect service for any of the following reasons provided it has notified the Customer of its intent, in writing, to disconnect service and has allowed the Customer a reasonable time of not less than thirty (30) days in which to remove the cause for disconnection:

2.12.2.1.A Non-compliance with Regulations. For violation of or non-compliance with Commission's rules and regulations or for violation of or non-compliance with the Company's tariffs on file with the Commission.

2.12.2.1.B Failure on Contractual Obligations. For failure of the Customer to fulfill his contractual obligations for service or facilities subject to regulation by the Commission.

2.12.2.1.C Refusal of Access. For failure of the Customer to permit the Company to have reasonable access to its equipment and property.

2.12.2.1.D Failure to meet the utility's deposit and credit requirements.

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SECTION 2. RULES AND REGULATIONS (Cont'd)

2.12 Disconnection and Termination of Service (Cont'd)

2.12.2. Disconnection of Service Requiring Notice

2.12.2.1.E For non-payment of a bill for service, provided that the Company has made a reasonable attempt to effect collection and has given the Customer written notice of its intent to deny service if settlement of his account is not made and provided the Customer has at least five (5) days notice, in which to make settlement before his service is denied.

2.12.2.1.F Failure to Comply with Service Conditions. For failure of the Customer to furnish the service equipment, permits, certificates, or rights-of-way, specified by the Company as a condition to obtaining service, or if the equipment or permissions are withdrawn or terminated.

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SECTION 2. RULES AND REGULATIONS (Cont'd)

2.13 Unlawful Use of Service

2.13.1 Service shall not be used for any purpose in violation of law or for any use as to which the Customer has not obtained all required governmental approvals, authorizations, licenses, consents, and permits. The Company shall refuse to furnish service to an applicant or shall disconnect the service without notice of a Customer when:

2.13.1.1 An order shall be issued, signed by a judge finding that probable cause exists to believe that the use made or to be made of the service is prohibited by law, or

2.13.1.2 The Company is notified in writing by a law enforcement agency acting within its jurisdiction that any facility furnished by the Company is being used or will be used for the purpose of transmitting or receiving gambling information in interstate or foreign commerce in violation of the law.

2.13.2 If service has been physically disconnected by law enforcement officials at the Customer's premises and if there is not presented to the Company the written finding of a judge, then upon written or verbal request of the subscriber, and agreement to pay restoral of service charges and other applicable service charges, the Company shall promptly restore such service.

2.14 Interference with or Impairment of Service

Service shall not be used in any manner that interferes with other persons in the use of their service, prevents other persons from using their service, or otherwise impairs the quality of service to other Customers. The Company may require a Customer to immediately shut down its transmission of signals if said transmission is causing interference to others or impairing the service of others.

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SECTION 2. RULES AND REGULATIONS (Cont'd)

2.15 Overcharge/Undercharge

2.15.1 When a Customer has been overcharged, the amount shall be refunded or credited to the Customer.

2.15.2 When a Customer has been undercharged, the undercharged amount shall be invoiced to Customer and such invoiced amount shall be payable over a six (6) month period.

2.16 Notices

2.16.1 Any notice required or permitted to be given under this tariff shall be in writing and delivered by hand, mail, national overnight courier service or by fax if confirmed by telephone to the Customer, at the address or phone numbers shown herein or at such other address or phone numbers as shall be designated from time to time.

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SECTION 3. DESCRIPTION OF SERVICES**3.1 General**

The various types of service offered by the Company are described below. The Company's services are billed at predetermined monthly rates, unless there is a contract for a longer billing period. Recurring charges are billed in advance of the month in which the service is provided. Any optional features and extraordinary installation costs other than recurring and nonrecurring charges may apply as described herein. Customers requesting these services may subscribe to services on a month-to-month basis, or on an individual case basis as described in Section 3.6.

3.2 Service Configurations

There are two types of service configuration over which Company's services are provided: point-to-point and multipoint service.

3.2.1 Point-to-Point Service

Point-to-Point Service connects two premises designated by the Customer, either on a directly-connected basis, or through a hub where multiplexing functions are performed.

3.2.2 Multipoint Service

Multipoint Services connect three or more premises designated by the Customer through a Company hub. While there is no limitation on the number of locations that may be connected through multipoint service, the quality of service may be degraded when more than three points are connected. Multipoint services may be provided where it is technically possible to provide those services. However, if the Company determines that the requested multipoint service is not feasible, the Customer will be notified and provided an opportunity to change the order within forty-five (45) days.

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SECTION 3. DESCRIPTION OF SERVICES (Cont'd)

3.3 Service Descriptions and Technical Specifications

The Company offers the following services:

3.3.1 Ethernet Service

The Company provides point-to-point broadband communications services through 100Mbps, 1Gbps, and 10Gbps Ethernet circuits, provided between locations designated by the Customer and/or between such locations and a Company hub, through fiber optic cable owned or controlled by Company.

3.3.2 Point-to-Point and Hub/Tail TDM Services

The Company provides high-speed point-to-point and hub/tail broadband communications services through DS3, OC3, OC12, and OC-48 TDM circuits, provided between locations designated by the Customer and/or between such locations and a Company hub, through fiber optic cable owned or controlled by Company. Services are typically provisioned over a SONET-ring network architecture.

3.3.3 Local Service

Business local Access Line.

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SECTION 3. DESCRIPTION OF SERVICES (Cont'd)**3.4 Rate Categories**

There are six rate categories that may apply to the Company's Services.

3.4.1 Monthly Recurring Charges ("MRC")

Monthly Recurring Charges are charges invoiced to the Customer that occur each month during the term of the services ordered by the Customer.

3.4.2 Nonrecurring Charges ("NRC")

Nonrecurring Charges are one-time charges to the Customer that do not occur on a recurring basis. Service installation charges, special construction and customer premise visits are included in Nonrecurring Charges.

3.4.3 Extraordinary Charges

From time to time, Customers may request special services not addressed specifically by rate elements in this Tariff, or services to locations that may cause Company to incur extraordinary expenses not contemplated in the provision of standard service offerings. These costs include, but are not limited to:

Additional construction costs

Building space rental or rights-of-way costs

Additional equipment

Special facilities routing

In these cases, the Customer will be billed additional charges on an ICB.

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SECTION 3. DESCRIPTION OF SERVICES (Cont'd)

3.4 Rate Categories (Cont'd)

3.4.4 Volume Discounts

Discounts for specified dollar volumes of traffic to a specific location or aggregate dollar volumes may apply to Customers that subscribe to substantial volumes of the Company's services.

3.4.5 Term Discounts

Customers will be eligible for discounts for executing agreements for services for one to ten years.

3.5 Application of Rate Elements

The rate categories described in this Tariff will be applied as follows, when applicable:

3.5.1 Point-to-Point Services

Flat rate MRC/NRC

Optional Features and Functions
Extraordinary Charges
Volume Discounts
Term Discounts

3.5.2 Multipoint Services

Flat rate MRC/NRC

Optional Features and Functions
Extraordinary Charges
Volume Discounts
Term Discounts

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SECTION 3. DESCRIPTION OF SERVICES (Cont'd)**3.6 Contract Rates – Special Pricing Arrangements – ICB**

3.6.1 In lieu of the rates, terms and conditions set forth in this Tariff, rates and charges may be established at negotiated rates on an ICB, taking into account the nature of the facilities and services, the costs of construction and operation, the volume of traffic, the length of service commitment by the Customer, and use of facilities by other Customers. Such arrangements shall be considered Special Pricing Arrangements, the term of which will be set forth in individual Customer contracts. Unless otherwise specified in the individual Customer contract, the terms, conditions, obligations and regulations set forth in this Tariff shall be incorporated into, and become a part of, said contract, and shall be binding on the Company and the Customer. In the event of a conflict between the terms and conditions of this Tariff and an individual Customer contract, the terms and conditions from the individual Customer contract shall apply. Specialized rates or charges will be made available to similarly-situated Customers on a non-discriminatory basis.

3.6.2 In addition to any rate or charge established by the Company, the Customer will also be responsible for any recurring or non-recurring charges imposed by telephone companies incurred by or on behalf of the Customer in establishing and maintaining service. Such charges may be billed by the Company or directly by the telephone company, at the Company's option.

3.7 Taxes**3.7.1 Sales, Use and Excise Taxes**

In addition to all recurring, non-recurring, usage or special charges, Customer shall also be responsible for and shall pay all applicable federal, state and local sales, use and excise taxes.

3.8 Temporary Promotional Programs

The Company may establish temporary promotional programs wherein it may waive or reduce recurring or non-recurring charges, to introduce a present or potential Customer to a service no previously subscribed to by the Customer.

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SECTION 4. RATES AND CHARGES**4.1 General Regulations**

4.1.1 Except as specifically indicated, the rates set forth in this section are for private line services where the originating and terminating points are on Company's existing network. In all other situations, special construction charges may apply in order to connect locations to Company's network.

4.1.2 Services may be provided using one, or a combination of rate elements as outlined in this Tariff.

4.2 Charges for Changes to Pending Orders, Service Rearrangements and Expedite Charges

From time to time, Customers may request (i) changes to pending orders, (ii) rearrangements to existing service, and (iii) order completion sooner than standard intervals. For changes to pending orders and existing services, the Customer will be required to reimburse the Company for any third party costs incurred to provision such service changes plus a maximum of \$800 per order. To expedite an order, the customer will be required to reimburse the Company for any third party costs incurred to expedite the order plus a maximum of \$1,000 per order.

4.3 Nonrecurring Charge

Non recurring charges will be charged on a time and materials basis.

4.3.1 Customer Premise Visits

For customer premise visits, Company will charge on an hourly basis, rounded to the next 15 minute interval with the below minimums.

1. M-F (business hours 8am-5pm local premise time) - Maximum \$120 per hour with a 2 hour minimum
2. M-F (out of business hours) and weekends - Maximum \$150 per hour with a 4 hour minimum
3. Holidays - Maximum \$200 per hour with a 4 hour minimum

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SECTION 4. RATES AND CHARGES (Cont'd)**4.4 Special Construction****4.4.1. Bases for Rates and Charges**

Rates and charges for special construction will be based on the costs incurred by the Company and may include (1) nonrecurring type charges; (2) recurring type charges; (3) termination liabilities; or (4) combinations thereof.

4.4.2 The costs referred to in Section 4.4.1 may include one or more of the following items to the extent that they are applicable:

- A. Installed cost of the facilities, including estimated costs for the rearrangement of existing facilities. Cost installed includes the cost of:
 - 1. equipment and materials provided or used,
 - 2. engineering, labor and supervision,
 - 3. transportation, and
 - 4. rights-of-way;
- B. cost of maintenance;
- C. depreciation on the estimated installed cost of any facilities provided, based on the anticipated useful service life of the facilities with an appropriate allowance for the estimated net salvage;
- D. administration, taxes, and uncollectible revenue on the basis of reasonable average costs for these items;
- E. license preparation, processing, and related fees;
- F. tariff preparation, processing, and related fees;
- G. any other identifiable costs related to the facilities provided; or
- H. an amount for return and contingencies.

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SECTION 4. RATES AND CHARGES (Cont'd)**4.5 Rates****4.5.1 Point-to-Point and Multipoint Services****4.5.1.1 Metro Phoenix Recurring Charges (on-net circuit originates and terminates in the Phoenix market)**

	<u>Maximum</u>
DS3 Point to Point	\$1,040
OC3 Point to Point	\$2,595
OC12 Point to Point	\$5,973
OC12 Hub	\$4,100
OC48 Hub	\$8,200
DS3 Tail	\$500
OC3 Tail	\$1,300
OC12 Tail	\$3,000
100Mb Point to Point	\$1,890
1000Mb Point to Point	\$7,290

4.5.2 Service Elements**4.5.2.1 Metro Phoenix Nonrecurring Charges (on-net only)**

	<u>Maximum</u>
DS3 Point to Point	\$1,000
OC3 Point to Point	\$2,000
OC12 Point to Point	\$3,000
OC12 Hub	\$3,000
OC48 Hub	\$5,000
DS3 Tail	\$1,000
OC3 Tail	\$2,000
OC12 Tail	\$3,000
100Mb Point to Point	\$2,000
1000Mb Point to Point	\$5,000

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SECTION 4. RATES AND CHARGES (Cont'd)

4.5 Rates (Cont'd)

4.5.3 Local Service Offerings

Service Establishment Charge:

	<u>Maximum</u>
New Lines	\$140.00

Recurring Service Charges (per month, per line)

	<u>Maximum</u>
Business	\$47.00

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SAMPLE INVOICE

Issued: January __, 2011

Effective: _____, 2011

Peter Chevalier, Associate General Counsel
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400 Centennial Parkway, Suite 200
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ATTACHMENT C
[NOT APPLICABLE]

ATTACHMENT D

Financial Information



Consolidated Financial Statements

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

Zayo Group, LLC

Delaware
(State of Incorporation)

26-2012549
(I.R.S. Employer
Identification No.)

400 Centennial Parkway, Suite 200, Louisville, CO
(Address of principal executive offices)

80027
(Zip Code)

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

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

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Consolidated Statements of Operations for the years ended June 30, 2010, 2009 and 2008	3
Consolidated Statements of Member's Equity for the years ended June 30, 2010, 2009 and 2008	4
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Notes to the Consolidated Financial Statements	7



Grant Thornton

Report of Independent Certified Public Accountants

Audit • Tax • Advisory

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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	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 SUBSIDIARIE

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

LAYO GROUP, LLC AND SUBSIDIARIE

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	June 30,		
	2010	2009	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)
<i>Adjustments to reconcile net earnings/(loss) from continuing operations to net cash provided by operating activities</i>			
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 Network, LLC, net of cash acquired	-	-	(9,173)
Acquisition of PPL Telecom, LLC, net of cash acquired	-	-	(41,318)
Acquisition of Indiana Fiber Works, LLC, net of cash acquired	-	-	(22,601)
Acquisition of Vopcepipe 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 NII 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	2009	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

ZAYO GROUP, LLC AND SUBSIDIARIES

NOTES TO THE 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.

ZAYO GROUP, LLC AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

ZAYO GROUP, LLC AND SUBSIDIARIES

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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

ZAYO GROUP, LLC AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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)
	<u>\$224,045</u>	<u>100%</u>	<u>\$150,804</u>	<u>100%</u>	<u>\$77,569</u>	<u>100%</u>

(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 colocation 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.

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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.

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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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

ZAYO GROUP, LLC AND SUBSIDIARIE

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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.

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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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Acquisitions during fiscal year 2008

	Memphis	PPL	Indiana	Onvoy	Voicepipe	Citynet	Northwest
Acquisition date	July 31, 2007	August 24, 2007	September 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 allocated 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.

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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.

(unaudited)	Year ended June 30,	
	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.

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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.

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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

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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	<u>\$ 68,751</u>

(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	<u>\$ 88,073</u>	<u>\$ (28,222)</u>	<u>\$ 59,851</u>
June 30, 2009			
Customer relationships	37,556	(9,961)	27,595
Non-compete Agreements	8,845	(6,198)	2,647
Total	<u>\$ 46,401</u>	<u>\$ (16,159)</u>	<u>\$ 30,242</u>

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
	<u>\$ 59,851</u>

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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.

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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,

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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 - CIL. 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)

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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	<u>\$ 49,832</u>	<u>\$ 9,496</u>
Deferred income tax liabilities		
Property and equipment	24,483	11,325
Intangible assets	13,884	4,641
Total deferred income tax liabilities	<u>38,367</u>	<u>15,966</u>
Less: Valuation allowance	<u>(355)</u>	<u>-</u>
Net deferred income tax assets	<u>\$ 11,110</u>	<u>\$ (6,470)</u>

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.

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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

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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.

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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

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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,			Totals
	2008	2009	2010	
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:

	Level	As of June 30,	
		2010	2009
<i>Liabilities Recorded at Fair Value in the Financial Statements:</i>			
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
<i>Liabilities not Recorded at Fair Value in the Financial Statements:</i>			
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.

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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:

Year ending June 30,	As of June 30, 2010
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.

ZAYO GROUP, LLC AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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
	<u>\$ 175,335</u>

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.

ZAYO GROUP, LLC AND SUBSIDIARIE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)	Year ended June 30,	
	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.

ZAYO GROUP, LLC AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(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.

ZAYO GROUP, LLC AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

WAYO GROUP, LLC AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	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.

LAYO GROUP, LLC AND SUBSIDIARIE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(18) QUARTERLY FINANCIAL DATA (UNAUDITED)

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

	2010 Quarter Ended				Total
	September 30	December 31	March 31	June 30	
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

ZAYO GROUP, LLC AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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*.

ZAYO GROUP, LLC AND SUBSIDIARI

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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)

EXHIBIT A

Organization Charts

Current Corporate Organization Structure of Zayo Group, LLC

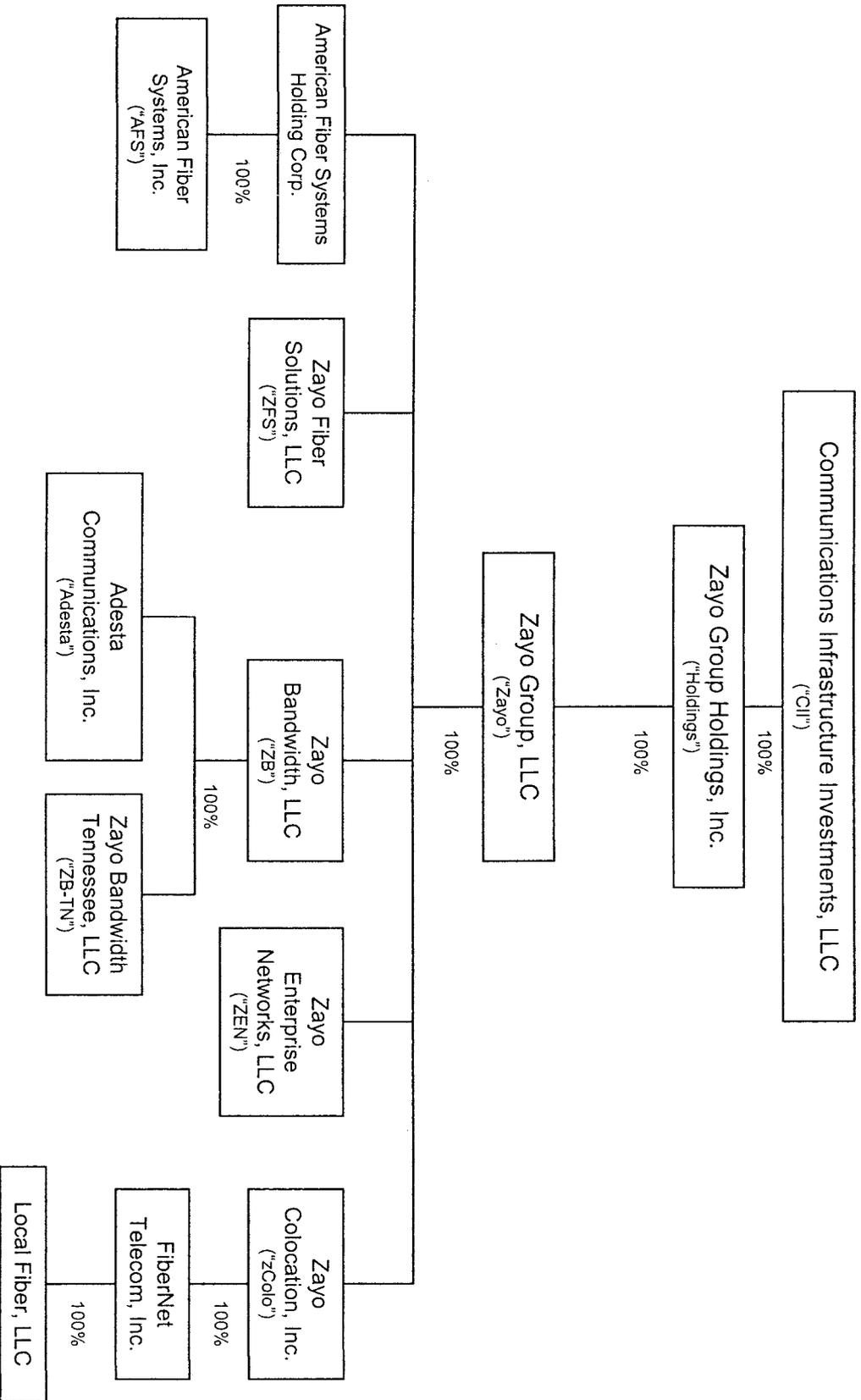
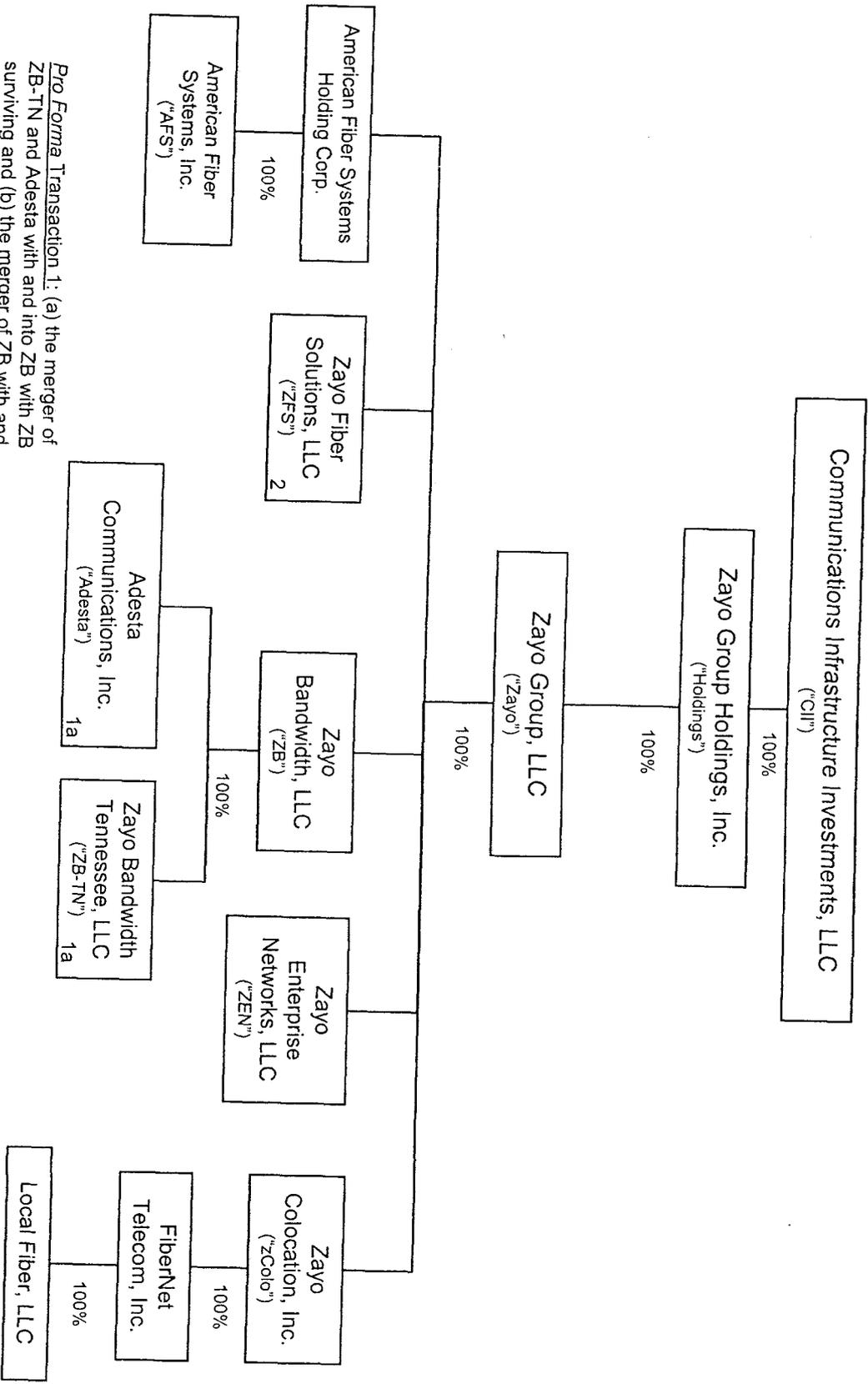


Illustration of Pro Forma Transactions Regarding Zayo Group, LLC



Pro Forma Transaction 1: (a) the merger of ZB-TN and Adesta with and into ZB with ZB surviving and (b) the merger of ZB with and into Zayo with Zayo surviving.
Pro Forma Transaction 2: the merger of ZFS with and into Zayo, with Zayo surviving.

Note: Direct ownership of ZEN will be transferred to an affiliate.

Post-Pro Forma Transactions
Corporate Organization Structure of Zayo Group, LLC

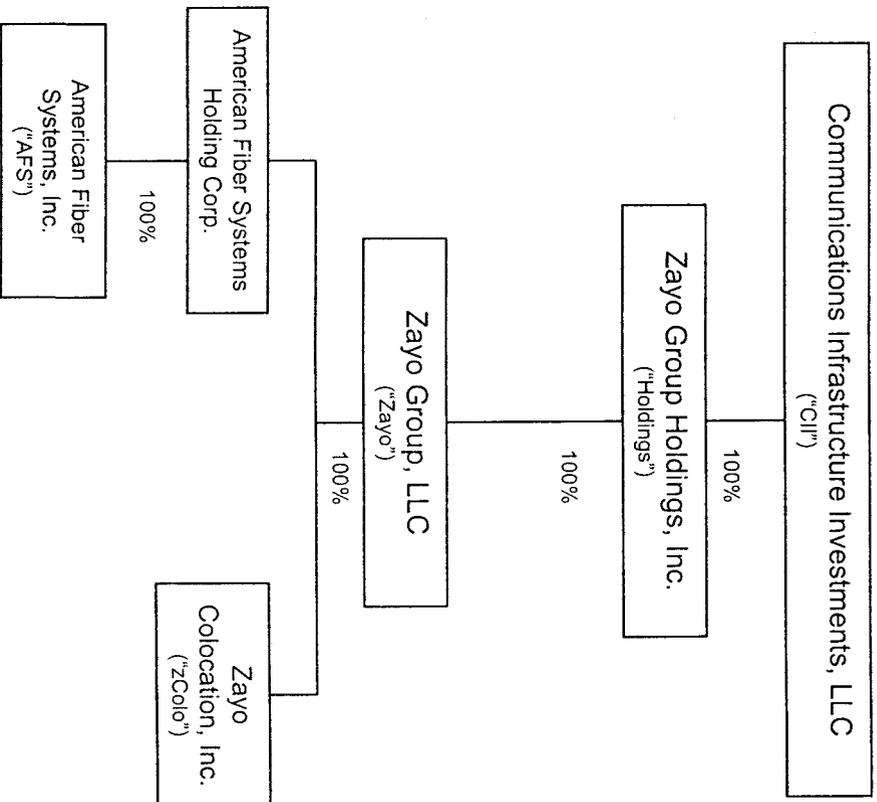


EXHIBIT B

Management Biographies

Zayo Group, LLC ("Zayo") possesses the managerial qualifications to provide its proposed telecommunications services in Arizona. The senior management of Zayo and its subsidiaries has extensive experience in telecommunications service provision, and its highly-qualified technical staff will ensure that Zayo's operations will meet high standards for service quality and reliability. Descriptions of the telecommunications and managerial experience of Zayo's management are provided as follows:

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

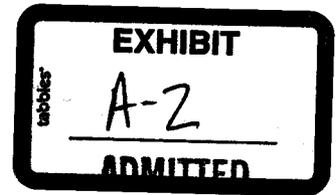
Scott Beer has 17 years of experience in the legal field, with an emphasis on telecommunications. He most recently worked for Level 3 Communications as VP of Carrier Relations, responsible for vendor relations covering \$1.8 billion in network expenses. Prior to Level 3's acquisition of ICG Communications, 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.



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BEFORE THE ARIZONA CORPORATION COMMISSION

2011 MAR 15 P 4: 29

AZ CORP COMMISSION
DOCKET CONTROL

1
2
3 GARY PIERCE
Chairman

4
5 BOB STUMP
Commissioner

6 PAUL NEWMAN
Commissioner

7
8 SANDRA D. KENNEDY
Commissioner

9 BRENDA BURNS
Commissioner

10
11 IN THE MATTER OF THE APPLICATION) DOCKET NO. T-20783A-11-0024
OF ZAYO GROUP, LLC FOR APPROVAL)
12 OF A CERTIFICATE OF CONVENIENCE) AMENDMENT TO APPLICATION
AND NECESSITY FOR INTRASTATE)
13 TELECOMMUNICATIONS SERVICES FOR)
RESOLD AND FACILITIES-BASED)
14 INTRALATA AND INTERLATA PRIVATE)
LINE SERVICES)

15
16 Based on discussions with Commission Staff, Zayo Group, LLC files the
17 attached tariff to replace the tariff submitted with Zayo's Application dated January
18 20, 2011.

19
20 **RESPECTFULLY SUBMITTED** this 15th day of March 2010.

21 LEWIS AND ROCA LLP

22
23 Handwritten signature of Michael T. Hallam in black ink.

24 Michael T. Hallam
40 North Central Avenue
Phoenix, AZ 85004

25 Attorneys for Zayo Group, LLC

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2

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ORIGINAL and thirteen (13) copies
of the foregoing filed this 15th day
of March, 2011, with:

4

5

Arizona Corporation Commission
Hearing Division – Docket Control
1200 W. Washington Street
Phoenix, Arizona 85007

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8

9

COPY of the foregoing hand-delivered
this 15th day of March, 2011, to:

10

11

Honorable Yvette Kinsey
Administrative Law Judge
Hearing Division
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

12

13

14

Bridget Humphrey, Legal Division
Arizona Corporation Commission
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16

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Armando Fimbres, Director
Utilities Division
Arizona Corporation Commission
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Phoenix, Arizona 85007

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Jayne Williams

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ZAYO GROUP, LLC
400 Centennial Parkway, Suite 200
Louisville, CO 80027

RATES, RULES AND ADMINISTRATIVE REGULATIONS
FOR FURNISHING
INTRASTATE TELECOMMUNICATIONS SERVICES
WITHIN THE STATE OF ARIZONA

FILED WITH THE ARIZONA CORPORATION COMMISSION

Issued: January ____, 2011

Effective: _____, 2011

Peter Chevalier, Associate General Counsel
Zayo Group, LLC
400 Centennial Parkway, Suite 200
Louisville, CO 80027

A/73639827.1
A/73639827.4

CHECK SHEET

The sheets inclusive of this tariff are effective as of the date shown at the bottom of the respective sheet(s). Original and revised sheets as named below comprise all changes from the original tariff and are currently in effect as of the date on the bottom of this sheet.

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Issued: January ____, 2011

Effective: _____, 2011

Peter Chevalier, Associate General Counsel
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A/73639827.4

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Effective: _____, 2011

Peter Chevalier, Associate General Counsel
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400 Centennial Parkway, Suite 200
Louisville, CO 80027

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Issued: January __, 2011

Effective: _____, 2011

Peter Chevalier, Associate General Counsel
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TARIFF FORMAT

- A. **Page Numbering** - Page numbers appear in the upper right corner of the page. Pages are numbered sequentially. However, new pages are occasionally added to the tariff. When a new page is added between pages already in effect, a decimal is added. For example, a new page added between Page 14 and 15 would be 14.1.

- B. **Page Revision Numbers** - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current page version on file with the Commission. For example, the 4th revised Page 14 cancels the 3rd revised Page 14.

- C. **Paragraph Numbering Sequence** - There are various levels of paragraph coding. Each level of coding is subservient to its next higher level:
 - 2
 - 2.1
 - 2.1.1
 - 2.1.1.1

- D. **Check Sheets** - When a tariff filing is made with the Commission, an updated Check Sheet accompanies the tariff filing. The Check Sheet lists the pages contained in the tariff, with a cross-reference to the current revision number. When new pages are added, the Check Sheet is changed to reflect the revision. An asterisk designates all revisions made in a given filing (*). There will be no other symbols used on this page if these are the only changes made to it (i.e., the format, etc. remain the same, just revised revision levels on some pages.) The tariff user should refer to the latest Check Sheet to find out if a particular page is the most current on file with the Commission.

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Explanation of Symbols

- (C) – To signify changed administrative regulation
- (D) – To signify a discontinued rate, administrative regulation or test
- (I) – To signify an increase in a rate
- (M) – To signify text or rates relocated without change
- (N) – To signify a new rate, regulation or other text or new test
- (R) – To signify a reduction in a rate
- (T) – To signify a change in text but no change in rate

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DEFINITIONS

“Access Line” refers to facilities and transmission path used to create a telecommunications connection from a network device to the serving center and composing the local loop.

“Applicant” refers to an individual, partnership, corporation, association, or government agency who applies to the Company for any new or additional telephone service.

“Business Hours” refers to the time after 8:00 A.M. and before 5:00 P.M., Monday through Friday excluding holidays

“Carrier,” “Company” or “Utility” refers to Zayo Group, LLC.

“Central office” refers to a switching unit that provides central office telecommunications services to the general public having the necessary equipment and operating arrangements for terminating Access Lines and trunks or trunks only.

“Commission” refers to the Arizona Corporation Commission.

“Customer” refers to any person, firm, corporation, or governmental entity who has applied for and is granted service or who is responsible for payment of service.

“Delinquent or Delinquency” refers to an account for which payment has not been paid in full on or before the last day for timely payment.

“Facility” refers to one or all of the elements of a physical plant used to provide telecommunications services.

“Grade of Service” refers to the type of service furnished to a Customer with respect to the functionality and capabilities of the service offering.

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DEFINITIONS (Cont'd)

"Grandfathered Service" applies to an obsolete and/or outdated service the Utility no longer wishes to provide. The grandfathering of a service is the Utility's method of managing a tariff for this service prior to ultimately discontinuing the service, or change existing tariff regulations without discontinuing certain rights, privileges or conditions of the service to existing customers.

"ICB" refers to pricing arrangements made on an individual case basis.

"Local Access Transport Area ("LATA")" refers to a geographic area established for the provision and administration of communications service. A LATA encompasses designated exchanges, which are grouped to serve common social, economic and other purposes.

"On-Net" refers to services where all originating and terminating points are on Company owned or operated facilities.

"Service" refers to any telecommunications service(s) provided by the Company under this tariff.

"Subscriber" refers to the firm, company, corporation, or other entity that contracts for service under this tariff and that is responsible for the payment of charges as well as compliance with the Company's regulations pursuant to this tariff.

"Switching" refers to the machines that switch telephone calls from/to other telephones or trunks.

"Tariffs" refer to the tariffs, price lists, and generally applicable terms and conditions on file with a state or federal regulatory authority or publicly available on the Company's website in accordance with the regulations of a state or federal regulatory authority.

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SECTION 1. APPLICATION OF TARIFF

- 1.1.1 This tariff governs the services provided by Zayo Group, LLC that originate and terminate within the State of Arizona. Specific services and rates are described elsewhere in this tariff.
- 1.1.2 The Company installs, operates, and maintains the communications services provided herein in accordance with the terms and conditions set forth under this tariff. The Company may act as the Customer's agent for ordering access connection facilities provided by other carriers or entities when authorized by the Customer, to allow connection of a Customer's location to the Company's network. The Customer shall be responsible for all charges due for such service arrangement.
- 1.1.4 The Company's services are available to large enterprise, government and wholesale Customers only. The Company's obligation to furnish, or to continue to furnish, telecommunications service is subject to availability and dependent upon its ability to obtain, retain, and maintain, without unreasonable expense, suitable rights of way and facilities required to furnish and maintain that service.

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SECTION 2. RULES AND REGULATIONS

2.1 Undertaking of the Company

This tariff contains the regulations, rates and charges applicable to resold and facilities-based competitive telecommunications services provided by the Company in the State of Arizona.

2.2 Obligations of the Customer

2.2.1 The Customer shall be responsible for:

2.2.1.1 The payment of all applicable charges pursuant to this tariff.

2.2.1.2 Reimbursing the Company for damage to, or loss of, the Company's facilities or equipment caused by the acts or omissions of the Customer; or the noncompliance by the Customer, with these regulations, or by fire or theft or other casualty on the Customer's premises unless caused by the negligence or willful misconduct of the employees or agents of the Company.

2.2.1.3 Providing at no charge, as specified from time to time by the Company, any needed space and power to operate the Company's facilities and equipment installed on the Customer's premises.

2.2.1.4 Complying with all laws and regulations regarding the working conditions on the premises at which the Company's employees and agents shall be installing or maintaining the Company's facilities and equipment. The Customer may be required to install and maintain the Company's facilities and equipment within a hazardous area if, in the Company's opinion, injury or damage to the Company's employees or property might result from installation or maintenance by the Company. The Customer shall be responsible for identifying, monitoring, removing and disposing of any hazardous material prior to any construction or installation work.

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SECTION 2. RULES AND REGULATIONS (Cont'd)

2.2 Obligations of the Customer (Cont'd)

2.2.1.5 Complying with all laws and regulations applicable to, and obtaining all consents, approvals, licenses and permits as may be required with respect to, the location of the Company's facilities and equipment in any Customer premises for the purpose of installing, inspecting, maintaining, repairing, or upon termination of service as stated herein, removing the facilities or equipment of the Company.

2.2.1.6 Making Company facilities and equipment available periodically for maintenance purposes at a time agreeable to both the Company and the Customer. No allowance for interruptions in service will be made for the period during which service is interrupted for such purposes.

2.2.2 With respect to any service or facility provided by the Company, the Customer shall indemnify, defend and hold harmless the Company from all claims, actions, damages, liabilities, costs and expenses for:

2.2.2.1 Any loss, destruction or damage to property of the Company or any third party, or injury to persons, including, but not limited to, employees or invitees of either the Company or the Customer, to the extent caused by or resulting from the negligent or intentional act or omission of the Customer, its employees, agents, representatives or invitees; or

2.2.2.2 Any claim, loss, damage, expense or liability for infringement of any copyright, patent, trade secret, or any proprietary infringement of any copyright, patent, trade secret, or any proprietary or intellectual property right of any third party, arising from any act or omission by the Customer.

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SECTION 2. RULES AND REGULATIONS (Cont'd)**2.2 Obligations of the Customer (Cont'd)**

2.2.3 The Customer is responsible for ensuring that Customer-provided equipment connected to Company equipment and facilities is compatible with such equipment and facilities. The connection, operation, testing, or maintenance of such equipment shall be such as not to cause damage to the Company-provided equipment and facilities or injury to the Company's employees or other persons. Any additional protective equipment required to prevent such damage or injury shall be provided by the Company at the Customer's expense.

2.2.4 The Company's services (as detailed in this tariff) may be connected to the services or facilities or other communications carriers only when authorized by, and in accordance with, the terms and conditions of the tariffs or contracts which are applicable to such connections.

2.2.5 Upon reasonable notification to the Customer, and at a reasonable time, the Company may make such tests and inspections as may be necessary to determine that the Customer is complying with the requirements set forth in this tariff for the installation, operation, and maintenance of Customer-provided facilities and equipment that is connected to Company-owned facilities and equipment.

2.3 Liability of the Company

2.3.1 In view of the fact that the Customer has exclusive control over the use of service and facilities furnished by the Company, and because certain errors incident to the services and to the use of such facilities of the Company are unavoidable, services and facilities are furnished by the Company subject to the terms, conditions and limitations herein specified:

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SECTION 2. RULES AND REGULATIONS (Cont'd)**2.3 Liability of the Company (Cont'd)****2.3.1 (Cont'd)**

- (A) The Company's damages arising out of its negligent acts, or mistakes, omissions, interruptions, delays, errors, or defects during the course of furnishing service, shall in no event exceed an amount equivalent to Company's charges for service during the period affected by such negligence, or in which such mistakes, omissions, interruptions, delays, errors, or defects occurred. Any mistakes, omissions, interruptions, delays, errors, or defects that are caused by or materially contributed to by the negligence or willful acts of Customer, or that arise from facilities or equipment used by Customer and not provided by Company, shall not result in the imposition of any liability upon Company.
- (B) Customer shall defend, indemnify, and hold harmless the Company, its officers and directors, employees, and agents from and against any and all lawsuits, claims, demands, penalties, losses, fines, liabilities, damages, and expenses of any kind and nature (including, without limitation, liability to third parties for personal injury or death and for loss or damage to property, and loss or damage to Company property, and injury to Company employees), without limitation whatsoever, that in any way arise out of or result from Customer's operations, installation or maintenance of equipment and facilities, or performance under this tariff, or that arises out of or in any way is connected with Customer's provision of service to its end users, or any use or attempted use by Customer or any such end user of services provided by the Company hereunder; provided that this section shall not apply to the extent that any injury, loss, or damage is caused by the gross negligence or willful misconduct on the part of the Company.

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SECTION 2. RULES AND REGULATIONS (Cont'd)

2.3 Liability of the Company (Cont'd)

2.3.1 (Cont'd)

- (C) The Company will not be liable for any act, omission to act, negligence, or defect in the quality of service of any underlying carrier or other service provider whose facilities or services are used in furnishing any portion of the service received by Customer. Company will not be liable for any failure of performance that is caused by or the result of any act or omission by Customer or any entity other than Company, that furnishes services, facilities, or equipment used in connection with Company's services or facilities.
- (D) EXCEPT AS EXPRESSLY PROVIDED IN THIS TARIFF, COMPANY MAKES NO EXPRESSED OR IMPLIED REPRESENTATIONS, OR WARRANTIES, INCLUDING ANY WARRANTIES REGARDING MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.
- (E) IN NO EVENT SHALL COMPANY BE LIABLE TO CUSTOMER FOR SPECIAL, INCIDENTAL, INDIRECT, CONSEQUENTIAL, OR PUNITIVE DAMAGES (INCLUDING WITHOUT LIMITATION, LOST PROFITS OR REVENUE).

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SECTION 2. RULES AND REGULATIONS (Cont'd)

2.3 Liability of the Company (Cont'd)

2.3.2 Limitation of Liability

2.3.2.1 Nothing in this tariff shall be construed to limit the Company's liability in cases of gross negligence or willful misconduct.

2.3.2.2 Neither Party shall be responsible for delays or failures in performance, except for the obligation to make payments required under this tariff, resulting from acts or occurrences in the nature of force majeure such as fire, explosion, acts of God, war, or civil commotion; any law, order, regulation, or ordinance of any government or legal body; strikes; or delays caused by the other Party. In such event, the Party affected shall, upon giving prompt notice to the other, be excused from such performance to the extent of such interference. The affected Party shall use its reasonable efforts to avoid or remove the cause of non-performance and both Parties shall proceed to perform with dispatch once the causes are removed or cease.

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SECTION 2. RULES AND REGULATIONS (Cont'd)**2.3 Liability of the Company (Cont'd)****2.3.3 Emergency Calling**

Access to 911 and E911 service is offered solely as an aid in handling assistance calls in connection with fire, police, medical, and other emergencies. The Company is not responsible, in the absence of gross negligence or willful misconduct, for any losses, claims, demands, suits, or any liability, whether suffered, made, instituted, or asserted by the Customer or by any other party or person, for any personal injury to or death of any person or persons, and for any loss, damage, or destruction of any property, whether owned by the Customer or others, caused or claimed to have been caused by the installation, operation, failure to operate, maintenance, removal, presence, condition, location, or use of such facilities. By dialing 911, the Customer agrees to release, indemnify, defend, and hold harmless the Company from any and all loss or claims, whatsoever, whether suffered, made, instituted, or asserted by the destruction of any property, whether owned by the Customer or others. Notwithstanding any provision to the contrary, in no event shall the Company be liable for any special, incidental, consequential, exemplary, or punitive damages of any nature whatsoever.

The Company is not responsible for any infringement or invasion of the right of privacy of any person or persons, caused, or claimed to have been caused, directly or indirectly, by the installation, operation, failure to operate, maintenance, removal, presence, condition, occasion or use of the 911 service features and the equipment associated therewith, including, but not limited to, the identification of the telephone number, address or name associated with the telephone used by the party or parties accessing the 911 service.

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SECTION 2. RULES AND REGULATIONS (Cont'd)

2.4 Application for Service

2.4.1 Minimum Contract Period

2.4.1.1 Except as otherwise provided, the minimum contract period is one month for all services furnished. When a service is discontinued prior to the expiration of the minimum period, charges are applicable, whether the service is used or not.

2.4.1.2 The Company may require a minimum contract period longer than one month in connection with special, non-standard types or arrangements of equipment, or for unusual construction, necessary to meet special demands for service.

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SECTION 2. RULES AND REGULATIONS (Cont'd)**2.4 Application for Service (Cont'd)****2.4.2 Cancellation of Service**

- 2.4.2.1 Where the applicant cancels an order for service prior to the start of the installation or special construction of facilities, no charge shall apply, except to the extent the Company incurs a service order or similar charge from a supplying carrier, if any, prior to the construction.
- 2.4.2.2 Where the installation of facilities, other than those provided by special construction, has been started prior to cancellation, the lower of the following charge applies;
- 2.4.2.2.A The total costs of installing and removing such facilities; or
- 2.4.2.2.B The monthly charges for the entire initial contract period of the service ordered by the Customer as provided in this tariff plus the full amount of any applicable installation and termination charges.
- 2.4.2.3 Where special construction of facilities has been started prior to the cancellation, and the Company has another requirement for the specially constructed facilities, no charge applies.
- 2.4.2.4 The Company reserves the right to redefine its regions, add new regions, or remove regions from its current offering, as it deems appropriate in its sole discretion and will provide the Customer with at least thirty (30) days' notice of any change in the definition of the Company's regions.
- 2.4.2.5 In the event the Company plans to exit a current region, the Company shall provide Customer with thirty (30) days prior written notification of the Company's intent. The Customer shall be allowed to immediately terminate services in the affected region without penalty.

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SECTION 2. RULES AND REGULATIONS (Cont'd)**2.5 Payment for Service**

- 2.5.1 Company will bill Customer monthly, unless there is a contract for a longer billing period, with recurring charges being billed in advance and any usage charges billed in arrears. All amounts due Company are payable in full within thirty (30) days ("Due Date") from the date of invoice ("Bill Date").
- 2.5.2 Payments are past due if not received by the Company by the Due Date. Any amounts past due will be subject to a late payment charge accruing at the rate of 1-1/2% per month or the highest lawful rate, whichever is lower, until paid. In addition, invoices not paid within forty (40) days of the Bill Date and which have not been disputed in accordance with the procedures set forth in Section 2.7.1 of this tariff, may result in suspension of service until the overdue payment and any additional charges that may be imposed to restore service, have been paid. Customer agrees to pay all costs incurred by Company in collecting any unpaid amounts. Failure of the Customer to pay all undisputed amounts by the Due Date is a material breach and Company shall notify Customer and allow five (5) days for Customer to cure a monetary breach, and if default remains uncured, Company may terminate services hereunder for non-payment.
- 2.5.3 The Customer is responsible for payment of all charges for service furnished to the Customer. Charges based on actual usage during a month will be billed monthly, unless there is a contract for a longer billing period, in the month following the month in which the service was used. All fixed monthly and nonrecurring charges for services ordered will be billed monthly in advance.

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SECTION 2. RULES AND REGULATIONS (Cont'd)**2.5 Payment for Service (Cont'd)**

2.5.4 The Company reserves the right to require from an applicant for service advance payments of fixed charges and nonrecurring charges. The advance payment will not exceed an amount equal to the nonrecurring charge(s) and one month's recurring charges for the service or facility. In addition, where special construction is involved, the advance payment may also include an amount equal to the estimated nonrecurring charges for the special construction. The advance payment will be applied to any indebtedness for the service and facilities for which the advance payment is made on the Customer's initial bill.

Advanced payments for installation costs or special construction will be credited on the first bill in their entirety.

2.6 Customer Deposits

2.6.1 The Company may require a deposit or guarantee of payment from any Customer or applicant who has not established good credit with that utility. Deposit or guarantee of payment requirements as prescribed by the utility must be based upon standards which bear a reasonable relationship to the assurance of payment.

A deposit shall not exceed an estimated two months gross bill or existing two months bill where applicable. All deposits shall be in addition to payment of an outstanding bill or a part of such bill as has been resolved to the satisfaction of the Company, except where such bill has been discharged in bankruptcy. The Company will not require a deposit or a guarantee of payment without explaining in writing why that deposit or guarantee is being required and under what conditions, if any, the deposit will be diminished upon return.

The Company may determine whether a Customer has established good credit with that utility, except as herein restricted:

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SECTION 2. RULES AND REGULATIONS (Cont'd)**2.6 Customer Deposits (Cont'd)**

- 2.6.1.1 A Customer, who within the last 12 months has not had service disconnected for nonpayment of a bill and has not been liable for disconnection of service for nonpayment of a bill, and the bill is not in dispute, shall be deemed to have established good credit.
- 2.6.1.2 The Company shall not require a deposit or a guarantee of payment based upon income, home ownership, residential location, employment tenure, nature of occupation, race, color, creed, sex, marital status, age, national origin, or any other criteria which does not bear a reasonable relationship to the assurance of payment or which is not authorized by this chapter.
- 2.6.1.3 No utility shall use any credit reports other than those reflecting the purchase of utility services to determine the adequacy of a Customer's credit history without the permission in writing of the Customer. Any credit history so used shall be mailed to the Customer in order to provide the Customer an opportunity to review the data. Refusal of a Customer to permit use of a credit rating or credit service other than that of a utility shall not affect the determination by the utility as to that Customer's credit history.
- 2.6.1.4 The deposit will bear simple interest computed from the date of its receipt by the Company to the date the deposit is refunded or service is terminated. In the event that a deposit is retained during time periods having different rates of interest, the interest accrued on the deposit will be credited using the interest rate applicable to each time period.
- 2.6.1.5 The rate of interest to be paid on Customer deposits is equivalent to the rate paid on 2-year U.S. treasury notes for the preceding 12 months ending December 31 of any year.

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SECTION 2. RULES AND REGULATIONS (Cont'd)**2.6 Customer Deposits (Cont'd)****2.6.2 Return of Deposit**

Upon termination of service, the deposit with accrued interest shall be credited to the Customer's final invoice and the balance shall be returned within 45 days to the Customer.

2.6.3 Guarantee of Payment

The Utility may accept, in lieu of deposit, a contract signed by a guarantor satisfactory to the Utility whereby payment of a specified sum, not exceeding the deposit requirement, is guaranteed. The term of such contract shall be for no longer than 12 months, but shall automatically terminate after the Customer has closed and paid the account with the Utility, or at the guarantor's request upon 60 days' written notice to the Utility. Upon termination of a guarantee contract or whenever the Utility deems same insufficient as to amount or surety, a cash deposit or a new or additional guarantee may be required for good cause upon reasonable written notice to the Customer.

The service of any Customer who fails to comply with these requirements may be disconnected upon notice as prescribed in Arizona Rules. The Utility shall mail the guarantor copies of all disconnect notices sent to the customer whose account he has guaranteed unless the guarantor waives such notice in writing.

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SECTION 2. RULES AND REGULATIONS (Cont'd)

2.7 Customer Complaints and Billing Disputes

2.7.1 In the event that Customer disputes any charges, Customer must submit a written claim describing the disputed amount. Customer shall submit all documentation as may reasonably be required to support the claim. Payment may be withheld for the amounts subject to a dispute submitted prior to the Due Date. All disputes and claims for refunds must be submitted to Company within forty-five (45) days of the Bill Date. If Customer does not submit a claim as stated above, Customer waives all rights to file a claim thereafter. Company shall investigate and resolve all disputes within forty-five (45) days of receipt of the dispute and Company's resolution of such a dispute is final. Any portion of a disputed amount deemed payable by Company must be paid in full within ten (10) days of resolution or Customer's service may be subject to disconnection and late payment charges imposed on the overdue amount.

2.7.2 Customers may register any inquiry or complaint at:

Zayo Group, LLC
400 Centennial Parkway, Suite 200, Louisville, Colorado 80027
Telephone: (800) 390-6094
Email: billing@zayo.com
Web: www.zayo.com/

2.7.3 Customers unable to resolve a dispute with the Company may submit any inquiry or complaint to the:

Arizona Corporation Commission -- Consumer Services Division
Web: www.azcc.gov

Phoenix Office:

1200 West Washington Street, Phoenix, Arizona 85007-2927
Telephone: (800) 222-7000

Tucson Office:

400 West Congress Street, Tucson, Arizona 85701-1347
Telephone: (800) 535-0148

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SECTION 2. RULES AND REGULATIONS (Cont'd)**2.8 Allowance for Interruptions in Service**

2.8.1 The following allowances are provided for interruptions in service, as specified for particular services furnished solely by the Company which become unavailable due to a Service Outage, as defined below, for reasons other than an Excused Outage, as defined below, Customer will be entitled to a service credit off of the monthly recurring charge ("MRC") for the affected circuit(s) based upon the cumulative length of time of the Service Outage in a given month as set forth below:

Length of Service Outage (in hrs:mins:secs)	Credit for Protected Services	Credit for Unprotected Services
0:00:01 – 1:00:00	0%	0%
1:00:01 – 2:00:00	2%	0%
2:00:01 – 3:00:00	5%	0%
3:00:01 – 4:00:00	10%	0%
4:00:01 – 8:00:00	20%	10%
8:00:01 or greater	50%	20%

2.8.2 For purposes of this Section, "Service Outage" means the break in transmission measured from the first ten (10) consecutive severely erred seconds ("SESS") on the affected Zayo circuit until the first ten (10) non-SESSs which is known by Zayo. An SES is measured with a bit error ratio of greater than or equal to 1 in 1000. To be eligible for a credit under this Section, the Service Outage must last for more than sixty (60) consecutive minutes. Service credits shall be deducted from the charges payable by Customer hereunder and shall be expressly indicated on the next invoice to Customer. If the Customer reports Services or a facility or circuit to be unavailable but declines to release it for testing and repair, it is considered to be impaired, but shall not be deemed a Service Outage.

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SECTION 2. RULES AND REGULATIONS (Cont'd)**2.8 Allowance for Interruptions in Service (Cont'd)**

2.8.3 Service credits shall not apply to "Excused Outages", which are defined as outages (i) caused by the negligence or acts of Customer and/or its End User, affiliates, agents or representatives, (ii) the failure or malfunction of equipment or systems that are owned or controlled by Customer or Customer's agents or other third party (including off-net facility providers); (iii) a Force Majeure event; (iv) during any period in which Zayo is not given access to the Service Premises; or (v) a Planned Service Outage, including planned network testing or maintenance, and unscheduled emergency maintenance, alteration or implementation.

2.8.4 Customer shall provide a written request for a service credit within sixty (60) days after the Service Outage occurs. If Zayo confirms the Service Outage qualifies for a credit hereunder, Zayo will grant the service credit within thirty (30) days from receipt of said notice. Unless otherwise specifically stated, Service Outages are not aggregated for purposes of determining the credit allowance. Zayo agrees to provide a written Service Outage report within three (3) business days when requested by Customer. The service outage report will identify the impaired Circuit(s), the beginning and ending time/date of the Service Outage and the root cause of the Service Outage. The maximum service credit in a calendar month for any affected circuit shall not exceed 50% of the corresponding MRC for the affected circuit.

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SECTION 2. RULES AND REGULATIONS (Cont'd)

2.9 Taxes, Fees and Surcharges

- 2.9.1 All state and local taxes and fees shall be listed as separate line items on the Customer's bill.
- 2.9.2 If a municipality, other political subdivision or local agency of government, or the Commission imposes and collects from the Company a gross receipts tax, occupation tax, real estate tax, license tax, permit fee, franchise fee, or regulatory fee, such taxes and fees shall, as allowed by law, be billed pro rata to the Customer receiving service from the Company within the territorial limits of such municipality, other political subdivision or local agency of government.
- 2.9.3 Service shall not be subject to taxes for a given taxing jurisdiction if the Customer provides the Company with written verification, acceptable to the Company and to the relevant taxing jurisdiction, that the Customer has been granted a tax exemption.

2.10 Returned Check Charge

The charge for a returned check is \$35.00 per occurrence.

2.11 Special Customer Arrangements

In cases where a Customer requests special or unique arrangements which may include but are not limited to engineering, conditioning, installation, construction, facilities, assembly, purchase or lease of facilities and/or other special services not offered under this tariff, the Company, may provide the requested services. Appropriate recurring charges and/or nonrecurring charges and other terms and conditions will be developed for the customer for the provisioning of such arrangements.

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SECTION 2. RULES AND REGULATIONS (Cont'd)

2.12 Disconnection and Termination of Service

2.12.1 Disconnection of Service Without Notice

Company shall have the right to refuse or discontinue telephone service or service arrangements without advance notice, if the acts of the Customer or the conditions upon their premises are such as to indicate an intent to defraud Company or to use the Service to defraud a third party, including but not limited to, providing false credit information, significantly misstating expected service volumes, using the services for unlawful purposes, or using services without intent to pay.

Company will attempt to contact the Customer by telephone prior to discontinuing the Service or portions thereof. If Company is unable to contact the Customer by telephone, a letter will be mailed to the Customer on the same date that their service or service arrangement is discontinued, explaining the reasons for such action and the Customer's right to dispute such action.

Customer is responsible for all charges attributable to Customer, even if incurred as a result of fraudulent or unauthorized use of the Service by third parties. Company may, but is not obligated to, detect or report unauthorized or fraudulent use of Service.

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SECTION 2. RULES AND REGULATIONS (Cont'd)**2.12 Disconnection and Termination of Service (Cont'd)****2.12.2. Disconnection of Service Requiring Notice**

Disconnection notices issued by the Company will inform the Customer facing service disconnection of the total amount which the Customer would need to pay in order to avoid disconnection of service. It must also inform the Customer of the Company's legal obligation to provide service to customers whose access service charges are paid, even while their toll service is disconnected for nonpayment of outstanding toll debt.

2.12.2.1 The Company may disconnect service for any of the following reasons provided it has notified the Customer of its intent, in writing, to disconnect service and has allowed the Customer a reasonable time of not less than thirty (30) days in which to remove the cause for disconnection:

2.12.2.1.A Non-compliance with Regulations. For violation of or non-compliance with Commission's rules and regulations or for violation of or non-compliance with the Company's tariffs on file with the Commission.

2.12.2.1.B Failure on Contractual Obligations. For failure of the Customer to fulfill his contractual obligations for service or facilities subject to regulation by the Commission.

2.12.2.1.C Refusal of Access. For failure of the Customer to permit the Company to have reasonable access to its equipment and property.

2.12.2.1.D Failure to meet the utility's deposit and credit requirements.

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SECTION 2. RULES AND REGULATIONS (Cont'd)

2.12 Disconnection and Termination of Service (Cont'd)

2.12.2. Disconnection of Service Requiring Notice

2.12.2.1.E For non-payment of a bill for service, provided that the Company has made a reasonable attempt to effect collection and has given the Customer written notice of its intent to deny service if settlement of his account is not made and provided the Customer has at least five (5) days notice, in which to make settlement before his service is denied.

2.12.2.1.F Failure to Comply with Service Conditions: For failure of the Customer to furnish the service equipment, permits, certificates, or rights-of-way, specified by the Company as a condition to obtaining service, or if the equipment or permissions are withdrawn or terminated.

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SECTION 2. RULES AND REGULATIONS (Cont'd)

2.13 Unlawful Use of Service

2.13.1 Service shall not be used for any purpose in violation of law or for any use as to which the Customer has not obtained all required governmental approvals, authorizations, licenses, consents, and permits. The Company shall refuse to furnish service to an applicant or shall disconnect the service without notice of a Customer when:

2.13.1.1 An order shall be issued, signed by a judge finding that probable cause exists to believe that the use made or to be made of the service is prohibited by law, or

2.13.1.2 The Company is notified in writing by a law enforcement agency acting within its jurisdiction that any facility furnished by the Company is being used or will be used for the purpose of transmitting or receiving gambling information in interstate or foreign commerce in violation of the law.

2.13.2 If service has been physically disconnected by law enforcement officials at the Customer's premises and if there is not presented to the Company the written finding of a judge, then upon written or verbal request of the subscriber, and agreement to pay restoral of service charges and other applicable service charges, the Company shall promptly restore such service.

2.14 Interference with or Impairment of Service

Service shall not be used in any manner that interferes with other persons in the use of their service, prevents other persons from using their service, or otherwise impairs the quality of service to other Customers. The Company may require a Customer to immediately shut down its transmission of signals if said transmission is causing interference to others or impairing the service of others.

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SECTION 2. RULES AND REGULATIONS (Cont'd)

2.15 Overcharge/Undercharge

2.15.1 When a Customer has been overcharged, the amount shall be refunded or credited to the Customer.

2.15.2 When a Customer has been undercharged, the undercharged amount shall be invoiced to Customer and such invoiced amount shall be payable over a six (6) month period.

2.16 Notices

2.16.1 Any notice required or permitted to be given under this tariff shall be in writing and delivered by hand, mail, national overnight courier service or by fax if confirmed by telephone to the Customer, at the address or phone numbers shown herein or at such other address or phone numbers as shall be designated from time to time.

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SECTION 3. DESCRIPTION OF SERVICES**3.1 General**

The various types of service offered by the Company are described below. The Company's services are billed at predetermined monthly rates, unless there is a contract for a longer billing period. Recurring charges are billed in advance of the month in which the service is provided. Any optional features and extraordinary installation costs other than recurring and nonrecurring charges may apply as described herein. Customers requesting these services may subscribe to services on a month-to-month basis, or on an individual case basis as described in Section 3.6.

3.2 Service Configurations

There are two types of service configuration over which Company's services Ethernet and TDM are provided: point-to-point and multipoint service.

3.2.1 Point-to-Point Service

Point-to-Point Service connects two premises designated by the Customer, either on a directly-connected basis, or through a hub where multiplexing functions are performed.

3.2.2 Multipoint Service

Multipoint Services connect three or more premises designated by the Customer through a Company hub. While there is no limitation on the number of locations that may be connected through multipoint service, the quality of service may be degraded when more than three points are connected. Multipoint services may be provided where it is technically possible to provide those services. However, if the Company determines that the requested multipoint service is not feasible, the Customer will be notified and provided an opportunity to change the order within forty-five (45) days.

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SECTION 3. DESCRIPTION OF SERVICES (Cont'd)

3.3 Service Descriptions and Technical Specifications

The Company offers the following services:

3.3.1 Ethernet Service

The Company provides point-to-point broadband communications services through 100Mbps, 1Gbps, and 10Gbps Ethernet circuits, provided between locations designated by the Customer and/or between such locations and a Company hub, through fiber optic cable owned or controlled by Company.

3.3.2 Point-to-Point and Hub/Tail TDM Services

The Company provides high-speed point-to-point and hub/tail broadband communications services through DS3, OC3, OC12, and OC-48 TDM circuits, provided between locations designated by the Customer and/or between such locations and a Company hub, through fiber optic cable owned or controlled by Company. Services are typically provisioned over a SONET-ring network architecture.

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SECTION 3. DESCRIPTION OF SERVICES (Cont'd)**3.3 Service Descriptions and Technical Specifications (Cont'd)****3.3.3 Primary Rate ISDN (PRI) Service**

Primary Rate Interface Service (PRI) provides an ISDN based, DS1 access to the telecommunications network and includes the flexibility of integration of multiple voice and/or data transmission channels on the same line. The service will provide connectivity between ISDN compatible CPE and a serving central office. The basic channel structure for PRI Service is twenty-three 64 Kbps B-Channels and one 64 Kbps D-Channel. The customer has the option to activate up to 23 B-Channels on the first PRI Service arrangement and up to 24 channels on additional PRI Service arrangements. A Digital Data Only option and an Inward Data Option are also available. The 23 B-Channels can be used to connect the customer's CPE to the Public Switched Telephone Network, e.g., outward, inward and 2-way network access. Calling Number Delivery, Called Number Delivery, and Hunting functionality are inherent to this service. Telephone numbers for use on PRI Service are available. One Primary Directory Listing will be furnished at no charge for each PRI service B-Channel. Additional listings can be obtained. PRI Service provides capability for the transmission of digital signals only. Clear Channel Capability and Extended Superframe Format are inherent to the service.

PRI Service also includes access to emergency services (e.g., 911 and E911), Operator Services, Directory Assistance and Telephone Relay Service.

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SECTION 3. DESCRIPTION OF SERVICES (Cont'd)**3.3 Service Descriptions and Technical Specifications (Cont'd)****3.3.4 DID Trunk Service**

DID Trunk Service provides a Customer with a single, voice-grade telephonic communications channel that can be used to receive incoming calls one call at a time. DID Trunk Service transmits the dialed digits for all incoming calls allowing the Customer's PBX or similar equipment to route the calls directly to individual stations corresponding to each individual DID number. DID Service requires some transport service and can be added to PRI, Point to Point TDM, or Ethernet.

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SECTION 3. DESCRIPTION OF SERVICES (Cont'd)**3.3 Service Descriptions and Technical Specifications (Cont'd)****3.3.5 Calling Features for PRI and DID Service**

The following calling features are available with PRI and DID Services:

3-Way Calling - This feature allows the customer to connect a third party call to an existing call.

Call Forward Busy - This feature allows the customer to designate a telephone number to which their calls will be forwarded to in the event that their number is already in use. The Customer assumes financial responsibility for all calling charges generated by the use of this feature.

Call Forward No Answer - This feature allows the customer to designate a telephone number to which their calls are forwarded to after a predetermined time with no answer. The Customer assumes financial responsibility for all calling charges generated by the use of this feature.

Call Forward Variable - This feature enables a customer to program their telephone to forward their calls to another telephone number. The Customer assumes financial responsibility for all calling charges generated by the use of this feature.

Caller ID - This feature permits the display of a caller's telephone number on a Customer Premise Equipment display unit. Calling party information may indicate the directory number of the calling party or show that the number of the calling party is private or unavailable.

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SECTION 3. DESCRIPTION OF SERVICES (Cont'd)**3.3 Service Descriptions and Technical Specifications (Cont'd)****3.3.5 Calling Features for PRI and DID Service**

Caller ID With Name - This feature permits the display of a listed name associated with telephone number from which the call is being made. The name and number will be delivered to a customer-provided display device.

Call Waiting/ Cancel Call Waiting - The Call Waiting feature enables a customer already on a call to be notified of another call by the sound of a Call Waiting tone. The customer depresses the switchhook to answer the new call, placing the original call on hold. The Cancel Call Waiting feature enables a customer to deactivate the Call Waiting feature. There is no additional charge for the Cancel Call Waiting feature.

Call Return - This feature redials the number of the most recent incoming call to the Customer's telephone number. This feature is activated when the user dials *69. The number of the most recent incoming call will then be dialed for up to 30 minutes and the user will be signaled with a special ring if the called number becomes available. The user will be charged each time this feature is activated, regardless of whether the called party answers. Calls completed with this feature will be subject to all appropriate local, local toll and/or long distance charges. This feature cannot be activated when the number of the most recent incoming call has call or line blocking or is otherwise unavailable. The following limitations apply to the Call Return function:

- 3-Way Calling: Call Return will only work for the first party called, not for the second.
- Call Return will not work to call a customer who has Call Forwarding Variable, or to call a toll-free, 900 or private number.
- Repeat Dialing cannot be used right after Call Return is used, unless the user dials an outgoing call.

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SECTION 3. DESCRIPTION OF SERVICES (Cont'd)**3.3 Service Descriptions and Technical Specifications (Cont'd)****3.3.6 Intralata/Interlata Toll Presubscription**

IntraLATA/InterLATA toll presubscription is a procedure whereby a Customer may select and designate an IntraLATA and/or InterLATA Toll Provider ("ITP") to access IntraLATA and/or InterLATA toll calls in Arizona without dialing an access code. The end user may designate an ITP for IntraLATA toll, a different carrier for InterLATA toll, or the same carrier for both. This ITP is referred to as the Customer preferred IntraLATA/InterLATA toll provider.

Selection of an ITP by a Customer is subject to the terms and conditions in Section 3.3.7.

3.3.7 Presubscription Charge Application**3.3.7.1 Initial Free Presubscription Choice for Customers**

New customers (including an existing customer who orders an additional line) who subscribe to PRI service will be asked to select a primary ITP when they place an order for PRI Service. If a customer cannot decide upon either an IntraLATA and/or an InterLATA toll carrier at the time, the customer will be assigned a "No-PIC" and will have to dial an access code to make IntraLATA and/or InterLATA toll calls until such time as the customer has notified the Company that it has selected a primary ITP.

Initial free selections available to Customers are:

1. Designating an ITP as their primary carrier, thereby requiring no access code to access that ITP's service. Other carriers are accessed by dialing 101-XXXX or other required codes.
2. Choosing no carrier as a primary carrier thus requiring 101-XXXX code dialing to access all ITPs. This choice can be made by directly contacting the Company.

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SECTION 3. DESCRIPTION OF SERVICES (Cont'd)**3.3 Service Descriptions and Technical Specifications (Cont'd)****3.3.8 Directory Listing Service**

The Company will provide Customer a single directory listing to PRI/DID subscribers consisting of the Customer's name, Customer's street address, and Customer's telephone number which is designated as the Customer's main billing number, in the telephone directory published by the dominant exchange service provider in the Customer's exchange area.

The Company may limit the length of any listing in the directory by the use of abbreviations when in its sole discretion, the clearness of the listing or the identification of the Customer is not impaired thereby.

The Company may, in its sole discretion, refuse a listing (i) that does not constitute Customer's legally authorized or adopted name, (ii) that contains obscenities in the name, (iii) that is likely to mislead or deceive calling persons as to the identify of the listed party, (iv) that is a contrived name used for advertising purposes or used to secure a preferential position in the directory, or (v) that is more elaborate than reasonably necessary to identify the listed party. The Company will notify the Customer prior to withdrawing any listing which is found to be in violation of this subpart.

In order for listings to appear in a directory, a Customer must furnish the listing to the Company in time to meet the directory publishing schedule.

3.3.9 Directory Assistance Service

Company will connect PRI Service Customers to Directory Assistance (DA) for a fee as set forth in Section 4.5. A credit allowance for DA will be provided upon request if the Customer experiences poor transmission quality, is cut-off, receives an incorrect telephone number, or misdials the intended DA number (NPA+555-1212).

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SECTION 3. DESCRIPTION OF SERVICES (Cont'd)**3.3 Service Descriptions and Technical Specifications (Cont'd)****3.3.10 Operator Services**

Operator services are obtained by dialing "0", which will be answered by an operator. Calls placed dialing "00" will be answered by the operator of the designated long distance interexchange carrier. Charges for operator services provided by Company's underlying operator service provider will be billed on a pass through basis on the customer's monthly billing statement from Company.

Customers may receive bills directly from other operator service providers whose services the customer may use.

Third Number Billed Calling: inbound and outbound operator assisted calling, in which the calling party identifies a third telephone number against which the call charges will be billed. The operator will validate that the owner of the third number agrees to pay for the call prior to the call being completed.

Collect Calling: Customer will have the ability to originate an outbound collect call. Customer will be able to accept an inbound collect call.

Person to Person: operator assisted calling, in which the calling party identifies by name the specific person that wish to speak with and the operator will get that specific person on the call prior to the call being completed.

3.3.11 Intercept Services

Customers may request intercept service whenever the Customer's telephone number is changed. The Company shall provide the caller with information on how to obtain the new number with the intercept recording.

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SECTION 3. DESCRIPTION OF SERVICES (Cont'd)

3.4 Rate Categories

There are six rate categories that may apply to the Company's Services.

3.4.1 Monthly Recurring Charges ("MRC")

Monthly Recurring Charges are charges invoiced to the Customer that occur each month during the term of the services ordered by the Customer.

3.4.2 Nonrecurring Charges ("NRC")

Nonrecurring Charges are one-time charges to the Customer that do not occur on a recurring basis. Service installation charges, special construction and customer premise visits are included in Nonrecurring Charges.

3.4.3 Extraordinary Charges

From time to time, Customers may request special services not addressed specifically by rate elements in this Tariff, or services to locations that may cause Company to incur extraordinary expenses not contemplated in the provision of standard service offerings. These costs include, but are not limited to:

Additional construction costs

Building space rental or rights-of-way costs

Additional equipment

Special facilities routing

In these cases, the Customer will be billed additional charges on an ICB.

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SECTION 3. DESCRIPTION OF SERVICES (Cont'd)

3.4 Rate Categories (Cont'd)

3.4.4 Volume Discounts

Discounts for specified dollar volumes of traffic to a specific location or aggregate dollar volumes may apply to Customers that subscribe to substantial volumes of the Company's services.

3.4.5 Term Discounts

Customers will be eligible for discounts for executing agreements for services for one to ten years.

3.4.6 Usage

Customers purchasing Business Local Exchange Service may incur usage charges on a per call or per minute basis.

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SECTION 3. DESCRIPTION OF SERVICES (Cont'd)

3.5 Application of Rate Elements

The rate categories described in this Tariff will be applied as follows, when applicable:

3.5.1 Point-to-Point Services

Flat rate MRC/NRC

Optional Features and Functions
Extraordinary Charges
Volume Discounts
Term Discounts

3.5.2 Multipoint Services

Flat rate MRC/NRC

Optional Features and Functions
Extraordinary Charges
Volume Discounts
Term Discounts

3.5.3 PRI/DID Services

Flat rate MRC/NRC per line

Optional Features and Functions
Usage
Extraordinary Charges
Volume Discounts
Term Discounts

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SECTION 3. DESCRIPTION OF SERVICES (Cont'd)**3.6 Contract Rates – Special Pricing Arrangements – ICB**

3.6.1 In lieu of the rates, terms and conditions set forth in this Tariff, rates and charges may be established at negotiated rates on an ICB, taking into account the nature of the facilities and services, the costs of construction and operation, the volume of traffic, the length of service commitment by the Customer, and use of facilities by other Customers. Such arrangements shall be considered Special Pricing Arrangements, the term of which will be set forth in individual Customer contracts. Unless otherwise specified in the individual Customer contract, the terms, conditions, obligations and regulations set forth in this Tariff shall be incorporated into, and become a part of, said contract, and shall be binding on the Company and the Customer. In the event of a conflict between the terms and conditions of this Tariff and an individual Customer contract, the terms and conditions from the individual Customer contract shall apply. Specialized rates or charges will be made available to similarly-situated Customers on a non-discriminatory basis.

3.6.2 In addition to any rate or charge established by the Company, the Customer will also be responsible for any recurring or non-recurring charges imposed by telephone companies incurred by or on behalf of the Customer in establishing and maintaining service. Such charges may be billed by the Company or directly by the telephone company, at the Company's option.

3.7 Taxes**3.7.1 Sales, Use and Excise Taxes**

In addition to all recurring, non-recurring, usage or special charges, Customer shall also be responsible for and shall pay all applicable federal, state and local sales, use and excise taxes.

3.8 Temporary Promotional Programs

The Company may establish temporary promotional programs wherein it may waive or reduce recurring or non-recurring charges, to introduce a present or potential Customer to a service no previously subscribed to by the Customer.

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SECTION 4. RATES AND CHARGES**4.1 General Regulations**

4.1.1 Except as specifically indicated, the rates set forth in this section are for services where the originating and terminating points are on Company's existing network. In all other situations, special construction charges may apply in order to connect locations to Company's network.

4.1.2 Services may be provided using one, or a combination of rate elements as outlined in this Tariff.

4.2 Charges for Changes to Pending Orders, Service Rearrangements and Expedite Charges

From time to time, Customers may request (i) changes to pending orders, (ii) rearrangements to existing service, and (iii) order completion sooner than standard intervals. For changes to pending orders and existing services, the Customer will be required to reimburse the Company for any third party costs incurred to provision such service changes plus a maximum amount per service or line as outlined below. To expedite an order, the customer will be required to reimburse the Company for any third party costs incurred to expedite the order plus a maximum amount per service or line as outlined below.

Ethernet Services

Change Fee - \$800 per service

Expedite Fee - \$1000 per service

TDM Services

Change Fee - \$800 per service

Expedite Fee - \$1000 per service

PRI & DID Services

Change Fee - \$50 per line

Expedite Fee - \$500 per line

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SECTION 4. RATES AND CHARGES (Cont'd)

4.3 Nonrecurring Charge

Non recurring charges will be charged on a time and materials basis.

4.3.1 Customer Premise Visits

For customer premise visits, Company will charge on an hourly basis, rounded to the next 15 minute interval with the below minimums.

1. M-F (business hours 8am-5pm local premise time) - Maximum \$120 per hour with a 2 hour minimum
2. M-F (out of business hours) and weekends - Maximum \$150 per hour with a 4 hour minimum
3. Holidays - Maximum \$200 per hour with a 4 hour minimum

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SECTION 4. RATES AND CHARGES (Cont'd)**4.4 Special Construction****4.4.1. Bases for Rates and Charges**

Rates and charges for special construction will be based on the costs incurred by the Company and may include (1) nonrecurring type charges; (2) recurring type charges; (3) termination liabilities; or (4) combinations thereof.

4.4.2 The costs referred to in Section 4.4.1 may include one or more of the following items to the extent that they are applicable:

- A. Installed cost of the facilities, including estimated costs for the rearrangement of existing facilities. Cost installed includes the cost of:
 - 1. equipment and materials provided or used,
 - 2. engineering, labor and supervision,
 - 3. transportation, and
 - 4. rights-of-way;
- B. cost of maintenance;
- C. depreciation on the estimated installed cost of any facilities provided, based on the anticipated useful service life of the facilities with an appropriate allowance for the estimated net salvage;
- D. administration, taxes, and uncollectible revenue on the basis of reasonable average costs for these items;
- E. license preparation, processing, and related fees;
- F. tariff preparation, processing, and related fees;
- G. any other identifiable costs related to the facilities provided; or
- H. an amount for return and contingencies.

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SECTION 4. RATES AND CHARGES (Cont'd)

4.5 Rates

4.5.1 Point-to-Point and Multipoint Services

4.5.1.1 Metro Phoenix Recurring Charges (on-net circuit originates and terminates in the Phoenix market)

	<u>Maximum</u>
DS3 Point to Point	\$1,040
OC3 Point to Point	\$2,595
OC12 Point to Point	\$5,973
OC12 Hub	\$4,100
OC48 Hub	\$8,200
DS3 Tail	\$500
OC3 Tail	\$1,300
OC12 Tail	\$3,000
100Mb Point to Point	\$1,890
1000Mb Point to Point	\$7,290

4.5.2 Service Elements

4.5.2.1 Metro Phoenix Nonrecurring Charges (on-net only)

	<u>Maximum</u>
DS3 Point to Point	\$1,000
OC3 Point to Point	\$2,000
OC12 Point to Point	\$3,000
OC12 Hub	\$3,000
OC48 Hub	\$5,000
DS3 Tail	\$1,000
OC3 Tail	\$2,000
OC12 Tail	\$3,000
100Mb Point to Point	\$2,000
1000Mb Point to Point	\$5,000

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SECTION 4. RATES AND CHARGES (Cont'd)

4.5 Rates (Cont'd)

4.5.3 Primary Rate Interface Service

Maximum non-recurring and monthly rates per PRI Service apply as follows:

<u>Month to</u> <u>Month</u>	<u>Non-</u> <u>Recurring</u>	<u>Monthly Recurring</u>
Voice/Data Digital Data Inward Data	\$1,000.00	\$850.00
<u>12 Months</u> Voice/Data Digital Data Inward Data	\$750.00	\$750.00
<u>24 Months</u> Voice/Data Digital Data Inward Data	\$750.00	\$675.00
<u>36 Months</u> Voice/Data Digital Data InwardData	\$750.00	\$600.00

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SECTION 4. RATES AND CHARGES (Cont'd)

4.5 Rates (Cont'd)

4.5.4 DID Trunk Service

	<u>Maximum Non-Recurring</u>		
Service Order Charge			\$34.50
Line Connection Charge, per trunk			\$20.35
Central Office Trunk per trunk			\$24.50
	<u>Maximum Monthly Recurring</u>		
	Maximum Non- Recurring	Measured	Message
DID Trunk Termination	\$250.00	\$42.50	\$52.50

4.5.5 Calling Features for PRI and DID Service

	<u>Maximum Charges Non-Recurring</u>
3-Way Calling	\$15.00
Call Forward Busy	\$15.00
Call Forward No Answer	\$15.00
Call Forward Variable	\$15.00
Caller ID	\$15.00
Caller ID With Name	\$15.00
Call Waiting/ Cancel Call Waiting	\$15.00
Call Return	\$15.00
	<u>Maximum Per Use Charge</u>
3-Way Calling	\$6.00
Call Return	\$6.00

Issued: January __, 2011

Effective: _____, 2011

Peter Chevalier, Associate General Counsel
Zayo Group, LLC
400 Centennial Parkway, Suite 200
Louisville, CO 80027

SECTION 4. RATES AND CHARGES (Cont'd)

4.5 Rates (Cont'd)

4.5.5 Directory Listings

One directory listing is included with PRI/DID Services.

Each additional directory listing is subject to a maximum non-recurring charge of \$25.00 and maximum monthly recurring charge of \$8.00.

4.5.6 Directory Assistance

	<u>Maximum Non-Recurring Charge</u>
Customer Dialed DA	\$3.00
Operator Dialed DA	\$4.00

4.5.7 Operator Service

	<u>Maximum Non-Recurring Charge</u>
Operator Station-to-Station	\$7.00
Person-to-Person	\$9.00

4.5.8 Miscellaneous Charges

	<u>Maximum Non-Recurring Charge</u>
PIC Change	\$8.00
Intercept Services	
Direct Cut Through	\$15.00
Cut Through With Referral	\$17.00

Issued: January __, 2011

Effective: _____, 2011

Peter Chevalier, Associate General Counsel
Zayo Group, LLC
400 Centennial Parkway, Suite 200
Louisville, CO 80027

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SAMPLE INVOICE

Issued: January __, 2011

Effective: _____, 2011

Peter Chevalier, Associate General Counsel
Zayo Group, LLC
400 Centennial Parkway, Suite 200
Louisville, CO 80027

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ORIGINAL



MEMORANDUM

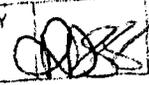
TO: Docket Control

FROM: Steven M. Olea
Director
Utilities Division

DATE: April 29, 2011

RE: IN THE MATTER OF THE APPLICATION OF ZAYO GROUP, LLC FOR APPROVAL OF A CERTIFICATE OF CONVENIENCE AND NECESSITY FOR FACILITIES-BASED LOCAL EXCHANGE SERVICES AND RESOLD AND FACILITIES-BASED INTRALATA AND INTRALATA PRIVATE LINE SERVICES. (DOCKET NO. T-20783A-11-0024)

Arizona Corporation Commission
DOCKETED
APR 29 2011

DOCKETED BY 

Attached is the Staff Report for the above referenced application. The Applicant is applying for approval to provide the following services:

- Facilities Based Local Exchange Services
- Resold and Facilities-Based IntraLATA and InterLATA Private Line Services

Staff is recommending approval of the application with conditions.

SMO:AFF:kdh

Originator: Armando Fimbres

Attachment: Original and Thirteen Copies

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SERVICE LIST FOR: ZAYO GROUP, LLC
DOCKET NO. T-20783A-11-0024

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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

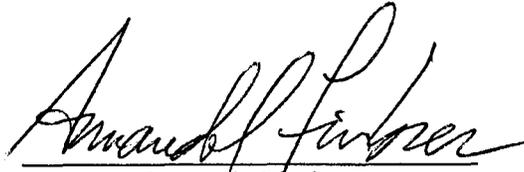
ZAYO GROUP, LLC
DOCKET NO. T-20783A-11-0024

**IN THE MATTER OF THE APPLICATION OF ZAYO GROUP, LLC FOR APPROVAL OF A
CERTIFICATE OF CONVENIENCE AND NECESSITY FOR FACILITIES-BASED LOCAL
EXCHANGE SERVICES AND RESOLD AND FACILITIES-BASED INTRALATA AND
INTRALATA PRIVATE LINE SERVICES.**

APRIL 29, 2011

STAFF ACKNOWLEDGMENT

The Staff Report for Zayo Group, LLC, Docket No. T-20783A-11-0024, was the responsibility of the Staff member listed below. Armando Fimbres was responsible for the review and analysis of the application for a Certificate of Convenience and Necessity to provide facilities-based local exchange services; resold and facilities-based IntraLATA and InterLATA private line services and petition for a determination that its proposed services should be classified as competitive.

A handwritten signature in cursive script, reading "Armando Fimbres", written in black ink. The signature is fluid and stylized, with a prominent initial 'A'.

Armando Fimbres
Public Utility Analyst V

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1. INTRODUCTION

On January 24, 2011 Zayo Group, LLC ("Zayo" or "Company" or "Applicant") filed an application for a Certificate of Convenience and Necessity ("CC&N") to provide facilities-based local exchange services and resold and facilities-based intraLATA and interLATA private line services on a statewide basis in the State of Arizona. The Applicant petitioned the Arizona Corporation Commission ("ACC" or "Commission") for a determination that its proposed services should be classified as competitive.

On March 8, 2011, Zayo responded to Staff's First Set of Data Request sent via email on February 15, 2011. Zayo's response included a revised Tariff No. 1. Following an additional change, Zayo filed a revised tariff on March 15, 2011.

During the course of Staff's review in this matter, several discussions were held and emails were exchanged to clarify the linkage between Zayo's CC&N application and a related application¹ filed by Zayo and its affiliates, Zayo Bandwidth, LLC ("ZB"), and Zayo Fiber Solutions, LLC ("ZFS").

Staff's review of this application addresses the overall fitness of the Applicant to receive a CC&N. Staff's analysis also considers whether the Applicant's services should be classified as competitive, if the Applicant's initial rates are just and reasonable and if the Applicant's CC&N should be approved with conditions.

2. REQUESTED SERVICES

Zayo's CC&N application requests statewide authority to provide local exchange and private line services to business customers. Zayo states in its application that services will not be provided to residential customers.

The revised Tariff No. 1 filed on March 15, 2011 clarified that its services will be available to large enterprise (business), government and wholesale customers only. Zayo proposes to serve its target market with Primary Rate Interface ("PRI") services, Direct Inward Dialing ("DID") services and high capacity private lines services. Zayo will not be providing stand-alone local exchange service to businesses.

3. TECHNICAL CAPABILITY TO PROVIDE THE REQUESTED SERVICES

Communications Infrastructure Investments, LLC is the ultimate parent of Zayo, the direct parent of ZB and ZFS. In Arizona, ZB is authorized to provide facilities-based local exchange and long distance pursuant to authority granted by Decision No. 71781 issued in

¹ Docket No. T-20783A-11-0097, In the matter of the application of Zayo Group, LLC, Zayo Bandwidth, LLC and Zayo Fiber Solutions, LLC for approval to complete certain Pro Forma Intra-Corporate Transactions, filed February 25, 2011.

Docket No. T-20694A-09-0379 on July 12, 2010. In Arizona, ZFS is authorized to provide competitive private line telecommunications services pursuant to authority granted by Decision No. 71485 issued in Docket No. T- 20667A-09-0179 on February 23, 2010.

Zayo has requested approval to merge² the operations of ZB and ZFS pursuant to A.R.S. § 40-285(A) and A.A.C. R14-2-1107 and R14-2-1904 et seq. With approval of the Commission, the proposed merger will provide Zayo with the combined technical expertise of ZB and ZFS.

Zayo is also the direct parent of American Fiber Systems ("AFS"). AFS is currently authorized to provide facilities-based and resold local exchange, exchange access and interexchange telecommunications services pursuant to authority granted by the Commission in Decision No. 63936, dated August 6, 2001.

Many of the officers of Zayo are the same officers currently providing management oversight of ZB, ZFS and AFS. Therefore, the telecommunications experience of many Zayo officers has also been considered in prior applications, most recently in the approval of ZB and ZFS CC&Ns in 2010. The Zayo officers listed in Exhibit B of Zayo's CC&N application have over 60 years of combined telecommunications experience, some with regional bell operating companies ("RBOCs") and major competitive local exchange carriers ("CLECs").

Zayo states that its subsidiaries, collectively, are authorized to provide in the District of Columbia and the states of 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. Additionally, Zayo states that it has not been denied the authority to offer telecommunications services in any state.

Staff believes that Zayo possesses the technical capabilities necessary to provide the services proposed in this CC&N application.

4. FINANCIAL CAPABILITY TO PROVIDE THE REQUESTED SERVICES

Zayo was formed on May 4, 2007. With its CC&N application, Zayo submitted audited financials for years ending June 30, 2008; June 30, 2009; and June 30, 2010. For the year ending June 30, 2010, Zayo reported Total Assets of \$564,381,000; Shareholder Equity of \$213,136,000; and Net Income of \$461,000.

The Applicant lists conditions under which advance payments may be required for services in its proposed Tariff No. 1, Section 2.6. Staff believes that advances, deposits, and/or prepayments received from the Applicant's customers should be protected by the procurement of either a performance bond or an Irrevocable Sight Draft Letter of Credit ("ISDLC"). The

² Docket No. T-20783A-11-0097, In the matter of the application of Zayo Group, LLC, Zayo Bandwidth, LLC and Zayo Fiber Solutions, LLC for approval to complete certain Pro Forma Intra-Corporate Transactions, filed February 25, 2011

Applicant should be granted the discretion to procure either the performance bond or the ISDLC. Since the Applicant is requesting a CC&N for more than one kind of service, the amount of a performance bond or the ISDLC for multiple services is an aggregate of the minimum bond or the ISDLC amount for each type of telecommunications service requested by the Applicant. The Commission's current performance bond or ISDLC requirements are \$10,000 for resold long distance (for those resellers who collect deposits, advances or prepayments), \$25,000 for resold local exchange, \$100,000 for facilities-based long distance and \$100,000 for facilities-based local exchange services. Based on the services the Applicant is requesting authority to provide, the minimum recommended performance bond or ISDLC should be \$100,000. The performance bond or ISDLC coverage needs to increase in increments equal to 50 percent of the total minimum performance bond or ISDLC amount when the total amount of the deposits is within 10 percent of the total minimum performance bond or ISDLC amount. Further, measures should be taken to ensure that the Applicant shall not discontinue service to its customers without first complying with Arizona Administrative Code ("A.A.C.") R14-2-1107.

Staff recommends that the Applicant procure a performance bond or the ISDLC equal to \$100,000. The minimum performance bond or the ISDLC amount of \$100,000 should be increased if at any time it would be insufficient to cover advances, deposits, and/or prepayments collected from the Applicant's customers. The performance bond or the ISDLC amount should be increased in increments of \$50,000. This increase should occur when the total amount of the advances, deposits, and prepayments is within \$10,000 of the performance bond or the ISDLC amount. If the Applicant desires to discontinue service, it must file an application with the Commission pursuant to A.A.C. R14-2-1107. Additionally, the Applicant must notify each of its customers and the Commission 60 days prior to filing an application to discontinue service. Failure to meet this requirement should result in forfeiture of the Applicant's performance bond or the ISDLC.

Staff further recommends that proof of the above mentioned performance bond or an ISDLC be docketed within 90 days of the effective date of a Decision in this matter or 10 days before the first customer is served, whichever comes first. Staff also recommends that the company notify Staff through a compliance filing when it begins serving customers. The original bond or Letter of Credit should be filed with the Commission's Business Office and copies of the bond or Letter of Credit with Docket Control, as a compliance item in this docket. The performance bond or ISDLC must remain in effect until further order of the Commission. The Commission may draw on the bond or Letter of Credit on behalf of, and for the sole benefit of the Applicant's customers, if the Commission finds, in its discretion, that the Applicant is in default of its obligations arising from its Certificate. The Commission may use the bond or Letter of Credit funds, as appropriate, to protect the Applicant's customer and the public interest and take any and all actions the Commission deems necessary, in its discretion, including, but not limited to returning prepayments or deposits collected from the Applicant's customers.

5. ESTABLISHING RATES AND CHARGES

The Applicant would initially be providing service in areas where an incumbent local exchange carrier ("ILEC"), along with various competitive local exchange carriers ("CLECs")

and interexchange carriers are providing telephone service. Therefore, the Applicant would have to compete with those providers in order to obtain subscribers to its services. The Applicant would be a new entrant and would face competition from both an incumbent provider and other competitive providers in offering service to its potential customers. Therefore, the Applicant would generally not be able to exert market power. Thus, the competitive process should result in rates that are just and reasonable.

Both an actual rate and a maximum rate may be listed for each competitive service offered. The rate charged for a service may not be less than the Company's total service long-run incremental cost of providing the service pursuant to A.A.C. R14-2-1109.

The rates proposed by this filing are for competitive services. In general, rates for competitive services are not set according to rate of return regulation. In section (B-4) of its application the Company states that its projected net book value at the end of the first twelve months of operation is \$22,500,000 in Arizona jurisdictional assets. The assets will largely be the result of the approval that Zayo anticipates from a Commission decision in its pending transaction³. Additionally, Zayo states in section (B-4), that projected revenues of \$100,000 are anticipated for the first twelve months of operation.

Zayo submitted Tariff No. 1 with its application and submitted a revised Tariff No. 1 on March 15, 2011. Staff has reviewed these rates and believes they are comparable to the rates charged by competitive local carriers and local incumbent carriers operating in the State of Arizona. The rate to be ultimately charged by the Company will be heavily influenced by the market. Therefore, while Staff considered the fair value rate base information submitted by the Company, the fair value rate base information provided should not be given substantial weight in this analysis.

6. LOCAL EXCHANGE CARRIER SPECIFIC ISSUES

Issues related to the provision of that Local Exchange service are discussed below.

6.1 NUMBER PORTABILITY

The Commission has adopted rules to address number portability in a competitive telecommunications services market. Local exchange competition may not be vigorous if customers, especially business customers, must change their telephone numbers to take advantage of a competitive local exchange carrier's service offerings. Consistent with federal laws, federal rules and A.A.C. R14-2-1308(A), the Applicant shall make number portability available to facilitate the ability of a customer to switch between authorized local carriers within a given wire center without changing their telephone number and without impairment to quality, functionality, reliability or convenience of use.

³ Docket No. T-20783A-11-0097, In the matter of the application of Zayo Group, LLC, Zayo Bandwidth, LLC and Zayo Fiber Solutions, LLC for approval to complete certain Pro Forma Intra-Corporate Transactions, filed February 25, 2011

6.2 PROVISION OF BASIC TELEPHONE SERVICE AND UNIVERSAL SERVICE

In response to Staff's First Set of Data Request, Zayo confirmed its intentions to provide services directly to local exchange users.

The Commission has adopted rules to address universal telephone service in Arizona. A.A.C. R14-2-1204(A) indicates that all telecommunications service providers that interconnect into the public switched network shall provide funding for the Arizona Universal Service Fund ("AUSF"). The Applicant will make the necessary monthly payments required by A.A.C. R14-2-1204(B).

6.3 QUALITY OF SERVICE

Staff believes that the Applicant should be ordered to abide by the quality of service standards that were approved by the Commission for Qwest (f/k/a USWC) in Docket No. T-01051B-93-0183 (Decision No. 59421). Because the penalties developed in that docket were initiated because Qwest's level of service was not satisfactory and the Applicant does not have a similar history of service quality problems, Staff does not recommend that those penalties apply to the Applicant. In the competitive market that the Applicant wishes to enter, the Applicant generally will have no market power and will be forced to provide a satisfactory level of service or risk losing its customers. Therefore, Staff believes that it is unnecessary to subject the Applicant to those penalties at this time.

6.4 ACCESS TO ALTERNATIVE LOCAL EXCHANGE SERVICE PROVIDERS

Staff expects that there will be new entrant providers of local exchange service who will install the plant necessary to provide telephone service to, for example, a residential subdivision or an industrial park much like existing local exchange companies do today. There may be areas where the Applicant installs the only local exchange service facilities. In the interest of providing competitive alternatives to the Applicant's local exchange service customers, Staff recommends that the Applicant be prohibited from barring access to alternative local exchange service providers who wish to serve such areas. This way, an alternative local exchange service provider may serve a customer if the customer so desires. Access to other providers should be provided pursuant to the provisions of the 1996 Telecommunications Act, the rules promulgated there under and Commission rules on interconnection and unbundling.

6.5 911 SERVICE

The Commission has adopted rules to address 911 and E911 services in a competitive telecommunications services market. The Applicant has certified that in accordance with A.A.C. R14-2-1201(6)(d) and Federal Communications Commission 47 CFR Sections 64.3001 and 64.3002, it will provide all customers with 911 and E911 service, where available, or will coordinate with ILECs and emergency service providers to provide 911 and E911 service.

6.6 CUSTOM LOCAL AREA SIGNALING SERVICES

Consistent with past Commission decisions, the Applicant may offer Caller ID provided that per call and line blocking, with the capability to toggle between blocking and unblocking the transmission of the telephone number, are provided as options to which customers could subscribe with no charge. Also, Last Call Return service that will not return calls to telephone numbers that have the privacy indicator activated, indicating that the number has been blocked, must be offered.

7. REVIEW OF COMPLAINT INFORMATION

The Applicant states that it has neither had an application for service denied, nor had its authority to provide service revoked in any state. There are, and have been, no formal complaint proceedings involving the Applicant. There have not been any civil or criminal proceedings against the Applicant. Consumer Services reports no complaint history within Arizona.

The Applicant indicated that none of its officers, directors or partners have been involved in any civil or criminal investigations, or any formal or informal complaints. The Applicant also indicated that none of its officers, directors or partners have been convicted of any criminal acts in the past ten (10) years. Staff's research did not reveal any issues related to the top officers in Zayo.

8. COMPETITIVE SERVICES ANALYSIS

The Applicant has petitioned the Commission for a determination that the services it is seeking to provide should be classified as competitive.

8.1 COMPETITIVE SERVICES ANALYSIS FOR LOCAL EXCHANGE SERVICES

8.1.1 A description of the general economic conditions that exist, which makes the relevant market for the service one that, is competitive.

The local exchange market that the Applicant seeks to enter is one in which a number of CLECs have been authorized to provide local exchange service. Nevertheless, ILECs hold a virtual monopoly in the local exchange service market. At locations where ILECs provide local exchange service, the Applicant will be entering the market as an alternative provider of local exchange service and, as such, the Applicant will have to compete with those companies in order to obtain customers. In areas where ILECs do not serve customers, the Applicant may have to convince developers to allow it to provide service to their developments.

8.1.2 The number of alternative providers of the service.

Qwest and various independent LECs are the primary providers of local exchange service in the State. Several CLECs and local exchange resellers are also providing local exchange service.

8.1.3 The estimated market share held by each alternative provider of the service.

Since Qwest and the independent LECs are the primary providers of local exchange service in the State, they have a large share of the market. Since the CLECs and local exchange resellers have only recently been authorized to offer service they have limited market share.

8.1.4 The names and addresses of any alternative providers of the service that are also affiliates of the Applicant, as defined in A.A.C. R14-2-801.

Currently, Zayo has three affiliates in Arizona as indicated in section 3 of this report – Zayo Bandwidth, LLC, Zayo Fiber Solutions, LLC and American Fiber Systems. With Commission approval requested in a pending application⁴ before the Commission, the CC&Ns of Zayo Bandwidth, LLC and Zayo Fiber Solutions, LLC will be canceled.

8.1.5 The ability of alternative providers to make functionally equivalent or substitute services readily available at competitive rates, terms and conditions.

ILECs have the ability to offer the same services that the Applicant has requested in their respective service territories. Similarly many of the CLECs and local exchange resellers also offer substantially similar services.

8.1.6 Other indicators of market power, which may include growth and shifts in market share, ease of entry and exit, and any affiliation between and among alternative providers of the service(s).

The local exchange service market is:

- a. One in which ILECs own networks that reach nearly every residence and business in their service territories and which provide them with a virtual monopoly over local exchange service. New entrants are also beginning to enter this market.
- b. One in which new entrants will be dependent upon ILECs:
 1. To terminate traffic to customers.

⁴ Docket No. T-20783A-11-0097, In the matter of the application of Zayo Group, LLC, Zayo Bandwidth, LLC and Zayo Fiber Solutions, LLC for approval to complete certain Pro Forma Intra-Corporate Transactions, filed February 25, 2011

2. To provide essential local exchange service elements until the entrant's own network has been built.
 3. For interconnection.
- c. One in which ILECs have had an existing relationship with their customers that the new entrants will have to overcome if they want to compete in the market and one in which new entrants do not have a long history with any customers.
 - d. One in which most customers have few, if any choices since there is generally only one provider of local exchange service in each service territory.
 - e. One in which the Applicant will not have the capability to adversely affect prices or restrict output to the detriment of telephone service subscribers.

9. PRIVATE LINE TELECOMMUNICATIONS SERVICE SPECIFIC ISSUES

Private line service is a direct circuit or channel specifically dedicated to the use of an end user organization for the purpose of directly connecting two or more sites in a multi-site enterprise. Private line service provides a means by which customers may transmit and receive messages and data among various customer locations over facilities operated and provided by the Applicant. The Applicant is therefore engaged in providing telecommunications service for hire to the public, which fits the definition of a common carrier and a public service corporation.

The Applicant will be providing service in areas where an incumbent local exchange carrier ("ILEC"), along with various competitive local exchange carriers ("CLECs") and interexchange carriers are providing telephone and private line services. Therefore, the Applicant would have to compete with those providers in order to obtain subscribers to its services. The Applicant would be a new entrant and would face competition from both an incumbent provider and other competitive providers in offering service to its potential customers. Therefore, the Applicant would generally not be able to exert market power. Private line services are highly competitive, thus, the competitive process should result in rates that are just and reasonable.

10. RECOMMENDATIONS

The following sections contain the Staff recommendations on the application for a CC&N and the Applicant's petition for a Commission determination that its proposed services should be classified as competitive.

10.1 RECOMMENDATIONS ON THE APPLICATION FOR A CC&N

Staff recommends that Applicant's application for a CC&N to provide intrastate telecommunications services, as listed in this Report, be granted. In addition, Staff further recommends:

1. That the Applicant complies with all Commission Rules, Orders and other requirements relevant to the provision of intrastate telecommunications services;
2. That the Applicant abides by the quality of service standards that were approved by the Commission for Qwest in Docket No. T-01051B-93-0183;
3. That the Applicant be prohibited from barring access to alternative local exchange service providers who wish to serve areas where the Applicant is the only provider of local exchange service facilities;
4. That the Applicant be required to notify the Commission immediately upon changes to the Applicant's name, address or telephone number;
5. That the Applicant cooperate with Commission investigations including, but not limited to customer complaints;
6. The rates proposed by this filing are for competitive services. In general, rates for competitive services are not set according to rate of return regulation. Zayo's projected book value or fair value rate base at the end of its first 12 months of operation is projected to be \$22,500,000. Additionally, Zayo provided a revenue projection of \$100,000 for its first twelve months of operation. Staff has reviewed the rates to be charged by the Applicant and believes they are just and reasonable as they are comparable to other providers offering service in Arizona and comparable to the rates the Applicant charges in other jurisdictions. The rate to be ultimately charged by the Company will be heavily influenced by the market. Therefore, while Staff considered the fair value rate base information submitted by the Company, the fair value information provided was not given substantial weight in this analysis;
7. That the Applicant offer Caller ID with the capability to toggle between blocking and unblocking the transmission of the telephone number at no charge;
8. That the Applicant offer Last Call Return service that will not return calls to telephone numbers that have the privacy indicator activated;
9. Staff further recommends that the Commission authorize the Applicant to discount its rates and service charges to the marginal cost of providing the services;

Staff further recommends that the Applicant be ordered to comply with the following. If it does not do so, the Applicant's CC&N shall be null and void, after due process.

1. The Applicant shall docket a conforming tariff for each service within its CC&N within 365 days from the date of an Order in this matter or 30 days prior to providing service, whichever comes first:

2. The Applicant shall:
 - a. Procure a performance bond or an ISDLC equal to \$100,000. The minimum bond or draft amount of \$100,000 should be increased if at any time it would be insufficient to cover advances, deposits, and/or prepayments collected from the Applicant's customers. The bond or draft amount should be increased in increments of \$50,000. This increase should occur when the total amount of the advances, deposits, and prepayments is within \$10,000 of the bond amount or ISDLC amount; and
 - b. File the original performance bond or ISDLC with the Commission's Business Office and copies of the performance bond or ISDLC with Docket Control, as a compliance item in this docket, within 90 days of the effective date of a decision in this matter or 10 days before service to end-user customers is commenced, whichever comes first. The original performance bond or ISDLC must remain in effect until further order of the Commission. The Commission may draw on the performance bond or ISDLC, on behalf of, and for the sole benefit of the Company's customers, if the Commission finds, in its discretion, that the Company is default of its obligations arising from its Certificate. The Commission may use the performance bond or ISDLC funds, as appropriate, to protect the Company's customers and the public interest and take any and all actions the Commission deems necessary, in its discretion, including, but not limited to returning prepayments or deposits collected from the Company's customers;
 - c. Staff also recommends that the Company notify the Commission through a compliance filing within 30 days of the commencement of service to end-user customers; and
3. The Applicant shall abide by the Commission adopted rules that address Universal Service in Arizona. A.A.C. R14-2-1204(A) indicates that all telecommunications service providers that interconnect into the public switched network shall provide funding for the Arizona Universal Fund. The Applicant will make the necessary monthly payments required by A.A.C. R14-2-1204 (B).

Furthermore, Staff recommends that approval of the Application be conditioned on the following:

1. That Zayo application be approved based upon its representation to the Commission that Zayo will be providing local exchange service directly to end-users in Arizona. Should Zayo not provide service directly to end-user customers, it shall notify the Commission and file for cancellation its CC&N.

10.2 RECOMMENDATION ON THE APPLICANT'S PETITION TO HAVE ITS
PROPOSED SERVICES CLASSIFIED AS COMPETITIVE

Staff believes that the Applicant's proposed services should be classified as competitive. There are alternatives to the Applicant's services. The Applicant will have to convince customers to purchase its services, and the Applicant has no ability to adversely affect the local exchange or interexchange service markets. Therefore, the Applicant currently has no market power in the local exchange or interexchange service markets where alternative providers of telecommunications services exist. Staff therefore recommends that the Applicant's proposed services be classified as competitive.