Zayo Group Holdings, Inc.
Form 10-K/A
September 20, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

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

For the fiscal year ended June 30, 2018

OR

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

Commission File Number: 001-36690

Zayo Group Holdings, Inc.

(Exact Name of Registrant as Specified in Its Charter)

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

1821 30th Street, Unit A,

Boulder, CO 80301

(Address of Principal Executive Offices)

(303) 381-4683

(Registrant's Telephone Number, Including Area Code)

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

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

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

None

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

Yes No

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

Yes No

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

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

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

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

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

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

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

As of December 31, 2017, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately $7.7 billion based on the closing price as reported on the New York Stock Exchange.

As of August 20, 2018, the number of outstanding shares of common stock of Zayo Group Holdings, Inc. was 246,467,784 shares.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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EXPLANATORY NOTE

This Amendment No. 1 to Form 10-K (this “Amendment”) amends the Annual Report on Form 10-K for the fiscal year ended June 30, 2018 (the “Original 10-K”) filed by Zayo Group Holdings, Inc., a Delaware corporation (“Company,” “we” or “our”), on August 24, 2018 (the “Original Filing Date”). We are filing this Amendment to amend Item 8 in the Original 10-K to reflect a correction of the amount of shares of our common stock that were issued upon vesting of Part A restricted stock units during the fiscal year ended June 30, 2018. This correction resulted in a decrease of 192,758 shares of common stock issued and outstanding as of June 30, 2018 as previously reported in the Original 10-K from 246,631,241 shares to 246,438,483 shares in the Amendment. This correction also resulted in a decrease of 174,896 shares of common stock issued and outstanding as previously reported on the cover page of the Original 10-K from 246,642,680 shares to 246,467,784 shares in the Amendment.

In accordance with Rule 12b-15 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), this Amendment sets forth the complete text of Item 8 of Part II of the Original 10-K, which has been amended as described above. This Amendment speaks only as of the Original Filing Date, does not reflect events that may have occurred subsequent to the Original Filing Date, and does not otherwise modify or update in any way the disclosures made in the Original 10-K. Except as described above, no changes have been made to the Original 10-K. This Amendment should be read in conjunction with the Original 10-K and our other filings made with the Securities and Exchange Commission subsequent to the Original Filing Date.

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

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PART II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Documents Filed as Part of this Annual Report

1. Financial Statements

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

2. Exhibits

The Exhibits listed below are filed as part of this Amendment and are meant to supplement the Exhibits listed and/or filed with the Original Report.

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

101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Label Linkbase Document
101.PRE*	XBRL Presentation Linkbase Document

*Filed or furnished herewith

Financial statements and financial statement schedules required to be filed for the registrant under Items 8 or 15 are set forth following the signature page at page F-1.

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Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, this 20th day of September, 2018.

ZAYO GROUP HOLDINGS, INC.

By: /s/ Matt Steinfort
Matt Steinfort
Chief Financial Officer

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Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Zayo Group Holdings, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Zayo Group Holdings, Inc. and subsidiaries (the Company) as of June 30, 2018 and 2017, the related consolidated statements of operations, comprehensive income/(loss), stockholders' equity, and cash flows for each of the years in the three year period ended June 30, 2018, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three year period ended June 30, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of June 30, 2018, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated August 24, 2018 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. 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, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2012.

/s/ KPMG LLP

Denver, Colorado

August 24, 2018

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Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Zayo Group Holdings, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Zayo Group Holdings, Inc. and subsidiaries' (the Company) internal control over financial reporting as of June 30, 2018, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2018, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of June 30, 2018 and 2017, the related consolidated statements of operations, comprehensive income/(loss), stockholders' equity, and cash flows for each of the years in the three-year period ended June 30, 2018, and the related notes (collectively, the consolidated financial statements), and our report dated August 24, 2018 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting (Item 9A). Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ KPMG LLP

Denver, Colorado

August 24, 2018

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ZAYO GROUP HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in millions, except share amounts)

	June 30, 2018	June 30, 2017
Assets		
Current assets		
Cash and cash equivalents	$ 256.7	$ 220.7
Trade receivables, net of allowance of $11.1 and $9.5 as of June 30, 2018 and June 30, 2017, respectively	235.6	191.6
Prepaid expenses	74.1	68.3
Other current assets	22.6	34.0
Assets held for sale	41.8	—
Total current assets	630.8	514.6
Property and equipment, net	5,447.2	5,016.0
Intangible assets, net	1,212.1	1,188.6
Goodwill	1,719.1	1,840.2
Deferred income taxes, net	37.6	38.3
Other assets	170.0	141.7
Total assets	$ 9,216.8	$ 8,739.4
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	$ 45.9	$ 72.4
Accrued liabilities	312.3	325.4
Accrued interest	72.6	63.5
Current portion of long-term debt	5.0	5.0
Capital lease obligations, current	11.9	8.0
Deferred revenue, current	164.4	146.0
Liabilities associated with assets held for sale	6.1	—
Total current liabilities	618.2	620.3
Long-term debt, non-current	5,690.1	5,532.7
Capital lease obligation, non-current	121.6	93.6
Deferred revenue, non-current	1,096.8	989.7
Deferred income taxes, net	143.2	40.2
Other long-term liabilities	57.8	52.4
Total liabilities	7,727.7	7,328.9
Commitments and contingencies (Note 14)		
Stockholders' equity		
Preferred stock, $0.001 par value - 50,000,000 shares authorized; no shares issued and outstanding as of June 30, 2018 and June 30, 2017, respectively	—	—
Common stock, $0.001 par value - 850,000,000 shares authorized; 246,438,483 and 246,471,551 shares issued and outstanding as of June 30, 2018 and June 30, 2017, respectively	0.2	0.2
Additional paid-in capital	1,881.6	1,884.0
Accumulated other comprehensive (loss)/income	(15.5)	5.4

Accumulated deficit	(377.2)	(479.1)
Total stockholders' equity	1,489.1	1,410.5
Total liabilities and stockholders' equity	$ 9,216.8	$ 8,739.4

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

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ZAYO GROUP HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions, except per share data)

	Year Ended June 30,		
	2018	2017	2016
Revenue	$ 2,604.0	$ 2,199.8	$ 1,721.7
Operating costs and expenses			
Operating costs (excluding depreciation and amortization and including stock-based compensation—Note 11)	941.9	782.9	578.7
Selling, general and administrative expenses (including stock-based compensation—Note 11)	489.8	436.2	386.4
Depreciation and amortization	747.4	606.9	516.3
Total operating costs and expenses	2,179.1	1,826.0	1,481.4
Operating income	424.9	373.8	240.3
Other expenses			
Interest expense	(299.8)	(241.5)	(220.1)
Loss on extinguishment of debt	(4.9)	(18.2)	(33.8)
Foreign currency gain/(loss) on intercompany loans	5.4	(10.3)	(53.8)
Other income/(expense), net	2.4	0.3	(0.3)
Total other expenses, net	(296.9)	(269.7)	(308.0)
Income/(loss) from operations before income taxes	128.0	104.1	(67.7)
Provision for income taxes	26.1	18.4	8.5
Net income/(loss)	$ 101.9	$ 85.7	$ (76.2)
Weighted-average shares used to compute net income/(loss) per share:			
Basic	247.3	243.9	243.3
Diluted	248.5	246.8	243.3
Net income/(loss) per share:			
Basic and diluted	$ 0.41	$ 0.35	$ (0.31)

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

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ZAYO GROUP HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

(in millions)

	Year Ended June 30,		
	2018	2017	2016
Net income/(loss)	$ 101.9	$ 85.7	$ (76.2)
Foreign currency translation adjustments, net of tax	(7.4)	2.1	12.4
Defined benefit pension plan adjustments, net of tax	(13.5)	(1.2)	—
Comprehensive income/(loss)	$ 81.0	$ 86.6	$ (63.8)

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

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ZAYO GROUP HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in millions, except share amounts)

	Common Shares	Common Stock	Additional paid-in Capital	Accumulated Other Comprehensive Income/(loss)	Accumulated Deficit	Total Stockholders' Equity
Balance at June 30, 2015	243,008,679	$ 0.2	$ 1,705.8	$ (7.9)	$ (486.9)	$ 1,211.2
Stock-based compensation	3,114,939	—	152.9	—	—	152.9
Foreign currency translation adjustment	—	—	—	12.4	—	12.4
Repurchase and retirement of common shares	(3,474,120)	—	(81.1)	—	—	(81.1)
Net loss	—	—	—	—	(76.2)	(76.2)
Balance at June 30, 2016	242,649,498	$ 0.2	$ 1,777.6	$ 4.5	$ (563.1)	$ 1,219.2
Stock-based compensation	3,822,053	—	104.7	—	—	104.7
Cumulative effect adjustment resulting from adoption of ASU 2016-09 (Note 2)	—	—	1.7	—	(1.7)	—
Foreign currency translation adjustment	—	—	—	2.1	—	2.1
Defined benefit pension plan adjustments	—	—	—	(1.2)	—	(1.2)
Net income	—	—	—	—	85.7	85.7
Balance at June 30, 2017	246,471,551	$ 0.2	$ 1,884.0	$ 5.4	$ (479.1)	$ 1,410.5
Stock-based compensation	2,716,011	—	91.1	—	—	91.1
Foreign currency translation adjustment	—	—	—	(7.4)	—	(7.4)
Repurchase and retirement of common shares	(2,749,079)	—	(93.5)	—	—	(93.5)
Defined benefit pension plan adjustments	—	—	—	(13.5)	—	(13.5)
Net income	—	—	—	—	101.9	101.9
Balance at June 30, 2018	246,438,483	$ 0.2	$ 1,881.6	$ (15.5)	$ (377.2)	$ 1,489.1

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

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ZAYO GROUP HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

	Year Ended June 30, 2018	2017	2016
Cash flows from operating activities			
Net income/(loss)	$ 101.9	$ 85.7	$ (76.2)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities			
Depreciation and amortization	747.4	606.9	516.3
Loss on extinguishment of debt	4.9	18.2	33.8
Non-cash interest expense	9.8	9.6	11.9
Stock-based compensation	96.7	114.1	155.9
Amortization of deferred revenue	(137.8)	(117.6)	(111.5)
Foreign currency (gain)/ loss on intercompany loans	(5.4)	10.3	53.8
Excess tax benefit from stock-based compensation	—	—	(7.9)
Deferred income taxes	25.0	12.6	(2.8)
Provision for bad debts	5.1	3.7	3.9
Non-cash loss on investments	1.0	1.2	1.2
Changes in operating assets and liabilities, net of acquisitions			
Trade receivables	(48.1)	(7.2)	1.9
Accounts payable and accrued liabilities	7.3	5.2	(36.0)
Additions to deferred revenue	212.8	200.5	184.0
Other assets and liabilities	(49.5)	(33.4)	(14.3)
Net cash provided by operating activities	971.1	909.8	714.0
Cash flows from investing activities			
Purchases of property and equipment	(789.9)	(835.5)	(704.1)
Cash paid for acquisitions, net of cash acquired	(176.9)	(1,434.8)	(437.5)
Net cash used in investing activities	(966.8)	(2,270.3)	(1,141.6)
Cash flows from financing activities			
Proceeds from debt	462.8	3,865.8	929.3
Principal payments on long-term debt	(315.7)	(2,408.8)	(535.0)
Payment of early redemption fees on debt extinguished	—	—	(20.3)
Principal payments on capital lease obligations	(8.4)	(6.6)	(4.9)
Payment of debt issue costs	(4.3)	(35.4)	(4.2)
Common stock repurchases	(93.5)	—	(81.1)
Excess tax benefit from stock-based compensation	—	—	7.9
Cash paid for Santa Clara acquisition financing arrangement and other	(5.3)	(3.7)	—
Net cash provided by financing activities	35.6	1,411.3	291.7
Net cash flows	39.9	50.8	(135.9)
Effect of changes in foreign exchange rates on cash	(3.9)	(0.8)	(2.0)
Net increase/(decrease) in cash and cash equivalents	36.0	50.0	(137.9)
Cash and cash equivalents, beginning of year	220.7	170.7	308.6

Cash and cash equivalents, end of period	$ 256.7	$ 220.7	$ 170.7
Supplemental disclosure of non-cash investing and financing activities:			
Cash paid for interest, net of capitalized interest	$ 280.2	$ 195.6	$ 228.5
Cash paid for income taxes	20.3	13.1	14.0
Non-cash purchases of equipment through capital leasing	22.1	12.0	7.6
Non-cash purchases of equipment through nonmonetary exchange	17.1	12.8	50.6
(Decrease)/Increase in accounts payable and accrued expenses for purchases of property and equipment	(32.2)	16.9	25.7

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

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ZAYO GROUP HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED STATEMENTS

(1) ORGANIZATION AND DESCRIPTION OF BUSINESS

Business

Zayo Group Holdings, Inc., a Delaware corporation, was formed on November 13, 2007, and is the parent company of a number of subsidiaries engaged in providing access to bandwidth infrastructure. Zayo Group Holdings, Inc. and its subsidiaries are collectively referred to as “Zayo Group Holdings” or the “Company.” The Company’s primary operating subsidiary is Zayo Group, LLC (“ZGL”). Headquartered in Boulder, Colorado, the Company provides communication infrastructure solutions, including fiber and bandwidth connectivity, colocation and cloud infrastructure to businesses primarily in the United States (“U.S.”), Canada and Europe. The Company provides its products and offerings through six segments:

- Fiber Solutions, including dark fiber and mobile infrastructure solutions.
- Transport, including Ethernet, wavelength, wholesale IP, and SONET solutions.
- Enterprise Networks, including private lines, dedicated Internet and cloud-based computing and storage products.
- Colocation, including provision of colocation space and power and interconnection offerings.
- Allstream, including Cloud VoIP and Data Solutions.
- Other offerings, including Zayo Professional Services (“ZPS”).

The Company’s shares are listed on the New York Stock Exchange (NYSE) under the ticker symbol “ZAYO”.

(2) BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation

The accompanying consolidated financial statements include all the accounts of the Company and its wholly-owned subsidiaries. All inter-company accounts and transactions have been eliminated in consolidation. The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) and pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”) for annual reports on Form 10-K. In the opinion of management, all adjustments considered necessary for the fair presentation of financial position, results of operations and cash flows of the Company have been included herein. Unless otherwise noted, dollar amounts and disclosures throughout the Notes to the consolidated financial statements are presented in millions of dollars.

The Company’s fiscal year ends June 30 each year, and we refer to the fiscal year ending June 30, 2019 as “Fiscal 2019”, the fiscal year ended June 30, 2018 as “Fiscal 2018” and the fiscal year ended June 30, 2017 as “Fiscal 2017.”

b. Use of Estimates

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

c. Net Income or Loss per Share

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

The Company's computation of diluted income per share for Fiscal 2018 and 2017 included adjustments of 1.2 million and 2.9 million shares, respectively, to the weighted-average shares for the dilutive effect of the Part A and Part B units and related issuance of common shares upon vesting (calculated using the treasury method).

d. Foreign Currency Translation

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

e. Cash and Cash Equivalents and Restricted Cash

The Company considers all highly liquid investments with original maturities of three months or less to be cash and cash equivalents. Cash equivalents are stated at cost, which approximates fair value. Restricted cash consists of cash balances held by various financial institutions as collateral for letters of credit and surety bonds. These balances are reclassified to cash and cash equivalents when the underlying obligation is satisfied, or in accordance with the governing agreement. Restricted cash balances expected to become unrestricted during the next twelve months are recorded as current assets. The Company had a non-current restricted cash balance of $4.6 million and $4.5 million as of June 30, 2018 and 2017, respectively.

f. Trade Receivables

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

g. Property and Equipment

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

Property and equipment is recorded at historical cost or acquisition date fair value. Costs associated directly with network construction, network installations for customer access, and development of business support systems, including employee-related costs, are capitalized. Depreciation is calculated on a straight-line basis over the asset's estimated useful life from the date placed into service or acquired. Management performs reviews to depreciable lives of its property and equipment on a periodic basis, which includes reviewing historical usage, with consideration given to technological changes, trends in the industry, and other economic factors that could impact the network architecture and asset utilization. In March 2018 management completed a review and revised its estimated useful lives for fiber optic network assets from its previous estimate of a range of fifteen years to twenty years to a revised estimate of thirty-three years and revised its estimated useful lives for owned buildings from its historical estimate of thirty-nine years to a revised estimate of forty-five years. In determining the change in estimated useful lives, the Company, with input from its engineering team, utilized quantitative and qualitative analysis, including historical usage patterns and retirements, industry benchmarks and review of published data sources. The change in estimated useful lives of the fiber optic network assets and owned buildings was accounted for as a change in accounting estimate on a prospective basis effective March 1, 2018. The effect of this change in estimate resulted in a reduction to depreciation expense for the year ended June 30, 2018 of $69.6 million, an increase to net income for the year ended June 30, 2018 of $55.4 million, and an increase to basic and diluted earnings per share for the year ended June 30, 2018 of $0.22.

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

Management reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of its property and equipment may not be recoverable. An impairment loss is recognized when the assets' carrying value exceeds both the assets' estimated undiscounted future cash flows and the assets' estimated fair value. Measurement of the impairment loss is then based on the estimated fair value of the assets. Considerable judgment is required to project such future cash flows and, if required, to estimate the fair value of the property and equipment and the resulting amount of the impairment. No impairment charges were recorded for property and equipment during the years ended June 30, 2018, 2017 or 2016, respectively.

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

h. Goodwill and Acquired Intangibles

Intangible assets arising from business combinations, such as acquired customer contracts and relationships, (collectively "customer relationships"), are initially recorded at fair value. The Company amortizes customer relationships primarily over an estimated life of 10 to 20 years using an amortization method that approximates the timing in which the Company expects to receive the benefit from the acquired customer relationship assets. Goodwill represents the excess of the purchase price over the fair value of the net identifiable assets acquired in a business combination.

Goodwill is reviewed for impairment at least annually in April, or more frequently if a triggering event occurs between impairment testing dates. The Company's impairment assessment begins with a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. The qualitative assessment includes comparing the overall financial performance of the reporting units against the planned results used in the last quantitative goodwill impairment test. Additionally, each reporting unit's fair value is assessed in light of certain events and circumstances, including macroeconomic conditions, industry and market considerations, cost factors, and other relevant entity- and reporting unit-specific events. The selection and assessment of qualitative factors used to determine whether it is more likely than not that the fair value of a reporting unit exceeds the carrying value involves significant judgments and estimates. If it is determined under the qualitative assessment that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then a single step test is performed to identify and measure impairment and if a reporting unit's fair value is lower than its carrying value, the Company recognizes an impairment charge for the amount by which the reporting unit's carrying amount exceeds its fair value, up to but not exceeding the reporting unit's goodwill. The Company performed a qualitative assessment for the years ended June 30, 2018, 2017 and 2016, as well as upon the changes in reportable segments during Fiscal 2018 and 2017 (see Note 16- Segment Reporting), and determined it was more likely than not that the fair values of our reporting units are greater than their carrying amounts.

The Company reviews its indefinite-lived intangible assets for impairment at least annually in April. To the extent the carrying value of indefinite-lived intangible assets exceeds the fair value, the Company will recognize an impairment loss for the difference. The Company performed a qualitative assessment to determine whether it was more likely than not that the Company's indefinite-lived intangible assets were impaired and concluded there was no indication of impairment for the years ended June 30, 2018, 2017 and 2016.

Intangible assets with finite useful lives are amortized over their respective estimated useful lives and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. No impairment charges were recorded for goodwill or intangible assets during the years ended June 30, 2018, 2017 or 2016, respectively.

i. Derivative Financial Instruments

Derivative instruments are recorded in the balance sheet as either assets or liabilities, measured at fair value. The Company has historically entered into interest rate swaps to convert a portion of its floating-rate debt to fixed-rate debt and has not applied hedge accounting; therefore, the changes in the fair value of the interest rate swaps are recognized in earnings as adjustments to interest expense. The principal objectives of the derivative instruments are to minimize the cash flow interest rate risks associated with financing activities. The Company does not use financial instruments for trading purposes. The Company utilized interest rate swap contracts in connection with debt instruments entered into during the July 2012 financing transactions. As of June 30, 2017, the Company's interest rate swap contract had expired and was not replaced.

j. Revenue Recognition

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

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

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

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

k. Operating Costs and Expenses

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

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

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

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

Stock-based compensation expense consists of the fair value of equity based awards granted to employees and independent directors recognized over their applicable vesting period. Stock-based compensation expense is included, based on the responsibilities of the awarded recipient, in either "Operating costs" or "Selling, general and administrative expenses" in the consolidated statements of operations. For additional information regarding our stock-based compensation expense, see (l.) – Stock-Based Compensation below and Note 11 – Stock-Based Compensation.

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

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

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

In determining the amount of such operating expenses and related accrued liabilities to reflect in its consolidated financial statements, management considers the adequacy of documentation of disconnect notices, compliance with

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prevailing contractual requirements for submitting such disconnect notices and disputes to the provider of the facilities, and compliance with its interconnection agreements with these providers. Significant judgment is required in estimating the ultimate outcome of the dispute resolution process, as well as any other costs that may be incurred to conclude the negotiations or settle any litigation.

l. Stock-Based Compensation

The Company maintains a compensation incentive plan for executives and employees. The plan includes incentive cash compensation (ICC) and equity (in the form of restricted stock units). Grants under the incentive plan are made quarterly for all participants. The Company recognizes all quarterly stock-based awards to employees and independent directors, based on their grant-date fair values, with no consideration for future forfeitures. The Company recognizes the fair value of outstanding awards as a charge to operations over the vesting period. The Company accounts for forfeitures as they occur.

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

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

For additional information regarding our stock-based compensation, see Note 11 – Stock-Based Compensation.

m. Legal Costs

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

n. Income Taxes

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

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

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

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

Deferred tax liabilities related to investments in foreign subsidiaries and foreign corporate joint ventures that are essentially permanent in duration are not recognized until it becomes apparent that such amounts will reverse in the foreseeable future. All deferred tax assets and liabilities are presented as noncurrent. The Company records interest related to unrecognized tax benefits and penalties in the provision for income taxes.

o. Fair Value of Financial Instruments

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

Fair Value Hierarchy

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

Level 1

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

Level 2

Inputs to the valuation methodology include:

· quoted prices for similar assets or liabilities in active markets;
· quoted prices for identical or similar assets or liabilities in inactive markets;
· inputs other than quoted prices that are observable for the asset or liability; and

· inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

Level 3

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

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

p. Concentration of Credit Risk

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

During the years ended June 30, 2018, 2017 and 2016, the Company had no single customer that exceeded 10% of total revenue. The Company's trade receivables, which are unsecured, are geographically dispersed. As of June 30, 2018 and 2017, the Company had no single customer with a trade receivable balance that exceeded 10% of total receivables.

q. Employee Benefits

In connection with the Company's acquisition of 100% of the equity interest in Allstream, Inc. and Allstream Fiber U.S. Inc. (together, the "Allstream Acquisition Entity" and such acquisition being the "Allstream Acquisition") from Bell MTS on January 15, 2016, Bell MTS agreed to retain the Allstream Acquisition Entity's former defined benefit pension obligations, and related pension plan assets, of retirees and other former employees of the Allstream Acquisition Entity. Bell MTS also agreed to reimburse the Allstream Acquisition Entity for certain solvency funding payments related to the pension obligations of active employees of the Allstream Acquisition Entity as of January 15, 2016. On October 31, 2017, Bell MTS transferred assets from the Allstream Acquisition Entity former defined benefit plans related to pre-closing service obligations for active employees to defined benefit pension plans of the Allstream Acquisition Entity created by the Company on January 15, 2016. Eligibility and the level of benefits for these plans varies depending on participants' status, date of hire and or length of service. The Company recognizes the funded status of these defined benefit and post-retirement benefit (OPEB) plans as an asset or a liability on the consolidated balance sheet. Each year's actuarial gains or losses and prior period service costs are a component of other comprehensive income/(loss), which is then included in accumulated other comprehensive income. Pension and OPEB expenses are recognized over the period in which the employee renders service and becomes eligible to receive benefits. The pension and post-retirement accruals and valuations are dependent on assumptions to calculate those amounts. These assumptions include discount rates, long-term rate of return on plan assets, retirement rates, mortality rates and other factors. A change in any of the above assumptions would have an effect on the projected benefit obligation and pension expense. See Note 12 – Employee Benefits, for additional disclosure regarding the Company's defined benefit pension plans and OPEBs. The Company's policy is to fund the pension plans in accordance with applicable regulations. The OPEBs are not funded.

r. Condensed Financial Information of the Registrant

The restricted net assets of Zayo Group Holdings exceeds 25% of its consolidated net assets due to restrictions under the Credit Agreement and Notes (as defined in Note 7 – Long-term Debt). Zayo Group Holdings is a holding company with no assets or liabilities of its own or operations other than those of its subsidiary ZGL. Accordingly, the financial position, results of operations, comprehensive loss and cash flows of Zayo Group Holdings and ZGL are the same, except that at June 30, 2018 and 2017, Zayo Group Holdings had cash of $0.7 million, respectively. As such, the condensed financial information of Zayo Group Holdings is not presented as it is not meaningful.

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s. Recently Issued Accounting Pronouncements

In February 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU"), Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (ASU 2018-02), which allows companies to reclassify the income tax effects resulting from tax bill, H.R.1, from accumulated other comprehensive income to retained earnings. The standard also requires certain new disclosures regardless of the election. The standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018 (fiscal year ending June 30, 2020 "Fiscal 2020" for the Company), with early adoption permitted. The Company does not expect ASU 2018-02 to have a material impact on its consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. This ASU requires an employer to report the service cost component of net periodic pension cost and net periodic postretirement cost in the same line item in the statement of operations as other compensation costs arising from services rendered by the related employees during the period. The other net cost components are required to be presented in the statement of operations separately from the service cost component and outside a subtotal of income from operations. Additionally, the line item used in the statement of operations to present the other net cost components must be disclosed in the notes to the financial statements. This ASU is effective for fiscal years beginning after December 15, 2017 (Fiscal 2019 for the Company), and interim periods within those fiscal years, and must be applied on a retrospective basis. The Company does not expect ASU 2017-07 to have a material impact on its consolidated financial statements

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classifications of Certain Cash Receipts and Cash Payments. The new standard provides guidance for eight changes with respect to how cash receipts and cash payments are classified in the statement of cash flows, with the objective of reducing diversity in practice. The standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 31, 2017 (Fiscal 2019 for the Company), with early adoption permitted. The Company does not plan to early adopt, nor does it expect the adoption of this new standard to have a material impact on its consolidated financial statements.

On March 30, 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, which is intended to improve the accounting for share-based payment transactions as part of the FASB's simplification initiative. The ASU changes five aspects of the accounting for share-based payment award transactions that will affect public companies, including: (1) accounting for income taxes; (2) classification of excess tax benefits on the statement of cash flows; (3) forfeitures; (4) minimum statutory tax withholding requirements; and (5) classification of employee taxes paid on the statement of cash flows when an employer withholds shares for tax-withholding purposes. The Company early-adopted ASU 2016-09 effective July 1, 2016. Excess tax benefits for share-based payments are now recognized against income tax expense rather than additional paid-in capital and are included in operating cash flows rather than financing cash flows. The recognition of excess tax benefits have been applied prospectively and prior periods have not been adjusted. The Company had $15.6 million of excess tax benefits for the year ended June 30, 2017. In addition, the Company elected to change its accounting policy to account for forfeitures as they occur. The change was applied on a modified retrospective basis with a cumulative effect adjustment to accumulated deficit of $1.7 million as of July 1, 2016. Amendments related to minimum statutory tax withholding requirements and the classification of employee taxes paid on the statement of cash flows when an employer withholds shares for tax-withholding purposes have been adopted prospectively and did not have a material impact on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases. The new guidance supersedes existing guidance on accounting for leases in Topic 840 and is intended to increase the transparency and comparability of accounting for lease transactions. ASU 2016-02 requires most leases to be recognized on the balance sheet. Lessees will need to recognize a right-of-use asset and a lease liability for virtually all leases. The liability will be equal to the present value of lease payments. The asset will be based on the liability, subject to adjustment, such as for initial direct costs. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Lessor accounting remains similar to the current model, but updated to align with certain changes to the lessee model and the new revenue recognition standard (ASU 2014-09). The ASU will require both quantitative and qualitative disclosures regarding key information about leasing arrangements. The standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018 (Fiscal 2020 for the Company). Early adoption is permitted. The standard must be adopted using a modified retrospective transition, and provides for certain practical expedients. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. The Company established a project team and commenced an initial impact assessment process. To date, the Company has reviewed a sample of lessee and lessor arrangements and made preliminary assessments of the impact this standard will have on the consolidated financial statements. Although it is still assessing the impact of this standard, the Company expects the new guidance to significantly increase the reported assets and liabilities on the consolidated balance sheets. There are currently no plans to early adopt ASU 2016-02.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers ("ASC 606"), which replaces numerous requirements in U.S. GAAP, including industry-specific requirements, and provides companies with a single revenue recognition model for recognizing revenue from certain contracts with customers. The core principle of the new standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers and addressed accounting for costs to acquire and fulfill contracts. The standard will not impact the manner in which the Company accounts for revenue arrangements accounted for as leases. Effective July 1, 2018, the Company will adopt the requirements of ASC 606 and will use the full retrospective transition method. The full retrospective transition method requires the Company to restate each prior reporting period presented. The Company is in the process of implementing internal controls and system functionality to enable the preparation of financial information post adoption.

The adoption of ASC 606 will have an impact on the manner in which the Company recognizes revenue associated with dark fiber sales that include the transfer of title to certain network assets, which prior to ASC 606 has been considered a sale of real estate or integral equipment. Until June 30, 2018, the Company has deferred the recognition of revenue on the sale of network infrastructure assets that were considered to be integral equipment if the Company has a substantial continuing involvement in the transferred asset. The consideration received in this type of arrangement has historically been amortized to revenue ratably over the period in which the Company has a substantial continuing involvement in the transferred asset. Under ASC 606 the asset transferred in this type of arrangement will be derecognized from the balance sheet and the amount of the transaction price attributable to the asset being sold will be recognized upon customer acceptance. This change will have an estimated impact of (decreasing)/ increasing the revenue as reported by the Company during the years ended June 30, 2018 and 2017 by ($1.5) million and $20.5 million, respectively. The retrospective adoption of ASC 606 will also result in increasing the previously reported operating costs during the year ended June 30, 2017 by $18.8 million which represents the net book value of assets transferred to customers in these types of arrangements during Fiscal 2017.

The assets transferred in these real estate sales have historically been included in the caption “property and equipment, net” on the Company’s balance sheet. Upon the adoption of ASC 606, the net book value of these assets of $19.6 million will be removed from the Company’s condensed consolidated balance sheet. The Company will also derecognize from its June 30, 2018 balance sheet $1.5 million and $20.5 million in related deferred revenue, current and non-current, respectively, which represented the unamortized consideration received on these arrangements.

An additional impact from the adoption of ASC 606 will be the accounting for the incremental costs of acquiring new service contracts including certain compensation expense with internal sales representatives. Under ASC 606, the Company will capitalize these incremental costs of obtaining customer contracts and amortize the expense over the relevant contract term. In addition, the Company will assess our deferred contract cost asset for impairment on a periodic basis. Prior to the adoption of ASC 606, compensation paid to internal sales representatives for obtaining new service contracts have been expenses as incurred. The Company expects the impact of the retrospective adoption of ASC 606 will result in increasing the selling, general and administrative expenses as reported by the Company during the years ended June 30, 2018 and 2017 by $1.1 million and $0.2 million, respectively. Additionally, the Company expects an increase to the as reported caption titled "Other current assets" and "Other assets" on the consolidated balance sheet as of June 30, 2018 of $7.1 million and $5.7 million, respectively, to reflect the deferred cost of acquiring service contracts that will be recognized in future periods over the relevant contract term.

The table below presents the expected impact the full retrospective adoption of ASC 606 will have on the Company's statement of operations for the years ended June 30, 2018 and 2017 and each of the quarters of Fiscal 2018:

	Fiscal Year ended		Quarter Ended (unaudited)			
	June 30, 2018	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018	June 30, 2018
Revenue	$ (1.5)	$ 20.5	$ (0.4)	$ (0.4)	$ (0.4)	$ (0.3)
Operating costs	—	18.8	—	—	—	—
Selling, general and administrative expenses	1.1	0.2	(0.2)	0.6	(0.3)	1.0
Depreciation and amortization	(0.9)	(0.7)	(0.3)	(0.3)	(0.2)	(0.1)
Provision for income taxes	(2.7)	0.8	—	(2.5)	—	(0.2)
Net income	1.0	1.4	0.1	1.8	0.1	(1.0)

The table below presents the expected impact the full retrospective adoption of ASC 606 will have on the Company's consolidated balance sheet for the year ended June 30, 2018:

	As of June 30, 2018		
	As Reported	Effect of Adoption	As Adjusted
Assets			
Other current assets	$ 22.6	$ 7.1	$ 29.7
Property and equipment, net	$ 5,447.2	$ (19.6)	$ 5,427.6
Other assets	$ 170.0	$ 5.6	$ 175.6
Liabilities			
Deferred revenue, current	$ 164.4	$ (1.5)	$ 162.9
Deferred revenue, non-current	$ 1,096.8	$ (20.5)	$ 1,076.3
Deferred income taxes, net	$ 143.2	$ 3.9	$ 147.1
Stockholders' equity			
Accumulated deficit	$ (377.2)	$ 11.2	$ (366.0)

(3) ACQUISITIONS AND DISPOSITIONS

Since inception through June 30, 2018, the Company has consummated 45 transactions accounted for as business combinations. The acquisitions were executed as part of the Company's business strategy of expanding through acquisitions. The acquisitions of these businesses have allowed the Company to increase the scale at which it operates, which in turn affords the Company the ability to increase its operating leverage, extend its network reach, and broaden its customer base.

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

Acquisitions Completed During Fiscal 2018

Neutral Path Communications

On April 17, 2018, the Company acquired substantially all of the assets of Neutral Path Communications and Near North Partners (collectively, "Neutral Path") for $33.3 million, which is net of cash acquired and also includes an estimate for a contingent payment based on sales performance through June 30, 2018. The purchase price is subject to net working capital and certain post-closing adjustments. As of June 30, 2018, $4.0 million of the purchase consideration is being held in escrow pending the expiration of the indemnification adjustment period. The all-cash acquisition was funded with cash on hand and was considered an asset purchase for U.S. federal income tax purposes. Neutral Path is a long haul infrastructure provider, providing access to a fiber network in the Midwest. The transaction added owned plus additional leased route miles to the Company’s extensive North American network, including a unique high-count fiber route from Minneapolis to Omaha.

McLean Data Center

On April 4, 2018, the Company acquired McLean Data Center, a privately owned data center for an insignificant amount. The acquisition was considered an asset purchase for U.S. federal income tax purposes and a business combination for accounting purposes. The Company assumed an operating lease obligation and acquired certain assets, such as cash, structural components, equipment, and assumed customer contracts.

Spread Networks

On February 28, 2018, the Company acquired Spread Networks, LLC (“Spread Networks”), a privately owned telecommunications provider that owns and operates a high-fiber count long haul route connecting New York and Chicago, for net purchase consideration of $130.5 million, net of cash acquired, subject to certain post-closing adjustments. As of June 30, 2018, $0.6 million of the purchase consideration is being held in escrow pending the expiration of the indemnification adjustment period. The all-cash acquisition was funded with cash on hand and debt and was considered an asset purchase for U.S. federal income tax purposes. Additional connectivity of the route will be enabled by Zayo’s existing network.

Optic Zoo Networks

On January 18, 2018, the Company acquired Vancouver BC Canada-based Optic Zoo Networks for net purchase consideration of CAD $30.9 million (or $24.8 million), net of cash acquired, subject to certain post-closing adjustments. Optic Zoo Networks owns and provides access to high-capacity fiber in Vancouver, BC. As of June 30, 2018, CAD $3.1 million (or $2.4 million) of the purchase consideration is being held in escrow pending the expiration of the indemnification adjustment period. The acquisition was funded with cash on hand and was considered a stock purchase for U.S. federal income tax purposes.

Acquisitions Completed During Fiscal 2017

KIO Networks US Data Centers

On May 1, 2017, the Company completed the $11.9 million cash acquisition of Castle Access, Inc.’s (d/b/a “KIO Networks US”) San Diego, California data centers. The acquisition was funded with cash on hand and was considered a stock purchase for U.S. federal income tax purposes.

Electric Lightwave Parent, Inc.

On March 1, 2017, the Company acquired Electric Lightwave Parent, Inc. (“Electric Lightwave”), an infrastructure and telecommunications solutions provider serving markets in the western U.S., for net purchase consideration of $1,426.6 million, net of cash acquired, subject to certain post-closing adjustments. The acquisition was funded through debt (see Note 7 – Long-Term Debt) and cash on hand. The acquisition was considered a stock purchase for U.S. federal income tax purposes.

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The acquisition added long haul fiber route miles and dense metro fiber across Denver, Minneapolis, Phoenix, Portland, Seattle, Sacramento, San Francisco, San Jose, Salt Lake City, Spokane and Boise, with on-net connectivity to enterprise buildings and data centers.

Santa Clara Data Center Acquisition

On October 3, 2016, the Company acquired a data center in Santa Clara, California (the "Santa Clara Data Center") for net purchase consideration of $11.3 million. The net purchase consideration represents the net present value of ten quarterly payments of approximately $1.3 million beginning in the December 2016 quarter. As of June 30, 2018, the remaining cash consideration to be paid was $3.8 million. The acquisition was considered an asset purchase for U.S. federal income tax purposes. Payments made to the previous owners of the Santa Clara Data Center during the years ended June 30, 2018 and 2017 of $5.0 million and $3.7 million, respectively, representing the principal portion of the financing arrangement, are included in the consolidated statement of cash flows within financing activities.

Acquisitions Completed During Fiscal 2016

Clearview

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

The acquisition consisted of two Texas data centers and added colocation space, as well as a set of hybrid cloud infrastructure services that complement the Company's global cloud capabilities.

Allstream

On January 15, 2016, the Company acquired 100% of the equity interest in the Allstream Acquisition Entity from Manitoba Telecom Services Inc. (now known as "Bell MTS" as a result of its acquisition by BCE Inc.) for cash consideration of CAD $422.9 million (or $297.6 million), net of cash acquired, subject to certain post-closing adjustments. The consideration paid is net of $29.6 million of working capital and other liabilities assumed by the Company in the acquisition. The acquisition was funded with Incremental Term Loan proceeds (as defined in Note 7 – Long-Term Debt). The acquisition was considered a stock purchase for U.S. federal income tax purposes.

The acquisition added long-haul fiber connecting all major Canadian markets and metro fiber network connecting buildings concentrated in Canada's top five metropolitan markets.

On October 31, 2017, Bell MTS transferred assets of CAD $117.9 million (or $91.6 million) from the Allstream Acquisition Entity's former defined benefit pension plans related to pre-closing service obligations for active employees to defined benefit pension plans of the Allstream Acquisition Entity created by the Company on January 15, 2016. (Refer to Note 12 – Employee Benefits).

Viatel

On December 31, 2015, the Company completed the acquisition of a 100% interest in Viatel Infrastructure Europe Ltd., Viatel (UK) Limited, Viatel France SAS, Viatel Deutschland GmbH and Viatel Nederland BV (collectively, "Viatel") for cash consideration of €92.9 million (or $101.2 million), net of cash acquired. The acquisition was funded with cash on hand. The acquisition was considered a stock purchase for U.S. federal income tax purposes. During the year ended June 30, 2017, the Company received a refund of the purchase price from escrow of $1.5 million. The refund is reflected as a cash inflow from investing activities on the consolidated statement of cash flows for the year ended June 30, 2017 within "Cash paid for acquisitions, net of cash acquired" caption.

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Dallas Data Center Acquisition ("Dallas Data Center")

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

Acquisition Accounting

The Company initially recognizes the assets and liabilities acquired from the aforementioned acquisitions based on its preliminary estimates of their acquisition date fair values. As additional information becomes known concerning the acquired assets and assumed liabilities, management may make adjustments to the opening balance sheet of the acquired company up to the end of the measurement period, which is no longer than a one year period following the acquisition date. The determination of the fair values of the acquired assets and liabilities assumed (and the related determination of estimated lives of depreciable tangible and identifiable intangible assets) requires significant judgment. As of June 30, 2018, for the Optic Zoo Networks, Spread Networks, McLean Data Center, and Neutral Path acquisitions, the Company has not completed its fair value analysis and calculations in sufficient detail necessary to arrive at the final estimates of the fair value of certain working capital and non-working capital acquired assets and assumed liabilities, including the allocations to goodwill and intangible assets, property and equipment and resulting deferred taxes. All information presented with respect to certain working capital and non-working capital acquired assets and liabilities assumed as it relates to these acquisitions is preliminary and subject to revision pending the final fair value determination.

As a result of obtaining a final third-party valuation report for the Electric Lightwave acquisition in February 2018, the Company recorded final fair value estimates of Electric Lightwave's customer relationship intangible asset and property and equipment. This resulted in increases of $103.9 million to intangible assets and $160.8 million to property and equipment, with a corresponding decrease to goodwill. These changes resulted in an increase in depreciation and amortization of $18.6 million, of which $6.2 million is related to periods prior to June 30, 2017. Additionally, the tax basis of assets was also updated during the year ended June 30, 2018 resulting in a deferred tax liability of $51.7 million compared to a deferred tax asset of $46.7 million as of June 30, 2017.

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The table below reflects the Company's estimates of the acquisition date fair values of the assets acquired and liabilities assumed from its Fiscal 2018 acquisitions:

Acquisition date	Neutral Path April 17, 2018	McLean Data Center April 4, 2018	Spread Networks February 28, 2018	Optic Zoo Networks January 18, 2018
	(in millions)			
Cash	$ 0.7	$ 9.2	$ 1.5	$ 1.4
Other current assets	0.1	—	5.9	0.4
Property and equipment	10.6	0.6	144.7	13.6
Intangibles	3.6	—	9.3	2.8
Goodwill	23.8	—	13.0	10.6
Deferred tax assets	1.5	—	7.1	—
Other assets	—	—	1.4	0.2
Total assets acquired	40.3	9.8	182.9	29.0
Current liabilities	0.6	1.6	3.8	0.6
Deferred revenue	5.7	—	27.2	1.2
Deferred tax liability, net	—	—	—	1.0
Other liabilities	—	8.2	19.9	—
Total liabilities assumed	6.3	9.8	50.9	2.8
Net assets acquired	34.0	—	132.0	26.2
Less cash acquired	(0.7)	(9.2)	(1.5)	(1.4)
Net consideration paid	$ 33.3	$ (9.2)	$ 130.5	$ 24.8

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The table below reflects the Company's estimates of the acquisition date fair values of the assets and liabilities assumed from its Fiscal 2017 acquisitions:

	KIO Networks US Data Centers	Electric Lightwave	Santa Clara Data Center
Acquisition date	May 1, 2017	March 1, 2017	October 3, 2016
		(in millions)	
Cash	0.1	12.6	—
Other current assets	—	55.0	—
Property and equipment	2.4	681.3	31.9
Deferred tax assets, net	2.2	—	—
Intangibles	6.4	416.1	6.0
Goodwill	2.7	467.1	—
Other assets	0.5	1.7	—
Total assets acquired	14.3	1,633.8	37.9
Current liabilities	1.8	61.7	—
Capital lease obligations	—	—	26.6
Deferred tax liabilities, net	—	51.7	—
Deferred revenue	0.5	80.0	—
Other liabilities	—	1.2	—
Total liabilities assumed	2.3	194.6	26.6
Net assets acquired	12.0	1,439.2	11.3
Less cash acquired	(0.1)	(12.6)	—
Total consideration paid/payable	11.9	1,426.6	11.3

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

Acquisition date	Clearview April 1, 2016	Allstream January 15, 2016	Viatel December 31, 2015	Dallas Data Center December 31, 2015
	(in millions)			
Cash	$ —	$ 2.9	$ 3.5	$ —
Other current assets	0.6	95.6	7.3	—
Property and equipment	17.1	266.3	174.0	12.2
Deferred tax assets, net	0.2	3.8	—	—
Intangibles	9.8	64.5	—	4.4
Goodwill	2.1	—	9.5	—
Other assets	0.3	4.5	2.0	—
Total assets acquired	30.1	437.6	196.3	16.6
Current liabilities	1.1	63.2	18.8	—
Deferred revenue	0.4	46.9	58.5	—
Deferred tax liability, net	—	—	8.6	—
Other liabilities	10.3	27.0	5.7	—
Total liabilities assumed	11.8	137.1	91.6	—
Net assets acquired	18.3	300.5	104.7	16.6
Less cash acquired	—	(2.9)	(3.5)	—
Net consideration paid	$ 18.3	$ 297.6	$ 101.2	$ 16.6

The goodwill arising from the Company’s acquisitions results from synergies, anticipated incremental sales to the acquired company customer base and economies-of-scale expected from the acquisitions. The Company has allocated the goodwill to the reporting units (in existence on the respective acquisition dates) that were expected to benefit from the acquired goodwill. The allocation was determined based on the excess of the estimated fair value of the reporting unit over the estimated fair value of the individual assets acquired and liabilities assumed that were assigned to the reporting units. See Note 5 – Goodwill for the allocation of the Company's acquired goodwill to each of its reporting units.

In the Company’s acquisitions, the Company acquired certain customer relationships. These relationships represent a valuable intangible asset, as the Company anticipates continued business from the acquired customer bases. The Company’s estimate of the fair value of the acquired customer relationships is generally based on a multi-period excess earnings valuation technique that utilizes Level 3 inputs.

Transaction Costs

Transaction costs include expenses associated with professional services (i.e., legal, accounting, regulatory, etc.) rendered in connection with signed and/or closed acquisitions or disposals, travel expense, severance expense incurred associated with acquisitions or disposals, and other direct expenses incurred that are associated with signed and/or closed acquisitions or disposals and unsuccessful acquisitions. The Company incurred transaction costs of $18.6 million, $20.5 million, and $21.5 million during the years ended June 30, 2018, 2017 and 2016, respectively. Transaction costs have been included in selling, general and administrative expenses in the consolidated statements of operations and in cash flows from operating activities in the consolidated statements of cash flows during these periods.

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Pro-forma Financial Information (Unaudited)

The pro forma results presented below include the effects of the Company's Fiscal 2018 and 2017 acquisitions as if the acquisitions occurred on July 1, 2016. The pro forma net income/(loss) for the years ended June 30, 2018 and 2017 includes the additional depreciation and amortization resulting from the adjustments to the value of property and equipment and intangible assets resulting from purchase accounting and adjustment to amortized revenue during Fiscal 2018 and 2017 as a result of the acquisition date valuation of assumed deferred revenue. The pro forma results also include interest expense associated with debt used to fund the acquisitions. The pro forma results do not include any anticipated synergies or other expected benefits of the acquisitions. The unaudited pro forma financial information is not necessarily indicative of either future results of operations or results that might have been achieved had the acquisitions been consummated as of July 1, 2016.

	Year Ended June 30,	
	2018	2017
	(in millions)	
Revenue	$ 2,624.3	$ 2,597.1
Net income/(loss)	$ 95.2	$ 25.5
Net income/(loss) per share:		
Basic and diluted	$ 0.38	$ 0.10

As a result of integrated reporting, it is impracticable to determine the amount of revenue and net income associated with each acquisition recognized in the post-acquisition period.

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Scott-Rice Telephone Co.

On February 23, 2018, the Company announced that it has entered into an agreement to sell Scott-Rice Telephone Co. ("SRT"), a Minnesota incumbent local exchange carrier, for $42 million to Nuvera (formerly New Ulm Telecom, Inc.). The Company acquired SRT as part of its March 2017 purchase of Electric Lightwave and it is reported as part of the Allstream segment. Disposal groups to be sold are classified as held for sale in the period in which they meet all the held for sale criteria. SRT qualified as held-for-sale as of March 31, 2018. The Company concluded that SRT was not a significant disposal group and did not represent a strategic shift, and therefore was not classified as discontinued operations. The closing of the transaction occurred on July 31, 2018, refer to Note 18 – Subsequent Events. The following tables summarize the net assets and liabilities held for sale:

	June 30, 2018 (in millions)
Assets held for sale:	
Property and equipment, net	$ 35.7
Goodwill	5.2
Other assets	0.9
Total assets held for sale	$ 41.8
Liabilities associated with assets held for sale:	
Deferred tax liability, net	$ 5.1
Other liabilities	1.0
Total liabilities associated with assets held for sale	$ 6.1

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(4) PROPERTY AND EQUIPMENT

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

	Estimated useful lives (in years)	As of June 30, 2018	2017
		(in millions)	
Land	N/A	$ 29.6	$ 28.9
Buildings - leasehold and site improvements	15 to 45	321.8	277.1
Furniture, fixtures and office equipment	3 to 7	61.7	27.3
Computer hardware	3 to 5	42.7	33.1
Software	3	70.1	56.5
Components, machinery and equipment	5 to 7	585.1	483.4
Fiber optic components and equipment(1)	8	1,086.6	904.9
Circuit switch components and equipment	10	399.4	337.6
Packet switch components and equipment(1)	5	58.1	51.9
Fiber optic network	33	4,954.9	4,110.3
Construction in progress	N/A	465.5	651.5
Total		8,075.5	6,962.5
Less accumulated depreciation		(2,592.6)	(1,946.5)
Less property and equipment held for sale(2)		(35.7)	—
Property and equipment, net		$ 5,447.2	$ 5,016.0

(1) Prior period amounts were reclassified for comparability with the 2018 presentation.
(2) Property and equipment held for sale includes $35.7 million reported as assets held for sale in the Allstream segment. See Note 3—Acquisitions and Dispositions.

Total depreciation expense, including depreciation of assets held under capital leases, for the years ended June 30, 2018, 2017 and 2016 was $650.2 million, $526.9 million and $440.5 million, respectively.

During the years ended June 30, 2018, 2017 and 2016, the Company capitalized interest in the amounts of $20.6 million, $18.8 million and $13.8 million, respectively. The Company capitalized $89.2 million, $79.9 million, and $64.5 million of direct labor costs to property and equipment accounts during the years ended June 30, 2018, 2017 and 2016, respectively.

(5) GOODWILL

The Company’s goodwill balance was $1,719.1 million and $1,840.2 million as of June 30, 2018 and 2017, respectively.

The Company’s reporting units are comprised of its strategic product groups (“SPG” or “SPGs”). Effective April 1, 2018, the Company implemented further organizational changes by creating two new reporting units: CloudLink Solutions (“CloudLink”) and Live Video Solutions (“Live Video”). In connection with the organizational change, goodwill was re-allocated to the Company’s SPGs on a relative fair value basis. The Company completed an assessment immediately prior to and after the organizational change at the SPG level and determined that it is more likely than not that the fair value of the Company’s reporting units is greater than their carrying amounts.

As of June 30, 2018, the Company’s SPGs were comprised of the following: Fiber Solutions, Zayo Wavelength Solutions (“Waves”), Zayo IP Transit Solutions (“IP Transit”), Zayo SONET Solutions (“SONET”), Zayo Ethernet Solutions (“Ethernet”), Live Video, Wide Area Networks (“WANs”, formerly Enterprise Private and Connectivity), Zayo Cloud Solutions (“Cloud”), Zayo Colocation (“zColo”), CloudLink, Allstream, and Other (primarily Zayo Professional Services).

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The following reflects the changes in the carrying amount of goodwill during Fiscal 2018:

Product Group	As of June 30, 2017 (in millions)	Reallocation among reporting units	Adjustments to Fiscal 2017 Acquisitions	Fiscal 2018 Acquisitions	Foreign Currency Translation and Other (1)	As of June 30, 2018
Fiber Solutions	633.9	—	88.6	33.1	0.8	756.4
Waves	247.4	(10.5)	(56.3)	13.6	0.6	194.8
Sonet	52.0	—	35.6	—	—	87.6
Ethernet	359.5	(6.3)	(249.8)	0.7	0.1	104.2
Live Video	—	3.3	—	—	—	3.3
WANs	89.5	—	89.7	—	0.1	179.3
zColo	256.3	—	3.2	—	0.6	260.1
Cloud	69.5	—	(4.2)	—	—	65.3
Cloudlink	—	13.5	—	—	—	13.5
Allstream	116.5	—	(72.3)	—	(5.2)	39.0
Other	15.6	—	—	—	—	15.6
Total	$ 1,840.2	$ —	$ (165.5)	$ 47.4	$ (3.0)	$ 1,719.1

(1) Other includes $5.2 million reported as assets held for sale in the Allstream segment. See Note 3—Acquisitions and Dispositions.

The following reflects the changes in the carrying amount of goodwill during Fiscal 2017:

Product Group	As of June 30, 2016 (in millions)	Reallocation among reporting units	Adjustments to Fiscal 2016 Acquisitions	Fiscal 2017 Acquisitions	Foreign Currency Translation and Other	As of June 30, 2017
Dark Fiber	$ 295.1	$ (295.1)	$ —	$ —	$ —	$ —
Fiber Solutions	—	544.8	1.7	92.9	(5.5)	633.9
Waves	258.3	(104.0)	(2.7)	96.5	(0.7)	247.4
Sonet	51.3	0.7	—	—	—	52.0

Ethernet	104.3	(59.8)	(0.5)	315.3	0.2	359.5
IP	87.5	(87.5)	—	—	—	—
MIG	73.6	(73.6)	—	—	—	—
WANs	—	89.5	—	—	—	89.5
zColo	268.8	(15.0)	(3.7)	4.7	1.5	256.3
Cloud	60.0	—	(0.1)	9.4	0.2	69.5
Allstream	—	—	—	116.5	—	116.5
Other	15.6	—	—	—	—	15.6
Total	$ 1,214.5	$ —	$ (5.3)	$ 635.3	$ (4.3)	$ 1,840.2

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(6) INTANGIBLE ASSETS

Identifiable intangible assets as of June 30, 2018 and 2017 were as follows:

	Gross Carrying Amount (in millions)	Accumulated Amortization	Net
June 30, 2018			
Finite-Lived Intangible Assets			
Customer relationships	$ 1,597.0	$ (405.6)	$ 1,191.4
Underlying rights and other	2.7	(0.6)	2.1
Total	1,599.7	(406.2)	1,193.5
Indefinite-Lived Intangible Assets			
Certifications	3.5	—	3.5
Underlying rights and other	15.1	—	15.1
Total	$ 1,618.3	$ (406.2)	$ 1,212.1
June 30, 2017			
Finite-Lived Intangible Assets			
Customer relationships	$ 1,477.7	$ (308.6)	$ 1,169.1
Underlying rights and other	1.6	(0.4)	1.2
Total	1,479.3	(309.0)	1,170.3
Indefinite-Lived Intangible Assets			
Certifications	3.5	—	3.5
Underlying rights and other	14.8	—	14.8
Total	$ 1,497.6	$ (309.0)	$ 1,188.6

The weighted average remaining amortization period for the Company’s customer relationships asset is 15.1 years. The Company has determined that certain underlying rights (including easements) and the certifications have indefinite lives. The amortization period for underlying rights (including easements) is 20 years. The amortization of intangible assets for the years ended June 30, 2018, 2017 and 2016 was $97.2 million, $80.0 million, and $75.8 million, respectively.

During the years ended June 30, 2018 and 2017, the Company wrote off nil and $0.3 million in fully amortized intangible assets, respectively. Estimated future amortization of finite-lived intangible assets is as follows:

June 30,

	(in millions)
2019	$ 94.6
2020	89.5
2021	87.3
2022	85.3
2023	83.6
Thereafter	753.2
Total	$ 1,193.5

In connection with the Company’s acquisition of the McLean Data Center, the Company assumed an operating lease at unfavorable terms when compared to prevailing market rates. As a result, the Company recorded an unfavorable lease obligation of $9.8 million, in other long-term liabilities, which will be amortized through the term of the lease which ends in March 2024. Amortization of the liability was $0.5 million for the year ended June 20, 2018. Estimated

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future amortization of the lease liability is expected to be $1.6 million for the years ended June 30, 2019, 2020, 2021, 2022, and 2023, and $1.3 million for the year ended June 30, 2024.

(7) LONG-TERM DEBT

As of June 30, 2018 and 2017, long-term debt was as follows:

	Date of Issuance or most recent amendment	Maturity	Interest Payments	Interest Rate	Outstanding as of June 30, 2018 (in millions)	June 30, 2017
Term Loan Facility due 2021	Jan 2017	Jan 2021	Monthly	LIBOR +2.00%	$ 493.8	$ 498.8
B-2 Term Loan Facility	Feb 2018	Jan 2024	Monthly	LIBOR +2.25%	1,269.3	1,429.9
6.00% Senior Unsecured Notes	Jan & Mar 2015	Apr 2023	Apr/Oct	6.00%	1,430.0	1,430.0
6.375% Senior Unsecured Notes	May 2015 & Apr 2016	May 2025	May/Nov	6.375%	900.0	900.0
5.75% Senior Unsecured Notes	Jan, Apr & Jul 2017	Jan 2027	Jan/Jul	5.75%	1,650.0	1,350.0
Total obligations					5,743.1	5,608.7
Unamortized premium/(discounts), net					11.6	(3.2)
Unamortized debt issuance costs					(59.6)	(67.8)
Carrying value of debt					5,695.1	5,537.7
Less current portion					(5.0)	(5.0)
Total long-term debt, less current portion					$ 5,690.1	$ 5,532.7

Term Loan Facility and Revolving Credit Facility

On May 6, 2015, ZGL and Zayo Capital, Inc. (“Zayo Capital”) entered into an Amendment and Restatement Agreement whereby the Credit Agreement (the “Credit Agreement”) governing their senior secured term loan facility (the “Term

Loan Facility") and $450.0 million senior secured revolving credit facility (the "Revolver") was amended and restated in its entirety. The amended and restated Credit Agreement extended the maturity date of a portion of the outstanding term loans under the Term Loan Facility from July 2, 2019 to May 6, 2021. The terms of the Term Loan Facility require the Company to make quarterly principal payments of 25 basis points per quarter of the original loan amount (unless reduced by any prepayments), plus an annual payment of up to 50% of excess cash flow, as determined in accordance with the Credit Agreement (no such annual payment was required during Fiscal 2018, 2017 or 2016).

On January 15, 2016, ZGL and Zayo Capital entered into an Incremental Amendment (the "Amendment") to the Credit Agreement. Under the terms of the Amendment, the portion of the Term Loan Facility due 2021 was increased by $400.0 million (the "Incremental Term Loan"). The additional amounts borrowed bear interest at LIBOR plus 3.5% with a minimum LIBOR rate of 1.0%. The $400.0 million add-on was priced at 99.0%. No other terms of the Credit Agreement were amended. The Incremental Term Loan proceeds were used to fund the Allstream Acquisition and for general corporate purposes.

On July 22, 2016, ZGL and Zayo Capital entered into a Repricing Amendment (the "Repricing Amendment") to the Credit Agreement. Per the terms of the Repricing Amendment, the Incremental Term Loan was repriced at par and will bear interest at a rate of LIBOR plus 2.75%, with a minimum LIBOR rate of 1.0%, which represented a downward adjustment of 75 basis points. No other terms of the Credit Agreement were amended.

On January 19, 2017, ZGL and Zayo Capital entered into an Incremental Amendment No. 2 (the "Incremental Amendment") to the Company's Credit Agreement. Per the terms of the Incremental Amendment, the existing $1.85 billion of term loans under the Credit Agreement were repriced at 99.75% with one $500.0 million tranche that bears interest at a rate of LIBOR plus 2.0%, with a minimum LIBOR rate of 0.0% and a maturity date of four years from incurrence, which represents a downward adjustment of 75 basis points along with the lowering of the previous LIBOR floor, and a second $1.35 billion tranche (the "B-2 Term Loan" and along with the $500.0 million tranche, the "Refinancing Term Loans") that bears interest at a rate of LIBOR plus 2.5%, with a minimum LIBOR rate of 1.0% and a maturity of seven years from incurrence, which represents a downward adjustment of 25 basis points. In addition, per the terms of the Incremental Amendment, ZGL and Zayo Capital added a new $650.0 million term loan tranche under the Credit Agreement (the "Electric Lightwave Incremental Term Loan") that bears interest at LIBOR plus 2.5%, with a minimum LIBOR rate of 1.0%, with a maturity of seven years from the closing date of the Incremental Amendment. In connection with the Incremental Amendment, the full $2,500.0 million Term Loan Facility, including the Refinancing Term Loans and the Electric Lightwave Incremental Term Loan, was re-issued at a price of 99.75%. No other material terms of the Credit Agreement with respect to the Refinancing Term Loans and the Electric Lightwave Incremental Term Loan were amended. On April 10, 2017, $570.1 million of the B-2 Term Loan and the Electric Lightwave Incremental Term Loan was repaid from proceeds of issuance of senior unsecured notes as further discussed below. Additionally, in July 2017, $310.7 million of the B-2 Term Loan was repaid from the proceeds of issuance of senior unsecured notes as further discussed below.

On July 20, 2017, ZGL and Zayo Capital entered into a second repricing (the "Repricing Amendment No. 2") to the Credit Agreement. Per the terms of the Repricing Amendment No. 2, the outstanding balances of the B-2 Term Loan and Electric Lightwave Incremental Term Loan were repriced at par and will bear interest at a rate of LIBOR plus 2.25%, with a minimum LIBOR rate of 1.0%, which represented a downward adjustment of 25 basis points. No other terms of the Credit Agreement were amended.

In connection with the Repricing Amendment No. 2, the Company recognized an expense of $4.9 million during the year ended June 30, 2018 associated with debt extinguishment. The $4.9 million loss on extinguishment of debt primarily represents non-cash expenses associated with the write-off of unamortized debt issuance costs and the issuance discounts on the portion of the Credit Agreement, as further amended. The loss on extinguishment of debt also includes certain fees paid to third parties involved in the Repricing Amendment No. 2.

On December 22, 2017, ZGL and Zayo Capital entered into a third repricing amendment (the "Repricing Amendment No. 3") to the Credit Agreement. Per the terms of the Repricing Amendment No. 3, the Revolver under the Credit Agreement was repriced and will bear interest at a rate of LIBOR plus 1.00% to LIBOR plus 1.75% per annum based on the Company's leverage ratio, which represented a downward adjustment of 100 basis points. No other terms of the Credit Agreement were amended. The Revolver matures on April 17, 2020. The Credit Agreement also allows for letter of credit commitments of up to $50.0 million. The Revolver is subject to a fee per annum of 0.25% to 0.375% (based on ZGL's current leverage ratio) of the weighted-average unused capacity, and the undrawn amount of outstanding letters of credit backed by the Revolver are subject to a 0.25% fee per annum. Outstanding letters of credit backed by the Revolver are subject to a fee of 1.00% to 1.75% per annum based upon ZGL's leverage ratio.

On February 26, 2018, ZGL and Zayo Capital entered into an amendment (the "Incremental Amendment No. 3") to the Credit Agreement. Per the terms of the Incremental Amendment No. 3, the Company added a new $150 million term loan tranche under the Credit Agreement (the "Incremental $150 Million Term Loan"). The Incremental $150 Million Term Loan will bear interest at LIBOR plus 2.25%, with a minimum LIBOR rate of 1.0%, with a maturity date of January 19, 2024, which is coterminous with the B-2 Term Loan. The Company intends to use the proceeds of the Incremental $150 Million Term Loan for general corporate purposes, including the funding of acquisitions permitted under the Credit Agreement. No other terms of the Credit Agreement were amended.

The weighted average interest rates (including margin) on the Term Loan Facility were approximately 4.3% and 3.4% at June 30, 2018 and 2017, respectively. Interest rates on the Revolver as of June 30, 2018 and 2017 remained consistent at approximately 3.8%.

As of June 30, 2018, no amounts were outstanding under the Revolver and $1,763.0 million in aggregate principal amount was outstanding under the Term Loan Facility. Standby letters of credit were outstanding in the amount of $8.1 million as of June 30, 2018, leaving $441.9 million available under the Revolver.

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Senior Unsecured Notes

6.00% Senior Unsecured Notes due 2023

On January 23, 2015 and March 9, 2015, ZGL and Zayo Capital completed private offerings of aggregate principal amounts of $700.0 million and $730.0 million, respectively, of 6.00% senior unsecured notes due in 2023 (the "2023 Unsecured Notes").

6.375% Senior Unsecured Notes due 2025

On April 14, 2016, ZGL and Zayo Capital completed a private offering of $550.0 million aggregate principal amount of 2025 Unsecured Notes (the "Incremental 2025 Notes"). The Incremental 2025 Notes were priced at 97.76% and were an additional issuance of the $350.0 million 6.375% senior unsecured notes due in 2025 that were originally issued on May 6, 2015 (the "2025 Notes" and together with the Incremental 2025 Notes, the "2025 Unsecured Notes"). The net proceeds from the Incremental 2025 Notes, plus cash on hand, were used to (i) redeem the then outstanding $325.6 million 10.125% senior unsecured notes due 2020, including the required $20.3 million make-whole premium and accrued interest, and (ii) repay $196.0 million of borrowings under the then outstanding secured Term Loan Facility.

5.75% Senior Unsecured Notes due 2027

On January 27, 2017, ZGL and Zayo Capital completed a private offering of $800.0 million aggregate principal amount of 5.75% senior unsecured notes due 2027 (the "January 2027 Notes"), which were issued at par. The net proceeds from the offering, along with the Electric Lightwave Incremental Term Loan discussed above, were used to fund the Electric Lightwave acquisition (see Note 3 – Acquisitions and Dispositions), which closed on March 1, 2017.

On April 10, 2017, the Company completed a private offering of $550.0 million aggregate principal amount of 5.75% senior unsecured notes due 2027 (the "Incremental 2027 Notes"). The Incremental 2027 Notes were an additional issuance of the January 2027 Notes and were priced at 104.0%. The net proceeds from the Incremental 2027 Notes were used to repay certain outstanding balances on the Company's B-2 Term Loan.

On July 5, 2017, the Company completed a private offering of $300.0 million aggregate principal amount of 5.75% senior notes due 2027 (the "July Incremental 2027 Notes" and together with the Incremental 2027 Notes and the January 2027 Notes, the "2027 Unsecured Notes"). The July Incremental 2027 Notes were an additional issuance of the January 2027 Notes and Incremental 2027 Notes and were priced at 104.25%. The net proceeds of $310.7 million from the offering were used to further repay certain outstanding balances on the Company's B-2 Term Loan.

Debt covenants

The indentures (the "Indentures") governing the 2023 Unsecured Notes, the 2025 Unsecured Notes and the 2027 Unsecured Notes (collectively the "Notes") contain covenants that, among other things, restrict the ability of ZGL and its subsidiaries to incur additional indebtedness and issue preferred stock, pay dividends or make other distributions with respect to any equity interests, make certain investments or other restricted payments, create liens, sell assets, incur restrictions on the ability of ZGL's restricted subsidiaries to pay dividends or make other payments to ZGL, consolidate or merge with or into other companies or transfer all or substantially all of their assets, engage in transactions with affiliates, and enter into sale and leaseback transactions. The terms of the Indentures include customary events of default.

The Credit Agreement contains customary events of default, including among others, non-payment of principal, interest, or other amounts when due, inaccuracy of representations and warranties, breach of covenants, cross default to certain other indebtedness, insolvency or inability to pay debts, bankruptcy, or a change of control. The Credit Agreement also contains a covenant, applicable only to the Revolver, that ZGL maintain a senior secured leverage ratio below or equal to 5.25:1.00 at any time when the aggregate principal amount of loans outstanding under the Revolver is greater than 35% of the commitments under the Revolver. The Credit Agreement also requires ZGL and its subsidiaries to comply with customary affirmative and negative covenants, including covenants restricting the ability of ZGL and its

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subsidiaries, subject to specified exceptions, to incur additional indebtedness, make additional guaranties, incur additional liens on assets, or dispose of assets, pay dividends, or make other distributions, voluntarily prepay certain other indebtedness, enter into transactions with affiliated persons, make investments and amend the terms of certain other indebtedness.

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

The Company was in compliance with all covenants associated with its debt agreements as of June 30, 2018 and 2017.

Redemption rights

At any time prior to April 1, 2018 (for the 2023 Unsecured Notes), May 15, 2018 (for the 2025 Unsecured Notes), and January 15, 2022 (for the 2027 Unsecured Notes), the Company may redeem all or part of the applicable Notes at a redemption price equal to the sum of (i) 100% of the principal amount thereof, plus (ii) accrued interest and a "make-whole" premium, which is a lump sum payment derived from a formula based on the net present value of future coupon payments that will not be paid because of the early redemption.

On or after April 1, 2018 (for the 2023 Unsecured Notes), May 1, 2020 (for the 2025 Unsecured Notes), or January 15, 2022 (for the 2027 Unsecured Notes), the Company may redeem all or part of the applicable Notes, at the redemption prices (expressed as percentages of principal amount and set forth below), plus accrued and unpaid interest and additional interest, if any, thereon, to the applicable redemption date, subject to the rights of the holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date, if redeemed during the 12-month period of the years indicated below:

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

Year	Redemption Price (2025 Unsecured Notes)

2020	103.188	%
2021	102.125	%
2022	101.063	%
2023 and thereafter	100.000	%

Year	Redemption Price (2027 Unsecured Notes)	
2022	102.875	%
2023	101.917	%
2024	100.958	%
2025 and thereafter	100.000	%

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

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Aggregate future contractual maturities of long-term debt (excluding issue discounts and premiums) were as follows as of June 30, 2018:

Year Ended June 30,	(in millions)
2019	$ 5.0
2020	5.0
2021	483.8
2022	—
2023	1,430.0
Thereafter	3,819.3
Total	$ 5,743.1

Guarantees

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

The Term Loan Facility and Revolver are fully and unconditionally guaranteed, jointly and severally, on a senior secured basis by all of ZGL's current and future domestic restricted subsidiaries.

Debt issuance costs

In connection with the Credit Agreement (and subsequent amendments thereto), and the various Notes offerings, the Company incurred debt issuance costs of $114.1 million (net of extinguishments). These costs are being amortized to interest expense over the respective terms of the underlying debt instruments using the effective interest method, unless extinguished earlier, at which time the related unamortized costs are to be immediately expensed.

Unamortized debt issuance costs of $3.0 million, $10.4 million and $11.4 million associated with the Company's previous indebtedness were recorded as part of the loss on extinguishment of debt during the years ended June 30, 2018, 2017 and 2016, respectively.

The balance of debt issuance costs as of June 30, 2018 and 2017 was $59.6 million and $67.8 million, net of accumulated amortization of $54.5 million and $45.1 million, respectively. The amortization of debt issuance costs is included on the consolidated statements of cash flows within the caption "Non-cash interest expense" along with the amortization or accretion of the premium and discount on the Company's indebtedness. Interest expense associated with the amortization of debt issuance costs was $9.5 million, $9.3 million and $10.0 million for the years ended June 30, 2018, 2017 and 2016, respectively.

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

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(8) INCOME TAXES

The Company's provision for income taxes from operations are summarized as follows:

	June 30, 2018	2017	2016
	(in millions)		
Current Income Taxes			
Federal	$ (9.3)	$ 1.6	$ (1.3)
State	2.0	6.3	8.7
Foreign	8.4	(2.1)	3.9
Total	$ 1.1	$ 5.8	$ 11.3
Deferred Income Taxes			
Federal	$ 62.9	$ 13.3	$ 7.3
State	4.1	2.4	(2.3)
Foreign	(42.0)	(3.1)	(7.8)
Total	25.0	12.6	(2.8)
Total provision for income taxes	$ 26.1	$ 18.4	$ 8.5

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

	June 30, 2018	2017	2016
	(in millions)		
United States	$ 71.0	$ 66.6	$ (46.9)
Foreign	57.0	37.5	(20.8)
Total	$ 128.0	$ 104.1	$ (67.7)

The Company's effective income tax rate differs from what would be expected if the federal statutory rate were applied to earnings before income taxes primarily because of certain expenses that represent permanent differences between book and tax expenses and deductions, such as stock-based compensation expense.

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A reconciliation of the actual income tax provision and the tax computed by applying the U.S. federal rate to the earnings before income taxes during the years ended June 30, 2018, 2017 and 2016 are as follows:

	June 30, 2018	2017	2016
	(in millions)		
Expected provision/(benefit) at the statutory rate	$ 35.9	$ 36.4	$ (23.8)
Increase/(decrease) due to:			
Stock-based compensation	3.8	(11.7)	27.9
State income taxes, net of federal benefit	3.2	2.9	(2.1)
Transaction costs not deductible for U.S. federal income tax purposes	0.4	1.9	1.5
Change in statutory tax rate, non-U.S.	7.4	(1.4)	(3.6)
Change in valuation allowance	(49.3)	(10.2)	2.8
State NOL expirations	6.1	—	—
U.S. Tax Reform	24.8	—	—
Foreign tax rate differential	(2.4)	(3.9)	2.7
Other, net	(3.8)	4.4	3.1
Provision for income taxes	$ 26.1	$ 18.4	$ 8.5

The effective tax rate for the year ended June 30, 2018 was positively impacted by reversing the valuation allowances on the deferred tax assets of certain foreign subsidiaries that have returned to profitability. The effective tax rate was negatively impacted by U.S. Tax Reform principally relating to the estimated income tax on the deemed repatriation of previously deferred foreign earnings.

On December 22, 2017, the U.S. federal government enacted a tax bill, H.R.1, An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018, previously known as Tax Cuts and Jobs Act of 2017 ("U.S. Tax Reform"). U.S. Tax Reform reduced the U.S. corporate tax rate from 35% to 21%, created a territorial tax system with a one-time mandatory repatriation tax on previously deferred foreign earnings, and changed business-related deductions and credits.

ASC 740, Income Taxes, requires companies to recognize the effect of tax law changes in the period of enactment. The SEC staff issued SAB 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act ("SAB 118"), which will allow registrants to record provisional amounts during a 'measurement period'. SAB 118 allows a registrant to recognize provisional amounts when it does not have the necessary information available, prepared or analyzed(including computations) in reasonable detail to complete its accounting for the change in tax law. The measurement period ends when a registrant has obtained, prepared and analyzed the information necessary to finalize its accounting, but cannot extend beyond one year.

In accordance with SAB 118, the Company has recorded provisional tax expense each quarter as follows:

	December 31, 2017	March 31, 2018	June 30, 2018	Total Tax Expense	Deferred Tax Liability	Tax Receivable
Change in statutory rate, U.S. only	$ 1.4	$ 0.2	$ (15.2)	$ (13.6)	$ (3.4)	$ 10.2
Changes to indefinite reinvestment assertion	7.9	(0.4)	(6.7)	0.8	0.8	—
Repatriation tax	34.8	4.8	(2.0)	37.6	37.6	—
Net impacts of U.S. Tax Reform	$ 44.1	$ 4.6	$ (23.9)	$ 24.8	$ 35.0	$ 10.2

The company continues to record provisional amounts during the measurement period. Management is in the process of obtaining and evaluating further information related to the provisional amounts estimated for items including

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the mandatory repatriation amounts and impacts to deferred tax assets and liabilities. Management has made estimates as it anticipates additional guidance and legislative action from the U.S. Federal and State governments in addition to interpretations and guidance from the SEC and FASB regarding the application of U.S. Tax Reform. Future adjustments to the provisional numbers will be recorded as discrete adjustments to income tax expense in the period in which those adjustments become estimable and/or are finalized.

Other U.S. Tax Reform provisions are effective for years beginning after December 31, 2017, which would be the Company's Fiscal 2019, including the tax on global intangible low taxed income, Base Erosion and Anti-abuse Tax, interest expense limitations, and executive compensation limitations. We continue to evaluate these and other impacts of U.S. Tax Reform as more information and guidance becomes available.

As of December 31, 2017, the Company has reversed its indefinite reinvestment assertion on all its foreign subsidiaries because the Company will be required to pay tax on all the accumulated undistributed earnings of its foreign subsidiaries. In accordance with SAB 118, the Company recorded a provisional amount of $0.8 million as a deferred tax liability for an estimate of the additional tax due upon actual repatriation.

	Fiscal Year		
U.S. Tax Rates	2017	2018	2019
Federal rate	35%	28%	21%
Blended federal and state rates	39%	33%	26%

The Company files income tax returns in various federal, state, and local jurisdictions including the United States, Canada, United Kingdom and France. In the normal course of business, the company is subject to examination by taxing authorities throughout the world. With few exceptions, the company is no longer subject to income tax examinations by tax authorities in major tax jurisdictions for years before 2013.

The total amount of unrecognized tax benefits that, if recognized, would impact the effective income tax rate was $1.8 million and $0.2 million at June 30, 2018 and 2017, respectively because the uncertain tax positions are permanent differences. We recognize interest and penalties related to uncertain tax positions in income tax expense. We had accrued interest (presented before related tax benefits) of approximately $0.1 million and $0.1 million at June 30, 2018 and 2017, respectively. The Company expects $1.9 million could be settled within the next year.

	Year Ended June 30, 2018
Balance at beginning of year	$ 0.2
Additions for current year tax positions	1.2
Additions for prior year tax positions	1.7
Reductions as a result of settlement with tax authority	(0.1)
Balance at end of year	$ 3.0

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

	June 30, 2018 (in millions)	2017
Deferred income tax assets		
Net operating loss carry forwards	$ 545.2	$ 715.2
Tax credit carry forwards	17.9	22.6
Deferred revenue	305.0	405.9
Accrued expenses	41.4	40.0
Other liabilities	2.3	17.4
Reserves against accounts receivable	15.8	18.2
Deferred compensation	11.2	20.3
Total deferred income tax assets	938.8	1,239.6
Valuation allowance	(72.9)	(111.1)
Net deferred tax assets	865.9	1,128.5
Deferred income tax liabilities		
Property and equipment	680.9	712.2
Intangible assets	293.3	412.4
Debt issuance costs	2.4	5.8
Total deferred income tax liabilities	976.6	1,130.4
Less SRT deferred tax liabilities held for sale	(5.1)	—
Net deferred income tax liabilities	$ (105.6)	$ (1.9)

As of June 30, 2018, the Company had $1,917.2 million of U.S. federal net operating loss ("NOL") carry forwards. The Company generated approximately $245.5 million of NOL carry forwards during Fiscal 2018 mostly due to accelerated tax depreciation as provided by U.S. Tax Reform. The Company has completed several acquisitions in which it acquired net operating loss tax attributes as part of the purchase. These acquisitions, however, were considered a "change in ownership" within the meaning of Section 382 of the Internal Revenue Code and, as a result, such NOL carry forwards are subject to an annual limitation, reducing the amount available to offset income tax liabilities absent the limitation. Currently available U.S. federal NOL carry forwards as of June 30, 2018 are approximately $1,356.2 million. An additional $135.8 million will become available for use during fiscal year ended June 30, 2019. The Company's U.S. federal NOL carry forwards, if not utilized to reduce U.S. federal taxable income in future periods, will expire in various amounts beginning in 2019 and ending in 2037.

As of June 30, 2018, the Company had approximately $384.3 million of foreign jurisdiction net operating loss carry forwards, primarily in Canada, the United Kingdom and France. The majority of these foreign NOLs have a valuation allowance reducing the value of the corresponding deferred tax asset in the financial statements due to recent losses. It is reasonably possible that the Company may reverse the valuation allowance recorded on certain foreign subsidiaries' deferred tax assets in the near future.

As of June 30, 2018, the Company had tax-effected state net operating loss carry forwards of approximately $53.9 million, which are subject to limitations on their utilization and have various expiration dates 2019 through 2037. The Company believes $51.6 million of this balance will be utilized and has provided a valuation allowance for the remainder.

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

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review of internal financial forecasts demonstrating its expected ability to fully utilize its deferred tax assets prior to expiration.

(9) ACCRUED LIABILITIES

Accrued liabilities included in current liabilities consisted of the following. Prior year amounts in the table below have been conformed to current year presentation for comparability.

	June 30, 2018	2017
	(in millions)	
Accrued compensation and benefits	$ 44.9	$ 38.5
Accrued property and equipment purchases	74.5	81.8
Network expense accruals(1)	112.5	93.6
Other accrued taxes(1)	11.8	23.1
Accrued professional fees	4.3	3.9
Other accruals(1)	65.0	84.5
Less liabilities held for sale(2)	(0.7)	-
Total	$ 312.3	$ 325.4

(1) Prior period amounts were reclassified for comparability with the 2018 presentation.
(2) $0.7 million reported as liabilities associated with assets held for sale in the Allstream segment. See Note 3—Acquisitions and Dispositions.

(10) EQUITY

On May 7, 2018, our Board of Directors authorized the repurchase of up to $500 million of our common stock from time to time using a variety of methods, including open market purchases, privately negotiated transactions and other means in accordance with federal securities laws. The authorization expires in November 2018, and may be suspended or discontinued at any time. During the year ended June 30, 2018, the Company repurchased 2,749,079 shares of its outstanding common stock at an average price of $34.02, or $93.5 million.

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

During the years ended June 30, 2018 and June 30, 2017, the Company recorded increases of $91.1 million and $104.7 million respectively, in additional paid-in capital associated with stock-based compensation expense related to the Company's equity classified stock-based compensation awards. See Note 11 –Stock-based Compensation.

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(11) STOCK-BASED COMPENSATION

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

	Year Ended June 30,		
	2018	2017	2016
	(in millions)		
Included in:			
Operating costs	$ 9.9	$ 11.3	$ 17.4
Selling, general and administrative expenses	86.8	102.8	138.5
Total stock-based compensation expense	$ 96.7	$ 114.1	$ 155.9
CII common and preferred units	$ —	$ 10.1	$ 73.0
Part A restricted stock units	82.3	76.5	45.3
Part B restricted stock units	12.4	26.0	36.5
Part C restricted stock units	2.0	1.5	1.1
Total stock-based compensation expense	$ 96.7	$ 114.1	$ 155.9

CII Common and Preferred Units

Prior to the Company's IPO, the Company was given authorization by Communications Infrastructure Investments, LLC ("CII") to award 625,000,000 of CII's common units as profits interests to employees, directors, and affiliates of the Company. The common units were historically considered to be stock-based compensation with terms that required the awards to be classified as liabilities due to cash settlement features. The vested portion of the awards was reported as a liability and the fair value was re-measured at each reporting date until the date of settlement, with a corresponding charge (or credit) to stock-based compensation expense. On December 31, 2016, the CII common units became fully vested and as such there is no remaining unrecognized compensation cost associated with CII common units for any period subsequent to December 31, 2016.

The value of the CII common units was derived from the value of CII's investments in the Company and Onvoy, LLC and its subsidiaries ("OVS"), a company that provided voice and managed services which the Company spun off during the year ended June 30, 2014. As the value derived from each of these investments was separately determinable and there was a plan in place to distribute the value associated with the investment in Company shares separate from the value derived from OVS, the two components were accounted for separately. The OVS component of the CII awards was adjusted to fair value each reporting period. On December 31, 2015, CII entered into an agreement to sell OVS to a third party. The sale was completed in May 2016. Based on the sale price, the estimated fair value of OVS awards was increased, resulting in an increase to stock based compensation expense and corresponding increase to additional paid-in capital of $12.9 million for the year ended June 30, 2016. Proceeds from the sale to be distributed to the Company's employees was paid by CII.

During the years ended June 30, 2018, 2017 and 2016, the Company recognized nil, $10.1 million and $73.0 million, respectively, of stock-based compensation expense related to vesting of CII common and preferred units.

Performance Compensation Incentive Program

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

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The PCIP has the following components:

Part A

Under Part A of the PCIP, certain full-time employees, including the Company's executives, are eligible to earn quarterly awards of RSUs. Each participant in Part A of the PCIP will have an RSU annual award target value, which will be allocated to each fiscal quarter. The final Part A value awarded to a participant for any fiscal quarter is determined by the Compensation Committee of the Board of Directors subsequent to the end of the respective performance period taking into account the Company's measured value creation for the quarter, as well as such other subjective factors that it deems relevant (including group and individual level performance factors). The number of Part A RSUs granted will be calculated based on the final award value determined by the Compensation Committee divided by the average closing price of the Company's common stock over the last ten trading days of the respective performance period. Part A RSUs will vest assuming continuous employment fifteen months subsequent to the end of the performance period (for awards relating to periods through June 30, 2017) or twelve months subsequent to the end of the performance period (for awards relating to periods subsequent to June 30, 2017). Upon vesting, the RSUs convert to an equal number of shares of the Company's common stock. Additionally, under Part A of the PCIP, awards may be granted to certain employees upon commencement of their employment with the Company.

During the years ended June 30, 2018, 2017 and 2016, the Company recognized $82.3 million, $76.5 million and $45.3 million, respectively, of compensation expense associated with Part A awards. The June 2018 and June 2017 quarterly awards were recorded as liabilities totaling $5.7 million and $5.5 million as of June 30, 2018 and 2017, respectively, as the awards represent an obligation denominated in a fixed dollar amount to be settled in a variable number of shares during the subsequent quarter. The quarterly stock-based compensation liability is included in "Accrued liabilities" in the accompanying consolidated balance sheets. Upon the issuance of the RSUs, the liability is re-measured and then reclassified to additional paid-in capital, with a corresponding charge (or credit) to stock based compensation expense. The value of the remaining unvested RSUs is expensed ratably through the vesting date. At June 30, 2018, the remaining unrecognized compensation cost to be expensed over the remaining vesting period for Part A awards is $32.6 million.

The following table summarizes the Company's Part A RSU activity for the years ended June 2018, 2017 and 2016:

	Number of Part A RSUs	Weighted average grant-date fair value per share	Weighted average remaining contractual term in months
Outstanding at July 1, 2015	933,217	$ 26.25	7.1
Granted	2,190,785	26.04	
Vested	(852,853)	26.14	
Forfeited	(101,248)	n/a	
Outstanding at July 1, 2016	2,169,901	$ 26.04	7.9
Granted	2,678,503	31.64	

Vested	(2,080,685)		26.03	
Forfeited	(403,333)		n/a	
Outstanding at July 1, 2017	2,364,386	$	31.63	7.1
Granted	2,664,538		35.08	
Vested	(2,459,040)		34.02	
Forfeited	(323,389)		n/a	
Outstanding at June 30, 2018	2,246,495	$	35.08	6.4

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Part B

Under Part B of the PCIP, participants, including the Company's executives, are awarded quarterly grants of RSUs. The number of the RSUs earned by the participants is based on the Company's stock price performance over a performance period of one year with the starting price being the average closing price over the last ten trading days of the quarter immediately prior to the date of grant and the vesting date. The RSUs vest assuming continuous employment through the end of the measurement period, twelve months after the beginning of the performance period (for awards vesting on or prior to June 30, 2018) or fifteen months after the beginning of the performance period (for awards vesting after June 30, 2018). The existence of a vesting provision that is associated with the performance of the Company's stock price is a market condition, which affects the determination of the grant date fair value. Upon vesting, RSUs earned convert to an equal number of shares of the Company's common stock.

The following table summarizes the Company's Part B RSU activity for the years ended June 2018, 2017 and 2016:

	Number of Part B RSUs	Weighted average grant-date fair value per unit	Weighted average remaining contractual term in months
Outstanding at July 1, 2015	1,249,873	$ 42.90	5.5
Granted	1,152,176	26.80	
Vested	(1,463,893)	38.70	
Forfeited	(77,220)	n/a	
Outstanding at July 1, 2016	860,936	$ 29.50	6.2
Granted	715,564	45.56	
Vested	(793,478)	32.58	
Forfeited	(371,049)	n/a	
Outstanding at July 1, 2017	411,973	$ 42.86	6.1
Granted	401,857	41.60	
Vested	(468,698)	39.01	
Forfeited	(159,357)	n/a	
Outstanding at June 30, 2018	185,775	$ 57.19	8.9

The table below reflects the total Part B RSUs granted during each period presented, the maximum eligible shares of the Company's common stock that the respective Part B RSU grant could be converted into shares of the Company's common stock, and the grant date fair value per Part B RSU during the period indicated. The table below also reflects the units converted to the Company's common stock at a vesting date that is subsequent to the period indicated for those RSUs granted during the period indicated:

During the three months ended

	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
Part B RSUs granted	78,123	77,218	82,556	163,960
Maximum eligible shares of the Company's common stock	539,049	532,804	569,636	590,256
Grant date fair value per Part B RSU	$ 74.44	$ 52.47	$ 45.10	$ 19.06
Units converted to Company's common stock at vesting date	n/a	n/a	n/a	n/a

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	During the three months ended			
	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016
Part B RSUs granted	152,808	171,316	191,015	200,425
Maximum eligible shares of the Company's common stock	550,109	880,564	981,817	1,030,185
Grant date fair value per Part B RSU	$ 26.52	$ 27.39	$ 75.56	$ 47.00
Units converted to Company's common stock at vesting date	54,671	41,368	102,511	99,508

During the years ended June 30, 2018, 2017 and 2016, the Company recognized stock-based compensation expense of $12.4 million, $26.0 million and $36.5 million related to Part B awards, respectively.

The grant date fair value of Part B RSU grants is estimated utilizing a Monte Carlo simulation. This simulation estimates the ten-day average closing stock price ending on the vesting date, the stock price performance over the performance period, and the number of common shares to be issued at the vesting date. Various assumptions are utilized in the valuation method, including the target stock price performance ranges and respective share payout percentages, the Company's historical stock price performance and volatility, peer companies' historical volatility and an appropriate risk-free rate. The aggregate future value of the grant under each simulation is calculated using the estimated per share value of the common stock at the end of the vesting period multiplied by the number of common shares projected to be granted at the vesting date. The present value of the aggregate grant is then calculated under each of the simulations, resulting in a distribution of potential present values. The fair value of the grant is then calculated based on the average of the potential present values. The remaining unrecognized compensation cost associated with Part B RSU grants is $6.8 million at June 30, 2018.

Part C

Under Part C of the PCIP, independent directors of the Company are eligible to receive quarterly awards of RSUs. Independent directors electing to receive a portion of their annual director fees in the form of RSUs are granted a set dollar amount of Part C RSUs each quarter. The quantity of Part C RSUs granted is based on the average closing price of the Company's common stock over the last ten trading days of the quarter ended immediately prior to the grant date and vest at the end of each quarter for which the grant was made. During the years ended June 30, 2018, 2017 and 2016, the Company's independent directors were granted 58,421, 47,420 and 41,793 Part C RSUs, respectively. During the years ended June 30, 2018, 2017 and 2016, the Company recognized $2.0 million, $1.5 million and $1.1 million of compensation expense associated with the Part C RSUs, respectively.

(12) EMPLOYEE BENEFITS

In connection with the Allstream Acquisition on January 15, 2016 (see Note 3 – Acquisitions and Dispositions), Bell MTS agreed to retain the Allstream Acquisition Entity's former defined benefit pension obligations, and related pension plan assets, of retirees and other former employees of the Allstream Acquisition Entity and also agreed to reimburse the Allstream Acquisition Entity for certain solvency funding payments related to the pension obligations of active employees of the Allstream Acquisition Entity as of January 15, 2016. On October 31, 2017, Bell MTS transferred assets of CAD $117.9 million (or $91.6 million) from the Allstream Acquisition Entity's former defined benefit pension plans related to pre-closing service obligations for active employees to defined benefit pension plans of the Allstream Acquisition Entity created by the Company on January 15, 2016. The assets were transferred on a fully funded basis calculated on a solvency basis, however on a GAAP basis, the plans are underfunded. Upon transfer, a prior period service cost was recognized in other comprehensive income for the underfunded amount, consistent with the Company's accounting policies. The Company became responsible for accruing post-acquisition liabilities related to these plans as of the Allstream Acquisition date of January 15, 2016. The Company also sponsors an OPEB for certain former employees of the Allstream Acquisition Entity, which provides health care and life insurance benefits for certain eligible retirees. These OPEB plans are not funded. Benefits are paid directly to the participants of these plans.

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The Company uses a June 30 annual measurement date for its defined benefit and postretirement benefit plans. Upon the transfer of the pre-closing service obligation, a measurement was obtained. No comparative period figures were disclosed in the tables or notes below, as the amounts for employee benefits were not material for those periods.

Defined benefit plans

The Company maintains defined benefit pension plans that provide pension benefits for certain former employees of the Allstream Acquisition Entity. Benefits are based on the employee's length of service and average rate of pay during the highest paid consecutive three years of service. The Company is responsible for adequately funding the pension plans. Contributions are made based on various actuarial cost methods permitted by pension regulatory bodies. Contributions reflect actuarial assumptions about future investment returns, salary projections, future service and life expectancy.

The following tables provide a reconciliation of the changes in the benefit obligations, fair value of plan assets and the unfunded status for the Company's defined benefit pension and OPEB, where applicable:

	Pension Plans (in millions)
Change in projected benefit obligation for defined benefit pension plans:	
Projected benefit obligation at July 1, 2017	$ 6.7
Service cost	2.7
Interest cost	2.5
Actuarial loss (gain)	9.3
Participant contributions	0.6
Benefits paid from plan assets	(3.3)
Acquisition transfer	97.6
Settlements	(2.5)
Foreign currency exchange rate changes	(0.1)
Projected benefit obligation at June 30, 2018	$ 113.5

	OPEB Plans (in millions)
Change in projected benefit obligation for OPEB plans:	
Projected benefit obligation at July 1, 2017	$ 9.9
Service cost	0.1
Interest cost	0.3
Actuarial loss (gain)	0.4
Benefits paid by Company	(0.6)
Foreign currency exchange rate changes	(0.1)
Projected benefit obligation at June 30, 2018	$ 10.0

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The accumulated benefit obligation of the defined benefit plan and OPEB at June 30, 2018 are $103.9 million and $10.0 million, respectively.

	Pension Plans (in millions)
Change in pension plan assets:	
Fair value of plan assets at July 1, 2017	$ 3.7
Acquisition transfer	89.8
Return on plan assets	2.4
Employer contributions	2.9
Participant contributions	0.6
Benefits paid from plan assets	(3.3)
Settlements	(2.6)
Fair value of pension plan assets at June 30, 2018	$ 93.5

The unfunded status of the projected benefit obligation at June 30, 2018 was $20.0 million, which was recorded as other long-term liabilities.

	Pension Plans As of June 30, 2018 (in millions)
Projected benefit obligation	$ 113.5
Fair value of plan assets	93.5
Unfunded status	20.0
Current portion of unfunded status	$ —
Non-current portion of unfunded status	$ 20.0

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The following table provides information regarding change in amounts from June 30, 2017 in accumulated other comprehensive loss ("AOCI") that have not yet been recognized as components of net periodic benefit cost at June 30, 2018:

	As of June 30, 2017 (in millions)	Recognition of Net Periodic Benefits Expense	Deferrals	Net Change in AOCI	As of June 30, 2018
Accumulated other comprehensive loss:					
Pension plans:					
Net actuarial (loss)/gain	$ —	$ —	$ (11.2)	$ (11.2)	$ (11.2)
Prior service benefit/(cost)	—	0.4	(7.8)	(7.4)	(7.4)
Deferred income tax benefit/(expense)	—	(0.1)	5.6	5.5	5.5
Total pension plans	—	0.3	(13.4)	(13.1)	(13.1)
OPEB plans:					
Net actuarial (loss)/gain	(1.2)	—	(0.4)	(0.4)	(1.6)
Prior service (cost)/benefit	—	—	—	—	—
Deferred income tax benefit/(expense)	0.4	—	—	—	0.4
Total OPEB plans	(0.8)	—	(0.4)	(0.4)	(1.2)
Total accumulated other comprehensive loss	$ (0.8)	$ 0.3	$ (13.8)	$ (13.5)	$ (14.3)

There have been no material amounts reclassified from AOCI during the period.

The following table presents the expected amortization amounts during next fiscal year for the defined benefit pension plans:

	Pension Plans (in millions)
Amortization of net prior service cost/(benefit)	$ 0.7

Total expected amortization amounts during fiscal year 2019	$ 0.7

The expected benefit payments for the Company's defined benefit pension and OPEB plans for the years indicated are as follows:

	Pension Plans	OPEB Plans
	(in millions)	
Year ended June 30,		
2019	$ 2.2	$ 0.5
2020	2.4	0.5
2021	2.7	0.5
2022	2.9	0.5
2023	3.1	0.5
2024-2028	19.0	2.3

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The following table presents the expected contributions during next fiscal year for the defined benefit pension and OPEB plans:

	Pension Plans	OPEB Plans
	(in millions)	
Employer	$ 2.9	$ 0.5
Plan participants	0.5	—
Total expected contributions during fiscal year 2019	$ 3.4	$ 0.5

Net periodic (benefit) cost of the defined benefit pension and OPEB is included in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations includes the following components:

	Pension Plans Year ended June 30, 2018 (in millions)
Service cost	$ 2.7
Interest cost	2.5
Expected return on plan assets	(3.8)
Amortization of service cost from earlier periods	0.4
Cost of settlements	0.2
Net periodic pension benefit cost	$ 2.0

	OPEB Plans Year ended June 30,

	2018 (in millions)
Service cost	$ 0.1
Interest cost	0.3
Net periodic pension benefit cost	$ 0.4

The following tables present the assumptions used in determining benefit obligations of the defined benefit pension and OPEB plans:

	Pension Plans	OPEB Plans
Actuarial assumptions:		
Discount rate	3.25%	3.25%
Price inflation	1.75%	N/A
Expected long-term rate of return on plan assets	5.7%	N/A
Rate of compensation increase	2.5%	N/A

The discount rates utilized reflect the average yield on high quality corporate bonds of similar duration to the plans' liabilities. The discount rate used to calculate the employee future benefits obligation is determined at each year end by referring to the most recently available market interest rates based on "AA"-rated corporate bond yields reflecting the duration of the employee future benefit plans. Under the yield curve approach, expected future benefit payments for each plan are discounted by a rate on a third-party bond yield curve corresponding to each duration. The yield curve is based on "AA" long-term corporate bonds. A single discount rate is calculated that would yield the same present value as the sum of the discounted cash flows.

The expected return on assets assumption for the plans is determined as the estimate of future experience for trust asset returns, reflecting the plans’ current asset allocation and any expected changes during the current plan year, current market conditions and expectations for future market conditions.

The investment objective of the defined benefit pension plans is to provide a risk-adjusted return that will ensure the payment of benefits while protecting against the risk of substantial investment losses. Correlations among the asset classes are used to identify an asset mix that the Company believes will provide the most attractive returns. Long-term return forecasts for each asset class using historical data and other qualitative considerations to adjust for projected economic forecasts are used to set the expected rate of return for the entire portfolio.

The defined benefit pension plan utilizes various investment securities. Generally, investment securities are exposed to various risks, such as interest rate risks, credit risk, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur and that such changes could materially affect the amounts reported.

The following table presents the Company’s target for the allocation of invested defined benefit pension plan assets at June 30, 2018:

	As of June 30, 2018
Fixed income	40%
Equities	55%
Other	5%
Total	100%

The plans assets are invested in various fund categories utilizing multiple strategies and investment managers. Interests in funds are valued using the net asset value ("NAV") per unit of each fund. The NAV reported by the fund manager is based on the market value of the underlying investments owned by each fund, minus its liabilities, divided by the number of shares outstanding. These funds can be redeemed at NAV, generally at any time. As the funds do not publish publicly available prices, the NAV practical expedient is the most appropriate fair value classification for the plan asset investments. The value associated with these investments is disclosed in the reconciliation of the total investments measured at fair value shown below.

The table below presents the fair value of plan assets valued at NAV by category for the pension and OPEB plans at June 30, 2018.

	As of June 30, 2018 (in millions)
Fixed income	$ 33.1
Equities	55.2
Other	5.2
Total	$ 93.5

Fixed income – Fixed income represents investments in commingled bond funds comprised of Canadian government, corporate bonds, and mortgage-backed securities.

Equities – Equities represent investments in commingled equities funds comprised of investments in U.S., Canadian and global equities.

Other – Other investments are comprised of investments in commingled real estate funds.

(13) FAIR VALUE MEASUREMENTS

The Company’s financial instruments consist of cash and cash equivalents, restricted cash, trade receivables, accounts payable, long-term debt, certain post-employment plans and stock-based compensation liability. The carrying values of cash and cash equivalents, restricted cash, trade receivables, and accounts payable approximated their fair values at June 30, 2018 and 2017, due to the short maturity of these instruments.

The carrying value of the Company’s Notes, excluding debt issuance costs, reflects the original amounts borrowed, inclusive of net unamortized premium, and was $4,003.4 million and $3,692.8 million as of June 30, 2018 and 2017, respectively. Based on market interest rates for debt of similar terms and average maturities, the fair value of the Company's Notes as of June 30, 2018 and 2017 was estimated to be $3,986.5 million and $3,895.7 million, respectively. The Company’s fair value estimates associated with its Note obligations were derived utilizing Level 2 inputs – quoted prices for similar instruments in active markets.

The carrying value of the Company’s Term Loan Facility, excluding debt issuance costs, reflects the original amounts borrowed, inclusive of unamortized discounts, and was $1,751.3 million and $1,912.7 million as of June 30, 2018 and 2017, respectively. The Company’s Term Loan Facility accrues interest at variable rates based upon the one-month, three-month or nine-month LIBOR plus i) a spread of 2.0% on the Company’s $500.0 million tranche (which has a LIBOR floor of 0.0%) and ii) a spread of 2.25% on its B-2 Term Loan tranche (which has a LIBOR floor of 1.00%). Based on market interest rates for debt of similar terms and average maturities, the fair value of the Company’s Term Loan Facility as of June 30, 2018 and June 30, 2017 was estimated to be $1,772.3 million and $1,930.5 million, respectively. The Company’s fair value estimates associated with its Term Loan Facility obligations were derived utilizing Level 2 inputs—quoted prices for similar instruments in active markets. A hypothetical increase in the applicable interest rate on the Company’s Term Loan Facility of one percentage point above the 1.0% LIBOR floor would increase the Company’s annual interest expense by approximately $17.6 million.

As of June 30, 2018 and 2017, there was no balance outstanding under the Company's Revolver.

(14) COMMITMENTS AND CONTINGENCIES

Capital Leases

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

Year Ended June 30,	(in millions)
2019	$ 15.4
2020	14.5
2021	14.5
2022	14.6
2023	14.7

Thereafter	130.3
Total minimum lease payments	204.0
Less amounts representing interest	(70.5)
Less current portion	(11.9)
Capital lease obligations, non-current	$ 121.6

Operating Leases

The Company leases office space, warehouse space, network assets, switching and transport sites, points of presence, components and equipment under non-cancelable operating leases. Lease expense was $156.4 million, $68.8 million and $53.1 million for the years ended June 30, 2018, 2017 and 2016, respectively. Additionally, the Company recognized expense related to right-of way, pole attachment and other fees for access of $43.4 million, $65.1 million, and $48.9 million for the years ended June 30, 2018, 2017 and 2016, respectively.

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

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

Year Ended June 30,	(in millions)
2019	$ 93.7
2020	82.4
2021	66.7
2022	43.6
2023	33.0
Thereafter	114.7
	$ 434.1

Obligations for Capital Expenditure

At June 30, 2018, the Company was contractually committed for $509.4 million of capital expenditures for construction materials and purchases of property and equipment. A majority of these obligations are expected to be satisfied in the next twelve months. These obligations are primarily success based; that is, the Company has executed customer contracts that support the future capital expenditures.

Outstanding Letters of Credit

As of June 30, 2018, the Company had $8.1 million in outstanding letters of credit, which were primarily entered into in connection with various lease agreements. Additionally, as of June 30, 2018, Zayo Canada, Inc., a subsidiary of the Company, had CAD $3.4 million (or $2.6 million) in letters of credit, under a CAD $5.0 million (or $3.8 million) unsecured credit agreement.

Contingencies

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

(15) RELATED-PARTY TRANSACTIONS

In May 2016, CII sold Onvoy, LLC and its subsidiaries (“OVS”), a company that provided voice and managed offerings that the Company spun off during the year ended June 30, 2014, to an entity that had a material ownership interest in the Company during Fiscal 2018 and which shares a board member with the Company. The Company continues to have ongoing contractual relationships with Inteliquent, Inc., successor by merger to OVS (“Inteliquent”), whereby the Company provides Inteliquent and its subsidiaries with bandwidth access and Inteliquent provides the Company and its subsidiaries with voice offerings. The contractual relationships are based on agreements that were entered into at estimated market rates.

The following table represents the revenue and expense transactions the Company recorded with Inteliquent for the periods presented:

	Year Ended June 30,		
	2018	2017	2016
	(in millions)		
Revenues	$ 7.4	$ 7.5	$ 6.6
Operating costs	$ 2.7	$ 2.0	$ 2.1

As of June 30, 2018 and June 30, 2017, the Company had $0.4 million and $0.5 million, respectively, due from Inteliquent.

Dan Caruso, the Company's Chief Executive Officer and Chairman of the Board is a party to an aircraft charter (or membership) agreement through his affiliate, Bear Equity LLC, for business and personal travel. Under the terms of the charter agreement, all fees for the use of the aircraft are effectively variable in nature. For his business travel on behalf of the Company, Mr. Caruso is reimbursed for his use of the aircraft subject to an annual maximum reimbursement threshold approved by the Company's Nominating and Governance Committee. During the years ended June 30, 2018, 2017 and 2016, respectively, the Company reimbursed Mr. Caruso $0.7 million, $0.8 million and $0.5 million for his business use of the aircraft.

(16) SEGMENT REPORTING

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

As the Company has increased in scope and scale, it has developed its management and reporting structure to support this growth. The Company's bandwidth infrastructure, colocation and connectivity offerings are comprised of various related product groups generally defined around the type of offering to which the customer is licensing access, referred to as SPGs. Each SPG is responsible for the revenue, costs and associated capital expenditures of its respective solutions. The SPGs enable licensing and sales, make pricing and product decisions, engineer networks and deliver solutions to customers, and support customers for specific telecom and Internet infrastructure requirements.

During fiscal 2018, with the continued increase in our scope and scale, the Company's chief operating decision maker ("CODM"), who is the Company's Chief Executive Officer, implemented certain organizational changes to the management and operation of the business that directly impact how the CODM makes resource allocation decisions and manages the Company. The changes in structure had the impact of creating two new SPGs and re-aligning an existing SPG among the Company's reportable segments. The changes in structure also resulted in changes in how the

Company measures the relative burden each segment bears of indirect and corporate related costs.

Effective April 1, 2018 the Company's Ethernet SPG, previously reported under our Enterprise Networks segment, is now reported under the Company's Transport segment. Additionally, certain activities and operations of the legacy Waves, WAN, and Ethernet SPGs were combined to form a new SPG, CloudLink. These changes to the existing reportable segments (the "Realignment") have been recast for all prior period financial and operating metrics presented in this Annual Report for comparability, such as;

· Certain activities and operations of the legacy Waves, WAN, and Ethernet SPGs, after giving effect to the Realignment, are now reported in a new SPG, CloudLink, under the Enterprise Networks segment; and

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· The wholesale IP services and Sonet SPGs, and the remaining activities and operations of the legacy Waves and Ethernet SPGs (the activities and operations not related to CloudLink), after giving effect to the Realignment, are now reported under the Transport segment.

In addition to the changes in structure, the Company also adjusted intercompany pricing methodologies to more closely align to third party pricing on the products and offerings which are exchanged between our SPGs. However, it was not practicable to retrospectively present the impact of this change for all historical periods presented.

The Company's segments are further described below:

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

Transport. The Transport segment provides access to lit bandwidth infrastructure solutions over metro, regional, and long-haul fiber network sections. The segment uses customer-accessed optronics to light the fiber, and our customers pay for access based on the amount and type of bandwidth they require. The activities within this segment include Wavelengths, Ethernet, SONET, and wholesale IP offerings. The Company targets customers who require a minimum of 10G of bandwidth across their networks. Transport customers include carriers, content providers, financial services companies, healthcare, government entities, education institutions and other medium and large enterprises. The contract terms in this segment tend to range from two to five years.

Enterprise Networks. The Enterprise Networks segment provides connectivity and telecommunications solutions to medium and large enterprises. The activities within this segment include Internet, wide area networking products, managed products and cloud based computing and storage offerings. Solutions range from point-to-point data connections to multi-site managed networks to international outsourced IT infrastructure environments. The contract terms in the Enterprise Networks segment tend to range from one to ten years.

Zayo Colocation ("zColo"). The Colocation segment provides data center infrastructure solutions to a broad range of enterprise, carrier, cloud, and content customers. The activities within this segment include the provision of colocation space, power and interconnection offerings in North America and Western Europe. Solutions range in size from single cabinet solutions to 1MW+ data center infrastructure environments. The Company's data centers also support a large component of networking components for the purpose of aggregating and accommodating customers' data, voice, Internet, and video traffic. The contract terms in this segment tend to range from two to five years.

Allstream. The Allstream segment provides Cloud VoIP and Data Solutions. This includes a full range of local voice offerings allowing business customers to complete telephone calls in their local exchange, as well as make long distance, toll-free and related calls. Unified Communications is the integration of real-time communication services such as telephony (including Cloud-based IP telephony), instant messaging and video conferencing with non-real-time communication services, such as integrated voicemail and e-mail. Allstream also provides customers with comprehensive telecommunications services including Ethernet, and IP/MPLS VPN Solutions.

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Other. The Other segment is primarily comprised of Zayo Professional Services ("ZPS"). ZPS provides network and technical resources to customers who wish to leverage the Company's expertise in designing, acquiring and maintaining a network. The contract terms typically run for one year for a fixed recurring monthly fee in the case of network and on an hourly basis for technical resources (usage revenue). ZPS also generates revenue via telecommunication equipment sales.

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

In connection with the Company's acquisition of Electric Lightwave the Company acquired certain customer contracts that included the bundled provision of VoIP and data connectivity services. This bundled package was historically managed and reported as revenue by the Enterprise Networks segment. Subsequent to June 30, 2018, operational changes were made which resulted in the management of these bundled contract to be provided by the Allstream segment and as such the revenue associated with these contracts will now be reported as revenue of the Allstream segment. The Enterprise Networks segment continues to own the infrastructure and equipment that supports these contracts and as such the segments entered into an intercompany agreement for the continued use of these assets which will result in the recognition of intercompany expense and revenue at the Allstream and Enterprise Networks segments, respectively. This intercompany charge will be eliminated in the consolidated revenue and Adjusted EBITDA amounts to be disclosed in the "corporate and eliminations column". Starting with the quarter ending September 30, 2018, the Company will recast it's prior period financial and operating metrics presented in previous filings to reflect the financial results of the Company's segments as if these bundled contracts were managed by Allstream and the related intercompany agreement was in place effective with the March 1, 2017 acquisition of Electric Lightwave. The change will not have an impact on consolidated revenues or EBITDA.

Segment Adjusted EBITDA

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

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

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

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

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

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

	For the year ended June 30, 2018							
	Fiber Solutions (in millions)	Transport	Enterprise Networks	zColo	Allstream	Other	Corp/ Eliminations	Total
Revenue from external customers	$ 842.0	$ 670.4	$ 350.4	$ 238.2	$ 479.9	$ 23.1	$ —	$ 2,604.0
Segment Adjusted EBITDA	673.2	230.3	148.2	120.3	114.0	5.0	—	1,291.0
Total assets	4,956.9	1,864.6	752.0	1,032.4	461.8	33.3	115.8	9,216.8
Capital expenditures	443.3	183.1	50.0	99.9	13.6	—	—	789.9

	For the year ended June 30, 2017							
	Fiber Solutions (in millions)	Transport	Enterprise Networks	zColo	Allstream	Other	Corp/ Eliminations	Total
Revenue from external customers	$ 725.4	$ 614.3	$ 310.2	$ 214.0	$ 314.3	$ 21.6	$ —	$ 2,199.8
	570.4	223.0	127.9	107.1	83.3	5.1	—	1,116.8

Segment Adjusted EBITDA								
Total assets	4,504.6	2,018.3	597.4	994.4	406.2	33.2	185.3	8,739.4
Capital expenditures	499.1	189.6	46.8	91.5	8.5	—	—	835.5

	For the year ended June 30, 2016							
	Fiber Solutions	Transport	Enterprise Networks	zColo	Allstream	Other	Corp/ Eliminations	Total
	(in millions)							
Revenue from external customers	$ 648.8	$ 522.6	$ 228.4	$ 195.4	$ 106.2	$ 20.3	$ —	$ 1,721.7
Segment Adjusted EBITDA	504.0	208.4	100.6	99.5	17.9	4.5	—	934.9
Capital expenditures	421.4	160.6	50.5	66.3	5.3	—	—	704.1

ZAYO GROUP HOLDINGS, INC. AND SUBSIDIARIES

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As discussed above, it was not practicable to retrospectively present the impact of intercompany pricing changes for all historical periods presented. Management estimates the intercompany pricing changes had the following impacts to Segment Adjusted EBITDA during the three months ended June 30, 2018.

	For the three months ended June 30, 2018							
	Fiber Solutions	Transport	Enterprise Networks	zColo	Allstream	Other	Corp/ Eliminations	Total
	(in millions)							
Impact of pricing changes	$ —	$ (1.8)	$ 2.7	$ 0.1	$ (1.0)	$ —	$ —	$ —

Reconciliation from Total Segment Adjusted EBITDA to income/(loss) from operations before income taxes

	For the year ended June 30,		
	2018	2017	2016
Total Segment Adjusted EBITDA	$ 1,291.0	$ 1,116.8	$ 934.9
Interest expense	(299.8)	(241.5)	(220.1)
Depreciation and amortization	(747.4)	(606.9)	(516.3)
Transaction costs	(18.6)	(20.5)	(21.5)
Stock-based compensation	(96.7)	(114.1)	(155.9)
Loss on extinguishment of debt	(4.9)	(18.2)	(33.8)
Foreign currency gain/(loss) on intercompany loans	5.4	(10.3)	(53.8)
Non-cash loss on investments	(1.0)	(1.2)	(1.2)
Income/(loss) from operations before income taxes	$ 128.0	$ 104.1	$ (67.7)

The following is a summary of geographical information:

	For the year ended June 30,		
	2018	2017	2016
Revenue from external customers:			
United States	$ 2,017.4	$ 1,610.0	$ 1,334.1
Europe	199.4	176.5	174.1
Canada	384.2	412.0	213.3
Other	3.0	1.3	0.2
Total Revenue	$ 2,604.0	$ 2,199.8	$ 1,721.7
Long-lived assets:			
United States	$ 5,929.5	$ 5,504.7	$ 4,236.1

Europe	537.2	521.3	527.8
Canada	381.7	335.8	326.4
Other	18.5	22.8	25.6
Total Long-lived assets	$ 6,866.9	$ 6,384.6	$ 5,115.9

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

ZAYO GROUP HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED STATEMENTS

(17) QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table presents the unaudited quarterly results for the year ended June 30, 2018:

	2018 Quarter Ended				
	September 30	December 31(1)	March 31(2)	June 30(3)	Total
	(in millions)				
Revenue	$ 643.5	$ 653.5	$ 649.4	$ 657.6	$ 2,604.0
Operating costs and expenses					
Operating costs (excluding depreciation and amortization and including stock-based compensation)	235.7	232.0	234.9	239.3	941.9
Selling, general and administrative expenses (including stock-based compensation)	128.3	121.6	118.0	121.9	489.8
Depreciation and amortization	184.1	195.9	191.2	176.2	747.4
Total operating costs and expenses	548.1	549.5	544.1	537.4	2,179.1
Operating income	95.4	104.0	105.3	120.2	424.9
Other expenses					
Interest expense	(73.6)	(73.1)	(75.3)	(77.8)	(299.8)
Loss on extinguishment of debt	(4.9)	—	—	—	(4.9)
Foreign currency gain/(loss) on intercompany loans	10.8	3.1	13.9	(22.4)	5.4
Other income, net	0.9	0.4	0.4	0.7	2.4
Total other expenses, net	(66.8)	(69.6)	(61.0)	(99.5)	(296.9)
Income from operations before income taxes	28.6	34.4	44.3	20.7	128.0
Provision for income taxes	5.4	22.9	20.9	(23.1)	26.1
Net income	$ 23.2	$ 11.5	$ 23.4	$ 43.8	$ 101.9
Net income per share(4):					
Basic and diluted	$ 0.09	$ 0.05	$ 0.09	$ 0.18	$ 0.41

(1) The Company recorded a provisional tax expense in the quarter ending December 31, 2017 of $44.1 million to record the impact of U.S. Tax Reform.

(2) The Company recorded a provisional tax expense in the quarter ending March 31, 2018 of $4.6 million to record the impact of U.S. Tax Reform.

(3) The Company recorded a provisional tax benefit in the quarter ending June 30, 2018 of $(23.9) million to record the impact of U.S. Tax Reform

(4) The total earnings per share for the quarters may not equal earnings per share for the respective years because the per share amounts for each quarter and for each year are computed based on their respective discrete periods.

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ZAYO GROUP HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED STATEMENTS

The following table presents the unaudited quarterly results for the year ended June 30, 2017:

	2017 Quarter Ended				
	September 30	December 31	March 31 (1) (2)	June 30 (2)	Total
	(in millions)				
Revenue	$ 504.9	$ 506.7	$ 550.2	$ 638.0	$ 2,199.8
Operating costs and expenses					
Operating costs (excluding depreciation and amortization and including stock-based compensation)	173.8	179.9	195.0	234.2	782.9
Selling, general and administrative expenses (including stock-based compensation)	105.6	104.7	108.8	117.1	436.2
Depreciation and amortization	138.5	131.4	155.7	181.3	606.9
Total operating costs and expenses	417.9	416.0	459.5	532.6	1,826.0
Operating income	87.0	90.7	90.7	105.4	373.8
Other expenses					
Interest expense	(53.3)	(53.7)	(63.0)	(71.5)	(241.5)
Loss on extinguishment of debt	—	—	(4.5)	(13.7)	(18.2)
Foreign currency gain/(loss) on intercompany loans	(11.2)	(17.4)	3.9	14.4	(10.3)
Other (expense)/income, net	(0.2)	0.4	0.5	(0.4)	0.3
Total other expenses, net	(64.7)	(70.7)	(63.1)	(71.2)	(269.7)
Income from operations before income taxes	22.3	20.0	27.6	34.2	104.1
Provision for income taxes	6.6	0.2	0.6	11.0	18.4
Net income	$ 15.7	$ 19.8	$ 27.0	$ 23.2	$ 85.7
Net income per share(3):					
Basic and diluted	$ 0.06	$ 0.08	$ 0.11	$ 0.09	$ 0.35

(1) The Company realized an increase in revenue and operating expenses beginning March 1, 2017 as a result of the acquisition of Electric Lightwave.
(2) The Company recognized a loss on debt extinguishment associated with the write-off of unamortized debt issuance costs in the third and fourth quarters. See Note 7 – Long Term Debt.
(3) The total earnings per share for the quarters may not equal earnings per share for the respective years because the per share amounts for each quarter and for each year are computed based on their respective discrete periods.

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(18) SUBSEQUENT EVENTS

Scott-Rice Telephone

On July 31, 2018, the Company closed the sale of SRT for $42 million to Nuvera. SRT had a net loss before taxes of $1.6 million for the year ended June 30, 2018. Due to the timing of the transaction, the initial accounting for the sale, including the measurement of the Company’s gain or loss, has not yet been determined.

Potential REIT Conversion

On May 3, 2018, the Company announced that it completed the first phase of its investigation on the advisability and feasibility of a conversion to a real estate investment trust for U.S. federal income tax purposes (a “REIT”). The Company has begun the next phase of its evaluation and preparation for a potential conversion to a REIT. As part of these efforts, the Company has begun a direct dialogue with the U.S. Internal Revenue Service (“IRS”) in an effort to obtain clarity and support for its position, and is seeking a private letter ruling (“PLR”) from the IRS. The Company’s ability to qualify for taxation as a REIT will depend upon its continuing compliance following REIT conversion with various requirements, including requirements related to the nature of its assets, the sources of its income and the distributions to its stockholders.

The Company is requesting that its PLR address whether its revenues from dark and lit fiber satisfy applicable REIT income tests, and the Company’s ultimate decision to convert to a REIT may depend upon a favorable ruling from the IRS on this topic. The Company submitted a PLR request to the IRS in July 2018, but the IRS may not provide a response until 2019 or later or may not respond at all.