zayo

JUNE 2015

SUPPLEMENTAL EARNINGS INFORMATION

Glossary

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- **4G:** 4G is the fourth generation of cellular wireless standards. It is a successor to 3G and 2G standards, with the aim to provide a wide range of data services, with rates up to gigabit-speed Internet access for mobile, as well as stationary users
- **Adjusted EBITDA:** Adjusted EBITDA is defined as earnings/(loss) from continuing operations before interest, income taxes, depreciation, and amortization ("EBITDA") adjusted to exclude acquisition or disposal-related transaction costs, losses on extinguishment of debt, stock-based compensation, unrealized foreign currency gains/(losses) on intercompany loans, and non-cash income/(loss) on equity and cost method investments
- **Adjusted EBITDA Associated with Other Revenue:** Adjusted EBITDA Associated with Other Revenue is calculated by subtracting Construction COGs and any other costs directly associated with Other Revenue from Other Revenue
- **Adjusted EBITDA Margin:** Adjusted EBITDA for the period divided by total Revenue for the period
- **ADM:** Add drop multiplexer optronics that allow for lower speed SONET services to be aggregated or multiplexed to higher speed SONET services. These optronics are used to provide SONET-based Bandwidth Infrastructure services over fiber
- **AFFO:** Adjusted funds from operations ("AFFO") is defined as earnings/(loss) from continuing operations before depreciation and amortization, unrealized foreign currency gains/(losses) on intercompany loans, stock-based compensation, acquisition or disposal-related transaction costs, losses on extinguishment of debt, non-cash income/(loss) on equity and cost investments, non-cash monthly amortized revenue, less cash payments related to maintenance capital expenditures
- **Annualized Growth:** Where the annualized growth rate of various financial measures is presented, the percentage growth is calculated as the quarter over quarter growth rate multiplied by four
- **Average Remaining Contract Term:** Where the average remaining contract term is equal to Revenue Under Contract divided by the sum of MRR and MAR on last day of quarter as well as MRR and MAR in the Service Activation Pipeline
- **Backbone:** A major fiber optic network that interconnects smaller networks including regional and metropolitan networks. It is the through-portion of a transmission network, as opposed to spurs which branch off the through-portions
- **Bandwidth Infrastructure:** Lit and dark bandwidth provided over fiber networks. These services are commonly used to transport telecom services, such as wireless, data, voice, Internet and video traffic between locations. These locations frequently include cellular towers, network-neutral and network specific data centers, carrier hotels, mobile switching centers, CATV head ends and satellite uplink sites, ILEC central offices, and other key buildings that house telecommunications and computer equipment. Bandwidth Infrastructure services that are lit (i.e., provided by using optronics that "light" the fiber) include SONET/digital signal, Ethernet and Wavelength services. Bandwidth Infrastructure services that are not lit are sold as dark-fiber capacity

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- **Billable Colocation Square Feet:** Usable square feet of colocation space available for sale in the Zayo colocation facilities

- **Capacity:** The information carrying ability of a telecommunications service. Below is a list of some common units of capacity for bandwidth and colocation services:

  - DS-0: A data communication circuit capable of transmitting at 64 Kbps
  - DS-1: A data communication circuit capable of transmitting at 1.544 Mbps
  - DS-3: A data communication circuit capable of transmitting at 45 Mbps
  - OC-3: A data communication circuit capable of transmitting at 155 Mbps
  - OC-12: A data communication circuit capable of transmitting at 622 Mbps
  - OC-48: A data communication circuit capable of transmitting at 2.5 Gbps
  - OC-192: A data communication circuit capable of transmitting at 10 Gbps

- **Capital Expenditure Pipeline:** Capital expenditure pipeline includes capital projects that are currently committed, but have not yet been spent. Capitalized interest is not included in the capital expenditure pipeline

- **Carrier:** A provider of communications services that commonly include voice, data, and Internet services

- **Carrier Hotel/Data Center:** A secure physical site or building where data communications media converges and interconnects. The building contains many carriers, IXCs, and other telecommunications service providers that widely interconnect. These facilities generally have high-capacity power service, backup batteries and generators, fuel storage, riser cable systems, large cooling capability, and advanced fire suppression systems

- **Carrier Point of Presence:** Carrier point of presence is a location in a carrier's system where local access facilities connect to an interexchange carrier's network

- **CATV:** Community antennae television is cable television

- **CATV Head End:** CATV head end is a master facility that receives signals it processes and distributes over a cable television system

- **CDN:** Content distribution network is a system of computers networked together across the Internet that cooperate to deliver various types of content to end users. The delivery process is designed generally for either performance or cost

- **Cell Site:** A site where antennae and electronic communications equipment are placed on a radio mast or tower to create a cell in a cellular network. A cell site is composed of a tower or other elevated structure for mounting antennae, and one or more sets of transmitter/receiver transceivers, digital signal processors, control electronics, a GPS receiver for timing (for CDMA2000 or IS-95 systems), regular and backup electrical power sources, and sheltering

- **Central Office:** A facility used to house telecommunications equipment (e.g., switching equipment), usually operated by the ILECs and CLECs

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- **Churn Percentage:** Total MRR and MAR Churn for the quarter divided by Recurring Revenue (MRR and MAR) reported in the quarter
- **Churn Pipeline:** Churn pipeline is the MRR for services for which a disconnect or negative re-rate order has been received for a future date and the service has not yet been re-rated or de-activated and removed from billing
- **Churn Processed:** Any negative change to monthly recurring revenue or monthly amortized revenue. Churn processed is further divided into disconnects, negative price changes, and disconnects associated with upgrades. Churn processed does not include intercompany churn
- **CLEC:** Competitive local exchange carrier provides local telecommunications services in competition with the ILEC
- **Cloud Computing:** An Internet-based or intranet-based computing environment wherein computing resources are distributed across the network (i.e., the "cloud") and are dynamically allocated on an individual or pooled basis, and are increased or reduced as circumstances warrant, to handle the computing task at hand
- **Colocation ("Colo"):** The housing of transport equipment, other communications equipment, servers and storage devices within the same location. Some colocation providers are network-neutral, meaning that they allow the customers who colocate in their facilities to purchase Bandwidth Infrastructure and other telecommunications services from third parties. Operators of these colocation facilities sell interconnection services to their customers, enabling them to cross connect with other customers located within the same facility and/or with Bandwidth Infrastructure providers. Other colocation facilities are operated by service providers and are network-specific in that they require their customers to purchase Bandwidth Infrastructure and other telecommunications services from them
- **Colocation Cabinet Equivalents:** The total number of cabinet equivalents available for sale in the Zayo Colocation facilities. The number is calculated by dividing billable colocation square feet by an assumed cabinet footprint of approximately 25 square feet
- **Colocation Percent Utilization:** Utilized colocation cabinet equivalents divided by colocation cabinet equivalents
- **Conduit:** A pipe, usually made of metal, ceramic or plastic, that protects buried fiber optic cables
- **Constant Currency Growth:** Our constant currency growth metrics present the relevant information assuming a constant exchange rate between the two periods being compared. Such metrics are calculated by applying the currency exchange rates used in the preparation of the prior period financial results to the subsequent period results
- **Contract Value:** MRR and MAR under contract multiplied by the remaining contract term in months. If a service's remaining contract term is month-to-month, and requires that the customer provide 30 days notice to terminate service, then the contract value is equal to one month's MRR or MAR. Contract value excludes intercompany revenue. Contract value excludes any MRR or MAR after 20 years

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- **Contract Value of Gross New Sales (Bookings):** MRR and MAR for Gross New Sales (Bookings) multiplied by the contract term in months. Contract value excludes renewals and intercompany revenue. Where there is a price increase with a renewal, the contract value will show the incremental MRR from the price increase multiplied by the new contract term in months. Contract value excludes any MRR or MAR after 20 years

- **Customer Specific with Negative Payback Capital:** Speculative capital, where the capital investment will be leveraged on future revenue opportunities. For example, optronics purchased in support of a customer contract where the term length is shorter than necessary to fully repay the capital expenditure. If the customer does not renew the contract, it is expected that the equipment would be redeployed to support other service revenue. Another example is outside plant expenditures made to extend the fiber network into a new location, where it is expected that future sales will leverage this investment

- **Data Center:** Businesses that provide data center services including space, power, cross connects, and related technical support for themselves and others in standalone or shared facilities that may house other Data Center operators

- **Data Center Operator:** Businesses that own and operate data centers

- **Dark Fiber:** Fiber that has not yet been connected to telecommunications transmission equipment or optronics and therefore has not yet been activated or "lit"

- **Dark Fiber Units:** Dark fiber units are equal to dark fiber miles

- **Disconnects Associated with Upgrades:** A disconnect is called an upgrade when one type of existing service is replaced with another higher bandwidth or higher priced service, where both services have the same location. Typically the service being replaced was purchased several years ago and has reverted to a month-to-month contract term and the new service is higher bandwidth and includes an extension of the term. The disconnect associated with an upgrade is included in churn processed

- **DS:** Digital signal level is a measure of the transmission rate of optical telecommunications traffic. For example: DS-1 corresponds to 1.544 Mbps and DS-3 corresponds to 45 Mbps. See the prior definition of "Capacity"

- **DWDM:** Dense wavelength-division multiplexing. The term "dense" refers to the number of channels being multiplexed. A DWDM system typically has the capability to multiplex greater than 16 wavelengths

- **Embedded Base Revenue Under Contract:** Contract value for all actively billing services. Embedded Base Revenue Under Contract does not include intercompany services or amortized revenue

- **Employee Related SG&A:** Employee Related SG&A includes wages, salaries, bonuses, employee commissions and related taxes, benefits, travel and entertainment, cell phone, training, and recruitment costs. Employee related SG&A includes an adjustment to add back Capitalized Labor costs

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- **Ethernet:** Ethernet is the standard local area network (LAN) protocol. Ethernet was originally specified to connect devices on a company or home network as well as to a cable modem or DSL modem for Internet access. Due to its ubiquity in the LAN, Ethernet has become a popular transmission protocol in metropolitan, regional, and long haul networks as well
- **Fiber Miles:** Fiber miles are the number of route miles in a network multiplied by the number of fiber strands within each cable on the network. For example, if a ten mile network segment has a 24 count fiber installed, it would represent 10x24 or 240 fiber miles
- **Fiber Optics:** Fiber, or fiber optic cables, are thin filaments of glass through which light beams are transmitted over long distances
- **FTT (Fiber-to-the-Tower):** FTT are projects that connect cell sites to the wider terrestrial network via fiber optic connections
- **FTT Market:** FTT market is a distinct geographic area served by a Zayo FTT location
- **FTT Projects:** FTT projects are shown in new sales (bookings) results as FTT projects that have a >12 month payback, typically associated with network expansion projects rather than increasing capacity to an existing tower on the Company' s network. FTT projects with <12 month payback are captured in the <12 month payback capital category
- **FTT Tenant:** Service provided to a unique customer cabinet/shelter location at a tower
- **FTT Tower:** FTT tower is a specific cell site served with fiber by the Company
- **Gbps:** Gigabits per second is a measure of telecommunications transmission speed. One gigabit equals 1 billion bits of information
- **Government Stimulus Capital:** Government stimulus capital is speculative capital in support of a government stimulus project where the government provides a grant that offsets a portion of the total project cost
- **Gross Installed Revenue:** Gross Installed Revenue is the amount of MRR and MAR for services that have been installed, tested, accepted by the customer, and entered into the billing system in a given period. Gross Installed Revenue is further divided into new service, price increases, and upgrades. Gross installed revenue does not include intercompany installs
- **Gross New Sales (Bookings):** The dollar amount of MRR and MAR orders in a period that have been signed by the customer and accepted by service activation. The dollar value of a Gross New Sale is equal to the monthly recurring price that the customer will pay for the service or the monthly amortized amount of the revenue that the Company recognizes for that service. Gross new sales (bookings) does not include intercompany sales
- **Growth Capital:** Capital expenditures related to obtaining new revenue. Growth capital is further stratified into success based capital and infrastructure capital

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- **Hard Disconnects:** Hard disconnects is churn processed where a service is disconnected without an associated replacement service
- **HDTV:** High-definition television
- **ILEC:** Incumbent local exchange carrier is a traditional telecommunications provider that, prior to the Telecommunications Act of 1996, had the exclusive right and responsibility for providing local telecommunications services in its local service area
- **Increased Scope on previously Approved Projects:** Capital expenditures to support increased scope or expense overruns on previously approved and reported capital expenditure commitments associated with gross new sales (bookings) reported in past quarters
- **Infrastructure Capital:** Growth capital related to obtaining new revenue, but associated with general network capacity and not directly related with new sales (bookings)
- **Integration Capital:** Capital expenditures related to projects resulting from integrating Zayo's network with the networks of acquired properties
- **Interconnection Service:** A service that is used to connect two customers who are located within a single building or within a single colocation space using either fiber or other means
- **Invested Capital:** Invested capital is the amount of debt and equity deployed in the business. Equity is calculated based on the amount of member's interest and excludes any accumulated loss or earnings. Debt is calculated on a net of cash basis and includes long term debt and capital lease obligations
- **Invested Capital Ratio:** The ratio of invested capital divided by the annualized Adjusted EBITDA of the most recent quarter
- **IP:** Internet protocol is the transmission protocol used in the transmission of data over the Internet
- **ISP:** Internet service provider provides access to the Internet for consumers and businesses
- **IXC:** Inter-exchange carrier is a telecommunications company that traditionally provided telecom service between local voice exchanges and intrastate or interstate (i.e., long distance) voice exchanges. Today, IXCs frequently provide additional services to their customers beyond voice including data and wireless Internet services
- **Lateral/Spur:** An extension from the main or core portion of a network to a customer's premises or other connection point
- **Levered Free Cash Flow:** Net cash provided by operating activities for the period minus capital expenditures for the period

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- **Local Loop:** A circuit that connects an end customer premise to a metropolitan network, regional network, or backbone network
- **Local Serving Office:** Local serving office is the NPA/NXX of the local or alternate serving central office of the customer location or primary location of the end user
- **LTE Network:** Long-term evolution network can be used to provide 4G cellular networks that are capable of providing high speed (greater than 100 Mbps) cellular data services
- **Maintenance Capital:** Capital expenditures related to preserving the existing network and embedded base of business
- **Market:** A distinct geographic area served by Zayo's fiber with add/drop capabilities
- **Mbps:** A measure of telecommunications transmission speed. One megabit equals one million bits of information
- **Meet-Me Room:** A physical location in a building, usually a data center or carrier hotel, where voice carriers, Internet service providers, data service providers, and others physically interconnect so that traffic can be passed between their respective networks. At any given colocation facility or data center, network owners may also be able to interconnect outside the Meet-Me Room
- **Mobile Switching Centers:** Buildings where wireless service providers house their Internet routers and voice switching equipment
- **Monthly Amortized Revenue (MAR):** Revenue related to the amortized portion of install charges and IRUs. MAR does not include intercompany revenue or revenue from accounts that are believed to be uncollectible
- **Monthly Recurring Revenue (MRR):** Revenue related to an ongoing service that is generally fixed in price. MRR does not include intercompany revenue or revenue from accounts that are believed to be uncollectible
- **MPLS:** Multi-protocol label switching is a standards-based technology for speeding up data services provided over a network and making those data services easier to manage
- **Multiplexing:** An electronic or optical process that combines a large number of lower speed transmissions into one higher speed transmission
- **Negative Price Change:** Churn processed from existing services where the price was decreased. The incremental price change is counted in churn processed
- **Net AFFO:** AFFO plus upfront customer payments from less than twelve month payback on net new sales less cash payments related to capital expenditures for (i) less than twelve month payback on net new sales and (ii) network capacity
- **Net Capital:** Capital Expenditures for the period less additions to deferred revenue in the period

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- **Net Install Pipeline:** Net install pipeline is the sum of the MRR and MAR for orders in the service activation pipeline and the churn pipeline
- **Net Installed Monthly Recurring Revenue:** The net change to MRR and MAR, equal to gross installed revenue less churn processed
- **Net New Sales (Bookings):** Gross New Sales (Bookings) less Cancellations of Gross New Sales (Bookings)
- **Network Capacity Capital:** Growth capital expenditures in support of capacity growth requirements on Zayo's existing network backbone, not directly associated with specific customer sales
- **New Service:** Gross installed revenue from new services
- **NOC:** Network operations center is a location that is used to monitor networks, troubleshoot network degradations and outages, and ensure customer network outages and other network degradations are restored
- **OC:** Optical carrier level is a measure of the transmission rate of optical telecommunications traffic. For example: OC-3 corresponds to 155 Mbps. See the definition of "Capacity"
- **On-net building:** A building on Zayo's network with a fiber connection to someone other than the local ILEC
- **Opportunistic Network Expansions Capital:** Speculative capital expenditures to support a network expansion in anticipation of future new sales (bookings)
- **Optronics:** Various types of equipment that are commonly used to light fiber. Optronics include systems that are capable of providing SONET, Ethernet, Wavelengths, and other service over fiber optic cable
- **Other Capital:** Capital expenditures not directly related to Zayo's network. Other capital includes IT, furniture and fixtures, and other miscellaneous capital expenditures
- **Other Revenue:** Other Revenue includes Credits and Adjustments; Termination Revenue; Construction Services; and Asset Sales (if any)
- **Payback Period:** The period of time (measured in months) in which the gross profit for a gross new sale is equivalent to the estimated capital expenditures and non-recurring network expense less non-recurring revenue related to that Gross New Sale. The payback period is an approximation of the return on a gross new sale and does not include sales costs, allocation of indirect operating expenses, depreciation and amortization, or any cost of capital
- **POP:** Point-of-presence is a location in a building separate from colocation facilities and data centers that houses equipment used to provide telecom or Bandwidth Infrastructure services
- **PRI:** Primary rate interface is a standardized telecommunications service level for carrying multiple DS-0 voice and data transmissions between a network and a user

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- **Price Decrease:** Churn processed from existing services where the price was decreased
- **Price Decrease as a Percentage of Affected MRR/MAR:** The percentage change between the old price and the new price, calculated by dividing the incremental negative price change by the old price
- **Price Increase:** Price increase is the gross installed revenue from existing services where the price was increased
- **Price Increase as a Percentage of Affected MRR/MAR: T**he percentage change between the old price and the new price, calculated by dividing the incremental positive price change by the old price
- **Quota Bearing Headcount (QBHC):** Quota bearing headcount is an employee who is responsible for selling a target amount of new sales (bookings) per month
- **Renewal:** a renewal is an event where the contract is extended and the price does not change
- **Replacement Services:** Replacement services are gross installed revenue from existing services where one type of service is replaced with a different type of service from another strategic product group (i.e., customer migrates from Sonet to Ethernet, Waves to Dark Fiber, etc.)
- **Revenue Commitment:** MRR related to contractual obligations that customers have made to increase their purchased services on or prior to a future date or to maintain certain billing levels after the end of the initial contract term. Most Revenue Commitments are related to FTT and represent contractual obligations. Often, the customer has flexibility on the specific service and location which will satisfy the commitment
- **Revenue Under Contract:** The total contract value for all existing and committed services. Revenue under contract is further stratified into contract value associated with the embedded base, service activation pipeline, and revenue commitments. Revenue under contract excludes intercompany revenue and amortization of deferred revenue
- **RLEC:** Rural local exchange carrier is an ILEC that serves rural areas
- **Route miles:** Route miles are the length, measured in non-overlapping miles, of a fiber network. Route miles are distinct from fiber miles, which is the number of route miles in a network multiplied by the number of fiber strands within each cable on the network
- **Service Activation Pipeline:** The MRR and MAR associated with cumulative gross new sales (bookings) that have not yet become gross installed revenue (have not been activated or installed). Service activation pipeline does not include intercompany sales
- **Service Orders:** The MRR and MAR for signed customer orders for specifically defined services that are scheduled to be installed and billed on a future date. In the case of revenue commitments, when the service is specifically defined, it is reclassified from the revenue commitment category to the service order category

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- **SONET:** Synchronous optical network is a network protocol traditionally used to support SONET/digital signal services. This protocol enables transmission of voice, data, and video at high speeds. Protected SONET networks provide for virtually instantaneous restoration of service in the event of a fiber cut or equipment failure
- **SONET/Digital Signal:** Dedicated private bandwidth that generally utilizes SONET technology and is used to connect various locations
- **Speculative Capital:** Growth capital expenditures associated with selective network extensions or geographic expansions in anticipation of better positioning Zayo for future sales. New colocation facilities or major colocation expansion would be categorized as Speculative Capital. In some cases an initial sale may help offset the expenditure. FTT projects are excluded from this category. Speculative projects are further stratified to include government stimulus projects, opportunistic network expansions, and customer specific (success based) with negative payback periods
- **Strategic Product Groups**: The Company's Strategic Product Groups ("SPGs") are our primary decision-making and governance organizations. Strategic Product Groups are structured around the services that we provide and operate with a high degree of autonomy and financial responsibility. The Company's SPGs are comprised of the following: Zayo Dark Fiber ("Dark Fiber"), Zayo Mobile Infrastructure Group ("MIG"), Zayo Colocation ("zColo"), Zayo Wavelengths ("Waves"), Zayo SONET Services ("SONET"), Zayo Ethernet Services ("Ethernet"), Zayo IP Services ("IP"), Zayo Cloud Services ("Cloud"), and Zayo Professional Services ("ZPS")
- **Streaming:** The delivery of media, such as movies and live video feeds, over a network in real time
- **Success Based Capital:** Capital expenditures directly related to the acquisition of new sales (bookings) and includes projects that are stratified into <12 month payback projects, >12 month payback projects, and a subset of speculative projects
- **Switch:** A switch is an electronic device that selects the path that voice, data, and Internet traffic take or use on a network
- **Transport:** A telecommunication service to move data, Internet, voice, video, or wireless traffic from one location to another
- **Unit:** Unit is a distinct service sold independent of the type of service (including capacity, location, etc.) Reported units do not include Fiber Miles
- **Upgrade:** Upgrades are gross installed revenue from existing services where one type of service is replaced with another higher bandwidth/typically higher priced service, where both services have the same location. Typically the service being replaced was purchased several years ago and has reverted to a month-to-month contract, and the new service is higher bandwidth and includes an extension of the term

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- **Utilized Colocation Cabinet Equivalents:** Utilized colocation cabinet equivalents are the total number of occupied cabinet equivalents available in the Zayo Colocation facilities. The number is calculated by dividing the total occupied colocation space by an assumed cabinet footprint of 25 square feet
- **VPN:** Virtual private network is a computer network that is implemented as an overlay on top of an existing larger network
- **Wavelength:** A channel of light that carries telecommunications traffic through the process of wavelength division multiplexing
- **WiMax:** Worldwide interoperability for microwave access. WiMax services can be used by 4G cellular networks that are capable of providing high speed (greater than 100 Mbps) cellular data services
- **Zayo Hut:** Zayo hut is a remote regeneration facility
- **Zayo Point of Presence:** Zayo point of presence is an access or demarcation point or interface point between communications entities