

**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE**

IN RE:

APPLICATION OF UNITI FIBER LLC

DOCKET NO. 18-00116

**FOR A CERTIFICATE OF CONVENIENCE
AND NECESSITY TO PROVIDE COMPETING
LOCAL EXCHANGE AND INTEREXCHANGE
TELECOMMUNICATIONS SERVICES**

**APPLICATION OF UNITI FIBER LLC FOR AUTHORITY TO PROVIDE
COMPETING LOCAL EXCHANGE AND INTEREXCHANGE SERVICE**

Uniti Fiber LLC, ("Applicant" or "Uniti"), pursuant to T.C.A. §§ 65-2-103, 65-2-102 and 65-4-201; Section 253 of the Federal Telecommunications Act of 1996; and Section 1220-4-8-.04 of the Rules of the Tennessee Public Utility Commission, Division of Public Utilities (the "Commission"), respectfully submits this Application for Authority to Provide Competing Local Exchange and Interexchange Telecommunications Services within the State of Tennessee.

Applicant intends to provide local exchange service and interexchange service to customers located statewide with an emphasis on Tier 2, Tier 3, and rural areas of Tennessee. Upon grant of this Application, Uniti will negotiate interconnection and resale arrangements with the incumbent Local Exchange Carriers ("LECs") and commence offering service. Initially, Applicant will be negotiating an interconnection/resale agreement with BellSouth Telecommunications, Inc. d/b/a AT&T Tennessee ("AT&T") to provide local service. Applicant already has a multi-state interconnection agreement with AT&T. Upon approval of this Application, Applicant intends to work with AT&T to amend that agreement to include Tennessee.

In support of its Application, Uniti submits the following:

I. Introduction

1. The full name, address, and contact information for the Applicant are:

Uniti Fiber LLC
107 St. Francis St.
Suite 1800
Mobile, AL 36602
(251) 662-1170
www.uniti.com/fiber

2. The following is a list of Applicant's corporate officers:

Kenneth Gunderman, Chief Executive Officer
Mark Wallace, Executive Vice President – Chief Financial Officer and Treasurer
Daniel Heard, Executive Vice President – General Counsel and Secretary
Mike Friloux, Senior Vice President – Chief Technology Officer
Blake Schuhmacher, Vice President – Chief Accounting Officer
Keith Harvey, Vice President – Deputy General Counsel
Jeffrey Strenkowski, Vice President – Deputy General Counsel of Governmental Affairs
Julie Plowman, Vice President – Deputy General Counsel
Kelly McGriff, Vice President – Deputy General Counsel
Arnoud Krijt, Vice President – Corporate Development
Allison Taylor, Vice President – Operations
Jennifer Ragsdale, Vice President – Human Resources
Sasibeh Beyene, Vice President – Tax
Ricky Chura, Vice President – Chief Information Officer
Andy Newton, President – Uniti Fiber
Greg Ortyl, Sr. Vice President – Wholesale and Wireless Sales
Robert Leithman, Sr. Vice President – Sales and Customer Experience
Eric Daniels, Sr. Vice President – Operations
Paul Bullington, Sr. Vice President – Strategic Operations
Thomas Payne, Vice President – Carrier Relations
Greg Tapscott, Vice President – Controller
Jon Gifford, Vice President – Government Sales
Derrick Lindsay, Vice President – Broadband
Gary Tomeo, Vice President – Controller
Jack De La Garza, Vice President – Engineering
William Hanes, Vice President – Communications & Public Affairs
Christopher Jones, Vice President – Strategic Initiatives
Gavin O'Connell, Vice President – Strategic Analysis
Patricia Morrison, Vice President – Controller
Joseph Patton, Vice President – Enterprise Sales
Andru Bramlett, Vice President – OSP
Jason Wells, Vice President – ISP and Field Operations
Gabe Watson, Vice President – Operations

Wayne Curry, Vice President - Administration
Ryan Fitzgerald, Vice President – Financial Planning & Analysis
Stephen Smith, Vice President – Financial Operations

The above-named individuals can be reached at the Applicant's address set forth above.

3. Applicant is licensed as a telecommunications service provider by the Federal Communications Commission, as well as the public utility commissions in the following states: Alabama, California, Florida, Michigan, North Carolina, Ohio, South Carolina, Texas, and Wisconsin. Applicant also has an application pending before the Arkansas Public Service Commission for authority to provide telecommunications services in that state.

4. The name, address and telephone number of a contact person responsible for and knowledgeable about Applicant's Tennessee operations are:

Andru Bramlett, Vice President of Outside Plant
Uniti Fiber LLC
107 St. Francis St.
Suite 1800
Mobile, AL 36602
(251) 662-1170

5. The name, address and telephone number of a person responsible for repair and maintenance (customer service) are:

Eric Daniels, Senior Vice President of Operations
Uniti Fiber LLC
107 St. Francis St.
Suite 1800
Mobile, AL 36602
(251) 662-1170

6. All correspondence, notices, inquiries and other communications regarding this Application should be directed to:

Charles B. Welch, Jr., Esq.
Brittany L. Davis, Esq.
Farris Bobango PLC

414 Union St., Suite 1105
Nashville, TN 37219
(615) 726-1200 (p)
cwelch@farris-law.com
bdavis@farris-law.com

7. In support of this Application, the following exhibits are attached hereto:
- a. **Exhibit A** — Uniti's Certificate of Formation filed with the Secretary of State for the State of Delaware;
 - b. **Exhibit B** — Uniti's Certificate of Authority to Operate in Tennessee as a Foreign Limited Liability Company;
 - c. **Exhibit C** — Uniti's Form 10-Q and Form 10-K filed with the United States Security and Exchange Commission;
 - d. **Exhibit D** — Biographies of selected Uniti management;
 - e. **Exhibit E** — Corporate Organization Chart;
 - f. **Exhibit F** — IntraLATA Presubscription Implementation Plan;
 - g. **Exhibit G** — Small and Minority-Owned Telecommunications Business Participation Plan;
 - h. **Exhibit H** — Pre-Filed Testimony;
 - i. **Exhibit I** — Numbering Issues & Tennessee Specific Operational Issues;
 - j. **Exhibit J** — Bond or Letter of Credit;
 - k. **Exhibit K** — Tariffs.

II. Description of the Applicant

A. General Information

Applicant is a Delaware Limited Liability Company, which was formed as Wireless Infrastructure Partners, LLC on February 4, 2010. Wireless Infrastructure Partners, LLC filed a Certificate of Amendment to the Certificate of Formation of Wireless Infrastructure Partners, LLC on August 31, 2012 to change its name from Wireless Infrastructure Partners, LLC to PEG Bandwidth, LLC. PEG Bandwidth, LLC filed a Certificate of Amendment to the Certificate of Formation of PEG Bandwidth, LLC on October 31, 2016 to change its name from PEG Bandwidth, LLC to Uniti Fiber-PEG LLC. Uniti Fiber-PEG LLC filed a Certificate of Amendment to the Certificate of Formation of Uniti Fiber-PEG LLC on March 6, 2017 to change its name from Uniti

Fiber-PEG LLC to Uniti Fiber LLC. The documents filed with the Delaware Secretary of State are attached hereto as Collective **Exhibit A**.

Applicant is headquartered at 107 St. Francis St., Suite 1800, Mobile, AL 36602. Uniti is authorized to transact business in the State of Tennessee. Uniti's Certificate of Authority to Operate in Tennessee as a Foreign Limited Liability Company is attached hereto as **Exhibit B**.

Applicant is an indirect subsidiary of Uniti Group Inc., a publicly traded real estate investment trust (NASDAQ: UNIT). Further information on Uniti Group Inc. and its operations is available at: www.uniti.com.

B. Customer Service

Applicant maintains a network operations center ("NOC") that is staffed 24-hours per day, 365 days per year. Customers can obtain service by contacting Uniti NOC via a toll-free number (877) 240-1912. The Company's customer service contact information will be printed on customer invoices. The Applicant's customer service department is located at 107 St. Francis St., Suite 1800, Mobile, AL 36602.

a. **Office Hours** – Customer service representatives are available 24 hours a day, 7 days a week, 365 days a year.

b. **Complaint Procedures** – Customers shall pose any inquiries or disputes directly to the Applicant for resolution. Written communications should be directed to the company's customer service department. All undisputed portions of any outstanding balance are due to be paid while resolution of the inquiry or dispute is pending. The company will investigate a customer inquiry or dispute and report the findings to the customer. If the company finds its actions to be consistent with its tariff or other contractual arrangements, the company will inform the customer of its no fault finding and require full

balance of the outstanding balance due. If the customer is not satisfied with the company's resolution of an inquiry or dispute, the customer may refer the matter to the Commission for determination.

III. Uniti Possesses the Technical, Managerial and Financial Expertise Necessary to Provide Local Exchange Service

Uniti possesses the requisite technical, financial and managerial capabilities to operate as a competitive telecommunications provider. These capabilities are explained in detail below.

A. Financial Qualifications

Uniti relies on the financial support of its parent, Uniti Group Inc. Through Uniti Group Inc., Applicant is financially able to provide telecommunications services in Tennessee as evidenced by Uniti Group Inc.'s Form 10-Q and Form-K as filed with the United State Securities and Exchange Commission and attached hereto as **Exhibit C**.

B. Managerial Qualifications

Uniti's senior management team is highly skilled, and has had extensive experience in the telecommunications industry. Using this expertise, Uniti's management team has developed innovative operational, marketing, and customer service programs, and provides its customers with high quality advanced services at competitive rates. Uniti has extensive experience in the technical, managerial, and financial aspects of the telecommunications industry. The biographies of the key senior management team are attached hereto as **Exhibit D**.

C. Technical Qualifications and Proposed Service Area

Applicant's key management personnel have significant business and telecommunications experience. Uniti is authorized to provide local exchange and/or interexchange services in Alabama, California, Florida, Michigan, North Carolina, Ohio, South Carolina, Texas, and Wisconsin. It also has an application for certification pending in Arkansas. Uniti's affiliates, Hunt

Telecommunications, Southern Light, Contact Network (dba InLine), Nexus Systems, and PEG Bandwidth also hold authority, and operate underneath common management under the “Uniti Fiber” brand in the following additional states: Colorado, Delaware, the District of Columbia, Georgia, Illinois, Indiana, Iowa, Kentucky, Louisiana, Massachusetts, Mississippi, Missouri, New Jersey, New York, Pennsylvania, Virginia, and West Virginia.

Uniti will provide services primarily through its own facilities. It may also use unbundled network elements ("UNE") obtained through commercial and/or interconnection agreements, utilizing the facilities of the existing LECs or other competitive carriers that presently serve Tennessee.

The Applicant proposes to offer its services throughout the State of Tennessee, specifically targeting Tier 2, Tier 3, and rural areas. These areas are currently being served by various carriers, which are designated open to competition.

As the foregoing illustrates, Uniti is technically qualified to provide local exchange and interexchange telecommunications services in Tennessee. Also, Applicant is willing to adhere to all applicable Commission policies, rules and orders.

IV. Approval of Uniti's Application is in the Public Interest

Granting Uniti's Application is consistent with the public interest. and, in that regard Applicant makes the following representations to the Commission:

- a. Applicant possesses the technical, financial, and managerial resources sufficient to provide the services requested;
- b. Applicant's services will meet the service standards required by the Commission;
- c. The provision of services by Applicant will not adversely impact the availability of affordable local exchange service;
- d. Applicant, to the extent it is required to do so by the Commission, will participate in the support of universally available telephone service at affordable rates; and,

- e. The provision of local exchange and interexchange services by Applicant will not adversely impact the public interest.

The competitive market enables affordability and quality of service better than a monopoly environment. As competitors vie for a market share, they compete based upon price, innovation and customer service. Those providers that offer consumers the most value will gain market share. In contrast, providers whose products do not meet the needs of consumers will lose market share and may ultimately, be eliminated from the industry. Uniti's entry into the market will serve to boost telecommunications competition in Tennessee, which will ultimately benefit Tennessee citizens.

Additionally, Uniti's entry into the local exchange and interexchange markets will not unreasonably prejudice or disadvantage any telephone service providers. Incumbent local exchange carriers presently serve a large majority of the local exchange customers in Tennessee. The major advantages of incumbency (i.e., ownership of the existing local network as well as access to, and long-standing relationships with, every local customer) constitute a substantial obstacle to new entrants. Moreover, exchange services competition will stimulate the demand for the services supplied by all local service carriers, including those of the incumbent LECs. Thus, in a competitive market there will be increased potential for such LECs to generate higher revenues. Additionally, in a competitive market, incumbent providers will have market incentives to improve the efficiency of their operations, thereby reducing their costs and ultimately their profit margins.

In this regard, approval of this Application is clearly in the public interest.

V. Description of Services Offered

Uniti proposes to offer resold local exchange, interexchange, dedicated point-to-point private line service, VoIP, and dedicated Internet access to business and residential customers, effective immediately upon approval of this application. Uniti's data service offerings provide

bandwidth starting and T-1 (1.544 Mbps) and proceeds into the high-speed optical carrier networks. Uniti does not intend to provide alternate operator or switched access services at this time.

The Applicant's IntraLata Presubscription Implementation Plan is attached hereto as **Exhibit F**. Applicant's proposed tariffs are attached hereto as **Exhibit K**.

VI. Waivers and Regulatory Compliance

Uniti requests that the Commission grant it a waiver of those regulatory requirements inapplicable to competitive local service resellers such as Financial Record-Keeping System pursuant to Tennessee Rules and Regulation 1220-4-1-.1 1 (1). Such rules are not appropriate or necessary for competitive providers and constitute an economic barrier to entry into the local exchange market.

A. Financial Record-Keeping System

Uniti requests that it be exempt from any record-keeping rules or regulations that might require a carrier to maintain its financial records in conformance with the Uniform System of Accounts ("USOA"). The USOA was developed by the FCC as a means of regulating telecommunications companies subject to rate base regulation, and as a competitive carrier, Uniti does not maintain its financial records in this manner.

As a competitive carrier, Uniti maintains its book of accounts in accordance with Generally Accepted Accounting Principles ("GAAP"). Neither the FCC, nor the Commission, has required Uniti to maintain its records under the USOA for purposes of Uniti's interexchange operations. Thus, Uniti does not possess the detailed cost data required by USOA, nor does it maintain detailed records on a state-specific basis. As a competitive provider, Uniti's network operations are integrated to achieve maximum efficiency. Having to maintain records pertaining specifically to its Tennessee local service operations would place an extreme burden on Uniti.

Moreover, Uniti asserts that because it utilizes GAAP the Commission will have a reliable means by which to evaluate Uniti's operations. Therefore, Uniti hereby respectfully requests to be exempted from the any USOA requirements of the Commission.

The Applicant will provide wire line activity reports as required by the Commission rules and regulations.

B. Local Exchange Directories

Uniti requests that it not be required to publish local exchange directories. To the extent necessary, Uniti will make arrangements with the incumbent LECs whereby the names of Uniti's relevant voice service customers will be included in the directories published by the incumbent LECs. LEC directories will also be modified to include Uniti's customer service number. These directories will be distributed to Uniti's voice service customers. This approach is entirely reasonable and will have a direct benefit to the customers of both Uniti and the incumbent LEC since they need only refer to one directory for a universal listing of customer information. It would be an unnecessary burden on Uniti to require that it publish and distribute its own directory to all customers located within each exchange area, particularly since nearly all of these customers will be customers of the incumbent LECs. It is more efficient for Uniti to simply include its limited customer list in the existing directories of the incumbent LECs.

VII. Regulatory Obligations

Applicant shall provide, either directly or indirectly or through arrangements with other carriers or companies, to the extent required by law or regulation:

1. Access to 911 and E 911 emergency service;
2. White page directory listings and directory assistance;

3. Consumer access to and support for the Tennessee Relay Center in the same manner as incumbent local exchange telephone companies; and
4. Free blocking service for 900, 976 type services in accordance with Commission policy.
5. Support for universal service in a manner determined by the Commission. This requirement shall not be construed as prohibiting the granting of a certificate before the universal service issues are determined by the Commission;
6. Interconnection with other certified carriers or Commission authorized carriers on a nondiscriminatory basis under reasonable terms and conditions;
7. Service that complies with the Commission's basic service standards as defined in any applicable rules and decisions of the Commission; and
8. Equal access to authorized inter-and intraLATA long distance providers, unless otherwise exempted by the Commission.

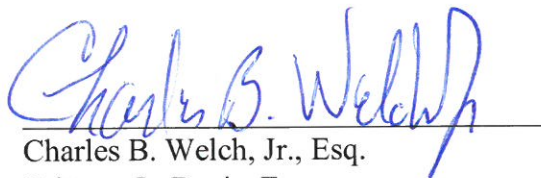
VIII. Conclusion

This Application demonstrates that Uniti Fiber LLC possesses the technical, financial and managerial resources to provide resold local exchange and interexchange service in the State of Tennessee. Furthermore, granting this Application will promote the public interest by increasing the level of competition in the Tennessee telecommunications market. Ultimately, competition will compel all exchange telecommunications service providers to operate more efficiently and with resulting reduced prices for consumers. In addition, as a result of competition, the overall quality of local exchange service will improve. As stated above, Applicant does not intend to provide local service, by its own facilities or otherwise, to any customer located in a rural incumbent LECs

service area, until Applicant provides such LECs notice of intent at least 30 days prior to the date of the intended service, or as otherwise required by law.

Wherefore, Uniti LLC, respectfully petitions this Tennessee Public Utility Commission for a Certificate of Public Convenience and Necessity to Provide Competing local exchange and interexchange telecommunications services in the State of Tennessee in accordance with this Application and for such other relief as it deems necessary and appropriate.

Respectfully Submitted,

A handwritten signature in blue ink, reading "Charles B. Welch, Jr.", is written over a horizontal line.

Charles B. Welch, Jr., Esq.

Brittany L. Davis, Esq.

Farris Bobango PLC

414 Union St., Suite 1105

Nashville, TN 37219

(615) 726-1200 (p)

cwelch@farris-law.com

bdavis@farris-law.com

Dated: November 2nd, 2018.

VERIFICATION OF APPLICANT

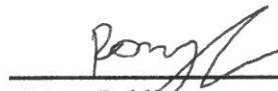
STATE OF MARYLAND)
)
COUNTY OF MONTGOMERY)

I, Jeffrey R. Strenkowski, state that I am the Vice President, Deputy General Counsel of Governmental Affairs for Uniti Fiber, LLC, a Delaware Limited Liability Company, the Applicant for a Certificate of Public Convenience and Necessity from the Tennessee Public Utility Commission, verify that based on information and belief, I have knowledge of the statements in the foregoing Application, and I declare that they are true and correct.



Jeffrey R. Strenkowski, Vice President
Deputy General Counsel of Governmental Affairs

Subscribed and sworn to before me this 1 day of November, 2018.



Notary Public

My Commission Expires: 03/05/2022

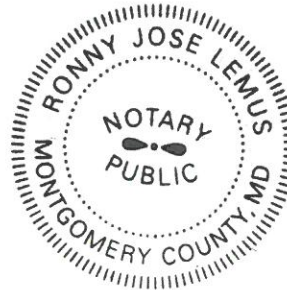


Exhibit A

Uniti's Certificate of Formation filed with the Secretary of State
for the State of Delaware

Delaware

The First State

Page 1

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF
DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT
COPY OF THE CERTIFICATE OF AMENDMENT OF "UNITI FIBER-PEG LLC",
CHANGING ITS NAME FROM "UNITI FIBER-PEG LLC" TO "UNITI FIBER
LLC", FILED IN THIS OFFICE ON THE SIXTH DAY OF MARCH, A.D.
2017, AT 5:54 O`CLOCK P.M.


Jeffrey W. Bullock, Secretary of State

4785663 8100
SR# 20171619646

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

Authentication: 202150535
Date: 03-06-17

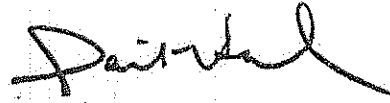
**STATE OF DELAWARE
CERTIFICATE OF AMENDMENT
TO
CERTIFICATE OF FORMATION
OF
UNITI FIBER-PEG LLC**

March 6, 2017

1. The name of the limited liability company is Uniti Fiber-PEG LLC.
2. The Certificate of Formation of the limited liability company is hereby amended by deleting and replacing Article 1. in its entirety as follows:
 1. The name of the limited liability company is Uniti Fiber LLC.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Amendment
as of the date first written above.

A handwritten signature in black ink, appearing to read "Daniel L. Heard", written over a horizontal line.

Daniel L. Heard, Authorized Person

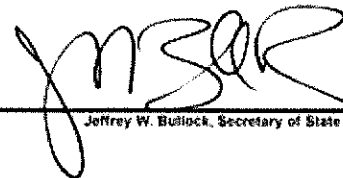
Delaware

The First State

Page 1

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "PEG BANDWIDTH, LLC", CHANGING ITS NAME FROM "PEG BANDWIDTH, LLC" TO "UNITI FIBER-PEG LLC", FILED IN THIS OFFICE ON THE TWENTY-EIGHTH DAY OF OCTOBER, A.D. 2016, AT 3:52 O`CLOCK P.M.




Jeffrey W. Bullock, Secretary of State

4785663 8100
SR# 20166408922

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

Authentication: 203247223
Date: 10-31-16

**STATE OF DELAWARE
CERTIFICATE OF AMENDMENT
TO
CERTIFICATE OF FORMATION
OF
PEG BANDWIDTH, LLC**

State of Delaware
Secretary of State
Division of Corporations
Delivered 03:52 PM 10/28/2016
FILED 03:52 PM 10/28/2016
SR 20166408922 - File Number 4785663

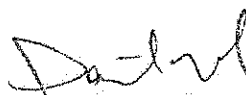
October 28, 2016

1. The name of the limited liability company is PEG Bandwidth, LLC.
2. The Certificate of Formation of the limited liability company is hereby amended by deleting and replacing Article First in its entirety as follows:

First: The name of the limited liability company is Uniti Fiber-PEG LLC.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Amendment
as of the date first written above.

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

Daniel L. Heard, Authorized Person

Delaware

PAGE 1

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "WIRELESS INFRASTRUCTURE PARTNERS, LLC", CHANGING ITS NAME FROM "WIRELESS INFRASTRUCTURE PARTNERS, LLC" TO "PEG BANDWIDTH, LLC", FILED IN THIS OFFICE ON THE THIRTY-FIRST DAY OF AUGUST, A.D. 2012, AT 8:03 O'CLOCK A.M.

4785663 8100

120987328

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




Jeffrey W. Bullock, Secretary of State
AUTHENTICATION: 9817427

DATE: 08-31-12

CERTIFICATE OF AMENDMENT
TO
CERTIFICATE OF FORMATION
OF
WIRELESS INFRASTRUCTURE PARTNERS, LLC

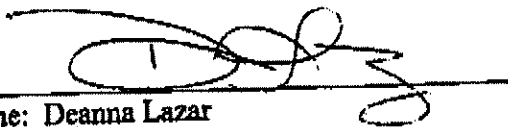
Pursuant to Section 18-202 of the
Delaware Limited Liability Company Act

1. The name of the limited liability company is Wireless Infrastructure Partners, LLC (the "Company").
2. The Certificate of Formation of the Company is hereby amended to change the name of the Company to PEG Bandwidth, LLC.
3. Accordingly, Article 1. of the Certificate of Formation shall, as amended, read as follows:

"1. The name of the limited liability company is PEG Bandwidth, LLC."

IN WITNESS WHEREOF, the undersigned authorized person has executed this Certificate of Amendment this 31st day of August, 2012.

WIRELESS INFRASTRUCTURE PARTNERS, LLC

By: 
Name: Deanna Lazar
Title: Authorized Person

CERTIFICATE OF FORMATION

OF

WIRELESS INFRASTRUCTURE PARTNERS, LLC

1. The name of the limited liability company is Wireless Infrastructure Partners, LLC.
2. The address of its registered office in the State of Delaware is 1209 Orange Street, in the city of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Formation of Wireless Infrastructure Partners, LLC this 4th day of February, 2010.

Wireless Infrastructure Partners, LLC

By: /s/ Deanna Lazar
Deanna Lazar
Authorized Person

Delaware

PAGE 1

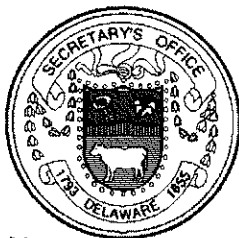
The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF FORMATION OF "WIRELESS INFRASTRUCTURE PARTNERS, LLC", FILED IN THIS OFFICE ON THE FOURTH DAY OF FEBRUARY, A.D. 2010, AT 4:50 O'CLOCK P.M.

4785663 8100

100110965

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




Jeffrey W. Bullock, Secretary of State
AUTHENTICATION: 7799730

DATE: 02-04-10

Exhibit B

Uniti's Certificate of Authority to Operate in Tennessee
as a Foreign Limited Liability Company



Tre Hargett
Secretary of State

Division of Business Services
Department of State
State of Tennessee
312 Rosa L. Parks AVE, 6th FL
Nashville, TN 37243-1102

BRITTANY DAVIS
SUITE 1105
414 UNION ST.
NASHVILLE, TN 37219

October 24, 2018

Request Type: Certificate of Existence/Authorization
Request #: 0293885

Issuance Date: 10/24/2018
Copies Requested: 1

Document Receipt

Receipt #: 004346463
Payment-Credit Card - State Payment Center - CC #: 3742407344

Filing Fee: \$20.00
\$20.00

Regarding: UNITI FIBER LLC

Filing Type: Limited Liability Company - Foreign

Control #: 987534

Formation/Qualification Date: 09/28/2018

Date Formed: 02/04/2010

Status: Active

Formation Locale: DELAWARE

Duration Term: Perpetual

Inactive Date:

CERTIFICATE OF AUTHORIZATION

I, Tre Hargett, Secretary of State of the State of Tennessee, do hereby certify that effective as of the issuance date noted above

UNITI FIBER LLC

* is a Limited Liability Company formed in the jurisdiction set forth above and is authorized to transact business in this State;

* has paid all fees, interest, taxes and penalties owed to this State (as reflected in the records of the Secretary of State and the Department of Revenue) which affect the existence/authorization of the business;

* has appointed a registered agent and registered office in this State;

* has not filed an Application for Certificate of Withdrawal.

Tre Hargett
Secretary of State

Processed By: Cert Web User

Verification #: 030230215

Exhibit D

Biographies of selected Uniti management

Key Personnel Biographies

Andy Newton

Andy Newton is President of Uniti Fiber. Andy recently joined Uniti Fiber through the acquisition of Southern Light, LLC. Andy was the co-founder of Southern Light, and for the previous 19 years served as its President and CEO where he led the overall operations, strategic guidance and culture of the company. Under his direction, Southern Light grew to become one of the top 10 largest pure fiber optic providers in the country. Newton received an Economics degree from Birmingham Southern College and enjoys providing leadership to non-profits that focus on education and community planning and development.

Greg Ortyl

Greg Ortyl is Senior Vice President of Wholesale and Wireless Sales at Uniti Fiber. Ortyl is a seasoned technology sales executive with a long history of building lasting relationships across the telecommunications industry. Prior to the creation of Uniti Fiber, Ortyl held the same role at PEG Bandwidth and has focused much of his career on the wireless backhaul industry.

Prior to working at PEG, Ortyl served as vice president and director of backhaul sales at Level 3 Communications. In this role he managed a team of sales people and formed key relationships with major US wireless carriers. He also held the position of national account director at FiberTower.

Robert Leithman

Robert Leithman is Senior Vice President of Sales and Customer Experience at Uniti Fiber. Robert recently joined Uniti Fiber through the acquisition of Hunt Telecommunications, where he was a founder, and served as the company's President, and grew Hunt Telecommunications into a major provider of telecommunications services throughout Louisiana and a leading provider of data transport services to K-12 schools and other entities through the FCC's E-Rate program.

Eric Daniels

Eric Daniels is Senior Vice President of Operations at Uniti Fiber. Eric recently joined Uniti Fiber through the acquisition of Southern Light, LLC, where he served as Chief Operating Officer.

Paul Bullington

Paul Bullington is Senior Vice President of Strategic Operations for Uniti Fiber. Paul recently joined Uniti Fiber through the acquisition of Southern Light, LLC, where he served as Chief Financial Officer.

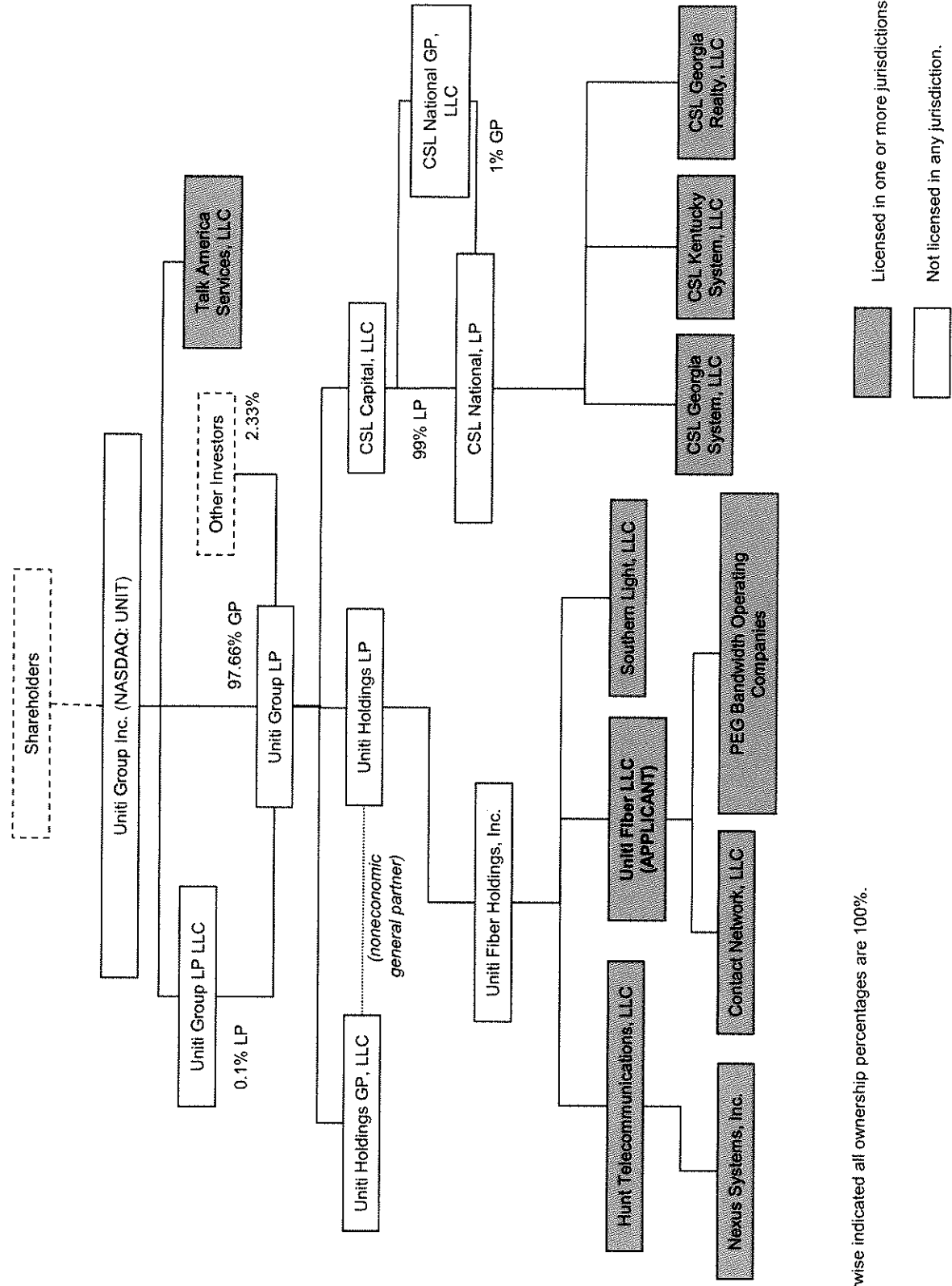
Tom Payne

Tom Payne is Vice President of Carrier Relations for Uniti Fiber. Payne's responsibilities include all purchasing of dark fiber, lit services, and high availability space. Prior to the creation of Uniti Fiber, Payne held the same role at PEG Bandwidth. Before his time with PEG he held several senior positions in marketing or planning at Zayo Communications, Citynet Fiber Network, AFN Communications, Williams Communications, EDS and Nortel Network.

Exhibit E

Corporate Organization Chart

Uniti Group Licensees Organizational Chart



Unless otherwise indicated all ownership percentages are 100%.

Licensed in one or more jurisdictions.

Not licensed in any jurisdiction.

Exhibit F

IntraLATA Presubscription Implementation Plan

UNITI FIBER LLC (“Uniti Fiber”)

IntraLATA Presubscription Implementation Plan

I. Purpose

The intent of this Plan is to provide a proposal that, upon implementation, would provide customers the ability to select the telecommunications carrier of their choice for routing their intraLATA toll calls when subscribing to Uniti Fiber switched voice telecommunications services. With respect to such services, Uniti Fiber proposes to implement intraLATA toll dialing parity from the date it receives authority to provide local exchange services in Tennessee and has entered into interconnection arrangements with the ILECs. Uniti Fiber proposes to provide toll dialing parity to the Chattanooga, Knoxville, Memphis and Nashville LATAs. Attached hereto are the exchange areas that Uniti Fiber proposes to provide intraLATA toll dialing parity.

II. Carrier Selection Procedures

Uniti Fiber will implement the full 2-PIC (Primary Interexchange Carrier) carrier selection methodology. With the full 2-PIC methodology, customers will be able to presubscribe to one telecommunications carrier for interLATA toll calls and presubscribe to the same or a different participating telecommunications carrier, including their existing local exchange company, for all intraLATA toll calls. Orders for changes will be accepted and processed beginning on the implementation date.

Uniti Fiber employees who communicate with the public, accept customer orders, and serve in customer service capacities will be trained to explain the process to customers for making PIC changes for intraLATA toll calls. Business office personnel will be prepared to make changes in customer records based upon requests from customers or carriers and direct customers to their chosen intraLATA carriers. Processes will be in place to provide new customers with an opportunity to choose their intraLATA toll carrier from a list of available carriers. Uniti Fiber will implement a PIC change charge waiver period of 90 days.

New Customers

New customers who subscribe to Uniti Fiber telephone exchange service will be provided a list of telecommunications carriers available to provide interLATA toll service. Upon implementation of intraLATA toll presubscription, the customer will be provided a second list of carriers, including Uniti Fiber, that provide intraLATA toll service in their exchange. The list of intraLATA toll carriers will be presented in a competitively neutral manner. Customers who do not make a positive choice for an intraLATA toll carrier will be identified within Uniti Fiber’s system as a “no-PIC” and will not be automatically defaulted to a carrier. Customers identified as “no-PIC” within Uniti Fiber’s systems will be required to dial 101XXXX to place intraLATA toll calls until they make an affirmative choice for an intraLATA toll carrier.

III. Customer Education/Notification

Switched voice telecommunications service customers in Tennessee will receive information explaining their opportunity to select an intraLATA carrier a minimum of 30 days in advance of the offering of intraLATA toll dialing parity via a bill message. In addition, during the 30 days following implementation of intraLATA Dialing Party, such customers will receive a bill insert also explaining their opportunity to select an intraLATA carrier. Uniti Fiber anticipates that promotional strategies by carriers will contribute to customer awareness of intraLATA toll dialing parity.

IV. Carrier Notification

Current interexchange carriers will be notified of Uniti Fiber's intraLATA toll dialing parity implementation via letter approximately 90 days in advance of the date that Uniti Fiber begins offering such services covered by the Plan. Carriers should provide a list of exchanges in which they plan to offer intraLATA toll service at least 60 days in advance of Uniti Fiber's implementation date. Uniti Fiber needs notification in advance to include the carrier on the list of participating carriers in each Uniti Fiber exchange. Certified carriers who enter the market after implementation will be added to the list of participating carriers within 30 days of notifying Uniti Fiber.

Uniti Fiber will provide subscriber listing information to carriers in "readily accessible" tape or electronic formats in a timely manner as requested through the processes that currently exist for the interLATA market. The process includes subscriber listing updates to carriers for new customers who choose that carrier or of existing customers of a carrier who revise their subscriber listing information. In addition, carriers can obtain complete subscriber listings in several formats. The provision of this information is in compliance with FCC Order No. 96-333, Paragraph 389.

As applicable, Uniti Fiber will comply with Part 51, Sections. 305, 307, 325, 327, 329, 331, 333 and 335 of the FCC Order in providing the required information and notice to the public of network changes. When applicable, Uniti Fiber will file a public notice with the FCC, with possible migration of the notice to the Internet process as described in Section 329. The notice will include network information as outlined in Section 327. The notice will be provided within the time frames described in Sections 331-333. Uniti Fiber will comply with all rules of the FCC and the Tennessee PUC.

V. Non-Discriminatory Access

Upon provision of switched voice telecommunications services, Uniti Fiber will provide:

- (1) non-discriminatory access to emergency services and services for the hearing and speech impaired;
- (2) non-discriminatory access to local and long distance directory assistance and provision of local telephone directories to end users;
- (3) non-discriminatory access to operator services;

- (4) non-discriminatory access using standard dialing patterns to all interLATA and intraLATA long distance carriers, including 1+ and 0+ access to the customer's carrier of choice for interLATA calls; and
- (5) non-discriminatory access to telephone numbers and number portability where technically and economically feasible.

VI. Slamming Policy

Verification of Orders

Uniti Fiber will not submit a change order for switched voice local exchange or intrastate toll service until the change order is confirmed in accordance with one of the following procedures:

- (a) Uniti Fiber has obtained the customer's written authorization to submit the order which includes the following information from the customer:
 - (1) The customer billing name, billing telephone number and billing address and each telephone number to be covered by the change order;
 - (2) The decision to change; and
 - (3) The customer's understanding of the change fee.
- (b) Uniti Fiber has obtained the customer's authorization, as described in (a) of this subsection, electronically.

Calls to the number(s) shall connect a customer to a voice response unit, or similar, that records the required information regarding the change, including automatically recording the originating automatic number identification (ANI).

- (c) An appropriately qualified and independent third party operating in a location physically separate from the telemarketing representative has obtained the customer's oral authorization to submit the change order that confirms and includes appropriate verification data in (a) of this subsection.

Implementing Order Changes

(a) Telemarketing orders. Within three business days of any telemarketing order for a change, Uniti Fiber will send each new customer an information package by first class mail containing at least the following information concerning the requested change:

- (1) The information is being sent to confirm a telemarketing order placed by the customer.
- (2) The name of the customer's current telecommunications company.
- (3) A description of any terms, conditions or charges that will be incurred.
- (4) The name of the newly requested telecommunications company.
- (5) The name of the person ordering the change.
- (6) The name address and telephone number of both the customer and Uniti Fiber.
- (7) A postpaid postcard which the customer can use to deny, cancel or confirm a service order.
- (8) A clear statement that if the customer does not return the postcard, the customer's service will be switched fourteen (14) days after the date the information package was mailed. If customers have cancelled their orders during the waiting period, Uniti Fiber cannot submit the customer's order.

(9) The name, address and telephone number of a contact point for consumer complaints.

(b) The documentation of the order shall be retained by Uniti Fiber, at a minimum, for twelve (12) months to serve as verification of the customer's authorization to change its telecommunications company. The documentation will be made available to the customer upon request.

(c) Customer initiated orders. When receiving a customer-initiated request for a change of local exchange and/or intrastate toll, Uniti Fiber shall keep an internal memorandum or record generated at the time of the request. Such internal record shall be maintained by Uniti Fiber for a minimum of twelve (12) months to serve as verification of the customer's authorization to change telecommunications companies. The internal record will be made available to the customer upon request. Within three business days of the order, Uniti Fiber will send each new customer an information package by first class mail containing at least the following information concerning the request to change.

List of Exchanges

Adams-Cedar Hill	Arlington	Ashland City	Athens
Bean Station	Bells	Bent Creek	Benton
Bethel Springs	Big Sandy	Blanche	Bolivar
Brownsville	Bulls Gap	Camden	Carthage
Cedar Grove	Centerville	Charleston	Charlotte
Chattanooga	Chestnut Hill	Clarksville	Cleveland
Clinton	Collierville	Columbia	Copper Basin
Covington	Cross Plains	Culleoka	Cumberland City
Cumberland Gap	Cunningham	Dandridge	Dayton
Decatur	Dickson	Dover	Dver
Dyersburg	Eagleville	East Sango	Elkton
Etowah	Fairview	Fayetteville	Flintville
Franklin	Fredonia	Gallatin	Gatlinburg
Georgetown	Gibson	Gleason	Goodlettsville
Grand Junction	Greenback	Greenbrier	Greenfield
Halls	Hampshire	Harriman	Hartsville
Henderson	Hendersonville	Henning	Hohenwald
Hornbeak	Humboldt	Huntington	Huntland
Jackson	Jasper	Jefferson City	Jellico
Kenton	Kingston	Kingston Springs	Knoxville
LaFollette	LaGrange	Lake City	Lawrenceburg
Lebanon	Lenoir City	Lewisburg	Lexington
Loudon	Lyles	Lynchburg	Lynnville
Madisonville	Manchester	Maryville	Mascot
Maynardville	McEwen	McKenzie	Medina
Memphis	Middleton	Milan	Morristown
Moscow	Mt. Pleasant	Murfreesboro	Nashville
Newbern	Newport	Normandy	Norris
N. Spring Hill	Oak Ridge	Old Hickory	Oliver Springs
Palmyra	Paris	Petersburg	Pleasant View
Portland	Pulaski	Ridgely	Ripley
Rockwood	Rogersville	Sango	Santa Fe
Savannah	Selmer	Sevierville	Sewanee
Shelbyville	Smyrna	Sneedville	Soddy-Daisy
Solway	Somerville	S. Cunningham	S. Fredonia
S. Pittsburgh	Spencer Mill	Spring City	Springfield
Spring Hill	Summertown	Surgoinsville	Sweetwater
Tiptonville	Trenton	Triune	Troy
Tullahoma	Union City	Vanleer	Wartrace
Watertown	Waverly	W. Sweetwater	W. Whiteville
White Bluff	White House	White Pine	Whiteville
Whitewell	Williamsport	Winchester	

Exhibit G

Small and Minority-Owned Telecommunications Business Participation Plan

UNITI FIBER LLC
SMALL & MINORITY OWNED TELECOMMUNICATIONS BUSINESS
PARTICIPATION PLAN

Pursuant to T.C.A. § 65-5-212, as amended, Uniti Fiber LLC ("Uniti Fiber") submits this small and minority-owned telecommunications business participation plan (the "Plan") along with its Application for a Certificate of Public Convenience and Necessity to provide competing intrastate and local exchange services in Tennessee.

I. PURPOSE

The purpose of § 65-5-212 is to provide opportunities for small and minority-owned businesses to provide goods and services to Telecommunications service providers. Uniti Fiber is committed to the goals of § 65-5-212 and to taking steps to support the participation of small and minority-owned telecommunications businesses in the telecommunications industry. Uniti Fiber will endeavor to provide opportunities for small and minority-owned telecommunications businesses to compete for contracts and subcontracts for goods and services. As part of its procurement process, Uniti Fiber will make efforts to identify and inform minority-owned and small businesses that are qualified and capable of providing goods and services to Uniti Fiber of such opportunities. Uniti Fiber representatives will contact the Department of Economic and Community Development, the administrator of the small and minority-owned telecommunications assistance program, to obtain a list of qualified vendors. Moreover, Uniti Fiber will seek to increase awareness of such opportunities so that companies not otherwise identified will have sufficient information to participate in the procurement process.

II. DEFINITIONS

As defined in §5-5-212:

Minority-Owned Business. Minority-owned business shall mean a business which is solely owned, or at least fifty-one percent (51%) of the assets or outstanding stock of which is owned, by an individual who personally manages and controls daily operations of such business, and who is impeded from normal entry into the economic mainstream because of race, religion, sex or national origin and such business has annual gross receipts of less than four million dollars (\$4,000,000).

Small Business. Small Business shall mean a business with annual gross receipts of less than four million dollars (\$4,000,000).

III. ADMINISTRATION

Uniti Fiber's Plan will be overseen and administered by the individual named below, hereinafter referred to as the Administrator, who will be responsible for carrying out and promoting Uniti Fiber's full efforts to provide equal opportunities for small and minority-owned businesses. The Administrator of the Plan will be:

Jeffrey R. Strenkowski
VP, Deputy General Counsel of Governmental Affairs
10802 Executive Center Drive
Suite 300
Little Rock, Arkansas 72211
Tel. 501-850-0820
Email: regulatory.affairs@uniti.com

The Administrator's responsibilities will include:

- (1) Maintaining an updated Plan in full compliance with §65-5-212 and the rules and orders of the Tennessee Public Utility Commission.
- (2) Establishing and developing policies and procedures necessary for the successful implementation of the Plan.
- (3) Preparing and submitting such forms as may be required by the Tennessee Public Utility Commission, including the filing of required annual updates.
- (4) Serving as the primary liaison to and cooperate with the Tennessee Public Utility Commission, other agencies of the State of Tennessee, and small and minority-owned businesses to locate and use qualified small and minority-owned businesses as defined in §5-5-212.
- (5) Encouraging minority-owned businesses and small businesses to participate in and bid on Uniti Fiber contracts and subcontracts.
- (6) Providing records and reports and cooperate in any authorized surveys as required by the Tennessee Public Utility Commission.
- (7) Establishing a record-keeping system to track qualified small and minority-owned businesses and efforts to use such businesses.
- (8) Providing information and educational activities to persons within Uniti Fiber and training such persons to seek out, encourage, and promote the use of small and minority-owned businesses.

In performance of these duties, the Administrator will utilize a number of resources, including:

Chambers of Commerce
The Tennessee Department of Economic and Community Development
The United States Department of Commerce
Small Business Administration
Office of Minority Business
The National Minority Supplier Development Counsel
National Association of Women Business Owners
The National Association of Minority Contractors
Historically Black Colleges, Universities, and Minority Institutions

The efforts to promote and ensure equal opportunities for small and minority-owned businesses are primarily spelled out in the Administrator's duties above. Additional efforts to provide opportunities to small and minority-owned businesses will include offering, where

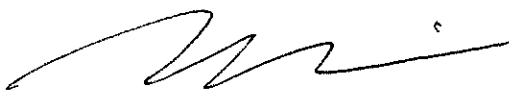
appropriate and feasible. small and minority-owned businesses assistance with technical, insurance, bonding, licensing. production, and deadline requirements.

IV. RECORDS AND COMPLIANCE REPORTS

Uniti Fiber will maintain records of qualified small and minority-owned business and efforts to use the goods and services of such businesses. In addition, Uniti Fiber will maintain records of educational and training activities conducted or attended and of the internal procurement procedures adopted to support this plan.

Uniti Fiber will submit records and reports required by the Tennessee Public Utility Commission concerning the Plan. Moreover, Uniti Fiber will cooperate fully with any surveys and studies required by the Tennessee Public Utility Commission.

On behalf of Uniti Fiber LLC,



By: Jeffrey R. Strenkowski

Dated: 11/1/16

Exhibit H

Pre-Filed Testimony

**PRE-FILED TESTIMONY
OF
JEFFREY R. STRENKOWSKI**

I. Introduction

1. **Q.** Please state your name and business address.

A. My name is Jeffrey R. Strenkowski. My business address is 107 St. Francis St., Suite 1800, Mobile, AL 36602.

2. **Q.** By whom are you employed and in what capacity?

A. I am the Vice President, Deputy General Counsel of Government Affairs for Uniti Fiber, LLC ("Uniti") as well as for Uniti's corporate parent, Uniti Group Inc.

3. **Q.** Please give a brief description of your background and experience in business and telecommunications.

A. I joined Uniti Group and Uniti Fiber in May 2017, and have the responsibility for managing the regulatory and governmental affairs for the company and its subsidiaries, including Uniti Fiber. Prior to joining Uniti, I served as the company's outside counsel for telecommunications regulatory affairs while employed as an attorney in the Telecommunications, Media and Technology practice group at Morgan Lewis & Bockius LLP in Washington, DC. In that capacity I represented U.S. and foreign communications and technology companies, including Uniti, on a broad range of corporate, financial and regulatory matters. I advised carriers, Internet content providers, application developers, and other clients on a wide range of state, federal and international regulatory, privacy, data security, data retention, and consumer protection matters. I received my Bachelor of Arts degree from the University of Maryland in 1999, and my law degree from American University, Washington College of Law in 2002. I have been actively employed in private practice on a full-time basis since receiving my law degree, until moving to Uniti Group in my current position in May 2017.

4. **Q.** What is the purpose of your testimony?

A. The purpose of my testimony is to describe the nature of Uniti's proposed service offering within the State of Tennessee, and to demonstrate its financial, managerial, and technical ability to provide the telecommunications services for which authority is sought herein.

5. **Q.** Do you wish to incorporate by reference any documents into your testimony?

A. Yes. I wish to incorporate by reference the underlying Application filed in this proceeding and its associated attachments.

II. The Business of Uniti

6. **Q.** Has Uniti registered to do business in Tennessee?

A. Yes. Uniti is a Delaware Corporation that has received authorization to transact business within the State of Tennessee. A copy of Uniti's Certificate of Incorporation is attached to the Application as Exhibit A and a copy of the document of authorization from the State of Tennessee is attached to that Application as Exhibit B.

7. **Q.** Please describe the services Uniti intends to provide within the State of Tennessee.

A. Uniti proposes to offer resold local exchange, interexchange, dedicated point-to-point private line service, VoIP, and dedicated Internet access to business and residential customers, effective immediately upon approval of this application. Uniti's data service offerings provide bandwidth starting and T-1 (1.544 Mbps) and proceeds into the high-speed optical carrier networks. Uniti does not intend to provide alternate operator or switched access services at this time.

8. **Q.** How does Uniti intend to provide service in the State of Tennessee?

A. Uniti will provide services primarily through its own facilities. It may also use unbundled network elements ("UNE") obtained through commercial and/or

interconnection agreements, utilizing the facilities of the existing LECs or other competitive carriers that presently serve Tennessee.

9. **Q.** Does Uniti have authorization to provide telecommunications services in any other state?

A. Yes. Uniti is authorized to provide local exchange and/or interexchange services in Alabama, California, Florida, Michigan, North Carolina, Ohio, South Carolina, Texas, and Wisconsin. It also has an application for certification pending in Arkansas. Uniti's affiliates, Hunt Telecommunications, Southern Light, Contact Network (dba InLine), Nexus Systems, and PEG Bandwidth also hold authority, and operate underneath common management under the "Uniti Fiber" brand in the following additional states: Colorado, Delaware, the District of Columbia, Georgia, Illinois, Indiana, Iowa, Kentucky, Louisiana, Massachusetts, Mississippi, Missouri, New Jersey, New York, Pennsylvania, Virginia, and West Virginia.

10. **Q.** Has Uniti ever had an application for a certificate of public convenience and necessity denied?

A. No.

11. **Q.** Does Uniti intend to file a tariff with the Tennessee Public Utility Commission ("TPUC")?

A. Yes. Uniti has filed proposed tariffs with its application.

12. **Q.** Is Applicant willing and able to adhere to all applicable TPUC policies, rules and orders.

A. Yes. Applicant is willing and able to adhere to all applicable TPUC policies, rules and orders. In addition, Uniti at all times will provide interstate services in compliance with all FCC rules and regulations. Uniti will at all times provide and market services in accordance with current Tennessee Public Utility Commission policies and will attempt to comply with the terms of that order in every respect possible.

13. **Q.** How will Uniti market services in Tennessee?

- A. Uniti intends to market its services via direct sales by Uniti's employees.

III. Managerial, Technical and Financial Qualifications

14. Q. Does Uniti have sufficient managerial, technical and financial resources and ability to provide the telecommunications services proposed in its Application?

A. Yes. Uniti has sufficient managerial, technical and financial resources and ability to provide the telecommunications services for which authority is sought herein. Uniti's personnel represent a broad spectrum of business and technical disciplines, possessing many years of individual and aggregate telecommunications experience. My qualifications and experience, as well as members of Uniti's current management team, are discussed on Exhibit D which is attached to our Application in support of Applicant's managerial and technical ability to provide the services for which authority is sought herein.

15. Q. How does Uniti handle customer service requests?

A. Applicant maintains a network operations center ("NOC") that is staffed 24-hours per day, 365 days per year, including holidays. Customers can obtain service by contacting Uniti NOC via a local or toll-free number. The Company's customer service contact information will be printed on customer invoices. The Applicant's customer service department will be located at 107 St. Francis St., Suite 1800, Mobile, AL 36602. Customers shall pose any inquiries or disputes directly to the Applicant for resolution. Written communications should be directed to the company's customer service department. All undisputed portions of any outstanding balance are due to be paid while resolution of the inquiry or dispute is pending. The company will investigate a customer inquiry or dispute and report the findings to the customer. If the company finds its actions to be consistent with its tariff or other contractual arrangements, the company will inform the customer of its no fault finding and require full balance of the outstanding balance due. If the customer is not satisfied with the company's resolution of an inquiry or dispute, the customer may refer the matter to the Commission for determination.

16. Q. Please describe the financial condition of Uniti.

A. Uniti is financially well-qualified to provide telecommunications services in Tennessee. In support, Uniti provides a copy of Uniti' Group's Form 10-Q and Form 10-k as filed with the United States Security and Exchange Commission was submitted as Exhibit C to its Application.

IV. Public Interest

17. **Q.** How will the residents of Tennessee benefit from Uniti's services and presence in Tennessee?

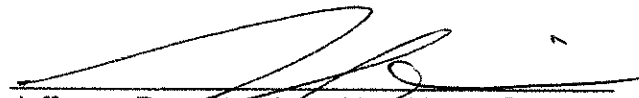
A. TPUC's grant of this certificate is in the public interest because residential and business consumers of telecommunications services within Uniti's service territory will receive increased choice, improved quality of service, and heightened opportunities to obtain improved technology in the homes and businesses. Market incentives for new and old telecommunications providers in Tennessee will be improved through an increase in the diversity of suppliers and competition within the local exchange telecommunications market. Consistent with the Tennessee Public Utility Commission's intent to aid in the development of a competitive telecommunications environment in Tennessee, the granting of a certificate of authority to provide local exchange and interexchange service will offer increased efficiency to the State's telecommunications infrastructure through greater reliability of services and an increase in competitive choices.

18. **Q.** Does this conclude your testimony?

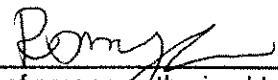
A. Yes. I would like to thank the Tennessee Public Utility Commission for the opportunity to provide information relevant to Uniti's Application and am ready to provide any additional information TPUC may need in making its decision.

STATE OF MARYLAND)
)
COUNTY OF MONTGOMERY)

I, **Jeffrey R. Strenkowski**, state that I am the Vice President, Deputy General Counsel of Governmental Affairs for Uniti Fiber, LLC, a Delaware Limited Liability Company, the Applicant for a Certificate of Public Convenience and Necessity from the Tennessee Public Utility Commission, verify that based on information and belief, I have knowledge of the statements in the foregoing Testimony, and I declare that they are true and correct.


Jeffrey R. Strenkowski, Vice President
Deputy General Counsel of Government Affairs

Subscribed and sworn to before me this 1 day of November, 2018.


(Signature of person authorized to administer oath)

My Commission Expires: 03/05/2022

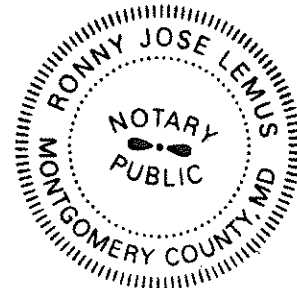


Exhibit I

Numbering Issues & Tennessee Specific Operational Issues

NUMBERING ISSUES & TENNESSEE SPECIFIC OPERATION ISSUES

Numbering Issues

1. Applicant does not currently know when it will begin offering switched voice telecommunications services in Tennessee. At this time, Applicant's expected demand for NXXs within a year of approval of our application is 0-50 NXXs per NPA.
2. Applicant estimates it will request no more than 50 NXXs from NANPA at such time that we establish our switched voice telecommunications service footprint.
3. The company will sequentially assign numbers within NXXs if it is required by Tennessee Public Utility Commission rules and regulations.
4. The company will follow NANPA guidelines and Tennessee Public Utility Commission regulations and assign numbers accordingly.
5. When ordering NXXs for growth, we follow the forecasting guidelines set by NANPA and the state regulatory body.

Tennessee Specific Operation Issues

- 1 Our billing system will allow us to bill the calling plan in compliance with TCA § 65-21-114.
2. At this time, the company is not aware of the Tennessee County Wide Calling database maintained by AT&T and the procedures to enter your telephone numbers on the database. The company intends to address all interconnection requirements and procedures with AT&T during the negotiation process and prior to the provision of local exchange service.
3. The company will mirror the calling exchanges of the incumbent LEC.,
4. At this time, the company is not aware of the MAC database maintained by BellSouth and the procedures to enter your telephone number on the database. The company intends to

address all interconnection requirements and procedures with Bell South during the negotiation process and prior to the provision of local exchange service.

5. Employee responsible to work with the Tennessee PUC on resolving customer complaints:

Primary Customer Service Contact:

Uniti Fiber Network Operations Center
107 St. Francis Street
Suite 1800
Mobile, Alabama 36602
Toll-Free Customer Service: 877-662-1170

Regulatory contact:

Jeffrey R. Strenkowski
10802 Executive Center Drive
Suite 300
Little Rock, Arkansas 72211
Phone: 501-850-0820
E-Mail: regulatory.affairs@uniti.com

6. The company is aware of the telemarketing statutes and limitations found in TCA § 65-4-401 and Chapter 1220-4-11 and will make every effort to comply with these regulations. It does not intend to use any third-party telemarketers in Tennessee at this time.

Exhibit J

Bond or Letter of Credit

TENNESSEE REGULATORY AUTHORITY

TENNESSEE TELECOMMUNICATIONS SERVICE PROVIDER'S SURETY BOND

Bond #: K09662753

WHEREAS, Unti Fiber, LLC

(the "Principal"), has applied to the Tennessee Regulatory Authority for authority to provide telecommunications services in the State of Tennessee; and

WHEREAS, under the provisions of Title 65, Chapter 4, Section 125(j) of the Tennessee Code Annotated, as amended, the Principal is required to file this bond in order to obtain such authority and to secure the payment of any monetary sanction imposed in any enforcement proceeding brought under Title 65 of the Tennessee Code Annotated or the Consumer Telemarketing Act of 1990 by or on behalf of the Tennessee Regulatory Authority (the "TRA"); and

WHEREAS, Westchester Fire Insurance Company

(the "Surety"), a corporation licensed to do business in the State of Tennessee and duly authorized by the Tennessee Commissioner of Insurance to engage in the surety business in this state pursuant to Title 56, Chapter 2 of the Tennessee Code Annotated, has agreed to issue this bond in order to permit the Principal to comply with the provisions of Title 65, Chapter 4, Section 125(j) of the Tennessee Code Annotated;

NOW THEREFORE, BE IT KNOWN, that we the Principal and the Surety are held and firmly bound to the STATE OF TENNESSEE, in accordance with the provisions of Tennessee Code Annotated, Title 65, Chapter 4, Section 125(j), in the full amount of twenty thousand dollars (\$20,000.00) lawful money of the United States of America to be used for the full and prompt payment of any monetary sanction imposed against the Principal, its representatives, successors or assigns, in any enforcement proceeding brought under Title 65 of Tennessee Code Annotated or the Consumer Telemarketing Act of 1990, by or on behalf of the TRA, for which obligation we bind ourselves, our representatives, successors and assigns, each jointly and severally, firmly and unequivocally by these presents.

This bond shall become effective on the 25th day of October, 2018, and shall be continuous; provided, however, that each annual renewal period or portion thereof shall constitute a new bond term. Regardless of the number of years this bond may remain in force, the liability of the Surety shall not be cumulative, and the aggregate liability of the Surety for any and all claims, suits or actions under this bond shall not exceed Twenty Thousand Dollars (\$20,000.00). The Surety may cancel this bond by giving thirty (30) days written notice of such cancellation to the TRA and Principal by certified mail, it being understood that the Surety shall not be relieved of liability that may have accrued under this bond prior to the date of cancellation.

PRINCIPAL

Unti Fiber, LLC

Name of Company authorized by the TRA

Company ID # as assigned by TRA

SURETY

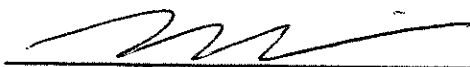
Westchester Fire Insurance Company

Name of Surety

2 Paoli Office Park - 2 Industrial Boulevard Paoli, PA 19301

Address of Surety

SIGNATURE OF PRINCIPAL



Name: Jeffrey Stronkowski

Title: VP, Deputy General Counsel

SIGNATURE OF SURETY AGENT



Name: Daniel P. Dunigan

Title: Attorney-in-Fact

Address of Surety Agent:

2 Paoli Office Park - 2 Industrial Boulevard

Paoli, PA 19301

THIS BOND IS ISSUED IN ACCORDANCE WITH THE PROVISIONS OF SECTION 125, CHAPTER 4, TITLE 65 OF THE TENNESSEE CODE ANNOTATED AS AMENDED BY CHAPTER NO. 586, 2000 PUBLIC ACTS. SHOULD THERE BE ANY CONFLICT WITH THE TERMS HEREOF AND THE STATUTE OR REGULATIONS PROMULGATED THEREUNDER, THE STATUTE OR REGULATIONS SHALL PREVAIL. (POWER OF ATTORNEY FROM AN APPROVED INSURANCE COMPANY MUST BE ATTACHED.)

ACKNOWLEDGMENT OF PRINCIPAL

STATE OF MARYLAND
COUNTY OF MONTGOMERY

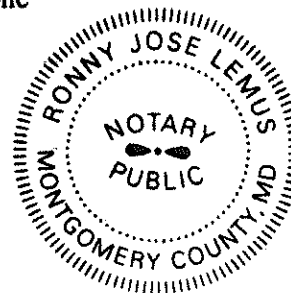
Before me, a Notary Public of the State and County aforesaid, personally appeared Jeffrey R. Stronkowski with whom I am personally acquainted and who, upon oath, acknowledged himself to be the individual who executed the foregoing bond on behalf of Unti Fiber, LLC, and he acknowledged to me that he executed the same.

WITNESS my hand and seal this 1 day of November, 2018.

My Commission Expires:

03/05, 2022

Ronny J. Lemus
Notary Public



ACKNOWLEDGMENT OF SURETY

STATE OF Pennsylvania
COUNTY OF Chester

Before me, a Notary Public of the State and County aforesaid, personally appeared Daniel P. Dunigan with whom I am personally acquainted and who, upon oath, acknowledged himself to be the individual who executed the foregoing bond on behalf of Westchester Fire Insurance Company, the within named Surety, a corporation licensed to do business in the State of Tennessee and duly authorized by the Tennessee Commissioner of Insurance to engage in the surety business in this state pursuant to Title 56, Chapter 2 of the Tennessee Code Annotated, and that he as such an individual being authorized to do so, executed the foregoing bond, by signing the name of the corporation by himself and as such individual.

WITNESS my hand and seal this 25th day of October, 2018.

My Commission Expires:

October 12, 2019

Theresa Bassett
Notary Public

Theresa Bassett

COMMONWEALTH OF PENNSYLVANIA

NOTARIAL SEAL
THERESA BASSETT, Notary Public
Willistown Township, Chester County
My Commission Expires October 12, 2019

APPROVAL AND INDORSEMENT

This is to certify that I have examined the foregoing bond and found the same to be sufficient and in conformity to law, that the sureties on the same are good and worth the penalty thereof, and that the same has been filed with the Tennessee Regulatory Authority, State of Tennessee, this _____ day of _____.

Name:

Title:

CHUBB®

Power of Attorney

Westchester Fire Insurance Company | ACE American Insurance Company

Know All by These Presents, that WESTCHESTER FIRE INSURANCE COMPANY and ACE AMERICAN INSURANCE COMPANY corporations of the Commonwealth of Pennsylvania, do each hereby constitute and appoint **Daniel P. Dunigan**

each as their true and lawful Attorney-in-Fact to execute under such designation in their names and to affix their corporate seals to and deliver for and on their behalf as surety thereon or otherwise, bonds and undertakings and other writings obligatory in the nature thereof (other than bail bonds) given or executed in the course of business, and any instruments amending or altering the same, and consents to the modification or alteration of any instrument referred to in said bonds or obligations.

Surety Bond Number: K09662753

Obligee: State of Tennessee

In Witness Whereof, WESTCHESTER FIRE INSURANCE COMPANY and ACE AMERICAN INSURANCE COMPANY have each executed and attested these presents and affixed their corporate seals on this day of **September, 2018**.

Dawn M. Chloros

Dawn M. Chloros, Assistant Secretary

Stephen M. Haney

Stephen M. Haney, Vice President



STATE OF NEW JERSEY

County of Hunterdon

SS.

On this day of **September, 2018**, before me, a Notary Public of New Jersey, personally came Dawn M. Chloros, to me known to be Assistant Secretary of WESTCHESTER FIRE INSURANCE COMPANY and ACE AMERICAN INSURANCE COMPANY, the companies which executed the foregoing Power of Attorney, and the said Dawn M. Chloros, being by me duly sworn, did depose and say that she is Assistant Secretary of WESTCHESTER FIRE INSURANCE COMPANY and ACE AMERICAN INSURANCE COMPANY and knows the corporate seals thereof, that the seals affixed to the foregoing Power of Attorney are such corporate seals and were thereto affixed by authority of said Companies; and that she signed said Power of Attorney as Assistant Secretary of said Companies by like authority; and that she is acquainted with Stephen M. Haney, and knows him to be Vice President of said Companies; and that the signature of Stephen M. Haney, subscribed to said Power of Attorney is in the genuine handwriting of Stephen M. Haney, and was thereto subscribed by authority of said Companies and in deponent's presence.

Notarial Seal



KATHERINE J. ADELAAR
NOTARY PUBLIC OF NEW JERSEY
No. 2316885
Commission Expires July 16, 2019

Katherine J. Adelaar
Notary Public

CERTIFICATION

Resolutions adopted by the Boards of Directors of WESTCHESTER FIRE INSURANCE COMPANY on December 11, 2006 ; ACE AMERICAN INSURANCE COMPANY on March 20, 2009:

"RESOLVED, that the following authorizations relate to the execution, for and on behalf of the Company, of bonds, undertakings, recognizances, contracts and other written commitments of the Company entered into in the ordinary course of business (each a "Written Commitment"):

- (1) Each of the Chairman, the President and the Vice Presidents of the Company is hereby authorized to execute any Written Commitment for and on behalf of the Company, under the seal of the Company or otherwise.
- (2) Each duly appointed attorney-in-fact of the Company is hereby authorized to execute any Written Commitment for and on behalf of the Company, under the seal of the Company or otherwise, to the extent that such action is authorized by the grant of powers provided for in such person's written appointment as such attorney-in-fact.
- (3) Each of the Chairman, the President and the Vice Presidents of the Company is hereby authorized, for and on behalf of the Company, to appoint in writing any person the attorney-in-fact of the Company with full power and authority to execute, for and on behalf of the Company, under the seal of the Company or otherwise, such Written Commitments of the Company as may be specified in such written appointment, which specification may be by general type or class of Written Commitments or by specification of one or more particular Written Commitments.
- (4) Each of the Chairman, the President and the Vice Presidents of the Company is hereby authorized, for and on behalf of the Company, to delegate in writing to any other officer of the Company the authority to execute, for and on behalf of the Company, under the Company's seal or otherwise, such Written Commitments of the Company as are specified in such written delegation, which specification may be by general type or class of Written Commitments or by specification of one or more particular Written Commitments.
- (5) The signature of any officer or other person executing any Written Commitment or appointment or delegation pursuant to this Resolution, and the seal of the Company, may be affixed by facsimile on such Written Commitment or written appointment or delegation.

FURTHER RESOLVED, that the foregoing Resolution shall not be deemed to be an exclusive statement of the powers and authority of officers, employees and other persons to act for and on behalf of the Company, and such Resolution shall not limit or otherwise affect the exercise of any such power or authority otherwise validly granted or vested."

I, Dawn M. Chloros, Assistant Secretary of WESTCHESTER FIRE INSURANCE COMPANY and ACE AMERICAN INSURANCE COMPANY (the "Companies") do hereby certify that

- (i) the foregoing Resolutions adopted by the Board of Directors of the Companies are true, correct and in full force and effect,
- (ii) the foregoing Power of Attorney is true, correct and in full force and effect.

Given under my hand and seals of said Companies at Whitehouse Station, NJ, this **October 25, 2018**.



Dawn M. Chloros

Dawn M. Chloros, Assistant Secretary

IN THE EVENT YOU WISH TO VERIFY THE AUTHENTICITY OF THIS BOND OR NOTIFY US OF ANY OTHER MATTER, PLEASE CONTACT US AT:
Telephone (908) 903- 3493 Fax (908) 903- 3656 e-mail: surety@chubb.com

Exhibit K

Tariffs

INTEREXCHANGE SERVICES

TENNESSEE TELECOMMUNICATIONS TARIFF

Rates, Terms and Conditions
Relating to the Provision of Resale Interexchange Service in the State of Tennessee

UNITI FIBER LLC
107 St. Francis Street, Suite 1800
Mobile, AL 36602

This Tariff contains descriptions, regulations, and rates applicable to the furnishing of competitive, presubscribed Interexchange telecommunications services provided by Uniti Fiber LLC within the State of Tennessee. This Tariff is on file with the Tennessee Public Utility Commission and may be inspected during normal business hours at Uniti Fiber's principal place of business at 107 St. Francis Street, Suite 1800, Mobile, AL 36602. Questions regarding this Tariff should be addressed to Jeffrey R. Strenkowski, Vice President, Deputy General Counsel of Governmental Affairs at 501-458-4397 or via postal service at Uniti Fiber's principal business address.

INTEREXCHANGE SERVICES

CHECK SHEET

The pages listed below of this Tariff are effective as of the date shown. Revised pages contain all changes from the original Tariff that are in effect as of the date indicated.

PAGE	REVISION	PAGE	REVISION
Title	Original*	26	Original*
1	Original*	27	Original*
2	Original*	28	Original*
3	Original*	29	Original*
4	Original*	30	Original*
5	Original*	31	Original*
6	Original*	32	Original*
7	Original*	33	Original*
8	Original*	34	Original*
9	Original*		
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12	Original*		
13	Original*		
14	Original*		
15	Original*		
16	Original*		
17	Original*		
18	Original*		
19	Original*		
20	Original*		
21	Original*		
22	Original*		
23	Original*		
24	Original*		
25	Original*		

* - indicates pages included with this filing

Issued:

Effective:

Issued by:

Andy Newton, President
Uniti Fiber LLC
107 St. Francis Street, Suite 1800
Mobile, AL 36602

INTEREXCHANGE SERVICES

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INTEREXCHANGE SERVICES

EXPLANATION OF SYMBOLS

- (C)** To signify a changed regulation
- (D)** To signify a discontinued regulation.
- (I)** To signify increased rate.
- (M)** To signify material relocated from or to another location.
- (N)** To signify a new rate or regulation.
- (R)** To signify a reduced rate.
- (S)** To signify a correction or reissued matter.
- (T)** To signify a change in text only.

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INTEREXCHANGE SERVICES

TARIFF FORMAT

- A. Page Numbering** - Sheet numbers appear in the upper right corner of the Page. Pages are numbered sequentially. However, occasionally, when a new Page is added between Pages already in effect, a decimal is added. For example, a new Page added between Pages 14 and 15 would be 14.1.
- B. Page Revision Numbers** - Revision numbers also appear in the upper right corner of each Page. These numbers are used to determine the most current version of a page on file with the Commission. For example, the 4th revised Page 14 cancels the 3rd Revised Page 14. Because of various suspension periods, deferrals, etc. the Commission follows in its Tariff approval process, the most current Page number on file with the Commission is not always the page in effect. Consult the Check Sheet for the Sheet currently in effect.
- C. Paragraph Numbering Sequence** – There are nine levels of paragraph coding. Each level of code is subservient to its next higher level:
- 2.
 - 2.1.
 - 2.1.1.
 - 2.1.1.A.
 - 2.1.1.A.1.
 - 2.1.1.A.1.(a).
 - 2.1.1.A.1.(a) I.
 - 2.1.1.A.1.(a) I.(i).
 - 2.1.1.A.1.(a) I.(i) (1).
- D. Check Sheets** - When a Tariff filing is made with the Commission, an updated Check Sheet accompanies the Tariff filing. The Check Sheet lists the Pages contained in the Tariff with a cross-reference to the current revision number. When new Pages are added, the Check Sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*).

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INTEREXCHANGE SERVICES

SECTION 1 - GENERAL REGULATIONS

1.1 Application of Tariff

This tariff contains regulations, rates and charges applicable to the provision of local exchange, interexchange and access services provided by Uniti Fiber LLC to Customers in the State of Tennessee. Uniti Fiber provides dark fiber, private line, ethernet, dedicated internet access, wavelength and collocation services to wholesale and enterprise customers. The Company provides service via its own facilities, facilities leased from other carriers and through resale.

The provision of service by the Company as set forth in this tariff does not constitute a joint undertaking with the Customer for the furnishing of any service.

This tariff will be maintained and made available for inspection by any Customer at the Company's principal business office located at 107 St. Francis Street, Suite 1800, Mobile, AL 36602.

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Uniti Fiber LLC
107 St. Francis Street, Suite 1800
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INTEREXCHANGE SERVICES

SECTION 1 - GENERAL REGULATIONS, (CONTD.)

1.2 Definitions

Carrier or Common Carrier - See Interexchange Carrier.

Central Office - A local Company switching unit system where exchange service customer station loops are terminated for purposes of interconnection to each other and to trunks.

Channel - A communications path between two or more points of termination.

Class of Service - A customer group which has similar characteristics such as volume of use, time of use, extent of use and nature and purpose of use, as classified by the telecommunications provider. For example, the business or residential class of service.

Commission - The Tennessee Public Utility Commission.

Communications System - Denotes channels and other facilities which are capable of communications between terminal equipment provided by other than the Company,

Company - Uniti Fiber LLC.

Complaint - Any objection from an applicant or customer concerning a charge, facility, rule, service, or other Commission-regulated activity that requires an investigation or an account review and corrective action by a telecommunications provider.

Customer - Any individual, partnership, association, corporation or other entity which subscribes to and agrees to pay for the services offered under this tariff, including Interexchange Carriers.

Customer Designated Premises - The premises specified by the Customer for termination of Local Exchange, Interexchange or Access Services.

Customer Premises Equipment - Telecommunications equipment which is located on a customer's premises, e.g., telephone instruments, PBX switches, etc.

Customer Premises Wiring - Telecommunications wiring which is located on a customer's premises between the point of demarcation and the customer premises equipment.

Demarcation Point - An identifiable point at a customer's premises where operation and maintenance responsibilities end for the telecommunications provider as defined in Part 68 of the Rules of the Federal Communications Commission.

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INTEREXCHANGE SERVICES

SECTION 1 - GENERAL REGULATIONS, (CONTD.)

1.2 Definitions (Cont'd).

End User - Any customer of an intrastate telecommunications service that is not a Carrier or Common Carrier, except that a Carrier shall be deemed to be an End User when such Carrier uses a telecommunications service for administrative purposes. A person or entity that offers telecommunications service exclusively as a reseller shall be deemed to be an End User if all resale transmissions offered by such reseller originate on the premises of such reseller when making such service available to others, directly or indirectly.

Exchange Service Area - A unit established by a telecommunications provider for the administration of telecommunications service in a specified area for which a separate local rate schedule is provided. It may consist of one or more central offices together with associated plant facilities used in furnishing telecommunications services in that area.

Facilities - Denotes any cable, poles, conduit, carrier equipment, wire center distribution frames, central office switching equipment, etc., utilized to provide the service offered under this tariff.

Holidays - New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Day, or any day which is a legally observed federal government or local state holiday.

Interexchange Carrier (IC) - Any individual, partnership, association, cooperative or other entity engaged in intrastate communications for hire by wire or radio between two or more exchanges.

Interstate Communications - Any communications that crosses over a state boundary. Interstate Communications includes interstate and international communications.

Intrastate Communications - Any communications that originates and terminates within the same state and is subject to oversight by a state regulatory commission as provided by the laws of the state involved.

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

Originating Direction - The use of Switched Access Service for the origination of calls from an End User premises to an IC premises.

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INTEREXCHANGE SERVICES

SECTION 1 - GENERAL REGULATIONS, (CONTD.)

1.2 Definitions (Cont'd.)

Outage - An unplanned temporary loss of telecommunications service caused by a malfunction of or damage to telecommunications provider facilities.

Point Of Termination - The point of demarcation within a customer-designated premises at which the Company's responsibility for the provision of access service ends.

Premises - A building or buildings on contiguous property, not separated by a public highway or right-of-way.

Serving Wire Center - The wire center from which the Customer-designated premises normally obtains dial tone from the Company.

Special Access Circuit - The physical pathway for transmission of information between a dedicated originating point and a dedicated terminating point.

Suspension of Service - A temporary shut-off of service by a telecommunications provider without a customer request -- not an outage or an interruption of service.

Telecommunications Provider - Any person, firm, partnership, corporation, association, or other entity that offers telecommunications services to the public for compensation.

Telecommunications Services - The offering to the public for compensation the transmission of voice, data, or other electronic information at any frequency over any part of the electromagnetic spectrum, notwithstanding any other use of the associated facilities. Such term does not include radio and television broadcast or distribution services, or the provision of publishing of yellow pages, regardless of the entity providing such services, or services to the extent that such services are used in connection with the operation of an electric utility system owned by a government entity.

Transmission Path - An electrical path capable of transmitting signals within the range of the service offering. A transmission path is comprised of physical or derived facilities consisting of any form or configuration of plant used in the telecommunications industry.

Wire Center - A physical location in which one or more central offices used for the provision of exchange services are located.

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INTEREXCHANGE SERVICES

SECTION 1 - GENERAL REGULATIONS, (CONTD.)

1.3 Undertaking of the Company

The Company shall be responsible only for the installation, operation and maintenance of service which it provides and does not undertake to transmit messages under this tariff.

Services provided under this tariff are provided 24 hours a day, seven days per week, unless otherwise specified in applicable sections of this tariff.

The Company does not provide switched access services.

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INTEREXCHANGE SERVICES

SECTION 2 - RULES AND REGULATIONS

2.1 Use of Facilities and Service

A Customer desiring to obtain service from the Company may do so either orally or in writing. Customers may be required to sign a service agreement or contract or the acceptance of an application for service may constitute a contract between the Customer and the Company and obligate the Customer to abide by the terms, conditions and rules of the currently effective or any future tariff of the Company. The Company reserves the right to refuse service to a Customer, due to certain circumstances such as a lack of facilities or other impediments.

2.1.1 Use of Service

- A. Service may be used for any lawful purpose by the Customer or by any End User.
- B. The Customer obtains no property right or interest in the use of any specific type of facility, service, equipment, number, process, or code. All right, title and interest to such items remain, at all times, solely with the Company.
- C. Any service provided under this tariff may be resold to or shared (jointly used) with other persons at the Customer's option. The Customer remains solely responsible for all use of service ordered by it or billed to its account(s) pursuant to this tariff, for determining who is authorized to use its service, and for promptly notifying the Company of any unauthorized use. The Customer may advise its customers that a portion of its service is provided by the Company, but the Customer shall not represent that the Company jointly participates with the Customer in the provision of the service.
 - 1. Service may be used for any lawful purpose by the Customer or by any End User.
 - 2. The Customer obtains no property right or interest in the use of any specific type of facility, service, equipment, number, process, or code. All right, title and interest to such items remain, at all times, solely with the Company,

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INTEREXCHANGE SERVICES

SECTION 2 - RULES AND REGULATIONS, (CONT'D.)

2.1 Use of Facilities and Service, (Cont'd.)

2.1.2 Limitations

- A. Service is offered subject to the availability of the necessary facilities and/or equipment and subject to the provisions of this tariff. The Company may decline applications for service to or from a location where the necessary facilities or equipment are not available. The Company may discontinue furnishing service in accordance with the terms of this tariff.
- B. The Company reserves the right to discontinue or limit service when necessitated by conditions beyond its control (examples of these conditions are more fully set forth elsewhere in this tariff), or when service is used in violation of provisions of this tariff or the law.
- C. The Company does not undertake to transmit messages, but offers the use of its service when available, and, as more fully set forth elsewhere in this tariff, shall not be liable for or for failure to establish connections.
- D. The Company reserves the right to discontinue service, limit service, or to impose requirements as required to meet changing regulatory or statutory rules and standards, or when such rules and standards have an adverse material affect on the business or economic feasibility of providing service, as determined by the Company in its reasonable judgment.
- E. The Company reserves the right to refuse an application for service made by a present or former Customer who is indebted to the Company for telecommunications services previously rendered pursuant to this tariff until the indebtedness is satisfied. If service is refused to an Applicant, the Company will provide within seven (7) business days a written explanation to the Applicant of the reason for refusal, the conditions under which service may be provided and the Applicants right to file a complaint with the Commission.

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INTEREXCHANGE SERVICES

SECTION 2 - RULES AND REGULATIONS, (CONT'D.)

2.1 Use of Facilities and Service, (Cont'd.)

2.1.3 Customer-Authorized Use

Any service provided under this tariff may be resold to or shared (jointly used) with other persons at the Customer's option. The Customer remains solely responsible for all use of service ordered by it or billed to its telephone number(s) pursuant to this tariff, for determining who is authorized to use its service, and for promptly notifying the Company of any unauthorized use. The Customer may advise its customers that a portion of its service is provided by the Company, but the Customer shall not represent that the Company jointly participates with the Customer in the provision of the service.

2.1.4 Use and Ownership of Equipment

The Company's equipment, apparatus, channels and lines shall be carefully used. Equipment furnished by the Company shall remain its property and shall be returned to the Company whenever requested, within a reasonable period following the request, in good condition (subject to reasonable wear and tear). The Customer is required to reimburse the Company for any loss of, or damage to, the facilities or equipment on the Customer's premises, including loss or damage caused by agents, employees or independent contractors of the Customer through any negligence.

2.2 Minimum Period of Service

The minimum period for which services are provided and for which rates and charges are applicable is one month unless otherwise specified. When a service is discontinued prior to the expiration of the minimum period, charges are applicable, whether the service is used or not.

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INTEREXCHANGE SERVICES

SECTION 2 - RULES AND REGULATIONS, (CONT'D.)

2.3 Interruptions of Service

A service interruption is the temporary stopping of service for maintenance, testing, repair or safety. The Company shall undertake efforts to avoid unplanned interruptions of service or outages to its Customers, and in the event of such interruptions shall restore service as soon as practical. Planned service interruptions, including but not limited to maintenance or testing, as noted in Sections 2.8 and 2.10 following, shall be made during a period of time that will cause minor, if any, disruptions to and will not unreasonably inconvenience Customers. Planned interruptions of service shall also be communicated to the Customer prior to their occurrence. If local service is interrupted for more than twenty-four (24) hours, a portion of the Customers' monthly charge will be refunded for the number of days that service was not available.

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INTEREXCHANGE SERVICES

SECTION 2 - RULES AND REGULATIONS, (CONT'D.)2.4 Payment for Service Rendered

- 2.4.1 Service is provided and billed on a monthly basis. Bills are due and payable within twenty-two (22) days after the date that the bill has been mailed. In the event that the Company incurs fees or expenses, including attorney's fees, collecting, or attempting to collect, any charges owed to the Company, the Company may charge the Customer all such fees and expenses reasonably incurred, including a collection fee on the overdue charges accruing at the rate of 1.5% per month or the highest rate allowed by law, whichever is lower. Collection fees on overdue charges shall begin to accrue when the account is assigned to an outside collection agency. Such collection fees are separate and distinct from attorney's fees and other costs incurred in collecting charges owed to the Company.

Regarding the manner in which the creditworthiness of service applicants is established, as well as the manner in which disconnection of service for nonpayment of charges occurs, the Company will comply with the rules adopted by the Commission.

- 2.4.2 The Customer is responsible for payment of all charges for service furnished to the Customer, or the Customer's agents, end users or customers. All charges due by the Customer are payable to the Company or to the Company's authorized billing agent. Any objections to billed charges must be reported promptly to the Company.
- 2.4.3 A charge of \$25.00 will be assessed for any check or other form of payment returned by the drawee bank or other financial institution for insufficient or uncollected funds, closed account, apparent tampering, missing signature or endorsement, or any other insufficiency or discrepancy necessitating return of the instrument at the discretion of the drawee bank or financial institution. This charge will be assessed in addition to any charges assessed by the drawee bank or any other financial institution. The foregoing shall not limit the Company's right to discontinue service for returned checks or drafts under Section 2.9.1 below.
- 2.4.4 Application of Late Payment Charge
- A. Late payment charges do not apply to final accounts.

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INTEREXCHANGE SERVICES

SECTION 2 - RULES AND REGULATIONS, (CONT'D.)2.5 Deposits

- 2.5.1 The Company reserves the right to examine the credit record of the Customer. If the Customer's financial condition is unknown or unacceptable to the Company based on the conditions specified in Rule 4 of the Ark. *Telecommunications Providers Rules*, the Customer may be required to provide the Company with a security deposit which the Company may apply against overdue charges. The amount of the security deposit shall be a maximum amount equal to one (1) average months bill if the deposit is required prior to furnishing of service and two (2) months estimated usage if the deposit is required after service has been initiated, but may vary with the Customer's credit history, service history and projected usage. The Customer shall be apprised that after two years of service the account shall be reviewed, and in the event that all amounts due have been paid within the terms and conditions of this tariff, the deposit shall be refunded in full. If subsequent payment or usage patterns change, the Company may request an increase in or resubmission of the security deposit as appropriate. The Company may also require a security deposit before service is restored (along with the payment of overdue charges) from the Customer whose service has been discontinued for nonpayment of overdue charges. Such security deposit may be based on a new credit history (taking into account the discontinuance of service) and estimates of usage. On a case by case basis, in lieu of a deposit the Company may accept a written guaranty of another customer to pay an amount equal to the deposit.
- 2.5.2 The fact that a security deposit has been made in no way relieves the Customer from the prompt payment of bills upon presentation.
- 2.5.3 If the amount of a deposit is proven to be less than required to meet the requirements specified above, the Customer shall be required to pay an additional deposit upon request.
- 2.5.4 When a deposit is to be returned, the Customer may request that the full amount of the deposit be issued by check. If the Customer requests that the full amount be credited to amounts owed the Company, the Company will apply the deposit to any amount currently owed to the Company, and return any remaining amount of the deposit to the Customer by check.
- 2.5.5 Simple interest will be credited or paid to the Customer at the rate prescribed and set annually by the Commission while the Company holds the deposit. Interest shall be accrued annually and payment made to the Customer annually or at least every two (2) years and at the time that the deposit may be returned.

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INTEREXCHANGE SERVICES

SECTION 2 - RULES AND REGULATIONS, (CONT'D.)2.7 Disputed Bills

Objections to billed charges must be reported to the Company within eighteen (18) months of receipt of billing. Claims must include all supporting documentation and may be submitted online at unitifiber@uniti.com or by telephone at (251) 662-1170. The Company shall make adjustments to the Customer's invoice to the extent that circumstances existing which reasonably indicate that such changes are appropriate. After the investigation and review are completed the Company will notify the Customer within three (3) business days of its completion and any such amount becomes due and payable at once. In order to avoid disconnection of Service, such amount must be paid within seven (7) calendar days after the date Company notifies Customer that the investigation and review are completed and that such payment must be made or Service will be interrupted. However, the Service will not be disconnected prior to the Due By Date shown on the bill. In no event will service be discontinued on the day preceding any day on which Carrier is not prepared to accept payment of the amount due and to reconnect service, and service will not be disconnected for non-payment of any disputed amount during the Commission's review of the dispute.

However, if the Company and a Carrier are unable to resolve such a dispute, the Carrier may file a complaint with the Commission in writing or orally to:

Tennessee Public Utility Commission
502 Deaderick Street 4th Floor
Nashville, TN 37243
Toll Free: 1-800-342-8359
TTY: 1-888-276-0677

The Company will respond to the Commission staff's request for information within fifteen (15) days after receipt.

Issued:

Effective:

Issued by:

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Uniti Fiber LLC
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Mobile, AL 36602

INTEREXCHANGE SERVICES

SECTION 2 - RULES AND REGULATIONS, (CONT'D.)

2.8 Inspection, Testing and Adjustment

- 2.8.1 The Company may, upon reasonable notice, make such tests and inspections as may be necessary to determine whether the terms and conditions of this tariff are being complied with in the installation, operation or maintenance of the Customer's or the Company's facilities or equipment. The Company may interrupt service at any time, without penalty or liability, due to the departure from or reasonable suspicion of the departure from any of these terms and conditions.
- 2.8.2 The Customer shall be responsible for making arrangements or obtaining permission for safe and reasonable access for Company employees or agents of the Company to enter the premises of the Customer or any joint user or customer of the Customer at any reasonable hour for the purpose of inspecting, repairing, testing or removing any part of the Company's facilities.
- 2.8.3 Upon reasonable notice, the facilities or equipment provided by the Company shall be made available to the Company for such tests and adjustments as may be necessary for their maintenance in a condition satisfactory to the Company. No interruption allowance shall be granted for the time during which such tests and adjustments are made, unless such interruption exceeds twenty-four hours in length and is requested by the Customer.

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INTEREXCHANGE SERVICES

SECTION 2 - RULES AND REGULATIONS, (CONT'D.)2.9 Suspension or Termination of Service

2.9.1 Suspension or Termination for Nonpayment

In the event that any bill rendered or any deposit required is not paid, the Company may suspend service or terminate service until the bill or the required deposit has been paid. If service is suspended or terminated for nonpayment, the Customer must remit a Connection Charge as well as any payment due and any applicable deposits prior to reconnection. The Company may also suspend service for additional reasons that are in compliance with Rule 6.01 of the Ark. *Telecommunications Providers Rules*, as specified in Section 2.9.4. If service has been suspended due to the unauthorized use of service or tampering with equipment that has been furnished by the Company, a reasonable payment for damage may also be requested from the Customer, prior to service being reconnected.

All disconnection situations will be handled in accordance with the rules adopted by the Commission.

Suspension or termination shall not be made until:

- A. At least ten (10) days after written notification has been served personally on the Customer, or at least twenty (20) days after written notification has been mailed to the billing address of the Customer or;
- B. At least ten (10) days after the Customer has either signed for or refused a registered letter containing written notification mailed to the billing address of the Customer.

Local exchange, interexchange or access services shall not be suspended or terminated for nonpayment on weekends, public holidays, other federal and state holidays proclaimed by the President or the Governor, or on days when the main business office of the Company is not open for business.

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Effective:

Issued by:

Andy Newton, President
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INTEREXCHANGE SERVICES

SECTION 2 - RULES AND REGULATIONS, (CONT'D.)

2.9 Suspension or Termination of Service, (Cont'd.)

2.9.2 Exceptions to Suspension and Termination

Local exchange, interexchange and access services shall not be suspended or terminated for:

- A. Nonpayment of bills rendered for charges other than local exchange, interexchange or access services or deposits requested in connection with these services;
- B. Nonpayment for service for which a bill has not been rendered;
- C. Nonpayment for service that has not been rendered;
- D. Nonpayment of any billed charge which is in dispute or for the nonpayment of a deposit which is in dispute during the period before a determination of the dispute is made by the Company in accordance with Company's complaint handling procedures.

Local exchange, interexchange or access services may be suspended or terminated for nonpayment of the undisputed portion of a disputed bill or deposit if the Customer does not pay the undisputed portion after being asked to do so.

2.9.3 Verification of Nonpayment

Local exchange, interexchange or access services shall not be suspended or terminated for nonpayment of a bill rendered or a required deposit unless the Company has verified that payment has not been received at any office of the Company or at any office of an authorized collection agent through the end of the period indicated in the notice.

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INTEREXCHANGE SERVICES

SECTION 2 - RULES AND REGULATIONS, (CONT'D.)2.9 Suspension or Termination of Service, (Cont'd.)

2.9.4 Termination for Cause Other Than Nonpayment

A. General

The Company, after notice in writing to the Customer, when required, and after having given the Customer an appropriate opportunity, five (5) days to respond to such notice, may terminate service and sever the connection(s) from the Customer's premises under the following conditions:

1. in the event of prohibited, unlawful or improper use of the facilities or service, or any other violation by the Customer of the rules and regulations governing the facilities and service furnished, or
2. if, in the judgment of the Company, any use of the facilities or service by the Customer may adversely affect the Company's personnel, plant, property or service. The Company shall have the right to take immediate action, including termination of the service and severing of the connection, without notice to the Customer in the event of a hazardous or dangerous condition when injury or damage to telephone personnel, plant, property or service is occurring, or is likely to occur, or
3. without notice, in the event of unauthorized use, where the Customer fails to take reasonable steps to prevent the unauthorized use of the facilities or service received from the Company, or
4. in the event that service is connected for a Customer who is indebted to the Company for service or facilities previously furnished, that service may be terminated by the Company unless the Customer satisfies the indebtedness within twenty(20) days after written notification.
5. without notice, in the event that the Customers use of equipment adversely affects service to others.

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INTEREXCHANGE SERVICES

SECTION 2 - RULES AND REGULATIONS, (CONT'D.)

2.9 Suspension or Termination of Service, (Cont'd.)

2.9.4 Termination for Cause Other Than Nonpayment, (Cont'd.)

B. Prohibited, Unlawful or Improper Use of the Facilities or Service

Prohibited, unlawful or improper use of the facilities or service includes, but is not limited to:

1. The use of facilities or service of the Company without payment of tariff charges;
2. Permitting fraudulent use.

C. Abandonment or Unauthorized Use of Facilities

1. If it is determined that facilities have been abandoned, or are being used by unauthorized persons, or that the Customer has failed to take reasonable steps to prevent unauthorized use, the Company may terminate local exchange, interexchange or access service, without notice.

In the event that access service is terminated for abandonment of facilities or unauthorized use and service is subsequently restored to the same Customer at the same location:

- a. No charge shall apply for the period during which service had been terminated, and
- b. Reconnection charges will apply when service is restored. However, no charge shall be made for reconnection if the service was terminated due to an error on the part of the Company.

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INTEREXCHANGE SERVICES

SECTION 2 - RULES AND REGULATIONS, (CONT'D.)

2.9 Suspension or Termination of Service, (Cont'd.)

2.9.4 Termination for Cause Other Than Nonpayment, (Cont'd.)

C. Abandonment or Unauthorized Use of Facilities, (Cont'd.)

1. If it is determined that facilities have been abandoned, or are being used by unauthorized persons, or that the Customer has failed to take reasonable steps to prevent unauthorized use, the Company may terminate access service. (Cont'd.)

c. Change in the Company's Ability to Secure Access

Any change in the Company's ability (a) to secure and retain suitable facilities and rights for the construction and maintenance of the necessary circuits and equipment or (b) to secure and retain suitable space for its plant and facilities in the building where service is provided to the Customer may require termination of a Customer's service until such time as new arrangements can be made. No charges will be assessed on the Customer while service is terminated, and no connection charges will apply when the service is restored.

2.9.5 Emergency Termination of Service

The Company will immediately terminate the service of any Customer, on request, when the Customer has reasonable belief that the service is being used by an unauthorized person or persons. The Company may require that the request be submitted in writing as a follow-up to a request made by telephone.

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INTEREXCHANGE SERVICES

SECTION 2 - RULES AND REGULATIONS, (CONT'D,)

2.10 Obligations of the Customer

2.10.1 Damages

The Customer shall reimburse the Company for damages to Company facilities utilized to provide services under this tariff caused by the negligence or willful act of the Customer, or resulting from improper use of the Company's facilities, or due to malfunction of any facilities or equipment provided by other than the Company, except that no Customer shall be liable for another Customer's actions.

2.10.2 Ownership of Facilities

Facilities utilized by the Company to provide service under the provisions of this tariff shall remain the property of the Company. Such facilities shall be returned to the Company by the Customer, whenever requested, within a reasonable period following the request in as good condition as reasonable wear permits.

2.10.3 Equipment Space and Power

The Customer shall furnish to the Company, at no charge, equipment space and electrical power required by the Company to provide services under this tariff at the points of termination of such services. The selection of AC or DC power shall be mutually agreed to by the Customer and the Company. The Customer shall make necessary arrangements in order that the Company will have access to such spaces at reasonable times for installation, testing, repair, maintenance or removal of Company service.

2.10.4 Testing

The services provided under this tariff shall be made available to the Company at mutually agreed upon times in order to permit the Company to test, adjust and maintain the services in satisfactory operating condition. No credit will be allowed for any interruption during such tests and adjustments.

2.10.5 Termination

A Customer initiated request to terminate service must be made to the Company orally or in writing.

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INTEREXCHANGE SERVICES

SECTION 2 - RULES AND REGULATIONS, (CONT'D.)

2.10 Obligations of the Customer, (Cont'd.)

2.10.5 Design of Customer Services

The Customer shall be responsible for its own expense for the overall design of its services and for any redesigning or rearrangements of its services which may be required because of changes in facilities, operations or procedures of the Company, minimum protection criteria or operating or maintenance characteristics of the facilities.

2.10.6 Network Contingency Coordination

The Customer shall, in cooperation with the Company, coordinate in planning the actions to be taken to maintain maximum network capability following natural or man-made disasters which affect telecommunications service.

2.11 Services Provided Pursuant to Term Agreements

Upon expiration of a term contract, the service term will renew automatically at the same terms and conditions for successive one-year terms unless either party notifies the other 30 days prior to the expiration of the then current term that it wishes to terminate the service. This provision will be applicable to contracts executed subsequent to the effective date of this tariff.

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INTEREXCHANGE SERVICES

SECTION 3 - SPECIAL ARRANGEMENTS3.1 Special Construction

3.1.1 Basis for Charges

Basis for Charges where the Company furnishes a facility or service for which a rate or charge is not specified in the Company's tariffs, charges will be based on the costs incurred by the Company (including return) and may include:

- a. nonrecurring charges;
- b. recurring charges;
- c. termination liabilities; or
- d. combinations of a., b., and c.

3.1.2 Termination Liability

To the extent that there is no other requirement for use by the Company, a termination liability may apply for facilities specially constructed at the request of a Customer.

- A. The period on which the termination liability is based is the estimated service life of the facilities provided.
- B. The amount of the maximum termination liability is equal to the estimated amounts (including return) for:
 - 1. Costs to install the facilities to be provided including estimated costs for the rearrangements of existing facilities. These costs include:
 - a. equipment and materials provided or used;
 - b. engineering, labor, and supervision;
 - c. transportation; and
 - d. rights of way and/or any required easements;
- C. license preparation, processing, and related fees;
- D. tariff preparation, processing and related fees;
- E. cost of removal and restoration, where appropriate; and
- F. any other identifiable costs related to the specially constructed or rearranged facilities.

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INTEREXCHANGE SERVICES

SECTION 3 - SPECIAL ARRANGEMENTS, (CONT'D.)

3.2 Non-Routine Installation and/or Maintenance

At the Customer's request, installation and/or maintenance may be performed outside the Company's regular business hours, or (in the Company's sole discretion and subject to any conditions it may impose) in hazardous locations. In such cases, charges based on the cost of labor, material, and other costs incurred by or charged to the Company will apply. If installation is started during regular business hours but, at the Customer's request, extends beyond regular business hours into time periods including, but not limited to, weekends, holidays, and/or night hours, additional charges may apply.

3.3 Individual Case Basis (ICB) Arrangements

Rates for ICB arrangements will be developed on a case-by-case basis in response to a bona fide request from a Customer or prospective customer for services which vary from tariffed arrangements. Rates quoted in response to such requests may be different for tariffed services than those specified for such services in Section 6, of this tariff. ICB rates will be offered to Customers in writing and will be made available to similarly situated Customers. A summary of each ICB contract pricing arrangement offered pursuant to this paragraph will be filed as an addendum to this tariff within 30 days after the contract is signed by both the Company and the Customer. The following information will be included in the summary:

1. Service description
2. Rates and charges
3. Quantity
4. Length of the agreement

3.4 Promotional Offerings

The Company may from time-to-time, make promotional offerings to enhance the marketing of its services. These offerings may be limited to certain dates, times and locations.

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INTEREXCHANGE SERVICES

SECTION 4 - RESALE/RESOLD SERVICES

4.1 Resale/Resold Services

There are no prohibitions or limitations on the resale of services. Resale and resold services are available only to Carriers who have been certified by the Commission to provide intrastate local exchange services. Resale/resold services will be provided through individual case basis arrangements, which will be filed with and are subject to the approval of the Commission.

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INTEREXCHANGE SERVICES

SECTION 5 – SERVICE OFFERINGS

The following services are available to Customers under individual case basis arrangements:

A. Metro Ethernet Services:

Metro Ethernet is a network that covers a metropolitan area and that is based on the Ethernet standard. It is commonly used as a metropolitan access network to connect subscribers and businesses to a larger service network or the Internet. Businesses can also use Metro Ethernet to connect branch offices to their Intranet. A typical service provider Metro Ethernet network is a collection of Layer 2 or/and Layer 3 switches or/and routers connected through optical fiber. The topology could be a ring, hub-and-spoke (star), or full or partial mesh. The network will also have a hierarchy: core, distribution (aggregation) and access. The core in most cases is an existing IP/MPLS backbone, but may migrate to newer forms of Ethernet Transport in the form of 10Gbit/s, 40Gbit/s or 100Gbit/s speeds.

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INTEREXCHANGE SERVICES

SECTION 5 – SERVICE OFFERINGS (Continued)

B. Private Line Services:

Point-to-Point Ethernet solutions are circuits that connect a remote office back to a main office, main office back to an interexchange carrier (IXC), or customer premise to a specific location using fiber optics systems with a Ethernet standard backbone. The connections are primary Layer 2 in Nature, but can also Layer 3. Point-to-Point network do not provide redundancy and can be at speeds of 5Mbps to 100Gbps

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INTEREXCHANGE SERVICES

SECTION 5 – SERVICE OFFERINGS (Continued)

C. Wavelength Services:

Wave Service is a fully managed, private, point-to-point service delivered over a state-of-the-art dense wave division multiplexing (DWDM) network. The product is ideally suited for larger institutions such as government organizations, enterprise customers, interexchange carriers (IXCs) and wireless operators that require dedicated broadband transport network connectivity without the need for capital or the responsibility of owning and operating network infrastructure. Services provide an end-to-end solution with a wide range of transport bandwidths for long haul and metro wave services.

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INTEREXCHANGE SERVICES

SECTION 6 - RATES AND CHARGES

A. Metro Ethernet Services:

<u>Bandwidth</u>	<u>MRC</u>	<u>NRC</u>
50Mbps	ICB	ICB
100Mbps	ICB	ICB
200Mbps	ICB	ICB
300Mbps	ICB	ICB
400Mbps	ICB	ICB
500Mbps	ICB	ICB
600Mbps	ICB	ICB
700Mbps	ICB	ICB
800Mbps	ICB	ICB
900Mbps	ICB	ICB
1000Mbps	ICB	ICB
10Gbps	ICB	ICB

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INTEREXCHANGE SERVICES

SECTION 6 - RATES AND CHARGES - (Continued)

B. Private Line Services:

<u>Bandwidth</u>	<u>MRC</u>	<u>NRC</u>
DS-1	ICB	ICB
DS-3	ICB	ICB
OC-3	ICB	ICB
OC-12	ICB	ICB
OC-48	ICB	ICB
OC-192	ICB	ICB

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INTEREXCHANGE SERVICES

SECTION 6 - RATES AND CHARGES - (Continued)

C. Wavelength Services:

Wave Service is a fully managed, private, point-to-point service delivered over a state-of-the-art dense wave division multiplexing (DWDM) network. The product is ideally suited for larger institutions such as government organizations, enterprise customers, interexchange carriers (IXCs) and wireless operators that require dedicated broadband transport network connectivity without the need for capital or the responsibility of owning and operating network infrastructure. Services provide an end-to-end solution with a wide range of transport bandwidths for long haul and metro wave services

<u>Bandwidth</u>	<u>MRC</u>	<u>NRC</u>
1 Gbps	ICB	ICB
2.5 Gbps	ICB	ICB
10 Gbps	ICB	ICB

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INTEREXCHANGE SERVICES

SECTION 6 - RATES AND CHARGES - (Continued)D. Service ElementsNonrecurring Charges

Administrative Charge:	ICB
Design and Central Office Connection Charge:	ICB
Customer Connection Charge:	ICB
Local Distribution Channel:	ICB
Channel Mileage Termination:	ICB
Channel Mileage:	ICB
Optional Features:	
Add/Drop Multiplexing:	ICB
Add/Drop Function:	ICB

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TENNESSEE TELECOMMUNICATIONS TARIFF

Rates, Terms and Conditions
Relating to the Provision of Resale Local Exchange Service in the State of Tennessee

UNITI FIBER LLC
107 St. Francis Street, Suite 180
Mobile, AL 36602

This Tariff contains descriptions, regulations, and rates applicable to the furnishing of competitive, presubscribed resale and facilities-based local exchange telecommunications services provided by Uniti Fiber LLC within the State of Tennessee. This Tariff is on file with the Tennessee Public Utility Commission and may be inspected during normal business hours at Uniti Fiber's principal place of business at 107 St. Francis Street, Suite 1800, Mobile, AL 36602. Questions regarding this Tariff should be addressed to Jeffrey R. Strenkowski, Vice President, Deputy General Counsel of Government Affairs at 501-458-4397 or via postal service at Uniti Fiber's principal business address.

LOCAL EXCHANGE SERVICES

CHECK SHEET

The pages listed below of this Tariff are effective as of the date shown. Revised pages contain all changes from the original Tariff that are in effect as of the date indicated.

PAGE	REVISION	PAGE	REVISION
Title	Original*	26	Original*
1	Original*	27	Original*
2	Original*	28	Original*
3	Original*	29	Original*
4	Original*	30	Original*
5	Original*	31	Original*
6	Original*	32	Original*
7	Original*	33	Original*
8	Original*	34	Original*
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25	Original*		

* - indicates pages included with this filing

LOCAL EXCHANGE SERVICES

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LOCAL EXCHANGE SERVICES

EXPLANATION OF SYMBOLS

- (C)** To signify a changed regulation
- (D)** To signify a discontinued regulation.
- (I)** To signify increased rate.
- (M)** To signify material relocated from or to another location.
- (N)** To signify a new rate or regulation.
- (R)** To signify a reduced rate.
- (S)** To signify a correction or reissued matter.
- (T)** To signify a change in text only.

LOCAL EXCHANGE SERVICES

TARIFF FORMAT

- A. Page Numbering** - Sheet numbers appear in the upper right corner of the Page. Pages are numbered sequentially. However, occasionally, when a new Page is added between Pages already in effect, a decimal is added. For example, a new Page added between Pages 14 and 15 would be 14.1.
- B. Page Revision Numbers** - Revision numbers also appear in the upper right corner of each Page. These numbers are used to determine the most current version of a page on file with the Commission. For example, the 4th revised Page 14 cancels the 3rd Revised Page 14. Because of various suspension periods, deferrals, etc. the Commission follows in its Tariff approval process, the most current Page number on file with the Commission is not always the page in effect. Consult the Check Sheet for the Sheet currently in effect.
- C. Paragraph Numbering Sequence** – There are nine levels of paragraph coding. Each level of code is subservient to its next higher level:
- 2.
 - 2.1.
 - 2.1.1.
 - 2.1.1.A.
 - 2.1.1.A.1.
 - 2.1.1.A.1.(a).
 - 2.1.1.A.1.(a) I.
 - 2.1.1.A.1.(a) I.(i).
 - 2.1.1.A.1.(a) I.(i) (1).
- D. Check Sheets** - When a Tariff filing is made with the Commission, an updated Check Sheet accompanies the Tariff filing. The Check Sheet lists the Pages contained in the Tariff with a cross-reference to the current revision number. When new Pages are added, the Check Sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*).

LOCAL EXCHANGE SERVICES

SECTION 1 - GENERAL REGULATIONS

1.1 Application of Tariff

This tariff contains regulations, rates and charges applicable to the provision of local exchange, and access services provided by Uniti Fiber LLC to customers in the State of Tennessee. Uniti Fiber provides dark fiber, private line, ethernet, dedicated internet access, wavelength and collocation services to wholesale and enterprise customers. The Company provides service via its own facilities, facilities leased from other carriers and through resale.

The provision of service by the Company as set forth in this tariff does not constitute a joint undertaking with the Customer for the furnishing of any service.

This tariff will be maintained and made available for inspection by any Customer at the Company's principal business office located at 107 St. Francis Street, Suite 1800 St., Mobile, AL 36602.

LOCAL EXCHANGE SERVICES

SECTION 1 - GENERAL REGULATIONS, (CONTD.)

1.2 Definitions

Applicant - Any person or entity requesting telecommunications service.

Carrier or Common Carrier - See Interexchange Carrier.

Central Office - A local Company switching unit system where exchange service customer station loops are terminated for purposes of interconnection to each other and to trunks.

Channel - A communications path between two or more points of termination.

Class of Service - A customer group which has similar characteristics such as volume of use, time of use, extent of use and nature and purpose of use, as classified by the telecommunications provider. For example, the business or residential class of service.

Commission - The Tennessee Public Utility Commission.

Communications System - Denotes channels and other facilities which are capable of communications between terminal equipment provided by other than the Company,

Company - Uniti Fiber LLC.

Complaint - Any objection from an applicant or customer concerning a charge, facility, rule, service, or other Commission-regulated activity that requires an investigation or an account review and corrective action by a telecommunications provider.

Customer - Any individual, partnership, association, corporation or other entity which subscribes to and agrees to pay for the services offered under this tariff, including Interexchange Carriers.

Customer Designated Premises - The premises specified by the Customer for termination of Local Exchange, Interexchange or Access Services.

Customer Premises Equipment - Telecommunications equipment which is located on a customer's premises, e.g., telephone instruments, PBX switches, etc.

Customer Premises Wiring - Telecommunications wiring which is located on a customer's premises between the point of demarcation and the customer premises equipment.

Demarcation Point - An identifiable point at a customer's premises where operation and maintenance responsibilities end for the telecommunications provider as defined in Part 68 of the Rules of the Federal Communications Commission.

LOCAL EXCHANGE SERVICES

SECTION 1 - GENERAL REGULATIONS, (CONTD.)

1.2 Definitions (Cont'd).

End User - Any customer of an intrastate telecommunications service that is not a Carrier or Common Carrier, except that a Carrier shall be deemed to be an End User when such Carrier uses a telecommunications service for administrative purposes. A person or entity that offers telecommunications service exclusively as a reseller shall be deemed to be an End User if all resale transmissions offered by such reseller originate on the premises of such reseller when making such service available to others, directly or indirectly.

Exchange Service Area - A unit established by a telecommunications provider for the administration of telecommunications service in a specified area for which a separate local rate schedule is provided. It may consist of one or more central offices together with associated plant facilities used in furnishing telecommunications services in that area.

Facilities - Denotes any cable, poles, conduit, carrier equipment, wire center distribution frames, central office switching equipment, etc., utilized to provide the service offered under this tariff.

Holidays - New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Day, or any day which is a legally observed federal government or local state holiday.

Interexchange Carrier (IC) – Any individual, partnership, association, cooperative or other entity that is not a local exchange carrier, engaged in intrastate communications for hire by wire or radio between two or more exchanges.

Interstate Communications - Any communications that crosses over a state boundary. Interstate Communications includes interstate and international communications.

Intrastate Communications - Any communications that originates and terminates within the same state and is subject to oversight by a state regulatory commission as provided by the laws of the state involved.

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

Local Exchange Carrier - A telecommunications provider of basic local exchange service and switched access service. Such term does not include commercial mobile service providers.

Originating Direction - The use of Switched Access Service for the origination of calls from an End User premises to an IC premises.

LOCAL EXCHANGE SERVICES

SECTION 1 - GENERAL REGULATIONS, (CONTD.)

1.2 Definitions (Cont'd.)

Outage - An unplanned temporary loss of telecommunications service caused by a malfunction of or damage to telecommunications provider facilities.

Point Of Termination - The point of demarcation within a customer-designated premises at which the Company's responsibility for the provision of access service ends.

Premises - A building or buildings on contiguous property, not separated by a public highway or right-of-way.

Serving Wire Center - The wire center from which the Customer-designated premises normally obtains dial tone from the Company.

Special Access Circuit - The physical pathway for transmission of information between a dedicated originating point and a dedicated terminating point.

Suspension of Service - A temporary shut-off of service by a telecommunications provider without a customer request -- not an outage or an interruption of service.

Telecommunications Provider - Any person, firm, partnership, corporation, association, or other entity that offers telecommunications services to the public for compensation.

Telecommunications Services - The offering to the public for compensation the transmission of voice, data, or other electronic information at any frequency over any part of the electromagnetic spectrum, notwithstanding any other use of the associated facilities. Such term does not include radio and television broadcast or distribution services, or the provision of publishing of yellow pages, regardless of the entity providing such services, or services to the extent that such services are used in connection with the operation of an electric utility system owned by a government entity.

Transmission Path - An electrical path capable of transmitting signals within the range of the service offering. A transmission path is comprised of physical or derived facilities consisting of any form or configuration of plant used in the telecommunications industry.

Wire Center - A physical location in which one or more central offices used for the provision of exchange services are located.

LOCAL EXCHANGE SERVICES

SECTION 1 - GENERAL REGULATIONS, (CONTD.)

1.3 Undertaking of the Company

The Company shall be responsible only for the installation, operation and maintenance of service which it provides and does not undertake to transmit messages under this tariff.

Services provided under this tariff are provided 24 hours a day, seven days per week, unless otherwise specified in applicable sections of this tariff.

The Company does not provide switched access services.

LOCAL EXCHANGE SERVICES

SECTION 2 - RULES AND REGULATIONS

2.1 Use of Facilities and Service

A Customer desiring to obtain service from the Company may do so either orally or in writing. Customers may be required to sign a service agreement or contract or the acceptance of an application for service may constitute a contract between the Customer and the Company and obligate the Customer to abide by the terms, conditions and rules of the currently effective or any future tariff of the Company. The Company reserves the right to refuse service to a Customer, due to certain circumstances such as a lack of facilities or other impediments.

2.1.1 Use of Service

- A. Service may be used for any lawful purpose by the Customer or by any End User.
- B. The Customer obtains no property right or interest in the use of any specific type of facility, service, equipment, number, process, or code. All right, title and interest to such items remain, at all times, solely with the Company.
- C. Any service provided under this tariff may be resold to or shared (jointly used) with other persons at the Customer's option. The Customer remains solely responsible for all use of service ordered by it or billed to its account(s) pursuant to this tariff, for determining who is authorized to use its service, and for promptly notifying the Company of any unauthorized use. The Customer may advise its customers that a portion of its service is provided by the Company, but the Customer shall not represent that the Company jointly participates with the Customer in the provision of the service.
 - 1. Service may be used for any lawful purpose by the Customer or by any End User.
 - 2. The Customer obtains no property right or interest in the use of any specific type of facility, service, equipment, number, process, or code. All right, title and interest to such items remain, at all times, solely with the Company,

LOCAL EXCHANGE SERVICES

SECTION 2 - RULES AND REGULATIONS, (CONT'D.)

2.1 Use of Facilities and Service, (Cont'd.)

2.1.2 Limitations

- A. Service is offered subject to the availability of the necessary facilities and/or equipment and subject to the provisions of this tariff. The Company may decline applications for service to or from a location where the necessary facilities or equipment are not available. The Company may discontinue furnishing service in accordance with the terms of this tariff.
- B. The Company reserves the right to discontinue or limit service when necessitated by conditions beyond its control (examples of these conditions are more fully set forth elsewhere in this tariff), or when service is used in violation of provisions of this tariff or the law.
- C. The Company does not undertake to transmit messages, but offers the use of its service when available, and, as more fully set forth elsewhere in this tariff, shall not be liable for or for failure to establish connections.
- D. The Company reserves the right to discontinue service, limit service, or to impose requirements as required to meet changing regulatory or statutory rules and standards, or when such rules and standards have an adverse material affect on the business or economic feasibility of providing service, as determined by the Company in its reasonable judgment.
- E. The Company reserves the right to refuse an application for service made by a present or former Customer who is indebted to the Company for telecommunications services previously rendered pursuant to this tariff until the indebtedness is satisfied. If service is refused to an Applicant, the Company will provide within seven (7) business days a written explanation to the Applicant of the reason for refusal, the conditions under which service may be provided and the Applicants right to file a complaint with the Commission.

LOCAL EXCHANGE SERVICES

SECTION 2 - RULES AND REGULATIONS, (CONT'D.)

2.1 Use of Facilities and Service, (Cont'd.)

2.1.3 Customer-Authorized Use

Any service provided under this tariff may be resold to or shared (jointly used) with other persons at the Customer's option. The Customer remains solely responsible for all use of service ordered by it or billed to its telephone number(s) pursuant to this tariff, for determining who is authorized to use its service, and for promptly notifying the Company of any unauthorized use. The Customer may advise its customers that a portion of its service is provided by the Company, but the Customer shall not represent that the Company jointly participates with the Customer in the provision of the service.

2.1.4 Use and Ownership of Equipment

The Company's equipment, apparatus, channels and lines shall be carefully used. Equipment furnished by the Company shall remain its property and shall be returned to the Company whenever requested, within a reasonable period following the request, in good condition (subject to reasonable wear and tear). The Customer is required to reimburse the Company for any loss of, or damage to, the facilities or equipment on the Customer's premises, including loss or damage caused by agents, employees or independent contractors of the Customer through any negligence.

2.2 Minimum Period of Service

The minimum period for which services are provided and for which rates and charges are applicable is one month unless otherwise specified. When a service is discontinued prior to the expiration of the minimum period, charges are applicable, whether the service is used or not.

LOCAL EXCHANGE SERVICES

SECTION 2 - RULES AND REGULATIONS, (CONT'D.)

2.3 Interruptions of Service

A service interruption is the temporary stopping of service for maintenance, testing, repair or safety. The Company shall undertake efforts to avoid unplanned interruptions of service or outages to its Customers, and in the event of such interruptions shall restore service as soon as practical. Planned service interruptions, including but not limited to maintenance or testing, as noted in Sections 2.8 and 2.10 following, shall be made during a period of time that will cause minor, if any, disruptions to and will not unreasonably inconvenience Customers. Planned interruptions of service shall also be communicated to the Customer prior to their occurrence. If local service is interrupted for more than twenty-four (24) hours, a portion of the Customers' monthly charge will be refunded for the number of days that service was not available.

LOCAL EXCHANGE SERVICES

SECTION 2 - RULES AND REGULATIONS, (CONT'D.)2.4 Payment for Service Rendered

- 2.4.1 Service is provided and billed on a monthly basis. Bills are due and payable within twenty-two (22) days after the date that the bill has been mailed. In the event that the Company incurs fees or expenses, including attorney's fees, collecting, or attempting to collect, any charges owed to the Company, the Company may charge the Customer all such fees and expenses reasonably incurred, including a collection fee on the overdue charges accruing at the rate of 1.5% per month or the highest rate allowed by law, whichever is lower. Collection fees on overdue charges shall begin to accrue when the account is assigned to an outside collection agency. Such collection fees are separate and distinct from attorney's fees and other costs incurred in collecting charges owed to the Company.

Regarding the manner in which the creditworthiness of service applicants is established, as well as the manner in which disconnection of service for nonpayment of charges occurs, the Company will comply with the rules adopted by the Commission.

- 2.4.2 The Customer is responsible for payment of all charges for service furnished to the Customer, or the Customer's agents, end users or customers. All charges due by the Customer are payable to the Company or to the Company's authorized billing agent. Any objections to billed charges must be reported promptly to the Company.
- 2.4.3 A charge of \$25.00 will be assessed for any check or other form of payment returned by the drawee bank or other financial institution for insufficient or uncollected funds, closed account, apparent tampering, missing signature or endorsement, or any other insufficiency or discrepancy necessitating return of the instrument at the discretion of the drawee bank or financial institution. This charge will be assessed in addition to any charges assessed by the drawee bank or any other financial institution. The foregoing shall not limit the Company's right to discontinue service for returned checks or drafts under Section 2.9.1 below.
- 2.4.4 Application of Late Payment Charge
- A. Late payment charges do not apply to final accounts.

LOCAL EXCHANGE SERVICES

SECTION 2 - RULES AND REGULATIONS, (CONT'D.)2.5 Deposits

- 2.5.1 The Company reserves the right to examine the credit record of the Customer. If the Customer's financial condition is unknown or unacceptable to the Company based on the conditions specified in Rule 4 of the Ark. *Telecommunications Providers Rules*, the Customer may be required to provide the Company with a security deposit which the Company may apply against overdue charges. The amount of the security deposit shall be a maximum amount equal to one (1) average months bill if the deposit is required prior to furnishing of service and two (2) months estimated usage if the deposit is required after service has been initiated, but may vary with the Customer's credit history, service history and projected usage. The Customer shall be apprised that after two years of service the account shall be reviewed, and in the event that all amounts due have been paid within the terms and conditions of this tariff, the deposit shall be refunded in full. If subsequent payment or usage patterns change, the Company may request an increase in or resubmission of the security deposit as appropriate. The Company may also require a security deposit before service is restored (along with the payment of overdue charges) from the Customer whose service has been discontinued for nonpayment of overdue charges. Such security deposit may be based on a new credit history (taking into account the discontinuance of service) and estimates of usage. On a case by case basis, in lieu of a deposit the Company may accept a written guaranty of another customer to pay an amount equal to the deposit.
- 2.5.2 The fact that a security deposit has been made in no way relieves the Customer from the prompt payment of bills upon presentation.
- 2.5.3 If the amount of a deposit is proven to be less than required to meet the requirements specified above, the Customer shall be required to pay an additional deposit upon request.
- 2.5.4 When a deposit is to be returned, the Customer may request that the full amount of the deposit be issued by check. If the Customer requests that the full amount be credited to amounts owed the Company, the Company will apply the deposit to any amount currently owed to the Company, and return any remaining amount of the deposit to the Customer by check.
- 2.5.5 Simple interest will be credited or paid to the Customer at the rate prescribed and set annually by the Commission while the Company holds the deposit. Interest shall be accrued annually and payment made to the Customer annually or at least every two (2) years and at the time that the deposit may be returned.

LOCAL EXCHANGE SERVICES

SECTION 2 - RULES AND REGULATIONS, (CONT'D.)2.7 Disputed Bills

Objections to billed charges must be reported to the Company within eighteen (18) months of receipt of billing. Claims must include all supporting documentation and may be submitted online at unitifiber@uniti.com or by telephone at (251) 662-1170. The Company shall make adjustments to the Customer's invoice to the extent that circumstances existing which reasonably indicate that such changes are appropriate. After the investigation and review are completed the Company will notify the Customer within three (3) business days of its completion and any such amount becomes due and payable at once. In order to avoid disconnection of Service, such amount must be paid within seven (7) calendar days after the date Company notifies Customer that the investigation and review are completed and that such payment must be made or Service will be interrupted. However, the Service will not be disconnected prior to the Due By Date shown on the bill. In no event will service be discontinued on the day preceding any day on which Carrier is not prepared to accept payment of the amount due and to reconnect service, and service will not be disconnected for non-payment of any disputed amount during the Commission's review of the dispute.

However, if the Company and a Carrier are unable to resolve such a dispute, the Carrier may file a complaint with the Commission in writing or orally to:

Tennessee Public Utility Commission
502 Deaderick Street 4th Floor
Nashville, TN 37243
Toll Free: 1-800-342-8359
TTY: 1-888-276-0677

The Company will respond to the Commission staff's request for information within fifteen (15) days after receipt.

LOCAL EXCHANGE SERVICES

SECTION 2 - RULES AND REGULATIONS, (CONT'D.)

2.8 Inspection, Testing and Adjustment

- 2.8.1 The Company may, upon reasonable notice, make such tests and inspections as may be necessary to determine whether the terms and conditions of this tariff are being complied with in the installation, operation or maintenance of the Customer's or the Company's facilities or equipment. The Company may interrupt service at any time, without penalty or liability, due to the departure from or reasonable suspicion of the departure from any of these terms and conditions.
- 2.8.2 The Customer shall be responsible for making arrangements or obtaining permission for safe and reasonable access for Company employees or agents of the Company to enter the premises of the Customer or any joint user or customer of the Customer at any reasonable hour for the purpose of inspecting, repairing, testing or removing any part of the Company's facilities.
- 2.8.3 Upon reasonable notice, the facilities or equipment provided by the Company shall be made available to the Company for such tests and adjustments as may be necessary for their maintenance in a condition satisfactory to the Company. No interruption allowance shall be granted for the time during which such tests and adjustments are made, unless such interruption exceeds twenty-four hours in length and is requested by the Customer.

LOCAL EXCHANGE SERVICES

SECTION 2 - RULES AND REGULATIONS, (CONT'D.)2.9 Suspension or Termination of Service

2.9.1 Suspension or Termination for Nonpayment

In the event that any bill rendered or any deposit required is not paid, the Company may suspend service or terminate service until the bill or the required deposit has been paid. If service is suspended or terminated for nonpayment, the Customer must remit a Connection Charge as well as any payment due and any applicable deposits prior to reconnection. The Company may also suspend service for additional reasons that are in compliance with Rule 6.01 of the Ark. *Telecommunications Providers Rules*, as specified in Section 2.9.4. If service has been suspended due to the unauthorized use of service or tampering with equipment that has been furnished by the Company, a reasonable payment for damage may also be requested from the Customer, prior to service being reconnected.

All disconnection situations will be handled in accordance with the rules adopted by the Commission.

Suspension or termination shall not be made until:

- A. At least ten (10) days after written notification has been served personally on the Customer, or at least twenty (20) days after written notification has been mailed to the billing address of the Customer or;
- B. At least ten (10) days after the Customer has either signed for or refused a registered letter containing written notification mailed to the billing address of the Customer.

Local exchange or access services shall not be suspended or terminated for nonpayment on weekends, public holidays, other federal and state holidays proclaimed by the President or the Governor, or on days when the main business office of the Company is not open for business.

LOCAL EXCHANGE SERVICES

SECTION 2 - RULES AND REGULATIONS, (CONT'D.)

2.9 Suspension or Termination of Service, (Cont'd.)

2.9.2 Exceptions to Suspension and Termination

Local exchange and access services shall not be suspended or terminated for:

- A. Nonpayment of bills rendered for charges other than interexchange services or deposits requested in connection with these services;
- B. Nonpayment for service for which a bill has not been rendered;
- C. Nonpayment for service that has not been rendered;
- D. Nonpayment of any billed charge which is in dispute or for the nonpayment of a deposit which is in dispute during the period before a determination of the dispute is made by the Company in accordance with Company's complaint handling procedures.

Local exchange or access services may be suspended or terminated for nonpayment of the undisputed portion of a disputed bill or deposit if the Customer does not pay the undisputed portion after being asked to do so.

2.9.3 Verification of Nonpayment

Local exchange or access services shall not be suspended or terminated for nonpayment of a bill rendered or a required deposit unless the Company has verified that payment has not been received at any office of the Company or at any office of an authorized collection agent through the end of the period indicated in the notice.

LOCAL EXCHANGE SERVICES

SECTION 2 - RULES AND REGULATIONS, (CONT'D.)

2.9 Suspension or Termination of Service, (Cont'd.)

2.9.4 Termination for Cause Other Than Nonpayment

A. General

The Company, after notice in writing to the Customer, when required, and after having given the Customer an appropriate opportunity, five (5) days to respond to such notice, may terminate service and sever the connection(s) from the Customer's premises under the following conditions:

1. in the event of prohibited, unlawful or improper use of the facilities or service, or any other violation by the Customer of the rules and regulations governing the facilities and service furnished, or
2. if, in the judgment of the Company, any use of the facilities or service by the Customer may adversely affect the Company's personnel, plant, property or service. The Company shall have the right to take immediate action, including termination of the service and severing of the connection, without notice to the Customer in the event of a hazardous or dangerous condition when injury or damage to telephone personnel, plant, property or service is occurring, or is likely to occur, or
3. without notice, in the event of unauthorized use, where the Customer fails to take reasonable steps to prevent the unauthorized use of the facilities or service received from the Company, or
4. in the event that service is connected for a Customer who is indebted to the Company for service or facilities previously furnished, that service may be terminated by the Company unless the Customer satisfies the indebtedness within twenty (20) days after written notification.
5. without notice, in the event that the Customers use of equipment adversely affects service to others.

LOCAL EXCHANGE SERVICES

SECTION 2 - RULES AND REGULATIONS, (CONT'D.)

2.9 Suspension or Termination of Service, (Cont'd.)

2.9.4 Termination for Cause Other Than Nonpayment, (Cont'd.)

B. Prohibited, Unlawful or Improper Use of the Facilities or Service

Prohibited, unlawful or improper use of the facilities or service includes, but is not limited to:

1. The use of facilities or service of the Company without payment of tariff charges;
2. Permitting fraudulent use.

C. Abandonment or Unauthorized Use of Facilities

1. If it is determined that facilities have been abandoned, or are being used by unauthorized persons, or that the Customer has failed to take reasonable steps to prevent unauthorized use, the Company may terminate local exchange or access service, without notice.

In the event that access service is terminated for abandonment of facilities or unauthorized use and service is subsequently restored to the same Customer at the same location:

- a. No charge shall apply for the period during which service had been terminated, and
- b. Reconnection charges will apply when service is restored. However, no charge shall be made for reconnection if the service was terminated due to an error on the part of the Company.

LOCAL EXCHANGE SERVICES

SECTION 2 - RULES AND REGULATIONS, (CONT'D.)2.9 Suspension or Termination of Service, (Cont'd.)

2.9.4 Termination for Cause Other Than Nonpayment, (Cont'd.)

C. Abandonment or Unauthorized Use of Facilities, (Cont'd.)

1. If it is determined that facilities have been abandoned, or are being used by unauthorized persons, or that the Customer has failed to take reasonable steps to prevent unauthorized use, the Company may terminate access service. (Cont'd.)

c. Change in the Company's Ability to Secure Access

Any change in the Company's ability (a) to secure and retain suitable facilities and rights for the construction and maintenance of the necessary circuits and equipment or (b) to secure and retain suitable space for its plant and facilities in the building where service is provided to the Customer may require termination of a Customer's service until such time as new arrangements can be made. No charges will be assessed on the Customer while service is terminated, and no connection charges will apply when the service is restored.

2.9.5 Emergency Termination of Service

The Company will immediately terminate the service of any Customer, on request, when the Customer has reasonable belief that the service is being used by an unauthorized person or persons. The Company may require that the request be submitted in writing as a follow-up to a request made by telephone.

LOCAL EXCHANGE SERVICES

SECTION 2 - RULES AND REGULATIONS, (CONT'D.)

2.10 Obligations of the Customer

2.10.1 Damages

The Customer shall reimburse the Company for damages to Company facilities utilized to provide services under this tariff caused by the negligence or willful act of the Customer, or resulting from improper use of the Company's facilities, or due to malfunction of any facilities or equipment provided by other than the Company, except that no Customer shall be liable for another Customer's actions.

2.10.2 Ownership of Facilities

Facilities utilized by the Company to provide service under the provisions of this tariff shall remain the property of the Company. Such facilities shall be returned to the Company by the Customer, whenever requested, within a reasonable period following the request in as good condition as reasonable wear permits.

2.10.3 Equipment Space and Power

The Customer shall furnish to the Company, at no charge, equipment space and electrical power required by the Company to provide services under this tariff at the points of termination of such services. The selection of AC or DC power shall be mutually agreed to by the Customer and the Company. The Customer shall make necessary arrangements in order that the Company will have access to such spaces at reasonable times for installation, testing, repair, maintenance or removal of Company service.

2.10.4 Testing

The services provided under this tariff shall be made available to the Company at mutually agreed upon times in order to permit the Company to test, adjust and maintain the services in satisfactory operating condition. No credit will be allowed for any interruption during such tests and adjustments.

2.10.5 Termination

A Customer initiated request to terminate service must be made to the Company orally or in writing.

LOCAL EXCHANGE SERVICES

SECTION 2 - RULES AND REGULATIONS, (CONT'D.)

2.10 Obligations of the Customer, (Cont'd.)

2.10.5 Design of Customer Services

The Customer shall be responsible for its own expense for the overall design of its services and for any redesigning or rearrangements of its services which may be required because of changes in facilities, operations or procedures of the Company, minimum protection criteria or operating or maintenance characteristics of the facilities.

2.10.6 Network Contingency Coordination

The Customer shall, in cooperation with the Company, coordinate in planning the actions to be taken to maintain maximum network capability following natural or man-made disasters which affect telecommunications service.

2.11 Services Provided Pursuant to Term Agreements

Upon expiration of a term contract, the service term will renew automatically at the same terms and conditions for successive one-year terms unless either party notifies the other 30 days prior to the expiration of the then current term that it wishes to terminate the service. This provision will be applicable to contracts executed subsequent to the effective date of this tariff.

LOCAL EXCHANGE SERVICES

SECTION 3 - SPECIAL ARRANGEMENTS

3.1 Special Construction

3.1.1 Basis for Charges

Basis for Charges where the Company furnishes a facility or service for which a rate or charge is not specified in the Company's tariffs, charges will be based on the costs incurred by the Company (including return) and may include:

- a. nonrecurring charges;
- b. recurring charges;
- c. termination liabilities; or
- d. combinations of a., b., and c.

3.1.2 Termination Liability

To the extent that there is no other requirement for use by the Company, a termination liability may apply for facilities specially constructed at the request of a Customer.

- A. The period on which the termination liability is based is the estimated service life of the facilities provided.
- B. The amount of the maximum termination liability is equal to the estimated amounts (including return) for:
 1. Costs to install the facilities to be provided including estimated costs for the rearrangements of existing facilities. These costs include:
 - a. equipment and materials provided or used;
 - b. engineering, labor, and supervision;
 - c. transportation; and
 - d. rights of way and/or any required easements;
- C. license preparation, processing, and related fees;
- D. tariff preparation, processing and related fees;
- E. cost of removal and restoration, where appropriate; and
- F. any other identifiable costs related to the specially constructed or rearranged facilities.

SECTION 3 - SPECIAL ARRANGEMENTS, (CONT'D.)

3.2 Non-Routine Installation and/or Maintenance

LOCAL EXCHANGE SERVICES

At the Customer's request, installation and/or maintenance may be performed outside the Company's regular business hours, or (in the Company's sole discretion and subject to any conditions it may impose) in hazardous locations. In such cases, charges based on the cost of labor, material, and other costs incurred by or charged to the Company will apply. If installation is started during regular business hours but, at the Customer's request, extends beyond regular business hours into time periods including, but not limited to, weekends, holidays, and/or night hours, additional charges may apply.

3.3 Individual Case Basis (ICB) Arrangements

Rates for ICB arrangements will be developed on a case-by-case basis in response to a bona fide request from a Customer or prospective customer for services which vary from tariffed arrangements. Rates quoted in response to such requests may be different for tariffed services than those specified for such services in Section 6, of this tariff. ICB rates will be offered to Customers in writing and will be made available to similarly situated Customers. A summary of each ICB contract pricing arrangement offered pursuant to this paragraph will be filed as an addendum to this tariff within 30 days after the contract is signed by both the Company and the Customer. The following information will be included in the summary:

1. Service description
2. Rates and charges
3. Quantity
4. Length of the agreement

3.4 Promotional Offerings

The Company may from time-to-time, make promotional offerings to enhance the marketing of its services. These offerings may be limited to certain dates, times and locations.

LOCAL EXCHANGE SERVICES

SECTION 4 - RESALE/RESOLD SERVICES

4.1 Resale/Resold Services

There are no prohibitions or limitations on the resale of services. Resale and resold services are available only to Carriers who have been certified by the Commission to provide intrastate local exchange services. Resale/resold services will be provided through individual case basis arrangements, which will be filed with and are subject to the approval of the Commission.

LOCAL EXCHANGE SERVICES

SECTION 5 – SERVICE OFFERINGS

The following services are available to Customers under individual case basis arrangements:

A. Metro Ethernet Services:

Metro Ethernet is a network that covers a metropolitan area and that is based on the Ethernet standard. It is commonly used as a metropolitan access network to connect subscribers and businesses to a larger service network or the Internet. Businesses can also use Metro Ethernet to connect branch offices to their Intranet. A typical service provider Metro Ethernet network is a collection of Layer 2 or/and Layer 3 switches or/and routers connected through optical fiber. The topology could be a ring, hub-and-spoke (star), or full or partial mesh. The network will also have a hierarchy: core, distribution (aggregation) and access. The core in most cases is an existing IP/MPLS backbone, but may migrate to newer forms of Ethernet Transport in the form of 10Gbit/s, 40Gbit/s or 100Gbit/s speeds.

LOCAL EXCHANGE SERVICES

SECTION 5 – SERVICE OFFERINGS (Continued)

B. Private Line Services:

Point-to-Point Ethernet solutions are circuits that connect a remote office back to a main office, main office back to an interexchange carrier (IXC), or customer premise to a specific location using fiber optics systems with a Ethernet standard backbone. The connections are primary Layer 2 in Nature, but can also Layer 3. Point-to-Point network do not provide redundancy and can be at speeds of 5Mbps to 100Gbps

LOCAL EXCHANGE SERVICES

SECTION 5 – SERVICE OFFERINGS (Continued)

C. Wavelength Services:

Wave Service is a fully managed, private, point-to-point service delivered over a state-of-the-art dense wave division multiplexing (DWDM) network. The product is ideally suited for larger institutions such as government organizations, enterprise customers, interexchange carriers (IXCs) and wireless operators that require dedicated broadband transport network connectivity without the need for capital or the responsibility of owning and operating network infrastructure. Services provide an end-to-end solution with a wide range of transport bandwidths for long haul and metro wave services.

LOCAL EXCHANGE SERVICES

SECTION 6 - RATES AND CHARGES

A. Metro Ethernet Services:

<u>Bandwidth</u>	<u>MRC</u>	<u>NRC</u>
50Mbps	ICB	ICB
100Mbps	ICB	ICB
200Mbps	ICB	ICB
300Mbps	ICB	ICB
400Mbps	ICB	ICB
500Mbps	ICB	ICB
600Mbps	ICB	ICB
700Mbps	ICB	ICB
800Mbps	ICB	ICB
900Mbps	ICB	ICB
1000Mbps	ICB	ICB
10Gbps	ICB	ICB

LOCAL EXCHANGE SERVICES

SECTION 6 - RATES AND CHARGES - (Continued)B. Private Line Services:

<u>Bandwidth</u>	<u>MRC</u>	<u>NRC</u>
DS-1	ICB	ICB
DS-3	ICB	ICB
OC-3	ICB	ICB
OC-12	ICB	ICB
OC-48	ICB	ICB
OC-192	ICB	ICB

LOCAL EXCHANGE SERVICES

SECTION 6 - RATES AND CHARGES - (Continued)

C. Wavelength Services:

Wave Service is a fully managed, private, point-to-point service delivered over a state-of-the-art dense wave division multiplexing (DWDM) network. The product is ideally suited for larger institutions such as government organizations, enterprise customers, interexchange carriers (IXCs) and wireless operators that require dedicated broadband transport network connectivity without the need for capital or the responsibility of owning and operating network infrastructure. Services provide an end-to-end solution with a wide range of transport bandwidths for long haul and metro wave services

<u>Bandwidth</u>	<u>MRC</u>	<u>NRC</u>
1 Gbps	ICB	ICB
2.5 Gbps	ICB	ICB
10 Gbps	ICB	ICB

LOCAL EXCHANGE SERVICES

SECTION 6 - RATES AND CHARGES - (Continued)D. Service ElementsNonrecurring Charges

Administrative Charge:	ICB
Design and Central Office Connection Charge:	ICB
Customer Connection Charge:	ICB
Local Distribution Channel:	ICB
Channel Mileage Termination:	ICB
Channel Mileage:	ICB
Optional Features:	
Add/Drop Multiplexing:	ICB
Add/Drop Function:	ICB

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2017

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** For the transition period from _____ to _____

Commission File Number 001-36708

Uniti Group Inc.

(Exact name of Registrant as specified in its Charter)

Maryland
(State or other jurisdiction of
incorporation or organization)
10802 Executive Center Drive
Benton Building Suite 300
Little Rock, Arkansas
(Address of principal executive offices)

46-5230630
(I.R.S. Employer
Identification No.)

72211
(Zip Code)

Registrant's telephone number, including area code: (501) 850-0820

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

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.0001 Par Value	The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☒ NO ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. YES ☐ NO ☒

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

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

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or 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	☒
Non-accelerated filer	☐ (Do not check if a small reporting company)
	Accelerated filer ☐
	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 Act). YES ☐ NO ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on the closing price of the shares of common stock on The NASDAQ Stock Market on June 30, 2017, was \$3,342,033,490

The number of shares of Registrant's Common Stock outstanding as of February 23, 2018 was 175,428,468.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement relating to the 2018 annual meeting of stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K includes forward-looking statements as defined under U.S. federal securities law. Forward-looking statements include all statements that are not historical statements of fact and those regarding our intent, belief or expectations, including, but not limited to, statements regarding: our expectations regarding the future growth and demand of the telecommunication industry, future financing plans, business strategies, growth prospects and operating and financial performance; expectations regarding the impact and integration of Hunt Telecommunications, LLC ("Hunt") and Southern Light, LLC ("Southern Light"), including expectations regarding operational synergies with Uniti Towers and Uniti Fiber; expectations regarding settling conversion of our 3% convertible preferred stock in cash upon conversion; expectations regarding the probability of our obligation to pay contingent consideration upon Tower Cloud, Inc.'s ("Tower Cloud") or Hunt's achievement of certain defined operational and financial milestones; expectations regarding future deployment of fiber strand miles and recognition of revenue related thereto; expectations regarding levels of capital expenditures; expectations regarding the deductibility of goodwill for tax purposes; expectations regarding the amortization of intangible assets; expectations regarding the closing of the U.S. TelePacific Holding Corp. ("TPx") transaction; and expectations regarding the payment of dividends.

Words such as "anticipate(s)," "expect(s)," "intend(s)," "plan(s)," "believe(s)," "may," "will," "would," "could," "should," "seek(s)" and similar expressions, or the negative of these terms, are intended to identify such forward-looking statements. These statements are based on management's current expectations and beliefs and are subject to a number of risks and uncertainties that could lead to actual results differing materially from those projected, forecasted or expected. Although we believe that the assumptions underlying the forward-looking statements are reasonable, we can give no assurance that our expectations will be attained. Factors which could have a material adverse effect on our operations and future prospects or which could cause actual results to differ materially from our expectations include, but are not limited to:

- the ability and willingness of our customers to meet and/or perform their obligations under any contractual arrangements entered into with us, including master lease arrangements;
- the ability of our customers to comply with laws, rules and regulations in the operation of the assets we lease to them;
- the ability and willingness of our customers to renew their leases with us upon their expiration, and the ability to reposition our properties on the same or better terms in the event of nonrenewal or in the event we replace an existing tenant;
- our ability to renew, extend or retain our contracts or to obtain new contracts with significant customers (including customers of the businesses that we acquire);
- the availability of and our ability to identify suitable acquisition opportunities and our ability to acquire and lease the respective properties on favorable terms or operate and integrate the acquired businesses;
- our ability to generate sufficient cash flows to service our outstanding indebtedness;
- our ability to access debt and equity capital markets;
- the impact on our business or the business of our customers as a result of credit rating downgrades, and fluctuating interest rates;
- adverse impacts of litigation or disputes involving us or our customers;
- our ability to retain our key management personnel;
- our ability to maintain our status as a real estate investment trust ("REIT");
- changes in the U.S. tax law and other federal, state or local laws, whether or not specific to REITs, including the impact of the recently enacted U.S. tax reform legislation;
- covenants in our debt agreements that may limit our operational flexibility;

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- the possibility that we may experience equipment failures, natural disasters, cyber attacks or terrorist attacks for which our insurance may not provide adequate coverage;
- the risk that we fail to fully realize the potential benefits of or have difficulty in integrating the companies we acquire;
- other risks inherent in the communications industry and in the ownership of communications distribution systems, including potential liability relating to environmental matters and illiquidity of real estate investments;
- the risk that the TPx transaction agreements may be modified or terminated prior to expiration or that the conditions to the TPx transaction may not be satisfied; and
- additional factors discussed in Part I, Item 1A “Risk Factors” and Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Annual Report on Form 10-K, as well as those described from time to time in our future reports filed with the U.S. Securities and Exchange Commission (the “SEC”).

Forward-looking statements speak only as of the date of this Annual Report. Except in the normal course of our public disclosure obligations, we expressly disclaim any obligation to release publicly any updates or revisions to any forward-looking statements to reflect any change in our expectations or any change in events, conditions or circumstances on which any such statement is based.

PART I

Item 1. Business.

The Company

Uniti Group Inc. (the “Company”, “Uniti”, “we”, “us” or “our”) was incorporated in the state of Delaware in February 2014 and reorganized in the state of Maryland on September 4, 2014. Uniti is an independent, internally managed real estate investment trust (“REIT”) engaged in the acquisition and construction of mission critical infrastructure in the communications industry. We are principally focused on acquiring and constructing fiber optic broadband networks, wireless communications towers, copper and coaxial broadband networks and data centers.

On April 24, 2015, we were separated and spun-off (the “Spin-Off”) from Windstream Holdings, Inc. (“Windstream Holdings” and together with its subsidiaries, “Windstream”) pursuant to which Windstream contributed certain telecommunications network assets, including fiber and copper networks and other real estate (the “Distribution Systems”) and a small consumer competitive local exchange carrier (“CLEC”) business (the “Consumer CLEC Business”) to Uniti and Uniti issued common stock and indebtedness and paid cash obtained from borrowings under Uniti’s senior credit facilities to Windstream. In connection with the Spin-Off, we entered into a long-term exclusive triple-net lease (the “Master Lease”) with Windstream, pursuant to which we lease the Distribution Systems back to Windstream.

Uniti operates as a REIT for U.S. federal income tax purposes. As a REIT, the Company is generally not subject to U.S. federal income taxes on income generated by its REIT operations, which includes income derived from the Master Lease. We have elected to treat the subsidiaries through which we operate Uniti Fiber and Consumer CLEC Business as taxable REIT subsidiaries (“TRSs”). TRSs enable us to engage in activities that do not result in income that would be qualifying income for a REIT. Our TRSs are subject to U.S. federal, state and local corporate income taxes.

The Company operates through a customary up-REIT structure, pursuant to which we hold substantially all of our assets through a partnership, Uniti Group LP, a Delaware limited partnership (the “Operating Partnership”), that we control as general partner. The only significant difference between the financial position and results of operations of the Operating Partnership and its subsidiaries compared to the consolidated financial position and consolidated results of operations of Uniti is that the results for the Operating Partnership and its subsidiaries do not include the Consumer CLEC Business, which is operated through Talk America Services, LLC (“Talk America”), a direct, wholly-owned subsidiary of Uniti. This structure is intended to facilitate future acquisition opportunities by providing the Company with the ability to use common units of the Operating Partnership as a tax-efficient acquisition currency. As of December 31, 2017, we are the sole general partner of the Operating Partnership and own approximately 97.7% of the partnership interests in the Operating Partnership.

For the year ended December 31, 2017, we had revenues of \$916.0 million, net loss attributable to common shareholders of \$16.6 million, Funds From Operations (“FFO”) of \$352.5 million and Adjusted Funds From Operations (“AFFO”) of \$424.8 million. Both FFO and AFFO are non-GAAP financial measures, which we use to analyze our results. Refer to Part II, Item 7 *Management’s Discussion and Analysis of Financial Condition and Results of Operations*, of this Annual Report for additional information regarding these non-GAAP measures. As of December 31, 2017, we managed our operations in four reportable business segments, which are described in more detail in Note 13 to our consolidated financial statements contained in Part II, Item 8 *Financial Statements and Supplementary Data*.

Business

We are an independent, internally-managed REIT engaged in the acquisition and construction of mission critical infrastructure in the communications industry. We manage our operations in four separate lines of business: *Uniti Fiber*, *Uniti Towers*, *Uniti Leasing* and *Talk America*.

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Uniti Fiber

Uniti Fiber is a leading provider of infrastructure solutions, including cell site backhaul and small cell for wireless operators and Ethernet, wavelengths and dark fiber for telecommunications carriers and enterprises. With Uniti Fiber, our goal is to capitalize on the rising demand by carriers and enterprises for dark fiber, establish ourselves as a proven small-cell systems provider and leverage wholesale enterprise opportunities as well as opportunities through the School and Libraries Program (commonly referred to as E-Rate) administered by the Universal Service Administrative Company. We believe Uniti Fiber is the mission-critical focal point in the modern communications infrastructure industry and will accelerate our growth and diversification strategy and expand our relationships with high quality national and international wireless carriers.

On July 3, 2017, we acquired Southern Light and Hunt. Southern Light is a provider of data transport services along the Gulf Coast region serving twelve attractive Tier II and Tier III markets across Florida, Alabama, Louisiana, and Mississippi, and Hunt is a provider of data transport to K-12 schools and government agencies with a dense fiber network in Louisiana. These acquisitions allow us to scale our products and capacity with wireless carriers, enterprise, wholesale, and E-Rate customers across a significantly expanded Uniti Fiber network.

At December 31, 2017, Uniti Fiber's revenues under contract were over \$1.3 billion, with a network consisting of 1.4 million strand miles of fiber and approximately 16,750 customer connections. Results for Uniti Fiber are reported in our consolidated financial statements in our Fiber Infrastructure business segment.

Uniti Towers

The strategy of Uniti Towers is to acquire and construct tower and tower-related real estate in the United States and Latin America. We are focused on markets with strong macroeconomic fundamentals, politically stable environments and strong underlying communications growth trends. Specifically, our focus is on markets where numerous investment grade carriers operate and there is strong communications infrastructure potential due to underpenetrated 5G, 4G or even 3G technology. Uniti Towers also provides build-to-suit opportunities using customized master lease agreements designed for long-term carrier partnerships. We believe that our strategy of focusing on fiber and towers in the United States and Latin America through Uniti Fiber and Uniti Towers is highly synergistic and will drive incremental growth opportunities.

On January 31, 2017, Uniti Towers completed the acquisition of Network Management Holdings LTD ("NMS"). At close, NMS owned and operated 366 wireless communications towers across Mexico, Colombia, and Nicaragua.

At December 31, 2017, the Uniti Towers' portfolio consisted of 227 wireless communications towers located in 20 states across the eastern and central United States and 440 wireless communications towers in Latin America. Results for Uniti Towers are reported in our consolidated financial statements in our Towers business segment.

Uniti Leasing

Uniti Leasing is engaged in acquiring mission-critical communications assets, such as fiber, data centers, next-generation consumer broadband, coaxial and upgradeable copper, and leasing them back to anchor customers on either an exclusive or shared-tenant basis. Presently, Uniti Leasing's primary source of revenue is rental revenues from leasing the Distribution Systems to Windstream under the Master Lease. We believe our attractive cost of capital and advantaged REIT structure will enable Uniti Leasing to provide creative and tax-efficient solutions to additional customers, including (i) sale leaseback transactions, whereby Uniti Leasing acquires existing infrastructure assets from communications service providers and leases them back on a long-term basis; (ii) capital investment financing, whereby Uniti Leasing offers communications service providers a cost-efficient method of raising funds for discrete capital investments to upgrade or expand their network; and (iii) mergers and acquisitions financing, whereby Uniti Leasing facilitates mergers and acquisition transactions as a capital partner. Results for Uniti Leasing are reported in our consolidated financial statements in our Leasing business segment.

Talk America

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We conduct the Consumer CLEC Business through Talk America Services, LLC. Talk America provides local telephone, high-speed Internet and long distance service to approximately 28,500 customers principally located in 17 states across the eastern and central United States. Substantially all of the network assets used to provide these services to customers are contracted through interconnection agreements with other telecommunications carriers. Results for Talk America are reported in our consolidated financial statements in our Consumer CLEC business segment.

Industry

The current communications infrastructure industry is marked by the growing demand for and use of bandwidth-intensive devices and applications, such as smart devices, real-time and online streaming video, cloud-based applications, social media and mobile broadband. This growth in consumption requires the support of robust communications infrastructure, of which fiber networks and communications towers are critical components. Substantial investments have been made in recent years in fiber networks, lit services and colocation facilities to keep pace with the increased bandwidth use of both enterprise- and consumer-end users. As companies attempt to keep pace with this rapidly evolving business sector, communications infrastructure continues to increase in priority and economic importance. We believe this considerable demand creates tremendous opportunities for us as an acquirer and operator and as a funding source for operators seeking to capitalize on these trends through build outs and acquisitions of infrastructure assets.

The wireless communications industry is a prime example of the growing importance of the bandwidth infrastructure industry. As wireless traffic and mobile data consumption continue to grow worldwide, participants in the wireless communications industry are increasing their network capacity through the development of new wireless cell sites and the addition of bandwidth capacity. Consumers are demanding network quality and coverage, and as a result wireless carriers are making significant capital investments to improve quality, expand their coverage and remain relevant in a highly competitive industry. We expect this continued growth in capital expenditures to generate high demands for wireless towers (including strong growth in long-term tower leasing), tower space and bandwidth infrastructure services.

Strategy

Our primary goal is to create long-term stockholder value by (i) generating reliable and growing cash flows, (ii) diversifying our tenant and asset base, (iii) paying a consistent dividend, and (iv) maintaining our financial strength and liquidity. To achieve this goal, we employ a business strategy that leverages our first mover advantages in the sector and our strong access to the capital markets. The key components of our business strategy are:

Acquire Additional Infrastructure Assets Through Sale Leaseback Transactions

We are actively seeking to acquire communications infrastructure assets from communication service providers and lease these assets back to the communication service providers on a long-term basis. We believe this type of transaction benefits the communication service providers with incremental liquidity which can be used to reduce indebtedness or for other investments, while they continue to focus on their existing business. We will employ a disciplined, opportunistic acquisition strategy and seek to price transactions appropriately based on, among other things, growth opportunities, the mix of assets acquired, length and terms of the lease, and credit worthiness of the tenant.

This strategy will also expand our mix of tenants and other real property and will reduce our revenue concentration with Windstream. We expect that this objective will be achieved over time as part of our overall strategy to acquire new distribution systems and other real property within the communications infrastructure industry to further diversify our overall portfolio.

Capitalize on the Market Demand for Increased Bandwidth Infrastructure and Performance

Bandwidth intensive devices and applications are rapidly fueling worldwide consumption of bandwidth, which in turn fuels a continuously growing demand for stable and secure bandwidth. Communications service providers and other enterprises whose services and businesses require substantial amounts of bandwidth are increasingly looking

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to infrastructure providers to support their bandwidth needs and to expand the reach, performance and security of their networks. We believe Uniti Fiber is well positioned to capitalize on this ongoing demand for bandwidth infrastructure solutions.

Fund Capital Extensions and Improvements of Infrastructure Assets for Existing and New Tenants

We believe the communications infrastructure industry in the United States is currently going through an upgrade cycle driven by the consumer's general desire for greater bandwidth and wireless services. These upgrades require significant capital expenditures, and we believe Uniti provides an attractive, non-competitive funding source for communication service providers to help accelerate the expansion of their networks at an attractive cost of capital.

We intend to support our tenant operators and other communication service providers by providing capital to them for a variety of purposes, including capacity augmentation projects, tower construction and network expansions. We expect to structure these investments as lease arrangements that produce additional rents.

Facilitate M&A Transactions in the Communication Service Sector as a Capital Partner

We believe Uniti can provide cost efficient funds to potential acquirors in the communication service sector, and thereby facilitate M&A transactions as a capital partner. The highly fragmented nature of the communication service sector is expected to result in more consolidation, which we believe will provide us ample opportunity to pursue these types of transactions.

Maintain Balance Sheet Strength and Liquidity

We seek to maintain a capital structure that provides the resources and financial flexibility to position us to capitalize on strategic growth opportunities. Our access to, and cost of, external capital is dependent on various factors, including general market conditions, credit ratings on our securities, interest rates and expectations of our future business performance. We intend to maintain a strong balance sheet through disciplined use of leverage, aiming to lower our relative cost of capital over time, and continuing to have access to multiple sources of capital and liquidity. As of December 31, 2017, we had \$59.8 million of unrestricted cash and cash equivalents, and \$470 million of undrawn borrowing capacity under our revolving credit facility. All of our debt is either fixed-rate debt, or floating-rate debt that we have fixed through the use of interest rate swaps.

Competition

We compete for investments in the communications industry with telecommunications companies, investment companies, private equity funds, hedge fund investors, sovereign funds and other REITs who focus primarily on specific segments of the communications infrastructure industry. The communications infrastructure industry is characterized by a high degree of competition among a large number of participants, including many local, regional and global corporations. Some of our competitors are significantly larger and have greater financial resources and lower costs of capital than we have. In addition, revenues from our network properties are dependent, to an extent, on the ability of our operating partners, like Windstream, to compete with other communication service providers.

However, we believe we are positioned to identify and successfully capitalize on acquisition opportunities that meet our investment objectives and that we have significant competitive advantages that support our leadership position in owning, funding the construction of and leasing communications infrastructure, including:

First-Mover Advantage; Uniquely Positioned to Capitalize on Expansion Opportunities

We are the first and only REIT primarily focused on the acquisition and construction of mission critical infrastructure in the communications industry. We believe this provides us with a significant first-mover competitive advantage to capitalize on the large and fragmented communications infrastructure industry. Additionally, we believe our position, scale and national reach will help us achieve operational efficiencies and support future growth opportunities.

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Large Scale Anchor Tenant; Stable Rent Revenues

We believe the assets we lease to Windstream under the Master Lease are critical for Windstream to successfully run its business and operations. Windstream, as our anchor tenant, provides us with a base of stable and highly predictable rent revenues as an initial platform for us to grow and diversify our portfolio and tenant base.

Windstream is a publicly-traded company that provides advanced network communications, including cloud computing and managed services, to businesses nationwide. Windstream also offers broadband, phone and digital TV services to consumers primarily in rural areas. Windstream continues to operate the Distribution Systems, hold the associated regulatory licenses and own and operate other assets, including distribution systems in select states not included in the Spin-Off.

Windstream has a diverse customer base, encompassing enterprise and small business customers, carriers and consumers. The Distribution Systems we lease to Windstream are located in 29 different states across the continental United States. The fiber assets in any one state do not account for more than 20% of the total route miles in our network. We believe this geographic diversification will limit the effect of changes in any one market on our overall performance.

Windstream is subject to the reporting requirements of the SEC, which include the requirements to file annual reports containing audited financial information and quarterly reports containing unaudited financial information. Windstream's filings with the SEC can be found at www.sec.gov. Windstream's filings are not incorporated by reference into this Annual Report.

Strong Relationships with Communication Service Providers

Members of our management team have developed an extensive network of relationships with qualified local, regional and national communication service providers across the United States. This extensive network has been built by our management team through decades of operating experience, involvement in industry trade organizations and the development of banking relationships and investor relations within the communications infrastructure industry. We believe these strong relationships will allow us to effectively source investment opportunities from communication service providers other than Windstream. We intend to work collaboratively with our operating partners in providing expansion capital at attractive rates to help them achieve their growth and business objectives. We will seek to partner with communication service providers who possess local market knowledge, demonstrate hands-on management and have proven track records.

Experienced and Committed Management Team

Our senior management team is comprised of veteran leaders with strong backgrounds in their respective disciplines. As a result of extensive public company experience, our senior management team has over 100 years of combined experience in managing telecommunications operations, consummating mergers and acquisitions and accessing both debt and equity capital markets to fund growth and maintain a flexible capital structure.

Insurance

We maintain, or will require in our leases, including the Master Lease, that our tenants maintain, all applicable lines of insurance on our properties and their operations. Under the Master Lease, Windstream has the right to self-insure or use a captive provider with respect to its insurance obligations. We believe that the amount and scope of insurance coverage provided by our policies and the policies maintained by our tenants are customary for similarly situated companies in the telecommunications industry. However, our tenants may elect not to, or be able to, maintain the required insurance coverages, and the failure by any of them to do so could have a material adverse effect on us. We may not continue to require the same levels of insurance coverage under our leases, including the Master Lease, and such insurance may not be available at a reasonable cost in the future or fully cover all losses on our properties upon the occurrence of a catastrophic event. Moreover, we cannot guarantee the future financial viability of the insurers.

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Employees

At December 31, 2017, we had 654 full-time employees. Except for 18 employees in Mexico, none of our employees are subject to a collective bargaining agreement.

Significant Customers

For the years ended December 31, 2017 and 2016 and for the period from April 24, 2015 to December 31, 2015, 74.8%, 87.9% and 96.3% of our revenues, respectively, were derived from leasing our Distribution Systems to Windstream Holdings pursuant to the Master Lease.

Government Regulation, Licensing and Enforcement

U.S. Telecommunications Regulatory Overview

Market Overview

Our subsidiaries and our tenants operate in a regulated and highly competitive market. Current and potential competitors include other communications tower owners, providers of voice and data services, providers of fiber and other backhaul services, traditional telephone companies, cable companies, Internet service providers, and other companies. As operators of telecommunications facilities and services, both we and the current and future tenants of our telecommunications assets are typically subject to extensive and complex federal, state and local telecommunications laws and regulations. The Federal Communications Commission ("FCC") regulates the provision of interstate and international telecommunications services, and state public utility commissions ("PUCs") regulate intrastate telecommunications services. Both FCC and PUC telecommunications regulations are wide-ranging and can subject us and our tenants to civil, criminal and administrative sanctions. We expect that the telecommunications industry, in general, will continue to face increased competition and regulation. Changes in laws and regulations and regulatory non-compliance by us or our tenants could have a significant direct or indirect effect on our operations and financial condition, as detailed below and set forth under "Risk Factors—Risks Related to Our Business."

Our operations require that certain of our subsidiaries hold licenses or other forms of authorization from the FCC and state PUCs in those states where we operate, and in some jurisdictions our subsidiaries must file tariffs or other price lists describing their rates, terms and conditions of the services they provide. The FCC and PUCs can modify or terminate a service provider's license or other authority to provide telecommunications services for failure to comply with applicable laws and regulations. The FCC and PUCs may also investigate our subsidiaries' operations and may impose fines or other penalties for violations of the same. In addition, our subsidiaries are required to submit periodic reports to the FCC and PUCs documenting their revenues and other data. Some of this information is used as the basis for the imposition of various regulatory fees and other assessments. In order to engage in certain transactions in some jurisdictions, including changes of control, the encumbrance of certain assets, the issuance of securities, the incurrence of indebtedness, the guarantee of indebtedness of other entities, including subsidiaries of ours, and the transfer of our assets, we are required to provide notice and/or obtain prior approval from certain governmental agencies.

Our subsidiaries are subject to a number of federal and state regulations that govern the way we can conduct our business. Such regulations also impose certain operating costs on our businesses. These regulations can include restrictions on pricing flexibility for certain products, minimum service quality standards, service reporting, intercarrier compensation, universal service funding, and other obligations.

We believe that we have structured the operations for our core real estate business in a manner that will not require us to become regulated as a public utility or common carrier by the FCC or PUCs. But, a number of our business operations nonetheless are subject to federal, state, and local regulation.

Consumer CLEC Business

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Talk America Services operates the Consumer CLEC Business as a reseller of telecommunication services pursuant to a Wholesale Master Services Agreement and a Master Service Agreement with Windstream. In almost all cases, Windstream does not own the underlying telecommunication facilities required to support the Consumer CLEC Business, rather it is a reseller of facility-based services pursuant to wholesale interconnection agreements with third-party carriers that own the underlying telecommunication facilities. Talk America Services is authorized and regulated as a CLEC and an interexchange (long-distance) service provider in most states where it has Consumer CLEC Business customers. These certifications subject Talk America Services to regulations requiring it to file and maintain tariffs for the rates charged to its Consumer CLEC Business customers for regulated services and to comply with service quality, service reporting and other regulatory obligations. Talk America Service's ability to operate the Consumer CLEC Business is dependent on existing telecommunication regulations that allow access to such underlying facilities of other carriers at reasonable rates.

With respect to the broadband Internet services that we provide, traditionally, the FCC has recognized that broadband Internet access services are "information services" subject to limited regulation. In 2015, the FCC issued a "network neutrality" decision that declared broadband Internet access services to be subject to certain "telecommunications services" regulation under Title II of the Communications Act of 1934. This decision creates uncertainty concerning the level of regulation that will apply to broadband services going forward. These regulations will limit the ways that broadband Internet access service providers can structure business arrangements and manage their networks and could spur additional restrictions, including rate regulation, which could adversely affect broadband investment and innovation. The proper scope of such regulations is being debated in Congress and may be revisited by the FCC. It is unclear at this time how broadband services will be regulated in the future, and the potential impact these regulations may have on our broadband Internet service business.

Uniti Towers

Uniti Towers is subject to international, federal, state and local regulatory requirements with respect to the registration, siting, construction, lighting, marking and maintenance of our towers. In the United States, the construction of new towers or modifications to existing towers may require pre-approval by the FCC and the Federal Aviation Administration ("FAA"), depending on factors such as tower height and proximity to public airfields. Towers requiring pre-approval must be registered with the FCC and maintained in accordance with FCC and FAA standards. Similar requirements regarding pre-approval of the construction and modification of towers are imposed by regulators in other countries where Uniti Towers owns and operates towers. Non-compliance with applicable tower-related requirements may lead to monetary penalties or site deconstruction orders.

Regulatory regimes outside of the U.S. and its territories vary by country and locality; however, these regulations typically require approval from local officials or government agencies prior to tower construction or modification or the addition of a new antenna to an existing tower. Additionally, some regulations include ongoing obligations regarding painting, lighting and maintenance. Our international operations may also be subject to limitations on foreign ownership of land in certain areas. Non-compliance with such regulations may lead to monetary penalties or deconstruction orders. Our international operations are also subject to various regulations and guidelines regarding employee relations and other occupational health and safety matters.

In all countries where Uniti Towers operates, it is subject to zoning restrictions and restrictive covenants imposed by local authorities or community organizations. While these regulations vary, they typically require approval from local authorities or community standards organizations prior to tower construction or the addition of a new antenna to an existing tower. Opposition by local zoning authorities and community residents can delay or prevent new tower construction or site upgrade projects, thereby increasing the costs and timing of new tower construction and modifications or site upgrades.

The failure to properly maintain towers pursuant to applicable regulatory requirements, such as but not limited to, lighting, painting, and other safety standards, can subject us to significant enforcement actions, including monetary penalties both within the U.S. and abroad.

Uniti Fiber

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Our subsidiaries that compose Uniti Fiber own and operate significant fiber and other communications backhaul facilities throughout various regions of the U.S. The provision of such services is subject to FCC and PUC licensure in many jurisdictions, and the companies are typically licensed as CLECs and/or interexchange carriers in those states where they operate. The companies also hold various FCC wireless licenses in order to provide microwave backhaul services. Because of the nature of the licenses that these companies hold, and the nature of the services that they provide, they are subject to various federal and state regulatory requirements, including, but not limited to, revenue and other reporting requirements and tariffing requirements. The companies must also maintain their wireless licenses with the FCC, which requires construction and notification reporting and other regulatory requirements. The construction of additions to our current fiber network through our Uniti Fiber subsidiary is also subject to certain state and local governmental permitting and licensing requirements.

Regulatory Changes

Future revenues, costs and capital investment in the communication businesses of our tenants, Talk America Services, Uniti Fiber, Uniti Towers, and other related entities could be adversely affected by material changes to, or decisions regarding applicability of, government requirements, including, but not limited to, changes in rules governing inter-carrier compensation, interconnection access to network facilities, state and federal universal service fund ("USF") support, rules governing the prices that can be charged for business data services, infrastructure location and siting rules, and other requirements. Federal and state communications laws may be amended in the future, and other laws may affect our business. In addition, certain laws and regulations applicable to us and our competitors may be, and have been, challenged in the courts and could be changed at any time. We cannot predict future developments or changes to the regulatory environment or the impact such developments or changes would have on our business.

In addition, regulations could create significant compliance costs for us. Delays in obtaining FCC and PUC certifications and regulatory approvals could cause us to incur substantial legal and administrative expenses, and conditions imposed in connection with such approvals could adversely affect the rates that we are able to charge our customers. Both our subsidiaries and our tenants may also be affected by legislation and/or regulation imposing new or additional obligations related to, for example, law enforcement assistance, cyber-security protection, intellectual property rights protections, environmental protections, consumer privacy, tax, or other areas. We can't predict how any such future changes may impact our business, or the business of our tenants.

Environmental Matters

A wide variety of federal, state and local environmental and occupational health and safety laws and regulations affect telecommunications operations and facilities. These complex laws, and their enforcement, involve a myriad of regulations, many of which involve strict liability. Some of these federal, state and local laws may directly impact us. Under various federal, state and local environmental laws, ordinances and regulations, an owner of real property, such as us, may be liable for the costs of removal or remediation of hazardous or toxic substances at, under or disposed of in connection with such property, as well as other potential costs relating to hazardous or toxic substances (including government fines and damages for injuries to persons and adjacent property). The cost of any required remediation, removal, fines or personal property damages and the owner's liability therefore could exceed or impair the value of the property and/or the assets of the owner. In addition, the presence of such substances, or the failure to properly dispose of or remediate such substances, may adversely affect the owner's ability to sell or rent such property or to borrow using such property as collateral, which, in turn, could reduce revenues.

Available Information

Our principal executive offices are located at 10802 Executive Center Drive, Benton Building Suite 300, Little Rock, AR 72211 and our telephone number is (501) 850-0820. We currently maintain a website at www.uniti.com. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") are available on our website, free of charge, as soon as reasonably practicable after we electronically file such materials with, or furnish them to, the SEC. Our Exchange Act filings can also be found at www.sec.gov.

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Current copies of our Code of Business Conduct and Ethics & Whistleblower Policy, Corporate Governance Guidelines, and the charters for our Audit, Compensation and Governance Committees are posted in the *Corporate Governance* section of the About Us page of our website at www.uniti.com.

Item 1A. Risk Factors.

Risks Related to Our Business

We are dependent on Windstream Holdings to make payments to us under the Master Lease, and an event that materially and adversely affects Windstream's business, financial position or results of operations could materially and adversely affect our business, financial position or results of operations.

Windstream is the lessee of the Distribution Systems pursuant to the Master Lease and, therefore, is presently the source of a substantial portion of our revenues. There can be no assurance that Windstream will have sufficient assets, income and access to financing to enable it to satisfy its payment and other obligations under the Master Lease. In recent years, Windstream has experienced annual declines in its total revenue and sales. Most recently, Windstream has endured a challenge from an entity who acquired certain Windstream debt securities for the purpose of seeking an "event of default" under such securities relating to the Spin-Off. An actual "event of default" would permit the trustee or holders of at least 25% in aggregate principal amount of outstanding of such Windstream debt securities to declare the principal amount of all outstanding Windstream debt to be immediately due and payable. Such an outcome would trigger cross-default provisions in Windstream's other debt instruments, including Windstream's existing credit facility, which, in turn, would trigger a default under the Master Lease. A default by Windstream under the Master Lease could materially adversely affect our business, assets, financial position, and results of operations, including our ability to pay dividends to our stockholders as required to maintain our status as a REIT.

If the Spin-Off, together with certain related transactions, fails to qualify as a tax-free transaction for U.S. federal income tax purposes, both we and Windstream could be subject to significant tax liabilities and, in certain circumstances, we could be required to indemnify Windstream for material taxes pursuant to indemnification obligations under the tax matters agreement entered into in connection with the Spin-Off.

Windstream received a private letter ruling (the "IRS Ruling") from the Internal Revenue Service (the "IRS") to the effect that, on the basis of certain facts presented and representations and assumptions set forth in the request submitted to the IRS, the Spin-Off will qualify as tax-free under Sections 355 and 368(a)(1)(D) of the Internal Revenue Code of 1986, as amended (the "Code"). Although a private letter ruling from the IRS generally is binding on the IRS, if the factual representations and assumptions made in the letter ruling request are untrue or incomplete in any material respect, then Windstream will not be able to rely on the IRS Ruling. In addition, the IRS Ruling does not address certain requirements for tax-free treatment of the Spin-Off under Sections 355 and 368(a)(1)(D) of the Code and Windstream's use of Uniti indebtedness and common stock to retire certain of Windstream's indebtedness (the "debt exchanges"). Accordingly, the Spin-Off was conditioned upon the receipt by Windstream of a tax opinion from its counsel with respect to the requirements on which the IRS did not rule, which concluded that such requirements also should be satisfied. The tax opinion was based on, among other things, the IRS Ruling, then current law and certain representations and assumptions as to factual matters made by Windstream and us. Any change in currently applicable law, which may or may not be retroactive, or the failure of any factual representation or assumption to be true, correct and complete in all material respects, could adversely affect the conclusions reached in the tax opinion. In addition, the tax opinion is not binding on the IRS or the courts, and the IRS or the courts may not agree with the tax opinion.

If the Spin-Off were determined to be taxable, Windstream would recognize taxable gain. Under the terms of the tax matters agreement entered into with Windstream in connection with the Spin-Off (the "Tax Matters Agreement"), we are generally responsible for any taxes imposed on Windstream that arise from the failure of the Spin-Off and the debt exchanges to qualify as tax-free for U.S. federal income tax purposes, within the meaning of Section 355 and Section 368(a)(1)(D) of the Code, as applicable, to the extent such failure to qualify is attributable to certain actions, events or transactions relating to our stock, indebtedness, assets or business, or a breach of the relevant representations or any covenants made by us in the Tax Matters Agreement, the materials submitted to the IRS in

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connection with the request for the IRS Ruling or the representations provided in connection with the tax opinion. Our indemnification obligations to Windstream are not limited by any maximum amount and such amounts could be substantial. If we are required to indemnify Windstream under the circumstances set forth in the Tax Matters Agreement, we may also be subject to substantial tax liabilities.

In addition, if the Spin-Off or the debt exchanges failed to qualify as tax free for U.S. federal income tax purposes, Windstream may incur significant tax liabilities that could materially affect Windstream's ability to make payments under the Master Lease.

Our level of indebtedness could materially and adversely affect our financial position, including reducing funds available for other business purposes and reducing our operational flexibility.

As of December 31, 2017, we had outstanding long term indebtedness of approximately \$4.5 billion consisting of a combination of senior notes and term loans. Additionally, we have a revolving credit facility in an aggregate principal amount of up to \$750 million, \$470 million of which was undrawn as of December 31, 2017, provided by a syndicate of banks and other financial institutions. Subject to the restrictions set forth in our debt agreements, our board of directors may establish and change our leverage policy at any time without stockholder approval. Any significant additional indebtedness could require a substantial portion of our cash flow to make interest and principal payments due on our indebtedness. Greater demands on our cash resources may reduce funds available to us to pay dividends, make capital expenditures and acquisitions, or carry out other aspects of our business strategy. Increased indebtedness can also limit our ability to adjust rapidly to changing market conditions, make us more vulnerable to general adverse economic and industry conditions and create competitive disadvantages for us compared to other companies with relatively lower debt levels. Increased future debt service obligations may limit our operational flexibility, including our ability to acquire assets, finance or refinance our assets or sell assets as needed.

We intend to pursue acquisitions of additional properties and seek other strategic opportunities, which may result in the use of a significant amount of management resources or significant costs, and we may not fully realize the potential benefits of such transactions.

We intend to pursue acquisitions of additional properties and seek acquisitions and other strategic opportunities. Accordingly, we currently are, and expect in the future to be, engaged in evaluating potential transactions and other strategic alternatives. Although there is uncertainty that any of these discussions will result in definitive agreements or the completion of any transaction, we may devote a significant amount of our management resources to such a transaction, which could negatively impact our operations. We may incur significant costs in connection with seeking acquisitions or other strategic opportunities regardless of whether the transaction is completed. In the event that we consummate an acquisition or strategic alternative in the future, there is no assurance that we would fully realize the potential benefits of such a transaction. Integration may be difficult and unpredictable, and acquisition-related integration costs, including certain non-recurring charges, could materially and adversely affect our results of operations. Moreover, integrating assets and businesses may significantly burden management and internal resources, including the potential loss or unavailability of key personnel. If we fail to successfully integrate the assets and businesses we acquire, we may not fully realize the potential benefits we expect, and our operating results could be adversely affected.

Risks Related to the Status of Uniti as a REIT

If we do not qualify as a REIT, or fail to remain qualified as a REIT, we will be subject to U.S. federal income tax as a regular corporation and could face a substantial tax liability, which could reduce the amount of cash available for distribution to our stockholders and to service debt.

We operate as a REIT for U.S. federal income tax purposes. Our qualification as a REIT will depend on our satisfaction of certain highly technical and complex asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. Our ability to satisfy the asset tests depends upon our analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination, and for which we may not obtain independent appraisals.

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If we were to fail to qualify as a REIT in any taxable year, we would be subject to U.S. federal income tax on our taxable income at regular corporate rates, including any applicable alternative minimum tax, and dividends paid to our stockholders would not be deductible by us in computing our taxable income. Any resulting corporate liability could be substantial and could reduce the amount of cash available for distribution to our stockholders, which in turn could have an adverse impact on the value of our common stock and to service debt. Unless we were entitled to relief under certain Code provisions, we also would be disqualified from reflecting to be taxed as a REIT for the four taxable years following the year in which we failed to qualify as a REIT.

Legislative or other actions affecting REITs could have a negative effect on us.

The rules dealing with federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Department of the Treasury ("Treasury"). Changes to the tax laws affecting REITs or TRSs, which may have retroactive application, could adversely affect our stockholders or us. We cannot predict how changes in the tax laws might affect our stockholders or us. Accordingly, we cannot provide assurance that new legislation, Treasury regulations, administrative interpretations or court decisions will not significantly affect our ability to remain qualified as a REIT, the federal income tax consequences of such qualification, the determination of the amount of REIT taxable income or the amount of tax paid by the TRSs.

We could fail to qualify as a REIT if income we receive from Windstream is not treated as qualifying income.

Under applicable provisions of the Code, we will not be treated as a REIT unless we satisfy various requirements, including requirements relating to the sources of our gross income. Rents received or accrued by us from Windstream will not be treated as qualifying rent for purposes of these requirements if the Master Lease is not respected as a true lease for U.S. federal income tax purposes and is instead treated as a service contract, joint venture or some other type of arrangement. If the Master Lease is not respected as a true lease for U.S. federal income tax purposes, we may fail to qualify as a REIT.

REIT distribution requirements could adversely affect our ability to execute our business plan.

We generally must distribute annually at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains, in order for us to qualify as a REIT (assuming that certain other requirements are also satisfied) so that U.S. federal corporate income tax does not apply to earnings that we distribute. To the extent that we satisfy this distribution requirement and qualify for taxation as a REIT but distribute less than 100% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains, we will be subject to U.S. federal corporate income tax on our undistributed net taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we distribute to our stockholders in a calendar year is less than a minimum amount specified for REITs under U.S. federal income tax laws. We intend to make distributions to our stockholders to comply with the REIT requirements of the Code.

Our FFO is currently generated primarily by rents paid under the Master Lease. From time to time, we may generate taxable income greater than our cash flow as a result of differences in timing between the recognition of taxable income and the actual receipt of cash or the effect of nondeductible capital expenditures, the creation of reserves or required debt or amortization payments. If we do not have other funds available in these situations, we could be required to borrow funds on unfavorable terms, sell assets at disadvantageous prices or distribute amounts that would otherwise be invested in future acquisitions in order to make distributions sufficient to enable us to pay out enough of our taxable income to satisfy the REIT distribution requirement and to avoid corporate income tax, including the 4% excise tax in a particular year. These alternatives could increase our costs or reduce our equity. Thus, compliance with the REIT requirements may hinder our ability to grow, which could adversely affect the value of our common stock and decrease cash available to service debt.

Even if we remain qualified as a REIT, we may face other tax liabilities that reduce our cash flow.

Even if we remain qualified for taxation as a REIT, we may be subject to certain U.S. federal, state and local taxes on our income and assets, including taxes on any undistributed income and state or local income, property and

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transfer taxes. For example, we hold some of our assets and conduct certain of our activities through a TRS that is subject to U.S. federal, state and local corporate-level income taxes as a regular C corporation. In addition, we may incur a 100% excise tax on transactions with a TRS if they are not conducted on an arm's-length basis. Any of these taxes could decrease cash available for distribution to our stockholders and servicing our debt.

Complying with the REIT requirements may cause us to forego otherwise attractive acquisition opportunities.

To qualify as a REIT for U.S. federal income tax purposes, we must ensure that, at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities and "real estate assets" (as defined in the Code). The remainder of our investments (other than government securities, qualified real estate assets and securities issued by a TRS) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our total assets (other than government securities, qualified real estate assets and securities issued by a TRS) can consist of the securities of any one issuer, no more than 20% of the value of our total assets can be represented by securities of one or more TRSs, and no more than 25% of the value of our total assets can be represented by nonqualified publicly offered REIT debt instruments (as defined in the Code). If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result of such asset limitations, we may be required to forego otherwise attractive investments. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders and servicing our debt.

Risks Related to our Business

We are dependent on the communications industry and may be susceptible to the risks associated with it, which could materially adversely affect our business, financial position or results of operations.

As the owner, lessor and provider of communications services and distribution systems serving the communications industry, we are impacted by the risks associated with the communications industry. Therefore, our success is to some degree dependent on the communications industry, which could be adversely affected by economic conditions in general, changes in consumer trends and preferences, changes in communications technology and other factors over which we and our tenants have no control. As we are subject to risks inherent in substantial investments in a single industry, a decrease in the communications business would likely have an adverse effect on our revenues.

Our business is subject to government regulations and changes in current or future laws or regulations could restrict our ability to operate our business in the manner currently contemplated.

Our business, and that of our tenants, is subject to federal, state, local and foreign regulation. In certain jurisdictions these regulations could be applied or enforced retroactively. Local zoning authorities and community organizations are often opposed to construction in their communities and these regulations can delay, prevent or increase the cost of new distribution system construction and modifications, thereby limiting our ability to respond to customer demands and requirements. Existing regulatory policies may materially and adversely affect the associated timing or cost of such projects and additional regulations may be adopted which increase delays or result in additional costs to us, or that prevent such projects in certain locations. These factors could materially and adversely affect our business, results of operations or financial condition. For more information regarding the regulations we are subject to, please see the section entitled "Business – Government Regulation, Licensing and Enforcement."

Any failure of Uniti Fiber's physical infrastructure or services could lead to significant costs and disruptions.

Uniti Fiber's business depends on providing customers with highly reliable service. The services provided are subject to failure resulting from numerous factors, including human error, power loss, improper maintenance, physical or electronic security breaches, fire, earthquake, hurricane, flood and other natural disasters, water damage, the effect of war, terrorism and any related conflicts or similar events worldwide, and sabotage and vandalism. Problems within Uniti Fiber's networks or facilities, whether within our control or the control of third-party providers, could result in service interruptions or equipment damage. We may not be able to efficiently upgrade or change Uniti Fiber's networks or facilities to meet new demands without incurring

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significant costs that we may not be able to pass on to customers. Given the service guarantees that may be included in Uniti Fiber's agreements with customers, such disruptions could result in customer credits; however, we cannot assume that customers will accept these credits as compensation in the future, and we may face additional liability or loss of customers.

Uniti Fiber uses franchises, licenses, permits, rights-of-way, conduit leases, fiber agreements, and property leases, which could be canceled or not renewed.

Uniti Fiber must maintain rights-of-way, franchises, and other permits from railroads, utilities, state highway authorities, local governments, transit authorities, and others to operate its fiber network. We cannot be certain that we will be successful in maintaining these rights-of-way agreements or obtaining future agreements on acceptable terms. Some of these agreements are short-term or revocable at will, and we cannot assure you that we will continue to have access to existing rights-of-way after they have expired or terminated. If a material portion of these agreements are terminated or are not renewed, we might be forced to abandon these networks. In order to operate these networks, we must also maintain fiber leases and indefeasible right of use ("IRU") agreements between Uniti Fiber and both public and private entities, and there is no assurance that we will be able to renew those fiber leases and IRU agreements on favorable terms, or at all. If we are unable to renew those fiber leases and IRU agreements on favorable terms, we may face increased costs or reduced revenues.

In order to expand Uniti Fiber's network to new locations, we often need to obtain additional rights-of-way, franchises, and other permits. Our failure to obtain these rights in a prompt and cost-effective manner may prevent us from expanding our network, which may be necessary to meet our contractual obligations to our customers and could expose us to liabilities.

If we lose or are unable to renew key real property leases where Uniti Fiber has located networks or facilities, it could adversely affect our services and increase our costs, as we would be required to restructure or move these networks or facilities.

New technologies or changes in a tenant's business model could make our business less desirable and result in decreasing revenues.

The development and implementation of new technologies designed to enhance the efficiency of communications distribution systems, including lit fiber networks and wireless equipment, or changes in a tenant's business model due to such technological changes, could reduce the need for our services, decrease demand for tower space or fiber or reduce previously obtainable lease rates for communications infrastructure. In addition, tenants may allocate less of their budgets to certain types of communications infrastructure, as the industry is trending towards deploying increased capital to the development and implementation of new technologies. Further, a tenant may decide to no longer outsource certain types of communications infrastructure or otherwise change its business model, which would result in a decrease in our revenue. The development and implementation of any of these and similar technologies to any significant degree or changes in a tenant's business model could have a material adverse effect on our business, results of operations or financial condition.

If we determine that our goodwill has become impaired, we may incur impairment charges, which would negatively impact our operating results.

At December 31, 2017, we had \$673.7 million of goodwill on our consolidated balance sheet. Goodwill represents the excess of cost over the fair value of net assets acquired in business combinations. We assess potential impairment of our goodwill at least annually. Impairment may result from significant changes in the manner of use of the acquired assets, negative industry or economic trends and/or significant underperformance relative to historic or projected operating results. Changes in these events and conditions or other assumptions could result in an impairment charge in the future, which could have a significant adverse impact on our reported earnings. For a discussion of our goodwill impairment testing, see "Critical Accounting Policies-Evaluation of Goodwill Impairment" in Part II, Item 7A-Management's Discussion and Analysis of Financial Condition and Results of Operations.

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Our foreign operations are subject to economic, political and other risks that could materially and adversely affect our results of operations and financial condition.

Our international business operations expose us to potential adverse financial and operational problems not typically experienced in the United States, including:

- international political, economic and legal conditions;
- our ability to comply with foreign regulations and/or laws affecting operations and projects;
- difficulties in attracting and retaining staff and business partners to operate internationally;
- language and cultural barriers;
- seasonal reductions in business activities and operations in the countries where our international projects are located;
- integration of foreign operations;
- potential adverse tax consequences; and
- potential foreign currency fluctuations.

In addition, many of our tenants in our international operations are subsidiaries of global telecommunications companies. These subsidiaries may not have the explicit or implied financial support of their parent entities. Any of these factors could adversely affect our results of operations and financial condition.

Our continued operation and expansion outside the United States, including in developing countries, increase the risk of violations of applicable anti-corruption in the future.

Our internal policies provide for compliance with all applicable anti-corruption laws, but despite our training and compliance programs, we cannot assure you that our internal control policies and procedures will always protect us from unauthorized, reckless or criminal acts committed by our employees, agents or partners. A finding that the Company or its affiliates have violated the U.S. Foreign Corrupt Practices Act ("FCPA") or similar foreign anti-corruption laws may result in severe criminal or civil sanctions, which could disrupt our business and result in a material adverse effect on our reputation, financial condition and results of operations.

We or our tenants may experience uninsured or underinsured losses, which could result in a significant loss of the capital we have invested in a property, decrease anticipated future revenues or cause us to incur unanticipated expenses.

The Master Lease requires, and we expect that new lease agreements that we enter into will require, that the tenant maintain comprehensive insurance and hazard insurance or self-insure its insurance obligations. However, there are certain types of losses, generally of a catastrophic nature, such as earthquakes, hurricanes and floods that may be uninsurable or not economically insurable. Insurance coverage may not be sufficient to pay the full current market value or current replacement cost of a loss. Inflation, changes in ordinances, environmental considerations, and other factors also might make it infeasible to use insurance proceeds to replace the property after such property has been damaged or destroyed. Under such circumstances, the insurance proceeds received might not be adequate to restore the economic position with respect to such property.

In addition, even if damage to our properties is covered by insurance, a disruption of business caused by a casualty event may result in loss of revenue for our tenants or us. Any business interruption insurance may not fully compensate them or us for such loss of revenue. If one of our tenants experiences such a loss, it may be unable to satisfy its payment obligations to us under its lease with us.

We rely on information technology in our operations, and any material failure, inadequacy, interruption or security failure of that technology could harm our business.

We rely on information technology networks and systems, including the Internet, to process, transmit and store electronic information and to manage or support a variety of our business processes, including financial transactions and maintenance of records. We rely on commercially available systems, software, tools and monitoring to provide

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security for processing, transmitting and storing confidential information. Although we have taken steps to protect the security of the data maintained in our information systems, it is possible that our security measures will not be able to prevent the systems' improper functioning, or the improper disclosure of information in the event of cyber-attacks. Physical or electronic break-ins, computer viruses, attacks by hackers and similar security breaches, can create system disruptions, shutdowns or unauthorized disclosure of confidential information. Any failure to maintain proper function, security and availability of our information systems could interrupt our operations, damage our reputation, subject us to liability claims or regulatory penalties and could materially and adversely affect us.

Risks Related to Our Common Stock

We cannot assure you of our ability to pay dividends in the future.

It is expected that our dividend will be \$2.40 per share per annum, subject to approval of our board of directors. The qualify as a REIT, the annual dividend must not be less than 90% of our REIT taxable income on an annual basis, determined without regard to the dividends paid deduction and excluding any net capital gains. Our ability to pay dividends may be adversely affected by a number of factors, including the risk factors herein. Dividends will be authorized by our board of directors and declared by us based upon a number of factors, including actual results of operations, restrictions under Maryland law or applicable debt covenants, our financial condition, our taxable income, the annual distribution requirements under the REIT provisions of the Code, our operating expenses and other factors our directors deem relevant. We cannot assure you that we will achieve investment results that will allow us to make a specified level of cash dividends or year-to-year increases in cash dividends in the future.

Furthermore, while we are required to pay dividends in order to maintain our REIT status (as described above under "Risks Related to Our Status as a REIT-REIT distribution requirements could adversely affect our ability to execute our business plan"), we may elect not to maintain our REIT status, in which case we would no longer be required to pay such dividends. Moreover, even if we do maintain our REIT status, after completing various procedural steps, we may elect to comply with the applicable distribution requirements by distributing, under certain circumstances, shares of our common stock in lieu of cash. If we elect not to maintain our REIT status or to satisfy any required distributions in shares of common stock in lieu of cash, such action could negatively affect our business and financial condition as well as the market price of our common stock. No assurance can be given that we will pay any dividends on shares of our common stock in the future.

Our charter restricts the ownership and transfer of our outstanding stock, which may have the effect of delaying, deferring or preventing a transaction or change of control of our company.

In order for us to qualify as a REIT, not more than 50% in value of our outstanding shares of stock may be owned, beneficially or constructively, by five or fewer individuals at any time during the last half of each taxable year after the first year for which we elect to be taxed and qualify as a REIT. Additionally, at least 100 persons must beneficially own our stock during at least 335 days of a taxable year (other than the first taxable year for which we elect to be taxed and qualify as a REIT). Our charter, with certain exceptions, authorizes our board of directors to take such actions as are necessary or advisable to preserve our qualification as a REIT. Our charter also provides that, unless exempted by the board of directors, no person may own more than 9.8% in value or in number, whichever is more restrictive, of the outstanding shares of our common stock or more than 9.8% in value of the aggregate of the outstanding shares of all classes and series of our stock. The constructive ownership rules are complex and may cause shares of stock owned directly or constructively by a group of related individuals or entities to be constructively owned by one individual or entity. These ownership limits could delay or prevent a transaction or a change in control of us that might involve a premium price for shares of our stock or otherwise be in the best interests of our stockholders.

Item 1B. Unresolved Staff Comments.

None

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Item 2. Properties.

Uniti and its subsidiaries own approximately 97,700 fiber network route miles, representing approximately 4.9 million fiber strand miles, approximately 216,100 route miles of copper cable lines, central office land and buildings across 41 states and beneficial rights to permits, pole agreements and easements.

Leasing Segment

Uniti Leasing's network properties include its fiber route miles and copper route miles. Below is a geographic distribution summary as of December 31, 2017:

Location	Fiber Route Miles	Copper Route Miles	Total Route Miles
GA	9,600	43,800	53,400
IA	8,500	32,700	41,200
KY	7,700	30,300	38,000
TX	7,700	33,800	41,500
NC	4,200	18,200	22,400
IL	3,700	—	3,700
OH	3,300	10,300	13,600
AR	2,900	11,200	14,100
IN	2,600	—	2,600
MI	2,100	—	2,100
WI	2,100	—	2,100
OK	1,600	11,000	12,600
FL	1,500	7,700	9,200
MO	1,300	—	1,300
PA	1,300	8,400	9,700
NM	900	—	900
WV	900	5,000	5,900
TN	800	—	800
VA	800	—	800
AL	600	2,200	2,800
MS	400	1,400	1,800
Other ⁽¹⁾	300	—	300
Total	64,800	216,000	280,800

⁽¹⁾ Includes 13 states.

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Fiber Segment

Uniti Fiber's network properties include its fiber route miles and wireless communication towers. Below is a geographic distribution summary as of December 31, 2017:

Location	Fiber Route Miles
GA	5,600
LA	4,900
PA	4,400
FL	4,100
AL	3,000
MS	2,700
IL	2,300
VA	1,700
NY	1,500
TX	900
Other(1)	1,800
Total	32,900

(1) Includes 12 states.

Towers Segment

Uniti Tower's network properties include its wireless communication towers. Below is a geographic distribution summary as of December 31, 2017:

Location	Towers
LA	120
NM	22
TX	22
AR	13
NE	13
MS	7
PA	5
MN	4
AL	3
GA	3
OK	3
Other(1)	12
Total Domestic(2)	227
Mexico	285
Colombia	100
Nicaragua	55
Total International	440
Total	667

(1) Includes 9 states.

(2) Includes 123 wireless communication towers acquired as part of the acquisitions of Hunt and Southern Light.

Item 3. Legal Proceedings.

In the ordinary course of our business, we are subject to claims and administrative proceedings, none of which we believe are material or would be expected to have, individually or in the aggregate, a material adverse effect on our business, financial condition, cash flows or results of operations.

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Pursuant to the Separation and Distribution Agreement, Windstream has agreed to indemnify us (including our subsidiaries, directors, officers, employees and agents and certain other related parties) for any liability arising from or relating to legal proceedings involving Windstream's telecommunications business prior to the Spin-Off, and, pursuant to the Master Lease, Windstream has agreed to indemnify us for, among other things, any use, misuse, maintenance or repair by Windstream with respect to the Distribution Systems. Windstream is currently a party to various legal actions and administrative proceedings, including various claims arising in the ordinary course of its telecommunications business, which are subject to the indemnities provided by Windstream to us. While these actions and proceedings are not believed to be material, individually or in the aggregate, the ultimate outcome of these matters cannot be predicted. The resolution of any such legal proceedings, either individually or in the aggregate, could have a material adverse effect on Windstream's business, financial position or results of operations, which, in turn, could have a material adverse effect on our business, financial position or results of operations if Windstream is unable to meet their indemnification obligations.

Item 4. Mine Safety Disclosures.

None

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock is traded on the NASDAQ Global Select Market under the symbol "UNIT." It has been our policy to declare quarterly dividends to common shareholders so as to comply with the provisions of the Internal Revenue Code governing REITs. The following table sets forth, for the periods indicated, the high and low sales prices per share of our common stock as reported on the NASDAQ Global Select Market, and the cash dividends declared per common share:

2017	High	Low	Per Share Declared
Quarter ended March 31	\$ 29.65	\$ 25.20	\$ 0.60
Quarter ended June 30	\$ 27.78	\$ 23.15	\$ 0.60
Quarter ended September 30	\$ 26.55	\$ 13.81	\$ 0.60
Quarter ended December 31	\$ 18.64	\$ 14.18	\$ 0.60

2016	High	Low	Per Share Declared
Quarter ended March 31	\$ 22.91	\$ 15.13	\$ 0.60
Quarter ended June 30	\$ 29.57	\$ 21.63	\$ 0.60
Quarter ended September 30	\$ 32.73	\$ 28.71	\$ 0.60
Quarter ended December 31	\$ 31.54	\$ 22.50	\$ 0.60

Holders

As of February 16, 2018, the closing price of our common stock was \$16.13 per share as reported on the NASDAQ Global Select Market. As of February 16, 2018, we had 175,428,601 outstanding shares of common stock, 22,644 record holders and approximately 182,829 beneficial owners of our common stock.

Dividends (Distributions)

Distributions with respect to our common stock is characterized for federal income tax purposes as taxable ordinary dividends, capital gains dividends, non-dividend distribution or a combination thereof. For the years ended December 31, 2017 and 2016 and from April 24, 2015 to December 31, 2015 our common stock distribution per share was \$2.40, \$2.40, and \$1.04, respectively, characterized as follows:

	Year Ended December 31,		Period from	
	2017	2016	April 24 - December 31, 2015	
Ordinary dividends	\$ 1.22	\$ 1.31	\$ 0.87	
Non-dividend distributions	1.18	1.09	0.17	
Total	\$ 2.40	\$ 2.40	\$ 1.04	

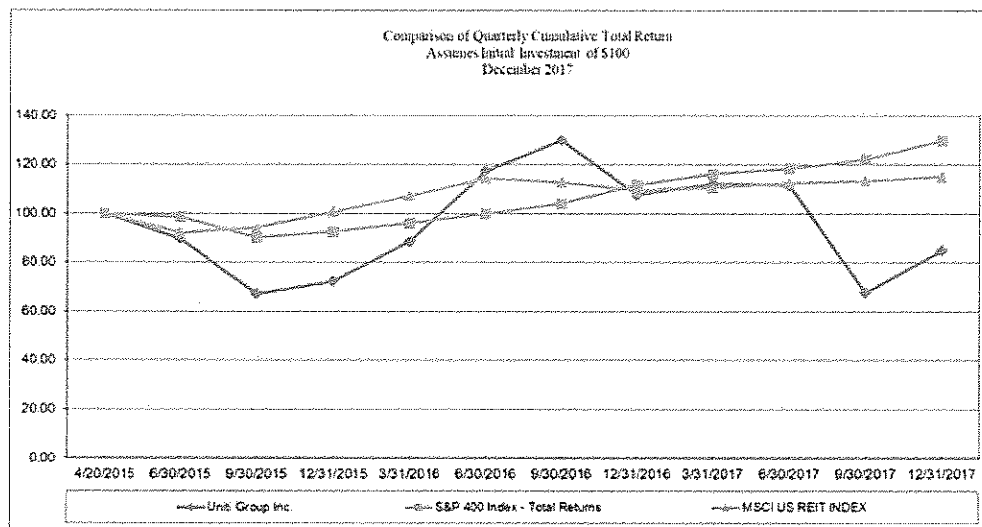
It is expected that our dividend will be \$2.40 per share per annum, subject to approval of our board of directors.

Stock Performance

The following graph shows a comparison from April 20, 2015 (the date our common stock commenced trading on the NASDAQ Global Select Market) through December 31, 2017 of the cumulative total return for our common stock, the Standard & Poor's 400 Stock Index (S&P 400 Index), and the MSCI US REIT Index. The graph assumes that \$100 was invested at the market open on April 20, 2015 and that all dividends were reinvested in the common

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stock of Uniti, the S&P 400 Index and the MSCI US REIT Index. The stock price performance of the following graph is not necessarily indicative of future stock price performance.



Cumulative Total Stockholder Returns
Based on Investment of \$100.00 Beginning on April 20, 2015

	4/20/2015	12/31/2015	12/31/2016	12/31/2017
Uniti Group Inc.	\$ 100.00	\$ 72.33	\$ 107.65	\$ 84.94
S&P 400 Index	100.00	92.56	111.76	129.90
MSCI US REIT Index	100.00	100.78	109.46	115.08

Issuer Purchases of Equity Securities

The table below provides information regarding shares withheld from Uniti employees to satisfy minimum statutory tax withholding obligations arising from the vesting of restricted stock granted under the Uniti Group Inc. 2015 Equity Incentive Plan. The shares of common stock withheld to satisfy tax withholding obligations may be deemed purchases of such shares required to be disclosed pursuant to this Item 5.

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share(2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1, 2017 to October 31, 2017	—	—	—	—
November 1, 2017 to November 30, 2017	474	16.54	—	—
December 1, 2017 to December 31, 2017	—	—	—	—
Total	474	\$ 16.54	—	—

(1) Excludes 21,504 shares withheld related to awards of Uniti restricted stock held by current Windstream employees granted in connection with the Spin-Off accordance with the Employee Matters

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Agreement. Additional information regarding the Employee Matters Agreement is contained in Note 11 – Related Party Transactions of the Notes to the Consolidated Financial Statements.

- (2) The weighted-average price per share is the weighted-average of the fair market prices at which we calculated the number of shares withheld to cover tax withholdings for the employees.

Item 6. Selected Financial Data.

The following table sets forth selected financial data for Uniti on a consolidated and combined historical basis as of the dates and for the years indicated.

Prior to April 24, 2015, we did not operate the Consumer CLEC Business separately from Windstream, nor did we commence our leasing business. The selected historical financial data as of December 31, 2014 and 2013 and for the period from January 1, 2015 to April 24, 2015 and the years ended December 31, 2014 and 2013 has been derived from the audited financial statements of the Consumer CLEC Business and Distribution Systems.

The following should be read in conjunction with the combined financial statements, accompanying notes and *Management's Discussion and Analysis of Financial Condition and Results of Operations*, each of which are included elsewhere in this Form 10-K.

	Year Ended December 31,		April 24 - December 31, 2015	January 1 - April 24, 2015	Year Ended December 31,	
(Thousands, except per share data)	2017	2016			2014	2013
Statement of Income Data:						
Total revenue ⁽¹⁾	\$ 916,032	\$ 770,408	\$ 476,314	\$ 10,149	\$ 36,015	\$ 45,126
Interest expense	305,994	275,394	181,797	*	*	*
Net (loss) income attributable to common shareholders	(16,552)	(5,497)	23,718	*	*	*
Earnings per common share - basic	(0.10)	(0.04)	0.16	*	*	*
Earnings per common share - diluted	\$ (0.13)	\$ (0.04)	\$ 0.16	*	*	*
Balance Sheet Data:						
Total assets ⁽²⁾	\$ 4,330,082	\$ 3,318,752	\$ 2,542,636	*	\$ 2,588,450	\$ 2,704,882
Notes and other debt ⁽³⁾	4,539,026	4,082,749	3,505,228	*	*	*
Total shareholders' (deficit) equity ⁽⁴⁾	(1,207,142)	(1,402,445)	(1,166,906)	*	2,580,565	2,695,223
Other Data:						
Net cash provided by operating activities	\$ 405,260	\$ 375,988	\$ 293,208	*	*	*
Net cash used in investing activities	(1,019,408)	(535,231)	(1,079,442)	*	*	*
Net cash provided by financing activities	501,967	188,766	928,714	*	*	*
Dividends paid	400,210	367,830	156,854	*	*	*
Dividends declared per common share	2.40	2.40	1.64	*	*	*
Funds from operations ("FFO") ⁽⁵⁾	352,477	346,051	259,829	*	*	*
Diluted FFO per common share	2.09	2.27	1.73	*	*	*
Adjusted funds from operations ("AFFO") ⁽⁵⁾	424,824	398,537	267,077	*	*	*
Diluted AFFO per common share	\$ 2.51	\$ 2.61	\$ 1.78	*	*	*

* Information not applicable for periods presented

(1) For periods prior to April 24, 2015, amounts represent revenues of the Consumer CLEC Business as an integrated operation within Windstream.

(2) As of December 31, 2014 and 2013 amounts represent the combined assets of the Consumer CLEC Business and the Distribution Systems.

(3) As of December 31, 2017 and 2016, amount includes \$56.3 million and \$54.5 million of capital lease obligations, respectively.

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- (4) As of December 31, 2014 and 2013 amounts include the net assets contributed of the Consumer CLEC Business and the Distribution Systems.
- (5) For a more detailed discussion and reconciliation of FFO and AFFO, see “Non-GAAP Financial Measures” in Item 7.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following management's discussion and analysis of financial condition and results of operations describes the principal factors affecting the results of our operations, financial condition, and changes in financial condition, as well as our critical accounting estimates.

Overview

Company Description

Uniti Group Inc. (the "Company", "Uniti", "we", "us" or "our") is an independent, internally managed real estate investment trust ("REIT") engaged in the acquisition and construction of mission critical infrastructure in the communications industry. We are principally focused on acquiring and constructing fiber optic broadband networks, wireless communications towers, copper and coaxial broadband networks and data centers.

On April 24, 2015, we were separated and spun-off (the "Spin-Off") from Windstream Holdings, Inc. ("Windstream Holdings" and together with its subsidiaries, "Windstream") pursuant to which Windstream contributed certain telecommunications network assets, including fiber and copper networks and other real estate (the "Distribution Systems") and a small consumer competitive local exchange carrier ("CLEC") business (the "Consumer CLEC Business"), to Uniti and Uniti issued common stock and indebtedness and paid cash obtained from borrowings under Uniti's senior credit facilities to Windstream. In connection with the Spin-Off, we entered into a long-term exclusive triple-net lease (the "Master Lease") with Windstream, pursuant to which a substantial portion of our real property is leased to Windstream and from which substantially all of our leasing revenues are currently derived.

Uniti operates as a REIT for U.S. federal income tax purposes. As a REIT, the Company is generally not subject to U.S. federal income taxes on income generated by its REIT operations, which includes income derived from the Master Lease. We have elected to treat the subsidiaries through which we operate our fiber business, Uniti Fiber, and Talk America Services, LLC, which operates the Consumer CLEC Business ("Talk America"), as taxable REIT subsidiaries ("TRSs"). TRSs enable us to engage in activities that result in income that does not constitute qualifying income for a REIT. Our TRSs are subject to U.S. federal, state and local corporate income taxes.

The Company operates through a customary up-REIT structure, pursuant to which we hold substantially all of our assets through a partnership, Uniti Group LP, a Delaware limited partnership (the "Operating Partnership"), that we control as general partner. This structure is intended to facilitate future acquisition opportunities by providing the Company with the ability to use common units of the Operating Partnership as a tax-efficient acquisition currency. As of the date of this report, we are the sole general partner of the Operating Partnership and own approximately 97.7% of the partnership interests in the Operating Partnership.

We expect to grow and diversify our portfolio and tenant base by pursuing a range of transaction structures with communication service providers, including, (i) sale leaseback transactions, whereby we acquire existing infrastructure assets from third parties, including communication service providers, and lease them back on a long-term triple net basis; (ii) whole company acquisitions, which may include the use of one or more TRSs that are permitted under the tax laws to acquire and operate non-REIT businesses and assets subject to certain limitations; (iii) capital investment financing, whereby we offer communication service providers a cost efficient method of raising funds for discrete capital investments to upgrade or expand their network; and (iv) mergers and acquisitions financing, whereby we facilitate mergers and acquisition transactions as a capital partner.

We manage our operations as four reportable business segments in addition to our corporate operations:

Leasing Segment: Represents our REIT operations and includes the results from our leasing business, Uniti Leasing, which is engaged in the acquisition of mission-critical communications assets and leasing them to anchor customers on either an exclusive or shared-tenant basis.

Fiber Infrastructure Segment: Represents the operations of our fiber business, Uniti Fiber, which is a leading provider of infrastructure solutions, including cell site backhaul and dark fiber, to the telecommunications industry.

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Towers Segment: Represents the operations of our towers business, Uniti Towers, through which we acquire and construct tower and tower-related real estate in the United States and Latin America.

Consumer CLEC Segment: Represents the operations of Talk America through which we operate the Consumer CLEC Business, that prior to the Spin-Off was reported as an integrated operation within Windstream. Talk America provides local telephone, high-speed internet and long distance services to customers in the eastern and central United States.

Corporate Operations: Represents our corporate and back office functions. Certain costs and expenses, primarily related to headcount, insurance, professional fees and similar charges, that are directly attributable to operations of our business segments are allocated to the respective segments.

We evaluate the performance of each segment based on Adjusted EBITDA, which is a segment performance measure we define as net income determined in accordance with GAAP, before interest expense, provision for income taxes, depreciation and amortization, stock-based compensation expense, the impact, which may be recurring in nature, of transaction and integration related expenses, the write off of unamortized deferred financing costs, costs incurred as a result of the early repayment of debt, changes in the fair value of contingent consideration and financial instruments, and other similar items. For more information on Adjusted EBITDA, see “Non-GAAP Financial Measures.” Detailed information about our segments can be found in Note 13 to our consolidated financial statements contained in Part II, Item 8 *Financial Statements and Supplementary Data*.

Significant Business Developments

Tax Reform. On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the “Act”) was signed into law making significant changes to the Internal Revenue Code. Changes include, but are not limited to, a corporate tax rate decrease from 35% to 21% effective for tax years beginning after December 31, 2017, the transition of U.S international taxation from a worldwide tax system to a territorial system, and a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings as of December 31, 2017. We have calculated our best estimate of the impact of the Act in our year end income tax provision in accordance with our understanding of the Act and guidance available as of the date of this filing and as a result have recorded \$17.4 million as additional income tax benefit in the fourth quarter of 2017, the period in which the legislation was enacted. The provisional amount relates to the remeasurement of certain deferred tax assets and liabilities, based on the rates at which they are expected to reverse in the future.

Acquisition of Southern Light, LLC. On July 3, 2017, we completed the previously announced acquisition of Southern Light, LLC (“Southern Light”). We acquired all of the outstanding membership interests of Southern Light for approximately \$638 million in cash, including the payoff of existing indebtedness and unpaid transaction expenses, and the issuance of 2.5 million common units in the Operating Partnership with an acquisition date fair value of \$64.3 million. Southern Light is a leading provider of data transport services along the Gulf Coast region serving twelve attractive Tier II and Tier III markets across Florida, Alabama, Louisiana, and Mississippi. Southern Light’s dense regional fiber network comprises nearly 540,000 fiber strand miles, 5,700 fiber route miles, and over 4,500 on-net locations. The results of operations of Southern Light are reflected in the Fiber Infrastructure segment beginning July 3, 2017.

Acquisition of Hunt Telecommunications, LLC. On July 3, 2017, we completed the previously announced acquisition of Hunt Telecommunications, LLC (“Hunt”). The Company acquired all of the outstanding equity interests of Hunt for approximately \$129 million in cash, including the payoff of existing indebtedness and unpaid transaction expenses, and approximately 1.6 million units in the Operating Partnership with an acquisition date fair value of \$41.6 million. Additional contingent consideration of up to \$17 million, with an acquisition date fair value of \$16.4 million will be paid upon the achievement of certain defined financial revenue milestones. Hunt is a leading provider of data transport to K-12 schools and government agencies with a dense fiber network in Louisiana. The results of operations of Hunt are reflected in the Fiber Infrastructure segment beginning July 3, 2017.

up-REIT Reorganization. On May 9, 2017, we completed our reorganization (the “up-REIT Reorganization”) to operate through a customary “up-REIT” structure. Under this structure, the Operating Partnership, which we control as a general partner, holds substantially all of our assets. The financial position and results of operations of the

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Operating Partnership do not include the Consumer CLEC Business because Talk America is a direct, wholly-owned subsidiary of Uniti. This structure is intended to facilitate future acquisition opportunities by providing the Company with the ability to use common units of the Operating Partnership (the "OP Units") as a tax-efficient acquisition currency for future acquisitions of assets or entities. Each OP Unit is exchangeable on a one-for-one basis for shares of our common stock or, at our election, cash of equivalent value.

Issuance of Senior Unsecured Notes. On May 8, 2017, the Company, CSL Capital, LLC and Uniti Fiber Holdings Inc. co-issued \$200 million aggregate principal amount of 7.125% Senior Unsecured Notes due December 15, 2024 (the "May 2017 Notes"). The proceeds from the offering were used to fund a portion of the cash consideration payable in connection with the acquisition of Southern Light. In connection with the up-REIT Reorganization on May 9, 2017, the Operating Partnership replaced the Company as a co-issuer of the May 2017 Notes, and the Company and Uniti Group Finance Inc. became guarantors of the May 2017 Notes. On August 11, 2017, the May 2017 Notes were mandatorily exchanged for notes issued as "additional notes" under the indenture governing our 7.125% Senior Unsecured Notes due December 15, 2024 (the "2024 Notes").

Issuance of Common Stock. On April 25, 2017, we issued 19.5 million shares of our common stock at a public offering price of \$26.50, resulting in proceeds to the Company of \$499 million, net of underwriting discounts and commissions, which were used to fund a portion of the cash consideration payable in connection with the acquisitions of Southern Light and Hunt.

Acquisition of NMS. On January 31, 2017, we completed the previously announced acquisition of Network Management Holdings LTD ("NMS"). At close, NMS owned and operated 366 wireless communications towers in Latin America with an additional 105 build-to-suit tower sites under development. The NMS portfolio spans three Latin America countries with 212 towers in Mexico, 54 in Nicaragua, and 100 in Colombia. The consideration for the 366 wireless towers currently in operation was \$62.6 million, which was funded through cash on hand. Under the terms of the purchase agreement, we will acquire the towers under development when construction is completed. As of December 31, 2017, construction was completed on 50 of the 105 towers that were under development at the time of the NMS acquisition, and we acquired the completed towers pursuant to the purchase agreement for approximately \$5.1 million. The results of operations of NMS are reflected in the Towers segment beginning January 31, 2017.

Comparison of the years ended December 31, 2017 and 2016

The following tables sets forth, for the periods indicated, our results of operations expressed as dollars and as a percentage of total revenues:

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(Thousands)	Year Ended December 31, 2017	% of Revenues	Year Ended December 31, 2016	% of Revenues
Revenues:				
Leasing	\$ 685,099	74.8%	\$ 676,868	87.8%
Fiber Infrastructure	202,791	22.1%	70,568	9.2%
Tower	10,055	1.1%	500	0.1%
Consumer CLEC	18,087	2.0%	22,472	2.9%
Total revenues	916,032	100.0%	770,408	100.0%
Costs and Expenses:				
Interest expense	305,994	33.4%	275,394	35.7%
Depreciation and amortization	434,205	47.4%	375,970	48.8%
General and administrative expense	72,045	7.9%	35,402	4.6%
Operating expense (exclusive of depreciation and amortization)	102,176	11.2%	49,668	6.4%
Transaction related costs	38,005	4.1%	33,669	4.4%
Other expense	11,284	1.2%	-	0.0%
Total costs and expenses	963,709	105.2%	770,103	100.0%
(Loss) income before income taxes	(47,677)	(5.2%)	305	0.0%
Income tax (benefit) expense	(38,849)	(4.2%)	517	0.1%
Net (loss)	(8,828)	(1.0%)	(212)	(0.0%)
Net income attributable to noncontrolling interests	611	0.1%	-	0.0%
Net (loss) attributable to shareholders	(9,439)	(1.0%)	(212)	(0.0%)
Participating securities' share in earnings	(1,509)	(0.2%)	(1,557)	(0.2%)
Dividends declared on convertible preferred stock	(2,624)	(0.3%)	(1,743)	(0.2%)
Amortization of discount on convertible preferred stock	(2,980)	(0.3%)	(1,985)	(0.3%)
Net (loss) attributable to common shareholders	\$ (16,552)	(1.8%)	\$ (5,497)	(0.7%)

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The following table sets forth, for the years ended December 31, 2017 and 2016, revenues and Adjusted EBITDA of our reportable segments:

Year Ended December 31, 2017						
(Thousands)	Leasing	Fiber Infrastructure	Towers	Consumer CLEC	Corporate	Total of Reportable Segments
Revenues	\$ 685,099	\$ 202,791	\$ 10,055	\$ 18,087	\$ -	\$ 916,032
Adjusted EBITDA	\$ 683,651	\$ 83,987	\$ (831)	\$ 4,556	\$ (21,839)	\$ 749,524
Adjusted EBITDA margin	99.8%	41.4%	(8.3%)	25.2%	-	81.8%
Less:						
Interest expense						305,994
Depreciation and amortization	347,999	78,307	4,907	2,607	385	434,205
Other expense						11,284
Transaction related costs						38,005
Stock-based compensation						7,713
Income tax benefit						(38,849)
Net loss						\$ (8,828)

Year Ended December 31, 2016						
(Thousands)	Leasing	Fiber Infrastructure	Towers	Consumer CLEC	Corporate	Total of Reportable Segments
Revenues	\$ 676,868	\$ 70,568	\$ 500	\$ 22,472	\$ -	\$ 770,408
Adjusted EBITDA	\$ 675,114	\$ 25,912	\$ (1,123)	\$ 5,074	\$ (14,793)	\$ 690,184
Adjusted EBITDA margin	99.7%	36.7%	(224.6%)	22.6%	-	89.6%
Less:						
Interest expense						275,394
Depreciation and amortization	343,368	28,629	337	3,258	378	375,970
Other expense						-
Transaction related costs						33,669
Stock-based compensation						4,846
Income tax expense						517
Net loss						\$ (212)

Revenues

Leasing – Leasing revenues are primarily attributable to rental revenue from leasing our Distribution Systems to Windstream Holdings pursuant to the Master Lease. Under the Master Lease, Windstream Holdings is responsible for the costs related to operating the Distribution Systems, including property taxes, insurance, and maintenance and repair costs. As a result, we do not record an obligation related to the payment of property taxes, as Windstream makes direct payments to the taxing authorities. The Master Lease has an initial term of 15 years with four five-year renewal options and encompasses properties located in 29 states. Rent under the Master Lease is an annual fixed amount of approximately \$654 million. Beginning May 2018 and continuing for the remainder of the initial term, rent under the Master Lease is subject to an annual escalation of 0.5%. Rental revenues over the initial term of the Master Lease are recognized in the financial statements on a straight-line basis, representing approximately \$670.8 million per year.

The Master Lease provides that tenant funded capital improvements (“TCIs”), defined as maintenance, repair, overbuild, upgrade or replacement to leased network, including without limitation, the replacement of copper

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distribution systems with fiber distribution systems, automatically become property of Uniti upon their construction by Windstream. We receive non-monetary consideration related to TCIs as they automatically become our property, and we recognize the cost basis of TCIs that are capital in nature as real estate investments and deferred revenue. We depreciate the real estate investments over their estimated useful lives and amortize the deferred revenue as additional leasing revenues over the same depreciable life of the TCI assets.

For the year ended December 31, 2017, we recognized \$685.1 million of revenue under the Master Lease, which included \$14.3 million of TCI revenue. For the year ended December 31, 2016, we recognized \$677.4 million of revenue under the Master Lease, which included \$6.1 million of TCI revenue. The increase in TCI revenue is attributable to increased investment by Windstream in TCIs. Windstream invested \$228 million in TCIs during the year ended December 31, 2017, an increase from \$157 million it invested in TCIs during the year ended December 31, 2016. Since the inception of the Master Lease, Windstream has invested a total of \$453.5 million in such improvements.

Because a substantial portion of our revenue is derived from lease payments by Windstream pursuant to the Master Lease, there could be a material adverse impact on our consolidated results of operations, liquidity and/or financial condition if Windstream were to default under the Master Lease or otherwise experience operating difficulties and becomes unable to generate sufficient cash to make payments to us. In recent years, Windstream has experienced annual declines in its total revenue and sales. Most recently, Windstream has endured a challenge from an entity who acquired certain Windstream debt securities for the purpose of seeking an "event of default" under such securities relating to the Spin-Off. An actual "event of default" would permit the trustee or holders of at least 25% in aggregate principal amount of outstanding of such Windstream debt securities to declare the principal amount of all outstanding Windstream debt to be immediately due and payable. Such an outcome would trigger cross-default provisions in Windstream's other debt instruments, including Windstream Services' existing credit facility, which, in turn, would trigger a default under the Master Lease. Accordingly, we monitor the credit quality of Windstream through numerous methods, including by (i) reviewing the credit ratings of Windstream by nationally recognized credit rating agencies, (ii) reviewing the financial statements of Windstream that are publicly available and that are required to be delivered to us pursuant to the Master Lease, (iii) monitoring ongoing litigation and news reports regarding Windstream and its businesses, (iv) conducting research to ascertain industry trends potentially affecting Windstream, and (v) monitoring the timeliness of its lease payments.

In addition to periodic financial statements, Windstream is obligated under the Master Lease to provide us (i) a detailed consolidated budget on an annual basis and any significant revisions approved by Windstream's board of directors, (ii) prompt notice of any adverse action or investigation by a governmental authority relating to Windstream's licenses affecting the leased property, and (iii) any information we require to comply with our reporting and filing obligations with the SEC. Furthermore, pursuant to the Master Lease, we may inspect the properties leased to Windstream upon reasonable advance notice, and, no more than twice per year, we may require Windstream to deliver an officer's certificate certifying, among other things, its material compliance with the covenants under the Master Lease, the amount of rent and additional charges payable thereunder, the dates the same were paid, and any other questions or statements of fact we reasonably request.

Fiber Infrastructure – In our Fiber Infrastructure segment, we recognized \$202.8 million of revenue for the year ended December 31, 2017, of which approximately 55.1% was derived from lit backhaul services, approximately 20.6% was derived from internet and voice revenue, approximately 11.3% was derived from construction revenue and approximately 13.0% was derived from other services. For the year ended December 31, 2016, we recognized \$70.6 million of revenue Fiber Infrastructure segment, approximately 78% of which was derived from lit backhaul services. The revenue increase is primarily driven by the timing of the acquisitions of PEG Bandwidth, LLC ("PEG" or "PEG Bandwidth"), Tower Cloud, Southern Light and Hunt. At December 31, 2017, we had approximately 16,750 customer connections, up from 5,450 customer connections at December 31, 2016. The increase is primarily attributable to the July 3, 2017 acquisitions of Southern Light and Hunt.

Towers – For the year ended December 31, 2017, we recognized \$10.1 million of revenue in our Towers segment, of which \$7.5 million relates to our Latin American operations, primarily driven by revenues associated with our January 2017 acquisition of NMS.

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At December 31, 2017, the Uniti Towers' portfolio consisted of 227 wireless communications towers located on 20 states across the Eastern and Central regions in the United States, and 440 wireless communications towers in Latin America.

Consumer CLEC – For the year ended December 31, 2017, we recognized \$18.1 million of revenue from the Consumer CLEC Business, compared to \$22.5 million for the period for the year ended December 31, 2016. The decrease is primarily attributable to a loss of customers during the period. We served approximately 28,500 customers as of December 31, 2017, a 23% decrease from 37,000 at December 31, 2016. The decrease in customers is due to the effects of competition and customer attrition.

Interest Expense

Interest expense for the year ended December 31, 2017, totaled \$306.0 million, which includes non-cash interest expense of \$23.1 million resulting from the amortization of our debt discounts and debt issuance costs. Interest expense for the year ended December 31, 2016, totaled \$275.4 million, which includes non-cash interest expense of \$16.0 million resulting from the amortization of our debt discounts and debt issuance costs. The increase is primarily related to interest expense on the additional \$150 million aggregate principal amount of 6.00% Senior Secured Notes issued on June 16, 2016 as an add-on to the Company's existing senior secured notes (the "add-on Secured Notes") and the 2024 Notes of \$41 million. This increase was partially offset by approximately \$19 million of interest savings related to the repricing of \$2.1 billion of term loans outstanding under our senior secured credit agreement. Effective February 9, 2017, interest on the term loans was LIBOR plus 3.00% per annum (with a minimum LIBOR rate of 1.0%), compared to LIBOR plus 4.0% per annum (with a minimum LIBOR rate of 1.0%) for the year ended December 31, 2016.

Depreciation and Amortization Expense

We incur depreciation and amortization expense related to our property, plant and equipment, corporate assets and intangible assets. Charges for depreciation and amortization for the year ended December 31, 2017 totaled \$434.2 million (47.4% of revenue), which included property, plant and equipment depreciation of \$415.9 million and intangible asset amortization of \$18.3 million. Charges for depreciation and amortization for the year ended December 31, 2016 totaled \$376.0 million (48.8% of revenue), which included property, plant and equipment depreciation of \$369.9 million and intangible asset amortization of \$6.1 million. The increase is primarily driven by the timing of the acquisitions of PEG, Tower Cloud, Southern Light and Hunt.

General and Administrative Expense

General and administrative expenses include compensation costs (including stock-based compensation awards), professional and legal services, corporate office costs and other costs associated with the administrative activities of our segments. For the year ended December 31, 2017, general and administrative costs totaled \$72.0 million (7.9% of revenue), which includes \$7.7 million of stock-based compensation expense. For the year ended December 31, 2016, general and administrative costs totaled \$35.4 million (4.6% of revenue), which includes \$4.8 million of stock-based compensation expense. The increase is primarily driven by the timing of the acquisitions of PEG and Tower Cloud, which closed on May 2, 2016 and August 31, 2016, respectively, as well as the acquisition of Southern Light and Hunt that closed on July 3, 2017.

Operating Expense

Operating expense for the year ended December 31, 2017, totaled \$102.2 million (11.2% of revenue), and consisted of \$83.5 million (9.1% of revenue) of expense related to the operation of the Fiber Infrastructure operations, \$5.1 million (0.6% of revenue) of expense related to the Tower operations and \$13.5 million (1.5% of revenue) of expense related to the Consumer CLEC Business. For the year ended December 31, 2016, operating expenses totaled \$49.7 million (6.4% of revenue), which related to the operation of the Consumer CLEC Business (\$17.4 million) and Fiber Infrastructure operations (\$32.1 million).

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The increase to Fiber Infrastructure operating expense is primarily driven by the timing of the acquisitions of PEG and Tower Cloud, which closed on May 2, 2016 and August 31, 2016, respectively, as well as the acquisition of Southern Light and Hunt that closed on July 3, 2017. For the year ended December 31, 2017, Fiber Infrastructure operating expenses included \$21.1 million of construction-related expenses, \$15.9 million of lit service expense, \$11.0 million of tower rent, \$10.4 million of maintenance expense, \$7.0 million of dark fiber rent and \$4.8 million of payroll-related expense. For the year ended December 31, 2016, Fiber Infrastructure operating expenses included \$7.0 million of tower rent, \$5.3 million of payroll-related expense and \$4.3 million of lit service expense.

The increase to Tower operating expense is primarily driven by the timing of the acquisition of NMS, which closed on January 31, 2017. For the year ended December 31, 2017, Tower operating expenses included \$3.2 million of tower rent, \$0.9 million of site monitoring expenses and \$0.2 million of insurance expense.

Expense associated with the Consumer CLEC Business is primarily attributable to the Wholesale Agreement and the Master Services Agreement entered between us and Windstream in connection with the Spin-Off, and also included costs arising under the interconnection agreements with other telecommunication carriers. Expense associated with the Wholesale Agreement and Master Services Agreement for the year ended December 31, 2017 totaled \$10.2 million (1.1% of revenue) and \$1.3 million (0.1% of revenue), respectively, and expense associated with the Wholesale Agreement and the Master Services Agreement for the year ended December 31, 2016 totaled \$12.5 million (1.6% of revenue) and \$1.7 million (0.2% of revenue), respectively.

Other Expense

Other expense for the year ended December 31, 2017, totaled \$11.3 million (1.2% of revenue), primarily as a result of a net unrealized loss of \$10.7 million for mark-to-market adjustments on our contingent consideration arrangements.

Income Tax (Benefit) Expense

We recorded a \$38.8 million benefit in income tax benefit for the year ended December 31, 2017. This benefit was primarily driven by the release of valuation allowance and impact of corporate tax reform. Income tax benefit of \$8.2 million was recorded for the release of a valuation allowance related to the acquisitions of Southern Light and Hunt. The Southern Light and Hunt transactions resulted in the recording of a deferred tax liability, and this future reversal of taxable temporary differences supports the realization of deferred tax assets which previously had a valuation allowance. \$17.0 million relates to revision of ending net deferred tax asset balances to the lower future corporate tax rate.

Comparison of the year ended December 31, 2016 to the period from April 24, 2015 to December 31, 2015

Because we were formed in connection with the Spin-Off from Windstream Holdings on April 24, 2015, the comparable period results discussed in this section cover only the 252-day period from April 24, 2015 to December 31, 2015. As such, there are inherent limitations to period over period comparability. This discussion should be read in conjunction with the accompanying audited financial statements, and the notes thereto set forth in Part II, Item 8 of this Annual Report on Form 10-K.

The following table sets forth, for the periods indicated, our results of operations expressed as dollars and as a percentage of total revenues:

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(Thousands)	Year Ended December 31, 2016	% of Revenues	Period from April 24 - December 31, 2015	% of Revenues
Revenues:				
Leasing	\$ 676,868	87.8%	\$ 458,614	96.3%
Fiber Infrastructure	70,568	9.2%	-	0.0%
Tower	500	0.1%	-	0.0%
Consumer CLEC	22,472	2.9%	17,700	3.7%
Total revenues	770,408	100.0%	476,314	100.0%
Costs and Expenses:				
Interest expense	275,394	35.7%	181,797	38.2%
Depreciation and amortization	375,970	48.8%	238,748	50.1%
General and administrative expense	35,402	4.6%	11,208	2.4%
Operating expense (exclusive of depreciation and amortization)	49,668	6.4%	13,743	2.9%
Transaction related costs	33,669	4.4%	5,210	1.1%
Other expense	-	0.0%	-	0.0%
Total costs and expenses	770,103	100.0%	450,706	94.6%
Income before income taxes	305	0.0%	25,608	5.4%
Income tax expense	517	0.1%	738	0.2%
Net (loss) income	(212)	(0.0%)	24,870	5.2%
Participating securities' share in earnings	(1,557)	(0.2%)	(1,152)	(0.2%)
Dividends declared on convertible preferred stock	(1,743)	(0.2%)	-	0.0%
Amortization of discount on convertible preferred stock	(1,985)	(0.3%)	-	0.0%
Net (loss) income attributable to common shareholders	<u>\$ (5,497)</u>	<u>(0.7%)</u>	<u>\$ 23,718</u>	<u>5.0%</u>

The following table sets forth, for the year ended December 31, 2016 and for the period from April 24, 2015 to December 31, 2015, revenues and Adjusted EBITDA of our reportable segments:

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Year Ended December 31, 2016

(Thousands)	Leasing	Fiber Infrastructure	Towers	Consumer CLEC	Corporate	Total of Reportable Segments
Revenues	\$ 676,868	\$ 70,568	\$ 500	\$ 22,472	\$ -	\$ 770,408
Adjusted EBITDA	\$ 675,114	\$ 25,912	\$ (1,123)	\$ 5,074	\$ (14,793)	\$ 690,184
Adjusted EBITDA margin	99.7%	36.7%	(224.6%)	22.6%	-	89.6%
Less:						
Interest expense						275,394
Depreciation and amortization	343,368	28,629	337	3,258	378	375,970
Other expense						-
Transaction related costs						33,669
Stock-based compensation						4,846
Income tax expense						517
Net loss						\$ (212)

Period from April 24, 2015 to December 31, 2015

(Thousands)	Leasing	Fiber Infrastructure	Towers	Consumer CLEC	Corporate	Total of Reportable Segments
Revenues	\$ 458,614	\$ -	\$ -	\$ 17,700	\$ -	\$ 476,314
Adjusted EBITDA	\$ 457,704	\$ -	\$ -	\$ 3,957	\$ (8,364)	\$ 453,297
Adjusted EBITDA margin	99.8%	-	-	22.4%	-	95.2%
Less:						
Interest expense						181,797
Depreciation and amortization	235,967	-	-	2,571	210	238,748
Other expense						-
Transaction related costs						5,210
Stock-based compensation						1,934
Income tax expense						738
Net income						24,870

Revenues

Leasing – For the year ended December 31, 2016, we recognized \$676.9 million of revenue under the Master Lease, which included \$6.1 million of TCI revenue. For the period from April 24, 2015 to December 31, 2015, we recognized \$458.6 million of revenue under the Master Lease, which includes \$0.8 million of TCI revenue. The increase is primarily attributable to a full year of revenue during 2016 as compared to 252 days of revenue during the period from April 24, 2015 to December 31, 2015. We funded \$43.1 million of capital expenditures related to the Distribution Systems on December 29, 2015. Monthly rent paid by Windstream increased by approximately \$3.5 million per year in accordance with the Master Lease effective as of the date we provided the funding. During the years ended December 31, 2016 and for the period from April 24, 2015 through December 31, 2015, we recorded \$157.0 million and \$68.6 million of TCIs, respectively.

Fiber Infrastructure – We recognized \$70.6 million of revenue, approximately 78% of which was derived from lit backhaul services, from our Fiber Infrastructure segment for the year ended December 31, 2016. This revenue was derived from the newly acquired PEG Bandwidth and Tower Cloud businesses. Revenues related to the PEG Bandwidth acquisition have been included in our results of operations for the period from May 2, 2016 to December 31, 2016 and revenues related to the Tower Cloud acquisition have been included in our results of operations for the period from September 1, 2016 to December 31, 2016. At December 31, 2016, we had approximately 5,450 customer connections.

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Consumer CLEC – For the year ended December 31, 2016, we recognized \$22.5 million of revenue from the Consumer CLEC Business, compared to \$17.7 million for the period from April 24, 2015 to December 31, 2015. The increase is primarily attributable to a full year of revenue during 2016 as compared to 252 days of revenue during the prior year period. We served approximately 37,000 customers as of December 31, 2016, a 19.6% decrease from 46,000 at December 31, 2015. The decrease in customers is due to the effects of competition and customer attrition.

Interest Expense

Interest expense for the year ended December 31, 2016 totaled \$275.4 million (35.7% of revenue), which included non-cash interest expense of \$16.0 million resulting from the amortization of our debt discounts and debt issuance costs. During the year ended December 31, 2016, we incurred \$4.1 million in interest expense related to borrowings under our Revolving Credit Facility, \$4.9 million related to the add-on Secured Notes and \$1.2 million in interest expense related to the 2024 Notes.

Interest expense for the period from April 24, 2015 to December 31, 2015 totaled \$181.8 million, which included non-cash interest expense of \$10.0 million resulting from the amortization of our debt discounts and debt issuance costs.

Depreciation and Amortization Expense

Charges for depreciation and amortization for the year ended December 31, 2016 totaled \$376.0 million (48.8% of revenue), which included property, plant and equipment depreciation of \$369.9 million and intangible asset amortization of \$6.1 million. Charges for depreciation and amortization for the period from April 24, 2015 to December 31, 2015 totaled \$238.7 million (50.1% of revenue), which included real estate investment depreciation of \$235.9 million, corporate asset depreciation of \$0.2 million and intangible asset amortization of \$2.6 million.

General and Administrative Expense

General and administrative expenses include compensation costs (including stock-based compensation awards), professional and legal services, corporate office costs and other costs associated with administrative activities. For the year ended December 31, 2016, general and administrative costs totaled \$35.4 million (4.6% of revenue), which included \$4.8 million of stock-based compensation expense. For the year ended December 31, 2016, our general and administrative expenses included \$13.1 million (1.7% of revenue) of expense related to the newly acquired PEG Bandwidth and Tower Cloud businesses.

For the period from April 24, 2015 to December 31, 2015, general and administrative costs totaled \$11.2 million (representing 2.4 % of revenue), which includes \$1.9 million of stock-based compensation expense.

Operating Expense

Operating expense for the year ended December 31, 2016 totaled \$49.7 million (6.4% of revenue), which consists of \$17.4 million (2.3% of revenue) of expense related to the operation of the Consumer CLEC Business and \$32.1 million (4.2% of revenue) of expense related to the newly acquired PEG Bandwidth and Tower Cloud businesses.

For the year ended December 31, 2016, Fiber Infrastructure operating expenses include \$7 million of tower rent, \$5.3 million of payroll-related expense, and \$4.3 million of lit service expense.

Operating expense for the period from April 24, 2015 to December 31, 2015 totaled \$13.7 million (2.9% of revenue), which consisted primarily of expenses related to the operation of the Consumer CLEC Business.

Non-GAAP Financial Measures

We refer to EBITDA, Adjusted EBITDA, Funds From Operations ("FFO") (as defined by the National Association of Real Estate Investment Trusts ("NAREIT")) and Adjusted Funds From Operations ("AFFO") in our analysis of our results of operations, which are not required by, or presented in accordance with, accounting principles generally accepted in the United States ("GAAP"). While we believe that net income, as defined by GAAP, is the most

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appropriate earnings measure, we also believe that EBITDA, Adjusted EBITDA, FFO and AFFO are important non-GAAP supplemental measures of operating performance for a REIT.

We define "EBITDA" as net income, as defined by GAAP, before interest expense, provision for income taxes and depreciation and amortization. We define "Adjusted EBITDA" as EBITDA before stock-based compensation expense and the impact, which may be recurring in nature, of transaction and integration related costs (collectively, "transaction related costs"), the write-off of unamortized deferred financing costs, costs incurred as a result of the early repayment of debt, changes in the fair value of contingent consideration and financial instruments, and other similar items (although we may not have had such charges in the periods presented). We believe EBITDA and Adjusted EBITDA are important supplemental measures to net income because they provide additional information to evaluate our operating performance on an unleveraged basis. Since EBITDA and Adjusted EBITDA are not measures calculated in accordance with GAAP, they should not be considered as an alternative to net income determined in accordance with GAAP.

Because the historical cost accounting convention used for real estate assets requires the recognition of depreciation expense except on land, such accounting presentation implies that the value of real estate assets diminishes predictably over time. However, since real estate values have historically risen or fallen with market and other conditions, presentations of operating results for a REIT that uses historical cost accounting for depreciation could be less informative. Thus, NAREIT created FFO as a supplemental measure of operating performance for REITs that excludes historical cost depreciation and amortization, among other items, from net income, as defined by GAAP. FFO is defined by NAREIT as net income applicable to common shareholders computed in accordance with GAAP, excluding gains or losses from real estate dispositions, plus real estate depreciation and amortization and impairment charges. We compute FFO in accordance with NAREIT's definition.

We define AFFO as FFO excluding (i) transaction and integration costs; (ii) certain non-cash revenues and expenses such as stock-based compensation expense, amortization of debt and equity discounts, amortization of deferred financing costs, depreciation and amortization of non-real estate assets, straight line revenues, non-cash income taxes, and the amortization of other non-cash revenues to the extent that cash has not been received, such as revenue associated with the amortization of tenant capital improvements; (iii) the impact, which may be recurring in nature, of the write-off of unamortized deferred financing fees, additional costs incurred as a result of early repayment of debt, changes in the fair value of contingent consideration and financial instruments and similar items less maintenance capital expenditures. We believe that the use of FFO and AFFO, and their respective per share amounts, combined with the required GAAP presentations, improves the understanding of operating results of REITs among investors and analysts, and makes comparisons of operating results among such companies more meaningful. We consider FFO and AFFO to be useful measures for reviewing comparative operating performance. In particular, we believe AFFO, by excluding certain revenue and expense items, can help investors compare our operating performance between periods and to other REITs on a consistent basis without having to account for differences caused by unanticipated items and events, such as transaction and integration related costs. The Company uses FFO and AFFO, and their respective per share amounts, only as performance measures, and FFO and AFFO do not purport to be indicative of cash available to fund our future cash requirements. While FFO and AFFO are relevant and widely used measures of operating performance of REITs, they do not represent cash flows from operations or net income as defined by GAAP and should not be considered an alternative to those measures in evaluating our liquidity or operating performance.

Further, our computations of EBITDA, Adjusted EBITDA, FFO and AFFO may not be comparable to that reported by other REITs or companies that do not define FFO in accordance with the current NAREIT definition or that interpret the current NAREIT definition or define EBITDA, Adjusted EBITDA and AFFO differently than we do.

The reconciliation of our net income to EBITDA and Adjusted EBITDA and of our net income attributable to common shareholders to FFO and AFFO for the years ended December 31, 2017, 2016 and for the period from April 24, 2015 to December 31, 2015 is as follows:

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(Thousands)	Year Ended December 31,		Period from
	2017	2016	April 24 - December 31, 2015
Net (loss) income	\$ (8,828)	\$ (212)	\$ 24,870
Depreciation and amortization	434,205	375,970	238,748
Interest expense	305,994	275,394	181,797
Income tax (benefit) expense	(38,849)	517	738
EBITDA	\$ 692,522	\$ 651,669	\$ 446,153
Stock based compensation	7,713	4,846	1,934
Other (income) expense	11,284	-	-
Transaction related costs	38,005	33,669	5,210
Adjusted EBITDA	\$ 749,524	\$ 690,184	\$ 453,297

(Thousands)	Year Ended December 31,		Period from
	2017	2016	April 24 - December 31, 2015
Net (loss) income attributable to common shareholders	\$ (16,552)	\$ (5,497)	\$ 23,718
Real estate depreciation and amortization	373,449	351,548	236,177
Participating securities' share in earnings	1,509	1,557	1,152
Participating securities' share in FFO	(1,509)	(1,557)	(1,218)
Adjustments for noncontrolling interests	(4,420)	-	-
FFO attributable to common shareholders	\$ 352,477	\$ 346,051	\$ 259,829
Transaction related costs	38,005	33,669	5,210
Change in fair value of contingent consideration	10,736	-	-
Amortization of deferred financing costs and debt discount	23,102	16,002	10,004
Stock-based compensation	7,713	4,846	1,934
Non-real estate depreciation and amortization	60,756	24,422	2,571
Straight-line revenue	(15,136)	(17,293)	(11,795)
Maintenance capital expenditures	(4,434)	(3,327)	-
Amortization of discount on convertible preferred stock	2,980	1,985	-
Adjustment to deferred tax valuation allowance and tax rate change	(36,240)	-	-
Other non-cash (revenue) expense, net	(14,871)	(7,818)	(676)
Adjustments for noncontrolling interests	(264)	-	-
AFFO attributable to common shareholders	\$ 424,824	\$ 398,537	\$ 267,077

Critical Accounting Estimates

We make certain judgments and use certain estimates and assumptions when applying accounting principles in the preparation of our financial statements. The nature of the estimates and assumptions are material due to the levels of subjectivity and judgment necessary to account for highly uncertain factors or the susceptibility of such factors to change. We have identified the accounting for income taxes, revenue recognition, useful lives of assets, the impairment of property, plant and equipment, goodwill impairment and business combinations as critical accounting estimates, as they are the most important to our financial statement presentation and require difficult, subjective and complex judgments.

We believe the current assumptions and other considerations used to estimate amounts reflected in our financial statements are appropriate. However, if actual experience differs from the assumptions and other considerations used in estimating amounts reflected in our financial statements, the resulting changes could have a material adverse

effect on our results of operations and, in certain situations, could have a material adverse effect on our financial condition.

Income Taxes

We have elected on our U.S. federal income tax return for the taxable year ending December 31, 2015 to be treated as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"). To qualify as a REIT, we must distribute at least 90% of our annual REIT taxable income to shareholders, and meet certain organizational and operational requirements, including asset holding requirements. As a REIT, we will generally not be subject to U.S. federal income tax on income that we distribute as dividends to our shareholders. If we fail to qualify as a REIT in any taxable year, we will be subject to U.S. federal income tax, including any applicable alternative minimum tax for open taxable years through 2017, on our taxable income at regular corporate income tax rates, and we could not deduct dividends paid to our shareholders in computing taxable income. Any resulting corporate liability could be substantial and could materially and adversely affect our net income and net cash available for distribution to shareholders. Unless we were entitled to relief under certain Code provisions, we also would be disqualified from reelecting to be taxed as a REIT for the four taxable years following the year in which we failed to qualify as a REIT.

We intend to make regular quarterly dividend payments of all or substantially all of our annual REIT taxable income to holders of our common stock, and therefore no provision is required in the accompanying Consolidated Financial Statements for U.S. federal income taxes related to the activities of the REIT and its passthrough subsidiaries. We are subject to the statutory requirements of the locations in which we conduct business, and state and local income taxes are accrued as deemed required in the best judgment of management based on analysis and interpretation of respective tax laws.

We have elected to treat the subsidiaries through which we operate Uniti Fiber and Talk America as TRSs. TRSs enable us to engage in activities that result in income that does not constitute qualifying income for a REIT. Our TRSs are subject to U.S. federal, state and local corporate income taxes.

Deferred tax assets and liabilities are recognized under the asset and liability method for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax balances are adjusted to reflect tax rates based on currently enacted tax laws, which will be in effect in the years in which the temporary differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period of the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets unless it is more likely than not that such assets will be realized.

We recognize the benefit of tax positions that are "more likely than not" to be sustained upon examination based on their technical merit. The benefit of a tax position is measured at the largest amount that has a greater than 50 percent likelihood of being realized upon ultimate settlement. If applicable, we will report tax-related penalties and interest expense as a component of income tax expense.

The Company will be subject to a federal corporate level tax (currently 35%, and 21% starting in 2018) on any gain recognized from the sale of assets occurring within a five year recognition period after the Spin-Off up to the amount of the built in gain that existed on April 24, 2015, which is based on the fair market value of the assets in excess of the Company's tax basis as of such date.

Revenue Recognition

Leasing revenues are primarily derived from providing access to or usage of leased networks and facilities. Leasing revenues are recognized on a straight-line basis over the initial lease term. Revenues derived from other telecommunications services, including broadband, long distance and enhanced service revenues are recognized monthly as services are provided. Sales of customer premise equipment and modems are recognized when products are delivered to and accepted by customers.

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Service revenues are primarily derived from providing broadband transport and backhaul communications services and are recognized when (i) persuasive evidence of an arrangement exists, (ii) the services have been provided to the customer, (iii) the sales price is fixed or determinable, and (iv) the collection of the sales price is reasonably assured. Services provided to the Company's customers are pursuant to contractual fee-based arrangements, which generally provide for recurring fees charged for the use of designated portions of the Company's network and typically range for a period of three to ten years. The Company's revenue arrangements often include upfront fees charged to the customer for the cost of establishing the necessary components of the Company's network prior to the commencement of use by the customer. Fees charged to customers for the recurring use of the Company's network are recognized during the related periods of service. Upfront fees that are billed in advance of providing services are deferred until such time the customer accepts the Company's network and then are recognized as service revenues ratably over a period in which substantive services required under the revenue arrangement are expected to be performed, which is the initial term of the arrangement.

Useful Lives of Assets

The calculation of depreciation and amortization expense is based on the estimated economic useful lives of the underlying property, plant and equipment and customer lists, tenant contracts and network intangible assets. Some of our Distribution Systems assets use a group composite depreciation method. Under this method, when plant is retired, the original cost, net of salvage value, is charged against accumulated depreciation and no immediate gain or loss is recognized on the disposition of the plant.

Rapid changes in technology or changes in market conditions could result in significant changes to the estimated useful lives of our property, plant and equipment that could materially affect the carrying value of these assets and our future operating results. An extension of the average useful life of our property, plant and equipment of one year would decrease depreciation expense by approximately \$29.4 million per year, while a reduction in the average useful life of one year would increase depreciation expense by approximately \$36.5 million per year.

At December 31, 2017, our unamortized finite lived intangible assets totaled \$429.4 million, and are amortized using the straight-line method over their estimated useful lives with the exception of the customer list intangible assets related to our Consumer CLEC Business, which were brought over at carry-over basis at the time of the Company's spin-off from Windstream Holdings, Inc. in 2015, and are amortized using the sum-of-the-years'-digits method over their estimated useful lives. A reduction in the average useful lives of our finite lived intangible asset of one year would have increased the amount of amortization expense recorded in 2017 by approximately \$0.7 million.

Impairment of Property, Plant, and Equipment

We continually monitor events and changes in circumstances that could indicate that the carrying amount of our property, plant and equipment may not be recoverable or realized. When indicators of potential impairment suggest that the carrying value may not be recoverable, we assess the recoverability by estimating whether we will recover the carrying value of those assets through its undiscounted future cash flows and the eventual disposition of the asset. If, based on this analysis, we do not believe that we will be able to recover the carrying value of our property, plant and equipment, we would record an impairment loss to the extent that the carrying value exceeds the estimated fair value of the related assets.

Business Combinations

We apply the acquisition method of accounting for acquisitions meeting the definition of a business combination, where assets acquired and liabilities assumed are recorded at fair value at the date of each acquisition, and the results of operations are included with those of the Company from the dates of the respective acquisitions. Any excess of the purchase price paid by the Company over the amounts recognized for assets acquired and liabilities assumed is recorded as goodwill. ASC 805, *Business Combinations*, also requires acquirers, among other things, to estimate the acquisition date fair value of any contingent consideration and to recognize any subsequent changes in the fair value of contingent consideration in earnings. When provisional amounts are initially recorded, the Company continues to evaluate acquisitions for a period not to exceed one year after the applicable acquisition date of each transaction to determine whether any additional adjustments are needed to the allocation of the purchase price paid for the assets acquired and liabilities assumed.

Goodwill

Goodwill is recognized for the excess of purchase price over the fair value of net assets of businesses acquired. Goodwill is reviewed for impairment at least annually. In accordance with ASC 350-20, Intangibles-Goodwill and Other, we evaluate goodwill for impairment between annual impairment tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Unless circumstances otherwise dictate, the annual impairment test is performed in the fourth quarter. Application of the goodwill impairment test requires judgment, including: the identification of reporting units; assignment of assets and liabilities to reporting units; assignment of goodwill to reporting units; determination of the fair value of each reporting unit; and an assumption as to the form of the transaction in which the reporting unit would be acquired by a market participant (either a taxable or nontaxable transaction).

We estimate the fair value of our reporting units (which are our segments) using a combination of an income approach based on the present value of estimated future cash flows and a market approach based on market data of comparable businesses and acquisition multiples paid in recent transactions. If the carrying value of a reporting unit's net assets is less than its fair value, no indication of impairment exists. If the carrying amount of the reporting unit's goodwill is greater than the implied fair value of its goodwill, an impairment loss must be recognized for the excess and charged to operations.

Inherent in our preparation of cash flow projections are significant assumptions and estimates derived from a review of our operating results, business plans, expected growth rates, capital expenditure plans, cost of capital and tax rates. We also make certain forecasts about future economic conditions, interest rates and other market data. Many of the factors used in assessing fair value are outside the control of management, and these assumptions and estimates may change in future periods. Small changes in assumptions or estimates could materially affect the estimate of the fair value of a reporting unit, and therefore could affect the likelihood and amount of potential impairment.

As of December 31, 2017 and 2016, all of our Goodwill is included in our Fiber Infrastructure segment. We performed our goodwill impairment analysis during the fourth quarter and we concluded the implied fair value of our Fiber Infrastructure reporting unit was in excess of its carrying value by less than 2%. During the year ended December 31, 2017 and 2016 and for the period April 24, 2015 through December 31, 2015, no impairment losses were recognized.

Liquidity and Capital Resources

Our principal liquidity needs are to fund operating expenses, meet debt service requirements, fund investment activities, and make dividend distributions. Our primary sources of liquidity and capital resources are cash on hand, cash provided by operating activities (primarily arising under the Master Lease with Windstream), borrowings under our credit agreement by and among the Operating Partnership, CSL Capital, LLC and Uniti Group Finance Inc., the guarantors and lenders party thereto and Bank of America, N.A., as administrative agent and collateral agent (the "Credit Agreement"), and proceeds from the issuance of debt and equity securities.

As of December 31, 2017, we had \$59.8 million of unrestricted cash and cash equivalents, and \$470.0 million of undrawn borrowing capacity under the senior secured revolving credit facility pursuant to the Credit Agreement, variable rate, that matures April 24, 2020 (the "Revolving Credit Facility").

Cash provided by operating activities totaled \$405.3 million, \$375.9 million and \$293.2 million for the years ended December 31, 2017 and 2016 and for the period from April 24, 2015 through December 31, 2015, respectively. Cash provided by operating activities is primarily attributable to our leasing activities.

Cash used in investing activities was \$1.0 billion for the year ended December 31, 2017, which was driven by the acquisitions of Southern Light (\$636.1 million), Hunt (\$126.0 million), NMS assets (\$69.7 million), ground lease investments (\$21.8 million), partially offset by a Tower Cloud working capital adjustment (\$0.2 million) and capital expenditures (\$166.0 million), primarily related to our Uniti Fiber and Uniti Towers businesses. Cash used in investing activities was \$535.2 million for the year ended December 31, 2016, which was driven by the acquisitions of PEG Bandwidth (\$315.4 million) and Tower Cloud (\$173.4 million) and capital expenditures (\$46.4 million). Cash used in investing activities was \$1.1 billion for the period from April 24, 2015 through December 31, 2015,

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due to consideration paid to Windstream for its contribution of the Distribution Systems and the Consumer CLEC Business in connection with the Spin-Off (\$1.04 billion) and capital expenditures (\$44 million), primarily related to the funding of capital expenditures related to the Distribution Systems.

Cash provided by financing activities was \$502.0 million for the year ended December 31, 2017, which primarily represents the net proceeds from the sale of common stock through a public offering (\$498.9 million) and proceeds from the 2024 Notes issued in May 2017 (\$201.0 million), which were used to fund the acquisitions of Southern Light and Hunt, and net borrowings under the Revolving Credit Facility (\$280.0 million), partially offset by dividend payments (\$400.2 million), deferred financing costs related to the term loan repricing and 2024 Notes issued in May 2017 (\$28.5 million), contingent consideration payments (\$19.9 million), and principal payments related to the \$2.14 billion senior secured term loan B facility that matures on October 24, 2022 (the "Term Loan Facility" and together with the Revolving Credit Facility, the "Facilities") (\$21.1 million). Cash provided by financing activities was \$188.8 million for the year ended December 31, 2016, which primarily represents the proceeds from the 2024 Notes (\$400 million), add-on Notes issued in June 2016 (\$148.9 million), proceeds from the sale of common stock (\$54.2 million), partially offset by dividend payments (\$367.8 million) and principal payments related to the Term Loan Facility (\$22.0 million). Cash provided by financing activities was \$928.7 million for the period from April 24, 2015 through December 31, 2015, which primarily represents the proceeds received from the Term Loan Facility of \$1.1 billion, partially offset by dividend payments of \$156.9 million.

Master Lease

The Master Lease has an initial term of 15 years which, at the option of Windstream, may be extended for up to four renewal terms of five years each beyond the initial term. In addition, Windstream has the right to extend the initial term from 15 years to 20 years and, if exercised, the number of renewal terms will be reduced to three so that the maximum term (taking into account all renewals) is 35 years. The initial annual rent under the Master Lease is \$650 million during the first three years. Commencing with the fourth year, the rent is subject to annual escalation of 0.5%. The rent for the first year of each renewal term will be an amount agreed to by us and Windstream, or if we are unable to agree, the renewal rent will be determined by an independent appraisal process. Commencing with the second year of each renewal term, the renewal rent will increase at an escalation rate of 0.5%. In addition, if we fund any capital improvements requested by Windstream, the rent will be increased to account for such funding.

At-the-Market Common Stock Offering Program

We have an effective shelf registration statement on file with the SEC (the "Registration Statement") to offer and sell various securities from time to time. Under the Registration Statement, we have established an at-the-market common stock offering program (the "ATM Program") to sell shares of common stock having an aggregate offering price of up to \$250.0 million. During the year ended December 31, 2017, no sales were made under the ATM Program. This program provides additional financial flexibility and an alternative mechanism to access the capital markets at an efficient cost as and when we need financing, including for acquisitions. While we have not used the program to date, we currently intend to utilize the program when we believe the price we can obtain for our common stock is attractive.

UPREIT Operating Partnership Units

On May 9, 2017, the Company completed its previously announced reorganization (the "up-REIT Reorganization") to operate through a customary "up-REIT" structure. Under this structure, the Operating Partnership now holds substantially all of the Company's assets and is the parent company of, among others, CSL Capital, LLC, Uniti Group Finance Inc. and Uniti Fiber Holdings Inc.

Our UPREIT structure, enables us to acquire properties by issuing to sellers, as a form of consideration, limited partnership interests in our operating partnership, (commonly called "OP Units"). The limited partner equity interests in our operating partnership are exchangeable on a one-for-one basis for shares of our common stock or, at our election, cash of equivalent value. We believe that this structure will facilitate our ability to acquire individual properties and portfolios of properties by enabling us to structure transactions which will defer taxes payable by a seller while preserving our available cash for other purposes, including the possible payment of dividends. We

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issued limited partnership interests as part of the acquisition consideration for the recently completed acquisitions of Hunt and Southern Light.

Senior Notes

At December 31, 2017, the Operating Partnership and its wholly-owned subsidiaries, CSL Capital, LLC, and Uniti Group Finance Inc. (collectively, the "Borrowers") had outstanding \$550.0 million aggregate principal amount of 6.00% Senior Secured Notes due April 15, 2023 (the "Secured Notes"), \$1.11 billion aggregate principal amount of 8.25% Senior Notes due October 15, 2023 (the "2023 Notes") and \$600 million aggregate principal amount of 7.125% Senior Unsecured Notes due December 15, 2024 (the "2024 Notes," and together with the Secured Notes and 2023 Notes, the "Notes").

In connection with the up-REIT Reorganization, the Operating Partnership replaced the Company and assumed its obligations as an obligor under the Notes and Facilities. The Company subsequently became a guarantor of the Notes and Facilities. Because the Operating Partnership is not a corporation, a corporate co-obligor that is a subsidiary of the Operating Partnership was also added to the Notes and Credit Agreement as part of the up-REIT Reorganization. Uniti Group Finance Inc. is the corporate co-obligor under the Credit Agreement and co-issuer of the Secured Notes and the 2023 Notes, and Uniti Fiber Holdings Inc. is the co-issuer of the 2024 Notes. Separate financial statements of the Operating Partnership have not been included since the Operating Partnership is not a registrant.

Credit Agreement

The Borrowers are party to the Credit Agreement, which provides for the Term Loan Facility (in an initial principal amount of \$2.14 billion) and the Revolving Credit Facility. The term loans bear interest at a rate equal to LIBOR, subject to a 1.0% floor, plus an applicable margin equal to 3.00%, and are subject to amortization of 1.0% per annum. All obligations under the Credit Agreement are guaranteed by (i) the Company and (ii) certain of the Operating Partnership's wholly-owned subsidiaries (the "Subsidiary Guarantors"), and are secured by substantially all of the assets of the Borrowers and the Subsidiary Guarantors, which assets also secure the Secured Notes. The Revolving Credit Facility bears interest at a rate equal to LIBOR plus 1.75% to 2.25% based on our consolidated secured leverage ratio, as defined in the Credit Agreement. On April 28, 2017, we amended the Credit Agreement to increase the commitments under our Revolving Credit Facility from \$500 million to \$750 million. Other terms of the Revolving Credit Facility remain unchanged.

The Borrowers are subject to customary covenants under the Credit Agreement, including an obligation to maintain a consolidated secured leverage ratio, as defined in the Credit Agreement, not to exceed 5.00 to 1.00. We are permitted, subject to customary conditions, to incur (i) incremental term loan borrowings and/or increased commitments under the Credit Agreement in an unlimited amount, so long as, on a pro forma basis after giving effect to any such borrowings or increases, our consolidated secured leverage ratio, as defined in the Credit Agreement, does not exceed 4.00 to 1.00 and (ii) other indebtedness, so long as, on a pro forma basis after giving effect to any such indebtedness, our consolidated total leverage ratio, as defined in the Credit Agreement, does not exceed 6.50 to 1.00 and our consolidated secured leverage ratio, as defined in the Credit Agreement, does not exceed 4.00 to 1.00. In addition, the Credit Agreement contains customary events of default, including a cross default provision whereby the failure of the Borrowers or certain of their subsidiaries to make payments under other debt obligations, or the occurrence of certain events affecting those other borrowing arrangements, could trigger an obligation to repay any amounts outstanding under the Credit Agreement. In particular, a repayment obligation could be triggered if (i) the Borrowers or certain of their subsidiaries fail to make a payment when due of any principal or interest on any other indebtedness aggregating \$75.0 million or more, or (ii) an event occurs that causes, or would permit the holders of any other indebtedness aggregating \$75.0 million or more to cause, such indebtedness to become due prior to its stated maturity. As of September 30, 2017, the Borrowers were in compliance with all of the covenants under the Credit Agreement.

Interest Rate Swaps

On April 27, 2015 we entered into interest rate swap agreements to mitigate the interest rate risk inherent in our variable rate Term Loan Facility. These interest rate swaps are designated as cash flow hedges and have a notional

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value of \$2.13 billion and mature on October 24, 2022. The weighted average fixed rate paid is 2.105%, and the variable rate received resets monthly to the one-month LIBOR subject to a minimum rate of 1.0%.

Outlook

We anticipate our cash on hand and borrowing availability under our Revolving Credit Facility, combined with our cash flows provided by leasing activities will be sufficient to fund our business operations, debt service and distributions to our shareholders over the next twelve months. However, we may take advantage of opportunities to generate additional liquidity through capital markets transactions. The amount, nature and timing of any capital markets transactions will depend on: our operating performance and other circumstances; our then-current commitments and obligations; the amount, nature and timing of our capital requirements; any limitations imposed by our current credit arrangements; and overall market conditions. These expectations are forward-looking and subject to a number of uncertainties and assumptions. If our expectations about our liquidity prove to be incorrect, we could be subject to a shortfall in liquidity in the future, and this shortfall may occur rapidly and with little or no notice, which would limit our ability to address the shortfall on a timely basis.

Contractual Obligations

As of December 31, 2017, we had contractual obligations and commitments as follows:

(millions)	Payments Due by Period				Total
	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years	
Long-term debt ^(a)	\$ 21	\$ 322	\$ 2,024	\$ 2,260	\$ 4,627
Interest payments on long-term debt obligations ^(b)	250	498	481	194	1,423
Operating leases	14	16	7	17	54
Capital leases	8	15	12	54	89
Network deployment ^(c)	64	-	-	-	64
Total projected obligations and commitments^(d)	\$ 357	\$ 851	\$ 2,524	\$ 2,525	\$ 6,257

(a) Excludes \$144.2 million of unamortized discounts on long-term debt and deferred financing costs.

(b) Interest rates on our Term Loan Facility are based on our swap rates.

(c) Network deployment purchase commitments are for success-based projects for which we have a signed customer contract before we commit resources to expand our network.

(d) Excludes \$6.8 million of derivative asset related to interest rate swaps maturing on October 24, 2022.

Dividends

We have elected to be taxed as a REIT for U.S. federal income tax purposes. U.S. federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its taxable income. In order to maintain our REIT status, we intend to make regular quarterly dividend payments of all or substantially all of our taxable income to holders of our common stock out of assets legally available for this purpose, if and to the extent authorized by our board of directors. Before we make any dividend payments, whether for U.S. federal income tax purposes or otherwise, we must first meet both our operating requirements and debt service obligations. If our cash available for distribution is less than our taxable income, we could be required to sell assets or borrow funds to make cash dividends or we may make a portion of the required dividend in the form of a taxable distribution of stock or debt securities.

On January 12, 2018, we paid, to shareholders of record as of the close of business on December 29, 2017, a cash dividend on our common stock of \$0.60 per share for the period from October 1, 2017 through December 31, 2017.

On October 13, 2017, we paid, to shareholders of record as of the close of business on September 29, 2017, a cash dividend on our common stock of \$0.60 per share for the period July 1, 2017 through September 30, 2017.

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On July 14, 2017, we paid, to shareholders of record as of the close of business on June 30, 2017, a cash dividend on our common stock of \$0.60 per share for the period from April 1, 2017 through June 30, 2017.

On April 14, 2017, we paid, to shareholders of record as of the close of business on March 31, 2017, a cash dividend on our common stock of \$0.60 per share for the period from January 1, 2017 through March 31, 2017.

On January 13, 2017, we paid, to shareholders of record as of the close of business on December 30, 2016, a cash dividend on our common stock of \$0.60 per share for the period from October 1, 2016 through December 31, 2016.

Capital Expenditures

Capital expenditures for the Distribution Systems leased under the Master Lease are generally the responsibility of Windstream. The Master Lease stipulates that Windstream can request that we fund \$50 million of capital expenditures per year for five years (but in no event to extend beyond the end of the sixth year of the Master Lease); however, Windstream cannot require Uniti to make such capital expenditures. If we elect to fund requested capital expenditures, the annual lease payments will be increased by 8.125% of the capital expenditures funded by us during the first two years and at a floating rate based on our cost of capital thereafter. No capital expenditure funding requests were made by Windstream for the year ended December 31, 2017.

We categorize our capital expenditures as either (i) success-based, (ii) maintenance, or (iii) corporate and non-network. We define success-based capital expenditures as those which are tied to contractual obligations to customers or are discretionary in nature and are intended to add growth capacity to our existing network. Maintenance capital expenditures are those necessary to keep existing network elements fully operational. We anticipate continuing to invest in our network infrastructure across our Uniti Fiber and Uniti Towers portfolios, and expect that cash on hand, borrowings under our Revolving Credit Facility, and cash flows provided by operating activities will be sufficient to support these investments.

Off Balance-Sheet Arrangements

As of the date of this Annual Report on Form 10-K, we do not have any off-balance sheet arrangements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk

Our primary market risk exposure is interest rate risk with respect to our variable rate indebtedness under our Term Loan Facility. In addition, we have a variable rate Revolving Credit Facility in an aggregate principal amount of \$750 million, which has \$470 million of undrawn borrowing capacity as of the date of this Annual Report on Form 10-K. To manage this exposure, we have entered into interest rate swap agreements in order to mitigate the interest rate risk inherent in our variable rate Term Loan Facility. We also expect to manage our exposure to interest rate risk by maintaining a mix of fixed and variable rates for our indebtedness. The interest rate risk for variable rate debt has been mitigated through the interest rate swap agreement, and the interest rate for our remaining debt has a fixed rate, therefore a hypothetical 10% change in interest rates effective at December 31, 2017 would have no material adverse impact on Uniti's results of operations.

An increase in interest rates could make the financing of any acquisition by us more costly. Rising interest rates could also limit our ability to refinance our debt when it matures or cause us to pay higher interest rates upon refinancing and increase interest expense on refinanced indebtedness.

Foreign Currency Exchange Rate Fluctuation

Approximately 1% of our revenues were denominated in foreign currencies for the year ended December 31, 2017. Cost of sales and operating costs related to these sales are largely denominated in the same respective currencies, thereby partially limiting our transaction risk exposure. A uniform 10% strengthening in the value of the U.S. dollar relative to the currencies in which our transactions are denominated would have resulted in a decrease in net loss of \$0.2 million for the year ended December 31, 2017. This hypothetical calculation assumes that each exchange rate would change in the same direction relative to the U.S. dollar.

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Item 8. Financial Statements and Supplementary Data.

**Uniti Group Inc.
Consolidated Financial Statements
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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Uniti Group Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Uniti Group Inc. and its subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income (loss), shareholders' deficit and cash flows for each of the years in the period ended December 31, 2017 and 2016 and for the period from April 24, 2015 through December 31, 2015, including the related notes and financial statement schedules listed in the index appearing under Item 15 (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the years in the period ended December 31, 2017 and 2016 and for the period from April 24, 2015 through December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements 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. 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 audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As described in Management's Annual Report on Internal Control over Financial Reporting, management has excluded Southern Light, LLC and Hunt Telecommunications, LLC from its assessment of internal control over financial reporting as of December 31, 2017 because they were acquired by the Company in purchase business combinations during 2017. We have also excluded Southern Light, LLC and Hunt Telecommunications, LLC from our audit of internal control over financial reporting. Southern Light, LLC and Hunt Telecommunications, LLC are

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wholly-owned subsidiaries whose total assets and total revenues excluded from management's assessment and our audit of internal control over financial reporting represent 11.0% and 3.5% of total assets, respectively and 5.0% and 1.8% of total revenue, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2017.

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 (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) 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 (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

/s/ PricewaterhouseCoopers LLP

Little Rock, Arkansas
March 1, 2018

We have served as the Company's auditor since 2014.

Uniti Group Inc.
Consolidated Balance Sheets

(Thousands, except par value)	December 31, 2017	December 31, 2016
Assets:		
Property, plant and equipment, net	\$ 3,053,889	\$ 2,670,037
Cash and cash equivalents	59,765	171,754
Accounts receivable, net	43,652	15,281
Goodwill	673,729	262,334
Intangible assets, net	429,357	160,584
Straight-line revenue receivable	47,041	29,088
Derivative asset	6,793	-
Other assets	15,856	9,674
Total Assets	\$ 4,330,082	\$ 3,318,752
Liabilities, Convertible Preferred Stock and Shareholders' Deficit:		
Liabilities:		
Accounts payable, accrued expenses and other liabilities, net	\$ 77,634	\$ 40,977
Accrued interest payable	28,684	27,812
Deferred revenue	537,553	261,404
Derivative liability	-	6,102
Dividends payable	109,557	94,607
Deferred income taxes	55,478	28,394
Capital lease obligations	56,329	54,535
Contingent consideration	105,762	98,600
Notes and other debt, net	4,482,697	4,028,214
Total liabilities	5,453,694	4,640,645
Commitments and contingencies (Note 14)		
Convertible Preferred Stock, Series A, \$0.0001 par value, 88 shares authorized, issued and outstanding, \$87,500 liquidation value	83,530	80,552
Shareholders' Deficit:		
Preferred stock, \$0.0001 par value, 50,000 shares authorized, no shares issued and outstanding	-	-
Common stock, \$0.0001 par value, 500,000 shares authorized, issued and outstanding: 174,852 shares at December 31, 2017 and 155,139 at December 31, 2016	17	15
Additional paid-in capital	644,328	141,092
Accumulated other comprehensive income (loss)	7,821	(6,369)
Distributions in excess of accumulated earnings	(1,960,715)	(1,537,183)
Total Uniti shareholders' deficit	(1,308,549)	(1,402,445)
Noncontrolling interests - operating partnership units	101,407	-
Total shareholders' deficit	(1,207,142)	(1,402,445)
Total Liabilities, Convertible Preferred Stock, and Shareholders' Deficit	\$ 4,330,082	\$ 3,318,752

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

Uniti Group Inc.
Consolidated Statements of Income

	Year Ended December 31,		Period from
	2017	2016	April 24 - December 31, 2015
(Thousands, except per share data)			
Revenues:			
Leasing	\$ 685,099	\$ 676,868	\$ 458,614
Fiber Infrastructure	202,791	70,568	-
Tower	10,055	500	-
Consumer CLEC	18,087	22,472	17,700
Total revenues	916,032	770,408	476,314
Costs and Expenses:			
Interest expense	305,994	275,394	181,797
Depreciation and amortization	434,205	375,970	238,748
General and administrative expense	72,045	35,402	11,208
Operating expense (exclusive of depreciation, accretion and amortization)	102,176	49,668	13,743
Transaction related costs	38,005	33,669	5,210
Other expense	11,284	-	-
Total costs and expenses	963,709	770,103	450,706
(Loss) income before income taxes	(47,677)	305	25,608
Income tax (benefit) expense	(38,849)	517	738
Net (loss) income	(8,828)	(212)	24,870
Net income attributable to noncontrolling interests	611	-	-
Net (loss) income attributable to shareholders	(9,439)	(212)	24,870
Participating securities' share in earnings	(1,509)	(1,557)	(1,152)
Dividends declared on convertible preferred stock	(2,624)	(1,743)	-
Amortization of discount on convertible preferred stock	(2,980)	(1,985)	-
Net (loss) income attributable to common shareholders	\$ (16,552)	\$ (5,497)	\$ 23,718
(Loss) earnings per common share (Note 12):			
Basic	\$ (0.10)	\$ (0.04)	\$ 0.16
Diluted	\$ (0.13)	\$ (0.04)	\$ 0.16
Weighted-average number of common shares outstanding			
Basic	168,693	152,473	149,835
Diluted	168,989	152,473	149,835
Dividends declared per common share	\$ 2.40	\$ 2.40	\$ 1.64

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

Uniti Group Inc.
Consolidated Statements of Comprehensive Income (Loss)

(Thousands)	Year Ended December 31,		Period from
	2017	2016	April 24 - December 31, 2015
Net (loss) income	\$ (8,828)	\$ (212)	\$ 24,870
Other comprehensive income (loss):			
Unrealized gain (loss) on derivative contracts	12,895	(675)	(5,427)
Changes in foreign currency translation	1,660	(267)	-
Other comprehensive income (loss)	14,555	(942)	(5,427)
Comprehensive income (loss)	5,727	(1,154)	19,443
Comprehensive income attributable to noncontrolling interest	976	-	-
Comprehensive income (loss) attributable to common shareholders	\$ 4,751	\$ (1,154)	\$ 19,443

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

Uniti Group Inc.
Consolidated Statements of Shareholders' Deficit

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Distributions in Excess of Accumulated Earnings	Noncontrolling Interests	Total Shareholders' Deficit
(Thousands, except share data)	Shares	Amount	Shares	Amount					
Balance at April 24, 2015	-	\$ -	149,827,214	\$ 15	\$ -	\$ -	\$ 2,508,405	\$ -	\$ 2,508,420
Net income	-	-	-	-	-	-	24,870	-	24,870
Distributions to Windstream related to Spin-Off	-	-	-	-	-	-	(3,447,879)	-	(3,447,879)
Other comprehensive loss	-	-	-	-	-	(5,427)	-	-	(5,427)
Common stock dividends	-	-	-	-	-	-	(247,361)	-	(247,361)
Equity issuance cost	-	-	-	-	(542)	-	(114)	-	(656)
Stock-based compensation	-	-	35,245	-	1,934	-	-	-	1,934
Other	-	-	-	-	-	-	(807)	-	(807)
Balance at December 31, 2015	-	\$ -	149,862,459	\$ 15	\$ 1,392	\$ (5,427)	\$ (1,162,886)	\$ -	\$ (1,166,906)
2016 Activity:									
Net loss	-	-	-	-	-	-	(212)	-	(212)
Issuance of common stock	-	-	5,077,629	-	137,665	-	-	-	137,665
Amortization of discount on convertible preferred stock	-	-	-	-	(1,985)	-	-	-	(1,985)
Other comprehensive loss	-	-	-	-	-	(942)	-	-	(942)
Common stock dividends	-	-	-	-	-	-	(370,186)	-	(370,186)
Convertible preferred stock dividends	-	-	-	-	-	-	(1,743)	-	(1,743)
Equity issuance cost	-	-	-	-	(623)	-	-	-	(623)
Net share settlement	-	-	-	-	(203)	-	(2,156)	-	(2,359)
Stock-based compensation	-	-	198,549	-	4,846	-	-	-	4,846
Balance at December 31, 2016	-	\$ -	155,138,637	\$ 15	\$ 141,092	\$ (6,369)	\$ (1,537,183)	\$ -	\$ (1,402,445)
2017 Activity:									
Net loss	-	-	-	-	-	-	(9,439)	611	(8,828)
Issuance of common stock	-	-	19,528,302	2	517,499	-	-	-	517,501
Amortization of discount on convertible preferred stock	-	-	-	-	(2,980)	-	-	-	(2,980)
Other comprehensive income	-	-	-	-	-	14,190	-	365	14,555
Common stock dividends	-	-	-	-	-	-	(410,054)	-	(410,054)
Distributions to noncontrolling interest	-	-	-	-	-	-	-	(4,978)	(4,978)

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Convertible preferred stock dividends	-	-	-	-	-	-	(2,624)	-	(2,624)
Equity issuance cost	-	-	-	-	(18,575)	-	-	-	(18,575)
Contributions from noncontrolling interest holders	-	-	-	-	-	-	-	105,969	105,969
Purchase of noncontrolling interest	-	-	-	-	-	-	-	(560)	(560)
Net share settlement	-	-	-	-	(421)	-	(1,415)	-	(1,836)
Stock-based compensation	-	-	184,575	-	7,713	-	-	-	7,713
Balance at December 31, 2017	<u>-</u>	<u>\$ -</u>	<u>174,851,514</u>	<u>\$ 17</u>	<u>\$ 644,328</u>	<u>\$ 7,821</u>	<u>\$ (1,960,715)</u>	<u>\$ 101,407</u>	<u>\$ (1,207,142)</u>

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

Uniti Group Inc.
Consolidated Statements of Cash Flows

(Thousands)	Year Ended December 31,		Period from
	2017	2016	April 24 - December 31, 2015
Cash flow from operating activities			
Net (loss) income	\$ (8,828)	\$ (212)	\$ 24,870
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	434,205	375,970	238,748
Amortization of deferred financing costs and debt discount	23,102	16,002	10,004
Deferred income taxes	(41,171)	(2,186)	(1,211)
Straight-line rental revenues	(15,136)	(17,293)	(11,795)
Stock-based compensation	7,713	4,846	1,934
Change in fair value of contingent consideration	10,736	-	-
Other	872	936	(3)
Changes in assets and liabilities, net of acquisitions:			
Accounts receivable	(10,524)	(3,516)	(215)
Other assets	(1,560)	(1,365)	(1,148)
Accounts payable, accrued expenses and other liabilities	5,851	2,806	32,024
Net cash provided by operating activities	405,260	375,988	293,208
Cash flow from investing activities			
Acquisition of businesses, net of cash acquired	(761,887)	(488,788)	-
Consideration paid to Windstream Services, LLC	-	-	(1,035,029)
Acquisition of ground lease investments	(21,764)	(11,543)	-
NMS asset acquisition (Note 4)	(69,729)	-	-
Capital expenditures - other	(166,028)	(34,900)	(44,413)
Net cash used in investing activities	(1,019,408)	(535,231)	(1,079,442)
Cash flow from financing activities			
Principal payment on debt	(21,080)	(22,027)	(10,700)
Dividends paid	(400,210)	(367,830)	(156,854)
Payments of contingent consideration	(19,999)	-	-
Proceeds from issuance of Term Loans	-	-	1,127,000
Proceeds from issuance of Notes	201,000	548,875	-
Borrowings under revolving credit facility	845,000	641,000	-
Payments under revolving credit facility	(565,000)	(641,000)	-
Capital lease payments	(3,237)	(1,549)	-
Deferred financing costs	(28,539)	(20,557)	(30,057)
Common stock issuance, net of costs	498,926	54,213	(543)
Purchase of noncontrolling interest	(560)	-	-
Distributions paid to noncontrolling interest	(2,498)	-	-
Net share settlement	(1,836)	(2,359)	(113)
Cash in-lieu of fractional shares	-	-	(19)
Net cash provided by financing activities	501,967	188,766	928,714
Effect of exchange rates on cash and cash equivalents	192	(267)	-
Net (decrease) increase in cash and cash equivalents	(111,989)	29,256	142,480
Cash and cash equivalents at beginning of period	171,754	142,498	18
Cash and cash equivalents at end of period	\$ 59,765	\$ 171,754	\$ 142,498
Non-cash investing and financing activities:			
Property and equipment acquired but not yet paid	\$ 15,285	\$ 5,752	\$ -
Tenant capital improvements	\$ 227,969	\$ 156,972	\$ 68,569
Acquisition of businesses through non-cash consideration	\$ 122,395	\$ 259,996	\$ -
Issuance of notes and other debt to Windstream Services, LLC, net of deferred financing costs (\$34,681)	\$ -	\$ -	\$ 2,412,829

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

Uniti Group Inc.
Notes to the Consolidated Financial Statements

Note 1. Organization and Description of Business

Uniti Group Inc. (the “Company,” “Uniti,” “we,” “us,” or “our”), formerly known as Communications Sales and Leasing, Inc., was incorporated in the state of Delaware in February 2014 and reorganized in the state of Maryland on September 4, 2014. We are an independent, internally managed real estate investment trust (“REIT”) engaged in the acquisition and construction of mission critical infrastructure in the communications industry. We are principally focused on acquiring and constructing fiber optic broadband networks, wireless communications towers, copper and coaxial broadband networks and data centers. We manage our operations in four separate lines of business: Uniti Fiber, Uniti Towers, Uniti Leasing, and the Consumer CLEC Business.

The Company operates through a customary “up-REIT” structure, pursuant to which we hold substantially all of our assets through a partnership, Uniti Group LP, a Delaware limited partnership (the “Operating Partnership”), that we control as general partner, with the only significant difference between the financial position and results of operations of the Operating Partnership and its subsidiaries compared to the consolidated financial position and consolidated results of operations of Uniti is that the results for the Operating Partnership and its subsidiaries do not include Uniti’s Consumer CLEC segment, which consists of Talk America Services. The up-REIT structure is intended to facilitate future acquisition opportunities by providing the Company with the ability to use common units of the Operating Partnership as a tax-efficient acquisition currency. As of December 31, 2017, we are the sole general partner of the Operating Partnership and own approximately 97.7% of the partnership interests in the Operating Partnership.

Note 2. Basis of Presentation and Consolidation

The accompanying Consolidated Financial Statements include all accounts of the Company, its wholly-owned and/or controlled subsidiaries, which consist of the Operating Partnership. Under the Accounting Standards Codification 810, Consolidation (“ASC 810”), the Operating Partnership is considered a variable interest entity and is consolidated in the Consolidated Financial Statements of Uniti Group Inc. as the Company has determined to be the primary beneficiary. All material intercompany balances and transactions have been eliminated.

ASC 810 provides guidance on the identification of entities for which control is achieved through means other than voting rights (“variable interest entities” or “VIEs”) and the determination of which business enterprise, if any, should consolidate the VIEs. Generally, the consideration of whether an entity is a VIE applies when either: (1) the equity investors (if any) lack (i) the ability to make decisions about the entity’s activities through voting or similar rights, (ii) the obligation to absorb the expected losses of the entity, or (iii) the right to receive the expected residual returns of the entity; (2) the equity investment at risk is insufficient to finance that entity’s activities without additional subordinated financial support; or (3) the equity investors have voting rights that are not proportionate to their economic interests and substantially all of the activities of the entity involve or are conducted on behalf of an investor with a disproportionately small voting interest. The Company consolidates VIEs in which it is considered to be the primary beneficiary. The primary beneficiary is defined by the entity having both of the following characteristics: (1) the power to direct the activities that, when taken together, most significantly impact the VIE’s performance; and (2) the obligation to absorb losses and right to receive the returns from the VIE that would be significant to the VIE.

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for financial information set forth in the Accounting Standards Codification (“ASC”), as published by the Financial Accounting Standards Board (“FASB”), and with the applicable rules and regulations of the Securities and Exchange Commission (“SEC”).

Note 3. Summary of Significant Accounting Policies

Use of Estimates—The preparation of financial statements, in accordance with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management’s evaluation of the relevant facts and circumstances as of the date of the

Uniti Group Inc.
Notes to the Consolidated Financial Statements -- Continued

financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements, and such differences could be material.

Property, Plant and Equipment—Property, plant and equipment is stated at original cost, net of accumulated depreciation. The Company capitalizes costs incurred in bringing property, plant and equipment to an operational state, including all activities directly associated with the acquisition, construction, and installation of the related assets it owns. The Company capitalizes a portion of the interest costs it incurs for assets that require a period of time to get them ready for their intended use. The amount of interest that is capitalized is based on the average accumulated expenditures made during the period involved in bringing the assets comprising a network to an operational state at the Company's weighted average interest rate during the respective accounting period.

The Company also enters into leasing arrangements providing for the long-term use of constructed fiber that is then integrated into the Company's network infrastructure. For each lease that qualifies as a capital lease, the present value of the lease payments, which may include both periodic lease payments over the term of the lease as well as upfront payments to the lessor, is capitalized at the inception of the lease and included in property and equipment. As of December 31, 2017 and 2016, the accumulated amortization of our capital lease assets was \$10.1 million and \$3.2 million, respectively.

Certain property, plant and equipment acquired as part of our spin-off from Windstream Holdings, Inc. ("Windstream Holdings" and together with its consolidated subsidiaries "Windstream") is depreciated using a group composite depreciation method. Under this method, when property is retired, the original cost, net of salvage value, is charged against accumulated depreciation and no immediate gain or loss is recognized on the disposition of the property. For all other property, which includes amortization of capital lease assets, depreciation is computed using the straight-line method over the estimated useful life of the respective property. When the property is retired or otherwise disposed of, the related cost and accumulated depreciation are written-off, with the corresponding gain or loss reflected in operating results. Construction in progress includes direct materials and labor related to fixed assets during the construction period. Depreciation will begin once the construction period has ceased and the related asset has been placed into service, in which it will be depreciated over its useful life.

Costs of maintenance and repairs to property, plant and equipment subject triple-net leasing arrangements are the responsibility of our tenant. Costs of maintenance and repairs to property, plant and equipment not subject to triple-net leasing arrangements are expensed as incurred.

We acquire real property interests from third parties who own land where communications infrastructure assets are located and desire to monetize the underlying real property. These real property interests entitle us to receive rental payments from leases on our sites. The financial results of the acquired real property interests are included in the Leasing segment from the date of acquisition and were not material, individually or in the aggregate, to our results of operations. Real property interests are recorded in property, plant and equipment on our Consolidated Balance Sheet.

Tenant Capital Improvements—Our lease with Windstream provides that tenant funded capital improvements ("TCIs"), defined as maintenance, repair, overbuild, upgrade or replacements to the leased network, including, without limitation, the replacement of copper distribution systems with fiber distribution systems, automatically become property of Uniti upon their construction by Windstream. We receive non-monetary consideration related to the TCIs as they automatically become our property, and we recognize the cost basis of TCIs that are capital in nature as real estate investments and deferred revenue. We depreciate the real estate investments over their estimated useful lives and amortize the deferred revenue as additional leasing revenues over the same depreciable life of the TCI assets. At December 31, 2017 and 2016, the net book value of TCIs recorded as a component of property, plant and equipment on our Consolidated Balance Sheet was \$432.4 million and \$218.7 million, respectively. For the years ended December 31, 2017 and 2016, we recognized \$14.3 million and \$6.1 million of revenue and depreciation expense related to TCIs, respectively. From the period April 24, 2015 to December 31, 2015 we recognized \$0.8 million of revenue and depreciation expense related to TCIs.

Impairment of Long-Lived Assets—We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset group may not be recoverable from future undiscounted

Uniti Group Inc.
Notes to the Consolidated Financial Statements – Continued

net cash flows we expect the asset group to generate. If the asset group is not fully recoverable, an impairment loss would be recognized for the difference between the carrying value of the asset group and its estimated fair value based on discounted net future cash flows. During the years ended December 31, 2017, 2016 and from the period April 24, 2015 to December 31, 2015, there were no events or changes in circumstances indicating that the carrying amount of any of our assets groups to not be recoverable from future undiscounted net cash flows we expect the asset groups to generate, and no impairment losses were recognized.

Asset Retirement Obligations—The Company records obligations to perform asset retirement activities, primarily including requirements to remove equipment from leased space or customer sites as required under the terms of the related lease and customer agreements. The fair value of the liability for asset retirement obligations, which represents the net present value of the estimated expected future cash outlay, is recognized in the period in which it is incurred and the fair value of the liability can reasonably be estimated. The liability accretes as a result of the passage of time and related accretion expense is recognized in the Consolidated Statements of Income. The associated asset retirement costs are capitalized as an additional carrying amount of the related long-lived asset and depreciated on a straight-line basis over the asset's useful life. As of December 31, 2017 and 2016, our aggregate carrying amount of asset retirement obligations totaled \$9.4 million and \$4.2 million, respectively. During the year ended December 31, 2017, we incurred liabilities of \$4.4 million and recognized \$0.8 million of accretion expense related to asset retirement obligations.

Cash and Cash Equivalents—Cash and cash equivalents include all non-restricted cash held at financial institutions and other non-restricted highly liquid short-term investments with original maturities of three months or less.

Derivative Instruments and Hedging Activities—We account for our derivatives in accordance with FASB ASC 815, *Derivatives and Hedging*, in which we reflect all derivative instruments at fair value as either assets or liabilities on our Consolidated Balance Sheet. For derivative instruments that are designated and qualify as hedging instruments, we record the effective portion of the gain or loss on the hedged instruments as a component of accumulated other comprehensive income or loss. Any ineffective portion of a derivative's change in fair value is immediately recognized within net income. For derivatives that do not meet the criteria for hedge accounting, changes in fair value are immediately recognized within net income. See Note 5 and Note 7.

Intangible Assets—Intangible assets are presented in the financial statements at cost less accumulated amortization and are amortized using the straight-line method over their estimated useful lives with the exception of the customer list intangible assets related to our Consumer CLEC Business, which were brought over at carry-over basis at the time of the Company's spin-off from Windstream in 2015, and are amortized using the sum-of-the-years'-digits method over their estimated useful lives.

Foreign Currency Translation—The financial statements of our international subsidiaries whose functional currency is the local currency, and includes the Mexican Peso and Colombian Peso, are translated into U.S. dollars using the exchange rate at the balance sheet date for assets and liabilities and the weighted average exchange rate for the applicable period for revenues, expenses, gains and losses. Translation adjustments are recorded as a separate component of comprehensive income in stockholders' equity.

Reclassifications—Certain prior year amounts have been reclassified to conform with current year presentation. During 2017, we managed and reported our operations in four reportable business segments: Leasing, Fiber Infrastructure, Towers and Consumer CLEC. Prior year information, including revenues on the Consolidated Statement of Income, has been recast to conform to the current year presentation.

Transaction Related Costs—The Company expenses transaction related costs in the period in which they are incurred and services are received. Transaction related costs include incremental acquisition pursuit, transaction and integration costs, including unsuccessful acquisition pursuit costs. Pursuit and transaction costs include professional services (legal, accounting, advisory, regulatory, etc.), finder's fees, travel expenses, and other direct expenses associated with an acquisition. Integration costs include direct costs necessary to integrate an acquired business, including professional services, systems and data conversion, severance and retention bonuses payable to employees of an acquired business.

Uniti Group Inc.
Notes to the Consolidated Financial Statements – Continued

Debt Issuance Costs—The Company recognizes debt issuance costs related to a recognized debt liability as a direct deduction from the carrying amount of the debt liability, consistent with debt discounts. The costs, which include underwriting, legal, and other direct costs related to the issuance of debt, are amortized over the contractual term of the debt using the effective interest method.

Revenue Recognition—We recognize leasing revenues on a straight-line basis over the applicable lease term when collectability is reasonably assured. Recognizing leasing income on a straight-line basis generally results in recognized revenues during the first half of the lease term in excess of cash amounts contractually due from our tenants, creating a straight-line rent receivable.

We evaluate the collectability of straight-line rent receivables and record a provision for doubtful accounts if management believes the receivables to be uncollectible. At December 31, 2017 and 2016, no allowance was recorded related to our straight-line rent receivable.

We lease certain assets to Windstream under a triple-net lease, whereby Windstream is responsible for the costs related to operating the Distribution Systems, including property taxes, insurance and maintenance and repair costs. As a result, we do not record an obligation related to the payment of property taxes or insurance, as Windstream makes direct payments to the taxing authorities and insurance carriers, respectively.

The Company recognizes service revenues related to its broadband transport and backhaul communications services when (i) persuasive evidence of an arrangement exists, (ii) the services have been provided to the customer, (iii) the sales price is fixed or determinable, and (iv) the collection of the sales price is reasonably assured. Services provided to the Company's customers are rendered pursuant to contractual fee-based arrangements, which generally provide for recurring fees charged for the use of designated portions of the Company's network and typically range for a period of three to ten years. The Company's revenue arrangements often include upfront fees charged to the customer for the cost of establishing the necessary components of the Company's network prior to the commencement of use by the customer. Fees charged to customers for the recurring use of the Company's network are recognized during the related periods of service. Upfront fees that are billed in advance of providing services are deferred until such time the customer accepts the Company's network and then are recognized as service revenues ratably over a period in which substantive services required under the revenue arrangement are expected to be performed, which is the initial term of the arrangement.

We evaluate the collectability of service receivables by considering a variety of factors. The Company typically does not require collateral. When the Company becomes aware of a specific customer's inability to meet its financial obligations, the Company records a specific reserve for bad debt to reduce the related accounts receivable to the amount the Company reasonably believes is collectible. When appropriate, the Company also records reserves for bad debts for all other customers based on a variety of factors including the length of time the receivable is past due, the financial health of the customer, macroeconomic considerations and historical experience. If circumstances related to specific customers change, the Company adjusts its estimates of the recoverability of receivables as needed. At December 31, 2017 and 2016, the allowance recorded for service receivables was \$1.0 million and \$1.4 million, respectively.

Consumer CLEC Business revenues are primarily derived from providing access to or usage of leased networks and facilities, and are recognized over the period that the corresponding services are rendered to customers. Revenues derived from other telecommunications services, including broadband, long distance and enhanced service revenues are recognized monthly as services are provided. Sales of customer premise equipment and modems are recognized when products are delivered to and accepted by customers.

Stock-Based Compensation—We account for stock-based compensation using the fair value method of accounting. We have determined that our stock-based payment awards granted in exchange for employee services qualify as equity classified awards, which are measured based on the fair value of the award on the date of the grant. The fair value of restricted stock-based payments is based on the market value of our common stock on the date of grant. The fair value of performance-based awards, which have performance conditions, is based on a Monte Carlo simulation.

Uniti Group Inc.
Notes to the Consolidated Financial Statements – Continued

The fair value of all stock-based compensation is recognized over the period during which an employee is required to provide services in exchange for the award. See Note 10.

Income Taxes—We have elected on our U.S. federal income tax return to be treated as a REIT under the Internal Revenue Code of 1986, as amended (the “Code”). To qualify as a REIT, we must distribute at least 90% of our annual REIT taxable income to shareholders, and meet certain organizational and operational requirements, including asset holding requirements. As a REIT, we will generally not be subject to U.S. federal income tax on income that we distribute as dividends to our shareholders. If we fail to qualify as a REIT in any taxable year, we will be subject to U.S. federal income tax, including any applicable alternative minimum tax for open taxable years through 2017, on our taxable income at regular corporate income tax rates, and we could not deduct dividends paid to our shareholders in computing taxable income. Any resulting corporate liability could be substantial and could materially and adversely affect our net income and net cash available for distribution to shareholders. Unless we were entitled to relief under certain Code provisions, we also would be disqualified from reelecting to be taxed as a REIT for the four taxable years following the year in which we failed to qualify as a REIT.

We intend to make regular quarterly dividend payments of all or substantially all of our annual REIT taxable income to holders of our common stock, and therefore no provision is required in the accompanying Consolidated Financial Statements for U.S. federal income taxes related to the activities of the REIT and its passthrough subsidiaries. We are subject to the statutory requirements of the locations in which we conduct business, and state and local income taxes are accrued as deemed required in the best judgment of management based on analysis and interpretation of respective tax laws.

We have elected to treat the subsidiaries through which we operate Uniti Fiber and Talk America as taxable REIT subsidiaries (“TRSs”). TRSs enable us to engage in activities that result in income that does not constitute qualifying income for a REIT. Our TRSs are subject to U.S. federal, state and local corporate income taxes.

Deferred tax assets and liabilities are recognized under the asset and liability method for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax balances are adjusted to reflect tax rates based on currently enacted tax laws, which will be in effect in the years in which the temporary differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period of the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets unless it is more likely than not that such assets will be realized.

We recognize the benefit of tax positions that are “more likely than not” to be sustained upon examination based on their technical merit. The benefit of a tax position is measured at the largest amount that has a greater than 50 percent likelihood of being realized upon ultimate settlement. If applicable, we will report tax-related penalties and interest expense as a component of income tax expense. We currently have a liability for unrecognized tax benefits of \$5.3 million.

The Company will be subject to a federal corporate level tax (currently 35%, 21% beginning 2018 and beyond) on any gain recognized from the sale of assets occurring within a five year recognition period after the Spin-Off up to the amount of the built in gain that existed on April 24, 2015, which is based on the fair market value of the assets in excess of the Company’s tax basis as of such date.

Business Combinations—In accordance with ASC 805, *Business Combinations*, we apply the acquisition method of accounting for acquisitions meeting the definition of a business combination or asset acquisition, where assets acquired and liabilities assumed are recorded at fair value at the date of each acquisition, and the results of operations are included with those of the Company from the dates of the respective acquisitions. For acquisitions meeting the definition of a business combination, any excess of the purchase price paid by the Company over the amounts recognized for assets acquired and liabilities assumed is recorded as goodwill. ASC 805 also requires acquirers, among other things, to estimate the acquisition date fair value of any contingent consideration and to recognize any subsequent changes in the fair value of contingent consideration in earnings. When provisional amounts are initially recorded, the Company continues to evaluate acquisitions for a period not to exceed one year after the applicable acquisition date of each transaction to determine whether any additional adjustments are needed.

Uniti Group Inc.
Notes to the Consolidated Financial Statements – Continued

to the allocation of the purchase price paid for the assets acquired and liabilities assumed. For acquisitions meeting the definition of an asset acquisition, the fair value of the consideration transferred, including transaction costs, is allocated to the assets acquired and liabilities assumed based on their relative fair values. No goodwill is recognized in an asset acquisition.

Noncontrolling Interest—The limited partner equity interests in our operating partnership are exchangeable on a one-for-one basis for shares of our common stock or, at our election, cash of equivalent value. All of the limited partner equity interests in our operating partnership not held by the Company are reflected as noncontrolling interests. In the consolidated statements of operations, we allocate net income (loss) attributable to noncontrolling interests to arrive at net income (loss) attributable to shareholders based on their proportionate share.

For transactions that result in changes to the Company's ownership interest in our operating partnership, the carrying amount of noncontrolling interests is adjusted to reflect such changes. The difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is reflected as an adjustment to additional paid-in capital on the consolidated balance sheets.

Goodwill—Goodwill is recognized for the excess of purchase price over the fair value of net assets of businesses acquired. Goodwill is reviewed for impairment at least annually. In accordance with ASC 350-20, Intangibles-Goodwill and Other, we evaluate goodwill for impairment between annual impairment tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Unless circumstances otherwise dictate, the annual impairment test is performed in the fourth quarter. Application of the goodwill impairment test requires judgment, including: the identification of reporting units; assignment of assets and liabilities to reporting units; assignment of goodwill to reporting units; determination of the fair value of each reporting unit; and an assumption as to the form of the transaction in which the reporting unit would be acquired by a market participant (either a taxable or nontaxable transaction).

We estimate the fair value of our reporting units (which are our segments) using a combination of an income approach based on the present value of estimated future cash flows and a market approach based on market data of comparable businesses and acquisition multiples paid in recent transactions. If the carrying value of a reporting unit's net assets is less than its fair value, no indication of impairment exists. If the carrying amount of the reporting unit's goodwill is greater than the implied fair value of its goodwill, an impairment loss must be recognized for the excess and charged to operations.

Inherent in our preparation of cash flow projections are significant assumptions and estimates derived from a review of our operating results, business plans, expected growth rates, capital expenditure plans, cost of capital and tax rates. We also make certain forecasts about future economic conditions, interest rates and other market data. Many of the factors used in assessing fair value are outside the control of management, and these assumptions and estimates may change in future periods. Small changes in assumptions or estimates could materially affect the estimate of the fair value of a reporting unit, and therefore could affect the likelihood and amount of potential impairment.

As of December 31, 2017 and 2016, all of our Goodwill is included in our Fiber Infrastructure segment. We performed our goodwill impairment analysis during the fourth quarter and we concluded the implied fair value of our Fiber Infrastructure reporting unit was in excess of its carrying value by less than 2%. During the years ended December 31, 2017 and 2016 and for the period April 24 2015 to December 31, 2015, no impairment losses were recognized.

Earnings per Share—Outstanding restricted stock awards that contain rights to non-forfeitable dividends are deemed to be participating securities, requiring the application of the two-class method of computing basic and dilutive earnings per share.

Basic earnings per share includes only the weighted average number of common shares outstanding during the period. Dilutive earnings per share includes the weighted average number of common shares and the dilutive effect

Uniti Group Inc.
Notes to the Consolidated Financial Statements – Continued

of restricted stock and performance-based awards outstanding during the period, when such awards are dilutive. See Note 12.

Concentration of Credit Risks—In connection with the Spin-Off, we entered into the Master Lease agreement with Windstream, pursuant to which all real property associated with the Spin-Off is leased to Windstream and from which substantially all of Uniti's leasing revenues are currently derived. Windstream is a publicly traded company and is subject to the periodic filing requirements of the Securities Exchange Act of 1934, as amended. Windstream filings can be found at www.sec.gov. Windstream filings are not incorporated by reference in this Annual Report on Form 10-K.

Revenue under the Master Lease provided 74.8% of our revenue for the year ended December 31, 2017 and 87.9% of our revenue for the year ended December 31, 2016. Because our revenue is primarily derived from lease payments by Windstream pursuant to the Master Lease, there could be a material adverse impact on our consolidated results of operations, liquidity and/or financial condition if Windstream experiences operating difficulties and becomes unable to generate sufficient cash to make payments to us. In recent years, Windstream has experienced annual declines in its total revenue and sales. Accordingly, we monitor the credit quality of Windstream through numerous methods, including by (i) reviewing the credit ratings of Windstream by nationally recognized credit rating agencies, (ii) reviewing the financial statements of Windstream that are publicly available and that are required to be delivered to us pursuant to the Master Lease, (iii) monitoring news reports regarding Windstream and its businesses, (iv) conducting research to ascertain industry trends potentially affecting Windstream, and (v) monitoring the timeliness of its payments to us under the Master Lease.

Recently Issued Accounting Standards—In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business* ("ASU 2017-01"), in an effort to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. ASU 2017-01 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted. We adopted ASU 2017-01 effective January 1, 2017, with prospective application. As a result of the adoption of ASU 2017-01, the Company's acquisition of NMS (see Note 4) was determined to be an asset acquisition. Transaction costs associated with asset acquisitions, which includes our real property interest investments, are capitalized as opposed to being recorded as an expense as is required prior to adoption of ASU 2017-01, had this been a business combination.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"). ASU 2016-15 provides guidance on reducing the diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. In addition to other specific cash flow issues, ASU 2016-15 provides clarification on when an entity should separate cash receipts and cash payments into more than one class of cash flows and when an entity should classify those cash receipts and payments into one class of cash flows on the basis of predominance. The new guidance is effective for the fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, and early adoption is permitted. The Company does not anticipate the adoption of this accounting standard to have a material impact on our financial statements.

In August 2017, the FASB issued Accounting Standards Update ("ASU") No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* ("ASU 2017-12"), which amends and simplifies existing guidance in order to allow companies to more accurately present the economic effects of risk management activities in the financial statements. ASU 2017-12 is effective for annual periods beginning after December 15, 2018 and interim periods within those annual periods, and earlier adoption is permitted. The Company is currently evaluating the impacts the adoption of this accounting standard will have on our financial statements.

In February 2017, the FASB issued ASU No. 2017-05, *Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets* ("ASU 2017-05"), which provides guidance for recognizing gains and losses from the transfer of nonfinancial assets and for partial sales of nonfinancial assets, and is effective for financial

Uniti Group Inc.
Notes to the Consolidated Financial Statements – Continued

statements issued for fiscal years and interim periods beginning after December 15, 2017. The Company will adopt ASU 2017-05 effective January 1, 2018 using the modified retrospective approach and there will not be a material impact on our financial statements with the adoption of this accounting standard.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Accounting for Goodwill Impairment* ("ASU 2017-04"), which removes the requirement to perform a hypothetical purchase price allocation to measure goodwill impairment. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. ASU 2017-04 is effective for annual and interim periods beginning January 1, 2020, with early adoption permitted, and applied prospectively. We adopted ASU 2017-04 effective January 1, 2017, and there was no material impact on our financial position, results of operations or cash flows.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). This update outlines a single comprehensive revenue recognition model for entities to follow in accounting for revenue from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity should recognize revenue for the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to receive for those goods or services. ASU 2014-09 is effective for annual periods beginning after December 15, 2017 and interim periods within those annual periods. Early adoption is permitted for public companies for annual periods beginning after December 15, 2016. The Company intends to adopt the revenue recognition guidance on January 1, 2018 using the modified retrospective approach by recognizing the cumulative effect of initially applying the new standard as an increase to the opening balance of retained earnings. The Company's implementation efforts include reviewing revenue contracts and the identification of revenue within the scope of the guidance. As ASU 2014-09 does not impact lessor accounting, the Company believes our accounting for leasing revenues will not be significantly impacted. While the Company currently has not identified any material changes in the timing of revenue recognition, we do anticipate an impact to our Fiber Infrastructure costs, primarily related to the capitalization of commission expense under ASU 2014-09, and are currently in the process of quantifying such impacts.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* ("ASC 842"), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard also replaces existing sale-lease back guidance with a new model applicable to lessees and lessors. In addition, it also requires lessors to record gross revenues and expenses associated with costs paid directly by lessees for the benefit of the lessors, such as real estate taxes and insurance, if the lessor is the named beneficiary. The provisions of this guidance are effective for annual periods beginning after December 31, 2018, and for interim periods therein. The Company is currently evaluating this guidance to determine the impact it will have on our financial statements by reviewing its existing operating lease contracts, where we are the lessee and service contracts that may include embedded leases. The Company expects a gross-up of its Consolidated Balance Sheets as a result of recognizing lease liabilities and right of use assets, the extent of the impact of a gross-up is under evaluation. The Company does not anticipate material changes to the recognition of operating lease expense in its Consolidated Statements of Income.

Note 4. Business Combinations and Asset Acquisitions

Asset Acquisitions

Network Management Holdings LTD

Uniti Group Inc.
Notes to the Consolidated Financial Statements – Continued

On January 31, 2017, we completed the acquisition of NMS. The Company accounted for the acquisition of NMS as an asset purchase. At close, NMS owned and operated 366 wireless communications towers in Latin America with an additional 105 build to suit tower sites under development. The NMS portfolio spans three Latin American countries with 212 towers in Mexico, 54 towers in Nicaragua, and 100 towers in Colombia. The consideration for the 366 wireless towers in operation as of the transaction close date was \$62.6 million, which was funded through cash on hand, and is presented in NMS asset acquisition on the Consolidated Statements of Cash Flows. NMS conducts its operations through three non-U.S. subsidiaries and the Company has determined that the functional currencies for the Mexican, Nicaraguan and Colombian subsidiaries are the Mexican Peso, U.S. Dollar and Colombian Peso, respectively. The non-U.S. subsidiaries in which NMS conducts its operations are subject to income tax in the jurisdictions in which they operate. The acquisition did not result in a step up in tax basis under local law. The Company recorded a net deferred tax liability of \$18.4 million and a liability for unrecognized tax benefits of \$5.3 million in connection with the acquisition. The deferred tax liability is primarily related to the excess of the recorded amounts for Property, Plant & Equipment and Intangibles over their respective historical tax bases. Under the terms of the purchase agreement, we will acquire the towers under development when construction is completed. The NMS towers are reflected in our Towers segment. [See Note 13](#). The following is a summary of the estimated fair values of the assets acquired and liabilities assumed:

	(thousands)
Property, plant and equipment	\$ 36,417
Accounts receivable	2,826
Other assets	1,623
Intangible assets	52,437
Accounts payable, accrued expenses and other liabilities	(8,895)
Intangible liabilities	(3,440)
Deferred income taxes	(18,403)
Total purchase consideration	\$ 62,565

Of the \$52.4 million of acquired intangible assets, \$37.4 million was assigned to tenant contracts (22 year life), \$13.5 million was assigned to network (22 year life) and \$1.5 million was assigned to acquired above-market leases (10 year life). The acquired below-market lease intangible liability of \$3.4 million has a 10 year life. [See Note 8](#).

As of December 31, 2017, construction was completed on 50 of the 105 towers that were under development at the time of the NMS acquisition, and we acquired the completed towers pursuant to the purchase agreement for approximately \$5.1 million.

Business Combinations

[2017 Transactions](#)

Southern Light, LLC

On July 3, 2017, we acquired 100% of the outstanding equity of Southern Light for \$638.1 million in cash and 2.5 million common units in the Operating Partnership with an acquisition date fair value of \$64.3 million. Southern Light is a leading provider of data transport services along the Gulf Coast region serving twelve attractive Tier II and Tier III markets across Florida, Alabama, Louisiana, and Mississippi. The acquisition was recorded by allocating the costs of the assets acquired based on their estimated fair values at the acquisition date. The excess of the cost of the acquisition over the fair value of the assets acquired is recorded as goodwill within our Fiber Infrastructure segment. [See Note 13](#). The following is a summary of the estimated fair values of the assets acquired and liabilities assumed:

Uniti Group Inc.
Notes to the Consolidated Financial Statements – Continued

	(thousands)
Property, plant and equipment	\$ 279,467
Cash and cash equivalents	1,992
Accounts receivable	11,139
Other assets	1,287
Goodwill	318,620
Intangible assets	160,100
Accounts payable, accrued expenses and other liabilities	(19,846)
Deferred revenue	(38,134)
Deferred income taxes	(9,004)
Capital lease obligations	(3,189)
Total purchase consideration	\$ 702,432

The above purchase price allocation is considered preliminary and is subject to revision when the valuation of assets and liabilities is finalized upon receipt of the final valuation report from a third party valuation expert, and resolution of contractual adjustments, such as working capital adjustments, set forth in the merger agreement, which is anticipated to be finalized during the first half of 2018.

The goodwill arising from the transaction is primarily attributable to the expansion of our fiber network through the complementary nature of Southern Light's fiber network to our existing fiber network, including anticipated incremental sales and cost savings. For federal income tax purposes, the transaction was treated as partially taxable (for portion paid in cash) and partially non-taxable (for portion paid with common units in the Operating Partnership). The portion of the acquisition that was treated as a taxable acquisition resulted in tax deductible goodwill. No tax deductible goodwill resulted from the portion of the acquisition that was treated as non-taxable.

We acquired an intangible asset that was assigned to customer relationships of \$160.1 million (15 year life).

The acquired business contributed revenue of \$45.5 million and an operating income of \$4.6 million, which excludes transaction related costs, to our consolidated results from the date of acquisition through December 31, 2017. We recorded transaction related costs related to the acquisition of Southern Light for the year ended December 31, 2017 of \$14.8 million within transaction related costs on the Consolidated Statement of Income.

The acquisition of Southern Light was structured in a manner such that Southern Light ended up being owned by a subsidiary of ours with a pre-existing valuation allowance primarily related to deferred tax assets associated with net operating loss carryforwards. The acquisition of Southern Light also resulted in a change to our assessment of the need for a valuation allowance against these deferred tax assets, which resulted in a decrease to the valuation allowance of \$8.0 million. The decrease in valuation allowance was recorded as an income tax benefit during the year ended December 31, 2017.

Hunt Telecommunications, LLC

On July 3, 2017, we acquired 100% of the outstanding equity of Hunt for \$129.3 million in cash and 1.6 million common units in the Operating Partnership with an acquisition date fair value of \$41.6 million. Additional contingent consideration of up to \$17 million, with an acquisition date fair value of \$16.4 million, may be paid upon the achievement of certain financial revenue milestones by delivering shares of our common stock. [See Note 5](#). Hunt is a leading provider of data transport to K-12 schools and government agencies with a dense fiber network in Louisiana. The acquisition was recorded by allocating the costs of the assets acquired based on their estimated fair values at the acquisition date. The excess of the cost of the acquisition over the fair value of the assets acquired is recorded as goodwill within our Fiber Infrastructure segment. [See Note 13](#).

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Notes to the Consolidated Financial Statements – Continued

	(thousands)
Property, plant and equipment	\$ 59,682
Cash and cash equivalents	3,181
Accounts receivable	4,906
Other assets	413
Goodwill	93,023
Intangible assets	73,000
Accounts payable, accrued expenses and other liabilities	(2,579)
Deferred revenue	(3,800)
Deferred income taxes	(40,391)
Capital lease obligations	(164)
Total purchase consideration	\$ 187,271

The above purchase price allocation is considered preliminary and is subject to revision when the valuation of assets and liabilities is finalized upon receipt of the final valuation report from a third party valuation expert, which is anticipated to be finalized during the first half of 2018.

The goodwill arising from the transaction is primarily attributable to the expansion of our fiber network through the complementary nature of Hunt's fiber network to our existing fiber network, including anticipated incremental sales and cost savings. The goodwill is not expected to be deductible for tax purposes.

We acquired an intangible asset that was assigned to customer relationships of \$73 million (18 year life).

The acquired business contributed revenue of \$16.5 million and an operating income of \$2.7 million, which excludes transaction and transition costs, to our consolidated results from the date of acquisition through December 31, 2017. We recorded transaction related costs related to the acquisition of Hunt for the year ended December 31, 2017 of \$5.9 million within transaction related costs on the Consolidated Statement of Income.

The following table presents the unaudited pro forma summary of our financial results as if the Southern Light and Hunt business combinations had occurred on January 1, 2016. The pro forma results include additional depreciation and amortization resulting from purchase accounting adjustments, and interest expense associated with debt used to fund the acquisition. The pro forma results do not include any synergies or other benefits of the acquisition. The pro forma results are not indicative of future results of operations, or results that might have been achieved had the acquisition been consummated on January 1, 2016.

	Year Ended December 31, 2017	Year Ended December 31, 2016
(Thousands, except per share data)		
Pro forma revenue	\$ 980,303	\$ 891,373
Pro forma net income (loss)	4,267	(2,482)
Pro forma net income (loss) per share	\$ 0.02	\$ (0.01)

2016 Transactions

Tower Cloud, Inc.

On August 31, 2016, we acquired 100% of the outstanding equity of Tower Cloud, Inc. ("Tower Cloud") for \$187.5 million in cash and 1.9 million shares of our common stock with an acquisition date fair value of \$58.5 million. Additional contingent consideration of up to \$130 million, with an acquisition date fair value of \$98.6 million, may be paid upon the achievement of certain defined operational and financial milestones. At the Company's discretion, a combination of cash and Uniti common shares may be used to satisfy the contingent consideration payments, provided that at least 50% of the aggregate amount of payments is satisfied in cash. Tower Cloud provides data transport services, with particular focus on providing infrastructure solutions to the wireless and enterprise sectors, including fiber-to-the-tower backhaul, small cell networks, and dark fiber deployments. Following the close of the transaction, the Tower Cloud business and the previously acquired PEG Bandwidth business were combined into a unified fiber infrastructure organization, Uniti Fiber. The operating results from this

Uniti Group Inc.
Notes to the Consolidated Financial Statements – Continued

acquisition are included in the consolidated financial statements from the acquisition date. The acquisition was recorded by allocating the costs of the assets acquired based on their estimated fair values at the acquisition date. The excess of the cost of the acquisition over the fair value of the assets acquired is recorded as goodwill within our Fiber Infrastructure segment. See Note 13. During the first quarter of 2017, certain contractual working capital adjustments resulted in a \$0.2 million reduction of the purchase price and goodwill. The following is a summary of the estimated fair values of the assets acquired and liabilities assumed:

	(thousands)
Property, plant and equipment	\$ 163,680
Cash and cash equivalents	14,346
Accounts receivable	3,043
Other assets	2,595
Goodwill	117,032
Intangible assets	116,218
Accounts payable, accrued expenses and other liabilities	(16,782)
Deferred revenue	(23,900)
Deferred income taxes	(24,866)
Capital lease obligations	(6,750)
Total purchase consideration	\$ 344,616

The goodwill is primarily attributable to strategic opportunities that arose from the acquisition of Tower Cloud. The acquisition was treated as a taxable acquisition of the outstanding stock of Tower Cloud, Inc. Thus, none of the goodwill is expected to be deductible for tax purposes.

We acquired an intangible asset that was assigned to customer relationships of \$116.2 million (30 year life).

Tower Cloud had federal net operating loss ("NOL") carryforwards of approximately \$81.2 million at the date of the acquisition, which will expire between 2026 and 2036. As a result of the change in ownership, the utilization of NOL carryforwards is subject to limitations imposed by the Internal Revenue Code. The gross deferred tax assets associated with the NOL and other temporary differences as of August 31, 2016 were approximately \$37.0 million, with respect to which we have determined that a valuation allowance is not required. A net deferred tax liability of \$24.8 million was recorded in connection with the acquisition, which is primarily related to the excess of the recorded amounts for Property, Plant and Equipment and Intangible Assets over their respective historical tax bases.

The acquired business contributed revenue of \$13.5 million and an operating loss of \$2.1 million, which excludes transaction and transition costs, to our consolidated results from the date of acquisition through December 31, 2016. We recorded transaction related costs related to the acquisition of Tower Cloud for the year ended December 31, 2016 of \$9.1 million within transaction related costs on the Consolidated Statement of Income.

The following table presents the unaudited pro forma summary of our financial results as if the business combination had occurred as of the Spin-Off. The pro forma results include additional depreciation and amortization resulting from purchase accounting adjustments, adjustments to amortized deferred revenue, and interest expense associated with debt used to fund the acquisition. The pro forma results do not include any synergies or other benefits of the acquisition. The pro forma results are not indicative of future results of operations, or results that might have been achieved had the acquisition been consummated as of the Spin-Off.

(Thousands, except per share data)	Year Ended	Period from
	December 31, 2016	April 24 - December 31, 2015
Pro forma revenue	\$ 798,054	\$ 505,764
Pro forma net (loss) income	(3,581)	17,609
Pro forma net (loss) income per share	\$ (0.02)	\$ 0.12

Uniti Group Inc.
Notes to the Consolidated Financial Statements – Continued

PEG Bandwidth, LLC

On May 2, 2016, we acquired 100% of the outstanding equity of PEG Bandwidth for \$322.5 million in cash, the issuance of 87,500 shares of our 3.00% Series A Convertible Preferred Stock with a fair value of \$78.6 million and 1 million shares of our common stock with an acquisition date fair value of \$23.2 million. PEG Bandwidth is a leading provider of infrastructure solutions, including cell site backhaul and dark fiber, to the telecommunications industry. The operating results from this acquisition are included in the consolidated financial statements from the acquisition date. The acquisition was recorded by allocating the costs of the assets acquired based on their estimated fair values at the acquisition date. The excess of the cost of the acquisition over the fair value of the assets acquired is recorded as goodwill within our Fiber Infrastructure segment. See Note 13. The following is a summary of the estimated fair values of the assets acquired and liabilities assumed:

	(thousands)
Property, plant and equipment	\$ 293,030
Cash and cash equivalents	7,003
Accounts receivable	6,584
Other assets	5,161
Goodwill	145,054
Intangible assets	38,000
Accounts payable, accrued expenses and other liabilities	(8,643)
Deferred revenue	(12,700)
Capital lease obligations	(49,195)
Total purchase consideration	\$ 424,294

The goodwill is primarily attributable to strategic opportunities that arose from the acquisition of PEG Bandwidth. The goodwill is expected to be deductible for tax purposes.

Of the \$38 million of acquired intangible assets, \$36 million was assigned to customer relationships (weighted average 17 year life) and \$2 million was assigned to trademarks (indefinite life).

The acquired business contributed revenue of \$57.0 million and an operating loss of \$8.8 million, which excludes transaction and transition costs, to our consolidated results from the date of acquisition through December 31, 2016. We recorded transaction related costs related to the acquisition of PEG Bandwidth for the year ended December 31, 2016 of \$11.2 million within transaction related costs on the Consolidated Statement of Income.

The following table presents the unaudited pro forma summary of our financial results as if the business combination had occurred as of the Spin-Off. The pro forma results include additional depreciation and amortization resulting from purchase accounting adjustments, adjustments to amortized deferred revenue, and interest expense associated with debt used to fund the acquisition. The pro forma results do not include any synergies or other benefits of the acquisition. The pro forma results are not indicative of future results of operations, or results that might have been achieved had the acquisition been consummated as of the Spin-Off.

	Year Ended December 31, 2016	Period from April 24 - December 31, 2015
(Thousands, except per share data)		
Pro forma revenue	\$ 797,637	\$ 529,911
Pro forma net income	6,264	19,809
Pro forma net income per share	\$ 0.04	\$ 0.13

Summit Wireless Infrastructure, LLC

On January 22, 2016, we acquired 100% of the outstanding equity of Summit Wireless Infrastructure LLC ("Summit"). Summit builds, owns and operates telecommunication infrastructure serving wireless carriers in Mexico. Consideration given to acquire Summit included performance-based shares of common equity valued at \$1.1 million, which will vest in full on the third anniversary of the closing date, subject to Summit meeting certain

Uniti Group Inc.
Notes to the Consolidated Financial Statements – Continued

performance targets, and the assumption of Summit's existing debt. The financial results of Summit are included in the Towers segment from the date of acquisition and were not material, individually or in the aggregate, to our results of operations and therefore, pro forma financial information has not been presented.

Note 5. Fair Value of Financial Instruments

FASB ASC 820, *Fair Value Measurements*, establishes a hierarchy of valuation techniques based on the observability of inputs utilized in measuring assets and liabilities at fair values. This hierarchy establishes market-based or observable inputs as the preferred source of values, followed by valuation models using management assumptions in the absence of market inputs. The three levels of the hierarchy are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the assessment date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

Our financial instruments consist of cash and cash equivalents, accounts and other receivables, derivative instruments, contingent consideration, our outstanding notes and other debt, and accounts, interest and dividends payable.

The following table summarizes the fair value of our financial instruments at December 31, 2017 and 2016:

(Thousands)	Total	Quoted Prices in Active Markets (Level 1)	Prices with Other Observable Inputs (Level 2)	Prices with Unobservable Inputs (Level 3)
At December 31, 2017				
Assets				
Derivative asset	\$ 6,793	\$ —	\$ 6,793	\$ —
Total	<u>\$ 6,793</u>	<u>\$ —</u>	<u>\$ 6,793</u>	<u>\$ —</u>
Liabilities				
Senior secured term loan B - variable rate, due October 24, 2022	\$ 2,011,237	\$ —	\$ 2,011,237	\$ —
Senior secured notes - 6.00%, due April 15, 2023	540,375	—	540,375	—
Senior unsecured notes - 8.25%, due October 15, 2023	1,073,925	—	1,073,925	—
Senior unsecured notes - 7.125%, due December 15, 2024	542,250	—	542,250	—
Senior secured revolving credit facility, variable rate, due April 24, 2020	279,972	—	279,972	—
Contingent consideration	105,762	—	—	105,762
Total	<u>\$ 4,553,521</u>	<u>\$ —</u>	<u>\$ 4,447,759</u>	<u>\$ 105,762</u>

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Notes to the Consolidated Financial Statements – Continued

(Thousands)	Total	Quoted Prices in Active Markets (Level 1)	Prices with Other Observable Inputs (Level 2)	Prices with Unobservable Inputs (Level 3)
At December 31, 2016				
Liabilities				
Senior secured term loan B - variable rate, due October 24, 2022	\$ 2,139,586	\$ —	\$ 2,139,586	\$ —
Senior secured notes - 6.00%, due April 15, 2023	569,250	—	569,250	—
Senior unsecured notes - 8.25%, due October 15, 2023	1,176,600	—	1,176,600	—
Senior unsecured notes - 7.125%, due December 15, 2024	404,000	—	404,000	—
Derivative liability	6,102	—	6,102	—
Contingent consideration	98,600	—	—	98,600
Total	\$ 4,394,138	\$ —	\$ 4,295,538	\$ 98,600

The carrying value of cash and cash equivalents, accounts and other receivables, and accounts, interest and dividends payable approximate fair values due to the short-term nature of these financial instruments.

The total principal balance of our Notes and other debt was \$4.6 billion at December 31, 2017, with a fair value of \$4.4 billion. The estimated fair value of the Notes and other debt was based on available external pricing data and current market rates for similar debt instruments, among other factors, which are classified as Level 2 inputs within the fair value hierarchy. Derivative instruments are carried at fair value. See Note 7. The fair value of our interest rate swap is determined based on the present value of expected future cash flows using observable, quoted LIBOR swap rates for the full term of the swap and also incorporate credit valuation adjustments to appropriately reflect both Uniti's own non-performance risk and non-performance risk of the respective counterparties. The Company has determined that the majority of the inputs used to value its derivative instruments fall within Level 2 of the fair value hierarchy; however the associated credit valuation adjustments utilized Level 3 inputs, such as estimates of credit spreads, to evaluate the likelihood of default by the Company and its counterparties. As of December 31, 2017, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustment is not significant to the overall value of the derivatives. As such, the Company classifies its derivative instruments valuation in Level 2 of the fair value hierarchy.

As part of the acquisition of Hunt on July 3, 2017, we may be obligated to pay contingent consideration (the "Hunt Contingent Consideration") upon the achievement of certain defined revenue milestones; therefore, we have recorded the estimated fair value of contingent consideration of approximately \$11.5 million as of December 31, 2017. See Note 4. In accordance with the Hunt merger agreement, Uniti common shares will be used to satisfy the contingent consideration payment. The fair value of the Hunt Contingent Consideration at December 31, 2017 was determined using the closing price of our common shares in the active market and probability estimates of future earnings and is classified as Level 3.

As part of the acquisition of Tower Cloud on August 31, 2016, we may be obligated to pay contingent consideration upon achievement of certain defined operational and financial milestones; therefore, we recorded the estimated fair value of future contingent consideration of \$94.3 million as of December 31, 2017. The fair value of the contingent consideration as of December 31, 2017, was determined using a discounted cash flow model and probability adjusted estimates of the future earnings and is classified as Level 3. During the year ended December 31, 2017, we paid \$20.0 million for the achievement of certain milestones in accordance with the Tower Cloud merger agreement.

Changes in the fair value of contingent consideration will be recorded in our Consolidated Statement of Income in the period in which the change occurs. For the year ended December 31, 2017, there was a \$10.7 million increase in

Uniti Group Inc.
Notes to the Consolidated Financial Statements – Continued

the fair value of the contingent consideration that was recorded in Other expense on the Consolidated Statements of Income.

The following is a roll forward of our liability measured at fair value on a recurring basis using unobservable inputs (Level 3):

(Thousands)	December 31, 2016	Transfers into Level 3	(Gain)/Loss included in earnings	Settlements	December 31, 2017
Contingent consideration	\$ 98,600	\$ 16,425	\$ 10,736	\$ (19,999)	\$ 105,762

Note 6. Property, Plant and Equipment

The carrying value of property, plant and equipment is as follows:

(Thousands)	Depreciable Lives	December 31, 2017	December 31, 2016
Land	Indefinite	\$ 28,269	\$ 26,833
Building and improvements	3 - 40 years	325,445	318,967
Real property interests	See Note 3	34,580	12,265
Poles	30 years	243,710	234,393
Fiber	30 years	2,669,058	2,243,822
Equipment	5 - 7 years	213,574	130,945
Copper	20 years	3,656,385	3,538,566
Conduit	30 years	91,210	90,540
Tower assets	20 years	59,327	4,307
Capital lease assets	See Note 3	97,592	89,723
Construction in progress	See Note 3	112,489	52,685
Other assets	15 - 20 years	8,258	5,299
Corporate assets	3 - 7 years	2,690	2,731
		7,542,587	6,751,076
Less accumulated depreciation		(4,488,698)	(4,081,039)
Net property, plant and equipment		\$ 3,053,889	\$ 2,670,037

Capital lease assets above represent fiber leases, where we have the exclusive, unrestricted, and indefeasible right to use one, a pair, or more strands of fiber of a fiber cable.

Depreciation expense for the years ended December 31, 2017, 2016 and for the period from April 24, 2015 to December 31, 2015 was \$415.9 million, \$369.9 million and \$236.2 million, respectively.

Note 7. Derivative Instruments and Hedging Activities

The Company uses derivative instruments to mitigate the effects of interest rate volatility inherent in our variable rate debt, which could unfavorably impact our future earnings and forecasted cash flows. The Company does not use derivative instruments for speculative or trading purposes.

On April 27, 2015, we entered into interest rate swap agreements to mitigate the interest rate risk inherent in our variable rate Senior Secured Term Loan B facility. These interest rate swaps are designated as cash flow hedges and have a notional value of \$2.13 billion and mature on October 24, 2022. The weighted average fixed rate paid is 2.105%, and the variable rate received resets monthly to the one-month LIBOR subject to a minimum rate of 1.0%. The Company does not currently have any master netting arrangements related to its derivative contracts.

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Notes to the Consolidated Financial Statements – Continued

The following table summarizes the fair value and the presentation in our Consolidated Balance Sheet:

(Thousands)	Location on Consolidated Balance Sheet	December 31, 2017	December 31, 2016
Interest rate swaps	Derivative asset	\$ 6,793	\$ -
Interest rate swaps	Derivative liability	\$ -	\$ 6,102

As of December 31, 2017, all of the interest rate swaps were valued in net unrealized gain positions and recognized as an asset balance within the derivative asset balance. As of December 31, 2016, all of the interest rate swaps were valued in net unrealized loss positions and recognized as liability balances within the derivative liability balance. For the years ended December 31, 2017 and 2016, the amount recorded in other comprehensive income related to the unrealized loss on derivative instruments was \$7.7 million and \$24.5 million, respectively. The amount reclassified out of other comprehensive income into interest expense on our Consolidated Statement of Income for the years ended December 31, 2017 and 2016 was \$20.6 million and \$23.8 million, respectively. For the years ended December 31, 2017 and 2016, there were no ineffective portions of the change in fair value derivatives.

Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on our variable-rate debt. During the next twelve months, ending December 31, 2018, we estimate that \$17.5 million will be reclassified as an increase to interest expense.

Note 8. Goodwill and Intangible Assets

Changes in the carrying amount of goodwill occurring during the year ended December 31, 2017 and 2016, are as follows:

(Thousands)	Fiber Infrastructure	Total
Goodwill at December 31, 2015	\$ -	\$ -
Goodwill associated with 2016 acquisitions	262,334	262,334
Goodwill at December 31, 2016	\$ 262,334	\$ 262,334
Goodwill purchase accounting adjustments	(248)	(248)
Goodwill associated with 2017 acquisitions	411,643	411,643
Goodwill at December 31, 2017	\$ 673,729	\$ 673,729

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Notes to the Consolidated Financial Statements – Continued

The carrying value of our other intangible assets is as follows:

(Thousands)	December 31, 2017		December 31, 2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Indefinite life intangible assets:				
Trade name	\$ 2,000	\$ -	\$ 2,000	\$ -
Finite life intangible assets:				
Customer lists	421,743	(46,049)	188,642	(30,058)
Tenant contracts	38,527	(1,605)	-	-
Network ⁽¹⁾	13,951	(581)	-	-
Acquired below-market leases	1,509	(138)	-	-
Total intangible assets	477,730		190,642	
Less: Accumulated amortization	(48,373)		(30,058)	
Total intangible assets, net	\$ 429,357		\$ 160,584	
Finite life intangible liabilities:				
Acquired above-market leases	\$ 3,455	\$ (317)	\$ -	\$ -
Total intangible liabilities	3,455		-	
Less: Accumulated amortization	(317)		-	
Total intangible liabilities, net⁽²⁾	\$ 3,138		\$ -	

(1) Reflects the potential to lease additional tower capacity on the existing towers due to their geographical location and capacity as of the valuation date.

(2) Recorded in accounts payable, accrued expenses and other liabilities, net on the Consolidated Balance Sheet.

Amortization expense for the years ended December 31, 2017, 2016 and for the period from April 24, 2015 to December 31, 2015 was \$18.3 million, \$6.1 million and \$2.6 million, respectively. Amortization expense is estimated to be \$25.1 million in 2018, \$24.4 million in 2019, \$23.9 million in 2020, \$23.5 million in 2021 and \$23.0 million in 2022.

Note 9. Notes and Other Debt

All debt, including the senior secured credit facility and notes described below, are obligations of the Operating Partnership and certain of its subsidiaries as discussed below. The Company is, however, a guarantor of such debt.

Notes and other debt is as follows:

(Thousands)	December 31, 2017	December 31, 2016
Principal amount	\$ 4,626,887	\$ 4,167,967
Less unamortized discount, premium and debt issuance costs	(144,190)	(139,753)
Notes and other debt less unamortized discount and debt issuance costs	\$ 4,482,697	\$ 4,028,214

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Notes to the Consolidated Financial Statements – Continued

Notes and other debt at December 31, 2017 and 2016 consisted of the following:

	December 31, 2017		December 31, 2016	
	Principal	Unamortized Discount, Premium and Debt Issuance Costs	Principal	Unamortized Discount and Debt Issuance Costs
(Thousands)				
Senior secured term loan B - variable rate, due October 24, 2022 (discount is based on imputed interest rate of 5.66%)	\$ 2,086,887	\$ (87,140)	\$ 2,107,967	\$ (78,699)
Senior secured notes - 6.00%, due April 15, 2023 (discount is based on imputed interest rate of 6.29%)	550,000	(8,508)	550,000	(9,817)
Senior unsecured notes - 8.25%, due October 15, 2023 (discount is based on imputed interest rate of 9.06%)	1,110,000	(40,467)	1,110,000	(45,599)
Senior unsecured notes - 7.125%, due December 15, 2024	600,000	(8,075)	400,000	(5,638)
Senior secured revolving credit facility, variable rate, due April 24, 2020	280,000	-	-	-
Total	\$ 4,626,887	(144,190)	\$ 4,167,967	\$ (139,753)

At December 31, 2017, notes and other debt included the following: (i) \$2.1 billion under the senior secured term loan B facility that matures on October 24, 2022 ("Term Loan Facility") pursuant to the credit agreement by and among the Operating Partnership, CSL Capital, LLC and Uniti Group Finance Inc., the guarantors and lenders party thereto and Bank of America, N.A., as administrative agent and collateral agent (the "Credit Agreement"); (ii) \$550.0 million aggregate principal amount of 6.00% Senior Secured Notes due April 15, 2023 (the "Secured Notes"); (iii) \$1.11 billion aggregate principal amount of 8.25% Senior Notes due October 15, 2023 (the "2023 Notes"); and (iv) \$600.0 million aggregate principal amount of 7.125% Senior Unsecured Notes due December 15, 2024 (the "2024 Notes" and together with the Secured Notes and 2023 Notes, the "Notes"), and (v) \$280.0 million under the senior secured revolving credit facility, variable rate, that matures April 24, 2020 pursuant to the Credit Agreement (the "Revolving Credit Facility" and, together with the Term Loan Facility, the "Facilities").

On May 9, 2017, the Company completed its previously announced reorganization (the "up-REIT Reorganization") to operate through a customary "up-REIT" structure. Under this structure, the Operating Partnership now holds substantially all of the Company's assets and is the parent company of, among others, CSL Capital, LLC, Uniti Group Finance Inc. and Uniti Fiber Holdings Inc. In connection with the up-REIT Reorganization, the Operating Partnership replaced the Company and assumed its obligations as an obligor under the Notes and Facilities. The Company subsequently became a guarantor of the Notes and Facilities. Because the Operating Partnership is not a corporation, a corporate co-obligor that is a subsidiary of the Operating Partnership was also added to the Notes and Credit Agreement as part of the up-REIT Reorganization. As discussed below, Uniti Group Finance Inc. is the corporate co-obligor under the Credit Agreement and co-issuer of the Secured Notes and the 2023 Notes, and Uniti Fiber Holdings Inc. is the co-issuer of the 2024 Notes. Separate financial statements of the Operating Partnership have not been included since the Operating Partnership is not a registrant.

Credit Agreement

The Operating Partnership and its wholly-owned subsidiaries, CSL Capital, LLC, and Uniti Group Finance Inc. (collectively, the "Borrowers") are party to the Credit Agreement, which provides for the Term Loan Facility (in an initial principal amount of \$2.14 billion) and the Revolving Credit Facility. The term loans were repriced on February 9, 2017 and now bear interest at a rate equal to LIBOR, subject to a 1.0% floor, plus an applicable margin equal to 3.00%, and are subject to amortization of 1.0% per annum. All obligations under the Credit Agreement are guaranteed by (i) the Company and (ii) certain of the Operating Partnership's wholly-owned subsidiaries (the "Subsidiary Guarantors"), and are secured by substantially all of the assets of the Borrowers and the Subsidiary Guarantors, which assets also secure the Secured Notes. The Revolving Credit Facility bears interest at a rate equal

Uniti Group Inc.
Notes to the Consolidated Financial Statements – Continued

to LIBOR plus 1.75% to 2.25% based on our consolidated secured leverage ratio, as defined in the Credit Agreement. On April 28, 2017, we amended the Credit Agreement to increase the commitments under our Revolving Credit Facility from \$500 million to \$750 million. Other terms of the Revolving Credit Facility remain unchanged.

The Borrowers are subject to customary covenants under the Credit Agreement, including an obligation to maintain a consolidated secured leverage ratio, as defined in the Credit Agreement, not to exceed 5.00 to 1.00. We are permitted, subject to customary conditions, to incur (i) incremental term loan borrowings and/or increased commitments under the Credit Agreement in an unlimited amount, so long as, on a pro forma basis after giving effect to any such borrowings or increases, our consolidated secured leverage ratio, as defined in the Credit Agreement, does not exceed 4.00 to 1.00 and (ii) other indebtedness, so long as, on a pro forma basis after giving effect to any such indebtedness, our consolidated total leverage ratio, as defined in the Credit Agreement, does not exceed 6.50 to 1.00 and our consolidated secured leverage ratio, as defined in the Credit Agreement, does not exceed 4.00 to 1.00. In addition, the Credit Agreement contains customary events of default, including a cross default provision whereby the failure of the Borrowers or certain of their subsidiaries to make payments under other debt obligations, or the occurrence of certain events affecting those other borrowing arrangements, could trigger an obligation to repay any amounts outstanding under the Credit Agreement. In particular, a repayment obligation could be triggered if (i) the Borrowers or certain of their subsidiaries fail to make a payment when due of any principal or interest on any other indebtedness aggregating \$75.0 million or more, or (ii) an event occurs that causes, or would permit the holders of any other indebtedness aggregating \$75.0 million or more to cause, such indebtedness to become due prior to its stated maturity. As of December 31, 2017, the Borrowers were in compliance with all of the covenants under the Credit Agreement.

The Notes

The Borrowers, as co-issuers, have outstanding \$550 million aggregate principal amount of the Secured Notes, of which \$400 million was originally issued on April 24, 2015 at an issue price of 100% of par value and the remaining \$150 million was issued on June 9, 2016 at an issue price of 99.25% of the par value as an add-on to the existing Secured Notes. The Borrowers, as co-issuers, also have outstanding \$1.11 billion aggregate principal amount of the 2023 Notes that were originally issued on April 24, 2015 at an issue price of 97.055% of par value. The Secured Notes and the 2023 Notes are guaranteed by the Company and the Subsidiary Guarantors.

The Operating Partnership and its wholly-owned subsidiaries, CSL Capital, LLC and Uniti Fiber Holdings Inc., as co-issuers, have outstanding \$600 million aggregate principal amount of the 2024 Notes, of which \$400 million was originally issued on December 15, 2016 at an issue price of 100% of par value and the remaining \$200 million of which was issued on May 8, 2017 at an issue price of 100.50% of par value under a separate indenture and was mandatorily exchanged on August 11, 2017 for 2024 Notes issued as “additional notes” under the indenture governing the 2024 Notes. The 2024 Notes are guaranteed by the Company, Uniti Group Finance Inc. and the Subsidiary Guarantors.

Deferred Financing Cost

Deferred financing costs were incurred in connection with the issuance of the Notes and the Facilities. These costs are amortized using the effective interest method over the term of the related indebtedness, and are included in interest expense in our Consolidated Statements of Income. For the year ended December 31, 2017, 2016 and for the period from April 24, 2015 to December 31, 2015, we recognized \$13.6 million, \$7.8 million and \$4.8 million of non-cash interest expense, respectively, related to the amortization of deferred financing costs.

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Notes to the Consolidated Financial Statements – Continued

Aggregate annual maturities of our long-term obligations at December 31, 2017 are as follows:

(Thousands)	
2018	\$ 21,079
2019	21,079
2020	301,079
2021	21,079
2022	2,002,571
Thereafter	2,260,000
Total	\$ 4,626,887

As discussed in Note 6, we have acquired property pursuant to capital leases. At December 31, 2017, future minimum lease payments under capital lease obligations are as follows:

(Thousands)	
2018	\$ 8,407
2019	8,083
2020	7,048
2021	6,309
2022	6,155
Thereafter	53,461
Total minimum payments	89,463
Less amount representing interest	(33,134)
Total	\$ 56,329

Note 10. Stock-Based Compensation

The Company's Board of Directors adopted the Uniti Group Inc. 2015 Equity Incentive Plan (the "Equity Plan"), which is administered by the Compensation Committee of the Board of Directors. Awards issuable under the Equity Plan include incentive stock options, "non-qualified" stock options, stock appreciation rights, performance units and performance shares, restricted shares, and restricted stock units.

In connection with the Spin-Off, the Company issued 538,819 restricted shares and 70,889 performance-based restricted stock units to employees of Windstream in accordance with the terms of the Employee Matters Agreement between the Company and Windstream. Under the Employee Matters Agreement, which governs the compensation and employee benefit obligations of Uniti and Windstream with respect to the current and former employees of each company, employees of Windstream who held equity awards as of the date of the Spin-Off were entitled to receive equity awards of Uniti in the same proportion as if the equity awards had been common shares on the date of the Spin-Off. The Uniti awards issued have the same form and vesting requirements as the underlying Windstream awards. For the purposes of vesting in the Uniti awards, continued service with Windstream is deemed to be continued service with Uniti. We do not recognize any compensation expense in our Consolidated Statement of Income related to these awards, as none of the employees granted awards provide service to Uniti. There were no restricted shares and performance-based restricted stock units issued to Windstream employees that remained outstanding at December 31, 2017.

Restricted Awards

During the year ended December 31, 2017, the Company granted 234,294 shares of restricted stock to employees, which had a fair value of \$6.0 million as of the date of grant. We calculate the grant date fair value of non-vested shares of restricted stock awards using the closing sale prices on the trading day on the grant date. The restricted stock awards are amortized on a straight-line basis to expense over the vesting period, which is generally three years. As of December 31, 2017, there were 4,992,583 shares available for future issuance under the Equity Plan.

Uniti Group Inc.
Notes to the Consolidated Financial Statements – Continued

The following table sets forth the number of unvested restricted stock awards and the weighted-average fair value of these awards at the date of grant:

	Restricted Awards	Weighted Average Fair Value at Grant Date	Aggregate Intrinsic Value ⁽¹⁾ (\$000s)
Unvested balance December 31, 2016	493,891	\$ 22.60	
Granted	234,294	\$ 25.56	
Forfeited	(33,041)	\$ 24.77	
Vested	(106,956)	\$ 20.73	
Unvested balance, December 31, 2017	588,188	\$ 24.00	\$ 10,464

⁽¹⁾ The aggregate intrinsic value is calculated as the market value of our common stock as of December 29, 2017. The market value as of December 29, 2017 was \$17.79 per share, which was the closing price of our common stock reported for transactions effected on the NASDAQ Global Select Market on December 29, 2017, the final trading day of 2017.

During the year ended December 31, 2016, there were 308,146 shares of restricted stock granted with a weighted-average fair value of \$20.56 per share. During the period from April 24, 2015 to December 31, 2015, there were 241,140 shares of restricted granted with a weighted-average fair value of \$25.82 per share.

The total fair value of shares vested for the years ended December 31, 2017 and 2016 was \$2.9 million and \$1.1 million, respectively.

As of December 31, 2017, total unrecognized compensation expense on restricted awards was approximately \$6.6 million, and the expense is expected to be recognized over a weighted average vesting period of 0.9 years.

Performance Awards

The Company grants long-term incentives to members of management in the form of performance-based restricted stock units ("PSUs") under the Equity Plan. The number of PSUs earned is based on the Company's achievement of specified performance goals, over a specified performance period, and may range from 0% to 200% of the target shares. The PSUs have a service condition that will expire at the end of the three-year performance period provided that the holder continues to be employed by the Company at the end of the performance period. Holders of PSUs are entitled to dividend equivalents, which will be accrued quarterly and paid in cash upon the vesting of a PSU. Dividend equivalents are forfeited to the extent that the underlying PSU is forfeited.

On February 13, 2017, we issued 91,995 PSUs equal to 100% of the target amount, with an aggregate value of \$3.1 million on the grant date. The PSUs, in addition to a service condition, are subject to the Company's performance versus the total return of the MSCI US REIT Index and a triple-net lease peer group, as defined by the Compensation Committee. Upon evaluating the results of the market conditions, the final number of shares is determined and such shares vest based on satisfaction of the service condition. The PSUs are amortized on a straight-line basis over the vesting period. During the year ended December 31, 2017, no PSUs were forfeited due to termination of service. The following table sets forth the number of unvested PSUs and the weighted-average fair value of these awards at the date of grant:

	Performance Awards	Weighted Average Fair Value at Grant Date	Aggregate Intrinsic Value ⁽¹⁾ (\$000s)
Unvested balance December 31, 2016	162,630	\$ 21.13	
Granted	91,995	\$ 33.75	
Forfeited	—	\$ —	
Vested	—	\$ —	
Unvested balance, December 31, 2017	254,625	\$ 25.69	\$ 4,530

Uniti Group Inc.
Notes to the Consolidated Financial Statements – Continued

(1) The aggregate intrinsic value is calculated as the market value of our common stock as of December 29, 2017. The market value as of December 29, 2017 was \$17.79 per share, which was the closing price of our common stock reported for transactions effected on the NASDAQ Global Select Market on December 29, 2017, the final trading day of 2017.

During the year ended December 31, 2016, there were 101,660 PSUs granted with a weighted-average fair value of \$20.71 per share. During the period from April 24, 2015 to December 31, 2015, there were 60,970 PSUs granted with a weighted-average fair value of \$21.82 per share.

As of December 31, 2017, total unrecognized compensation expense related to PSUs was approximately \$3.2 million, and the weighted-average vesting period was 1.3 years. The fair value of each PSU award is estimated at the date of grant using a Monte Carlo simulation. The simulation requires assumptions for expected volatility, risk-free return, and dividend yield. Our assumptions include a 0% dividend yield, which is the mathematical equivalent to reinvesting the dividends over the three-year performance period as is consistent with the terms of the PSUs. The following table summarizes the assumptions used to value the PSUs granted during the years ended December 31, 2017 and 2016 and for the period from April 24, 2015 to December 31, 2015:

	Year Ended December 31,		Period from
	2017	2016	April 24 - December 31, 2015
Expected term (years)	3.0	3.0	2.9
Expected volatility	33.6%	48.8%	26.6%
Expected annual dividend	0.0%	0.0%	0.0%
Risk free rate	1.5%	0.9%	0.9%

For the years ended December 31, 2017, 2016 and for the period from April 24, 2015 to December 31, 2015, we recognized \$7.7 million, \$4.8 million and \$1.9 million, respectively, of compensation expense related to restricted stock awards and performance-based awards, which is recorded in general and administrative expense on our Consolidated Statement of Income.

Note 11. Related Party Transactions

In connection with the Spin-Off, we issued approximately 149.8 million shares of our common stock, par value \$0.0001 per share, to Windstream as partial consideration for the contribution of the Distribution Systems and the Consumer CLEC Business. Windstream Holdings distributed approximately 80.4% of the Uniti shares it received to existing stockholders of Windstream Holdings and retained a passive ownership interest of approximately 19.6% of the common stock of Uniti. As a result of this ownership Windstream was deemed to be a related party.

On June 15, 2016, Windstream Holdings disposed of 14.7 million shares of our common stock, representing approximately half of its retained ownership interest. On June 24, 2016, Windstream Holdings disposed of its remaining 14.7 million shares of our common stock as part of a public offering. The Company did not receive any proceeds resulting from the disposition of these shares.

Accordingly, Windstream is no longer deemed a related party under applicable accounting regulations. Our consolidated financial statements reflect the following transactions with Windstream during the periods in which Windstream was deemed a related party.

Revenues – The Company records leasing revenue pursuant to the Master Lease. For the six months ended June 30, 2016, we recognized leasing revenues of \$337.6 million related to the Master Lease. For the period from April 24, 2015 to December 31, 2015, we recognized leasing revenues of \$458.6 million related to the Master Lease, which includes \$0.8 million of TCI revenue recognized as a result of upgrades made by Windstream to the Distribution Systems.

Uniti Group Inc.
Notes to the Consolidated Financial Statements – Continued

General and Administrative Expenses – We are party to a Transition Services Agreement (“TSA”) pursuant to which Windstream and its affiliates provide, on an interim basis, various services, including but not limited to information technology services, payment processing and collection services, financial and tax services, regulatory compliance and other support services. On April 1, 2016, the TSA ceased and we incurred \$19,000 of related TSA expense for the three months ended March 31, 2016. For the period from April 24, 2015 to December 31, 2015, we incurred \$0.1 million of expense under the TSA.

CLEC Operating Expenses – We are party to a Wholesale Master Services Agreement (“Wholesale Agreement”) and a Master Services Agreement with Windstream related to the Consumer CLEC Business. Under the Wholesale Agreement, Windstream provides us transport services (local and long distance telecommunications service), provisioning services (directory assistance, directory listing, service activation and service changes), and repair services (routine and emergency network maintenance, network audits and network security). Under the Master Services Agreement, Windstream provides billing and collections services to Uniti. During the six months ended June 30, 2016, we incurred expenses of \$6.6 million and \$0.9 million related to the Wholesale Agreement and Master Services Agreement, respectively. During the period from April 24, 2015 to December 31, 2015 we incurred expenses of \$10.1 million and \$1.1 million related to the Wholesale Agreement and Master Services Agreement, respectively.

Employee Matters Agreement – We are party to an Employee Matters Agreement (“Employee Matters Agreement”) with Windstream that governs the respective compensation and employee benefit obligations of the Company and Windstream in connection with and following the Spin-Off. Under the Employee Matters Agreement, if requested by a Windstream employee, the Company is required to withhold shares to satisfy the employee’s tax obligations arising from the recognition of income and the vesting of shares related to awards of Uniti restricted stock held by the employee that were granted in connection with the Spin-Off. In that case, the Company must pay to Windstream an amount of cash equal to the amount required to be withheld to satisfy minimum statutory tax withholding obligations or, at the request of Windstream, remit such cash directly to the applicable taxing authorities. During the six months ended June 30, 2016, we withheld 91,412 common shares to satisfy these minimum statutory tax-withholding obligations and delivered \$1.9 million to Windstream for remittance to the applicable taxing authorities.

Tower Purchase – In May, 2016, we completed the previously announced transaction with Windstream to acquire 32 wireless towers owned by Windstream and operating rights for 49 wireless towers previously conveyed to the Company in the Spin-Off for a purchase price of approximately \$3 million.

Lease Amendment – During the quarter ended March 31, 2016, we amended the Master Lease with Windstream (the “Master Lease Amendment”) to allow for the transfer of ownership rights or exchanges of indefeasible rights of use (an “IRU”) and other long term rights in certain fiber and associated assets constituting leased property under the Master Lease. We will enter into such transactions pursuant to certain fiber exchange agreements under which we will grant to a third party ownership rights in certain fiber assets or an IRU in certain fiber assets that constitute leased property under the Master Lease in exchange for Uniti receiving ownership rights in certain fiber assets or an IRU in certain fiber assets of the third party, which we will then lease to Windstream as leased property under the Master Lease. Under the terms of the Master Lease Amendment, Windstream is responsible for any taxes imposed on Uniti related to the sale, exchange or other disposition of the fiber assets delivered to a third party or the granting of rights to the leased property that arise from fiber exchange agreements. As of June 30, 2016, no such transactions had been consummated. The Master Lease Amendment also permits us to install, own and operate certain wireless communication towers, antennas and related equipment on designated portions of the leased property.

Landlord Funded Capital Expense – Windstream Holdings requested, and we funded, \$43.1 million of capital expenditures related to the Distribution Systems on December 29, 2015. Monthly rent paid by Windstream increased in accordance with the Master Lease effective as of the date we provided the funding, which equates to approximately \$3.5 million of incremental rent per year.

Uniti Group Inc.
Notes to the Consolidated Financial Statements – Continued

Note 12. Earnings Per Share

Our restricted stock awards are considered participating securities as they receive non-forfeitable rights to dividends at the same rate as common stock. As participating securities, we included these instruments in the computation of earnings per share under the two-class method described in FASB ASC 260, *Earnings per Share*.

We also issue PSUs; however these units contain forfeitable rights to receive dividends and are therefore considered non-participating restrictive shares and are not dilutive under the two-class method until performance conditions are met. During the years ended December 31, 2017 and 2016, approximately 76,000 and 220,000 PSUs, respectively, were excluded from the computation of diluted net loss per share because their effect is anti-dilutive as a result of our net loss for these periods. For the period from April 24, 2015 through December 31, 2015, approximately 61,000 PSUs were excluded from the computation of diluted earnings per share as their performance conditions had not been met.

The earnings per share impact of the Series A Shares (See Note 18) is calculated using the net share settlement method, whereby the redemption value of the instrument is assumed to be settled in cash and only the conversion premium, if any, is assumed to be settled in shares. The Series A Shares provide Uniti the option to cash or share settle the instrument, and it is our policy to settle the instrument in cash upon conversion.

The Hunt merger agreement provides for the issuance of additional common shares upon the achievement of certain defined revenue milestones. See Note 4. The earnings per share impact of the Hunt Contingent Consideration is calculated under the method described in ASC 260 for the treatment of contingently issuable shares in weighted-average shares outstanding.

Uniti Group Inc.
Notes to the Consolidated Financial Statements – Continued

The following sets forth the computation of basic and diluted earnings per share under the two-class method:

(Thousands, except per share data)	Year Ended December 31,		Period from	
	2017	2016	April 24 - December 31, 2015	
Basic earnings per share:				
Numerator:				
Net (loss) income attributable to shareholders	\$ (9,439)	\$ (212)	\$	24,870
Less: Income allocated to participating securities	(1,509)	(1,557)		(1,152)
Dividends declared on convertible preferred stock	(2,624)	(1,743)		—
Amortization of discount on convertible preferred stock	(2,980)	(1,985)		—
Net (loss) income attributable to common shares	\$ (16,552)	\$ (5,497)	\$	23,718
Denominator:				
Basic weighted-average common shares outstanding	168,693	152,473		149,835
Basic (loss) earnings per common share	\$ (0.10)	\$ (0.04)	\$	0.16

(Thousands, except per share data)	Year Ended December 31,		Period from	
	2017	2016	April 24 - December 31, 2015	
Diluted earnings per share:				
Numerator:				
Net (loss) income attributable to shareholders	\$ (9,439)	\$ (212)	\$	24,870
Less: Income allocated to participating securities	(1,509)	(1,557)		(1,152)
Dividends declared on convertible preferred stock	(2,624)	(1,743)		—
Amortization of discount on convertible preferred stock	(2,980)	(1,985)		—
Mark-to-market gain on share settled contingent consideration arrangements	(4,944)	—		—
Net (loss) income attributable to common shares	\$ (21,496)	\$ (5,497)	\$	23,718
Denominator:				
Basic weighted-average common shares outstanding	168,693	152,473		149,835
Contingent consideration (See Note 5)	296	—		—
Effect of dilutive non-participating securities	—	—		—
Weighted-average shares for dilutive earnings per common share	168,989	152,473		149,835
Dilutive (loss) earnings per common share	\$ (0.13)	\$ (0.04)	\$	0.16

Uniti Group Inc.
Notes to the Consolidated Financial Statements – Continued

Note 13. Segment Information

Our management, including our chief executive officer, who is our chief operating decision maker, manages our operations as four operating business segments in addition to our corporate operations and include:

Leasing: Represents our REIT operations and includes the results from our leasing programs. Uniti Leasing, which is engaged in the acquisition of mission-critical communications assets and leasing them back to anchor customers on either an exclusive or shared-tenant basis.

Fiber Infrastructure: Represents the operations of our fiber business, Uniti Fiber, which is a leading provider of infrastructure solutions, including cell site backhaul and dark fiber, to the telecommunications industry.

Towers: Represents the operations of our towers business, Uniti Towers, through which we acquire and construct tower and tower-related real estate in the United States and Latin America.

Consumer CLEC: Represents the operations of Talk America Services (“Talk America”) through which we operate the Consumer CLEC Business, that prior to the Spin-Off was reported as an integrated operation within Windstream. Talk America provides local telephone, high-speed internet and long distance services to customers in the eastern and central United States.

Corporate: Represents our corporate and back office functions. Certain costs and expenses, primarily related to headcount, insurance, professional fees and similar charges, that are directly attributable to operations of our business segments are allocated to the respective segments.

Management evaluates the performance of each segment using Adjusted EBITDA, which is a segment performance measure defined as net income determined in accordance with GAAP, before interest expense, provision for income taxes, depreciation and amortization, stock-based compensation expense, the impact, which may be recurring in nature, of transaction related expenses, the write off of unamortized deferred financing costs, costs incurred as a result of the early repayment of debt, changes in the fair value of contingent consideration and financial instruments, and other similar items. The Company believes that net income, as defined by GAAP, is the most appropriate earnings metric; however we believe that Adjusted EBITDA serves as a useful supplement to net income because it allows investors, analysts and management to evaluate the performance of our segments in a manner that is comparable period over period. Adjusted EBITDA should not be considered as an alternative to net income as determined in accordance with GAAP.

Uniti Group Inc.
Notes to the Consolidated Financial Statements – Continued

Selected financial data related to our segments is presented below for the years ended December 31, 2017 and 2016 and for the period from April 24, 2015 to December 31, 2015:

Year Ended December 31, 2017						
(Thousands)	Leasing	Fiber Infrastructure	Towers	Consumer CLEC	Corporate	Total of Reportable Segments
Revenues	\$ 685,099	\$ 202,791	\$ 10,055	\$ 18,087	\$ -	\$ 916,032
Adjusted EBITDA	\$ 683,651	\$ 83,987	\$ (831)	\$ 4,556	\$ (21,839)	\$ 749,524
Adjusted EBITDA margin	99.8%	41.4%	(8.3%)	25.2%	-	81.8%
Less:						
Interest expense						305,994
Depreciation and amortization	347,999	78,307	4,907	2,607	385	434,205
Other expense						11,284
Transaction related costs						38,005
Stock-based compensation						7,713
Income tax benefit						(38,849)
Net loss						\$ (8,828)
Capital expenditures ⁽¹⁾	\$ -	\$ 152,918	\$ 104,540	\$ -	\$ 63	\$ 257,521

Year Ended December 31, 2016						
(Thousands)	Leasing	Fiber Infrastructure	Towers	Consumer CLEC	Corporate	Total of Reportable Segments
Revenues	\$ 676,868	\$ 70,568	\$ 500	\$ 22,472	\$ -	\$ 770,408
Adjusted EBITDA	\$ 675,114	\$ 25,912	\$ (1,123)	\$ 5,074	\$ (14,793)	\$ 690,184
Adjusted EBITDA margin	99.7%	36.7%	(224.6%)	22.6%	-	89.6%
Less:						
Interest expense						275,394
Depreciation and amortization	343,368	28,629	337	3,258	378	375,970
Other expense						-
Transaction related costs						33,669
Stock-based compensation						4,846
Income tax expense						517
Net loss						\$ (212)
Capital expenditures ⁽¹⁾	\$ -	\$ 31,006	\$ 15,262	\$ -	\$ 175	\$ 46,443

Uniti Group Inc.
Notes to the Consolidated Financial Statements – Continued

(Thousands)	Period from April 24, 2015 to December 31, 2015						Total of Reportable Segments
	Leasing	Fiber Infrastructure	Towers	Consumer CLEC	Corporate		
Revenues	\$ 458,614	\$ -	\$ -	\$ 17,700	\$ -	\$ -	\$ 476,314
Adjusted EBITDA	\$ 457,704	\$ -	\$ -	\$ 3,957	\$ (8,364)	\$ -	\$ 453,297
Adjusted EBITDA margin	99.8%	-	-	22.4%	-	-	95.2%
Less:							
Interest expense							181,797
Depreciation and amortization	235,967	-	-	2,571	210		238,748
Other expense							-
Transaction related costs							5,210
Stock-based compensation							1,934
Income tax expense							738
Net income							24,870
Capital expenditures (1)	\$ 43,077	\$ -	\$ -	\$ -	\$ 1,336	\$ -	\$ 44,413

(1) Segment capital expenditures represents capital expenditures, the NMS asset acquisition and ground lease investments as reported in the investing activities section of the Consolidated Statement of Cash Flows.

Total assets by business segment as of December 31, 2017 and December 31, 2016 are as follows:

(Thousands)	December 31, 2017	December 31, 2016
Leasing	\$ 2,121,857	\$ 2,238,517
Fiber Infrastructure	2,009,175	914,082
Towers	157,180	18,004
Consumer CLEC	10,919	14,239
Corporate	30,951	133,910
Total of reportable segments	\$ 4,330,082	\$ 3,318,752

Our principal geographical regions consist of the United States and Latin America, which includes Mexico, Colombia and Nicaragua. Summarized geographical information related to the Company's revenues for the years ended December 31, 2017, 2016 and for the period from April 24, 2015 to December 31, 2015 is as follows:

(Thousands)	Year Ended December 31,		Period from April 24 - December 31, 2015
	2017	2016	
United States revenues	\$ 908,576	\$ 770,351	\$ 476,314
Latin America revenues	7,456	57	-
Total revenues	\$ 916,032	\$ 770,408	\$ 476,314

Summarized geographical information related to the Company's long-lived assets as of December 31, 2017 and 2016 is as follows:

(Thousands)	December 31,	
	2017	2016
United States long-lived assets	\$ 3,382,894	\$ 2,826,442
Latin America long-lived assets	98,352	2,179
Total long-lived assets	\$ 3,481,246	\$ 2,828,621

Uniti Group Inc.
Notes to the Consolidated Financial Statements – Continued

Note 14. Commitments and Contingencies

In the ordinary course of our business, we are subject to claims and administrative proceedings, none of which we believe are material or would be expected to have, individually or in the aggregate, a material adverse effect on our business, financial condition, cash flows or results of operations.

We have fiber lease agreements and office space lease agreements under non-cancelable operating leases. Rental expense under operating leases for the years ended December 31, 2017, 2016 and for the period from April 24, 2015 to December 31, 2015 approximated \$25.2 million, \$10.9 million and \$132,000, respectively. Future minimum payments, by year and in the aggregate, under non-cancellable operating leases with initial or remaining lease terms of one year or more, are as follows:

(Thousands)	
2018	\$ 14,336
2019	10,007
2020	7,107
2021	4,411
2022	2,760
Thereafter	16,663
Total	\$ 55,284

Pursuant to the Separation and Distribution Agreement, Windstream has agreed to indemnify us (including our subsidiaries, directors, officers, employees and agents and certain other related parties) for any liability arising from or relating to legal proceedings involving Windstream's telecommunications business prior to the Spin-Off, and, pursuant to the Master Lease, Windstream has agreed to indemnify us for, among other things, any use, misuse, maintenance or repair by Windstream with respect to the Distribution Systems. Windstream is currently a party to various legal actions and administrative proceedings, including various claims arising in the ordinary course of its telecommunications business, which are subject to the indemnities provided by Windstream to us.

Under the terms of the Tax Matters Agreement entered into with Windstream, we are generally responsible for any taxes imposed on Windstream that arise from the failure of the Spin-Off and the debt exchanges to qualify as tax-free for U.S. federal income tax purposes, within the meaning of Section 355 and Section 368(a)(1)(D) of the Code, as applicable, to the extent such failure to qualify is attributable to certain actions, events or transactions relating to our stock, indebtedness, assets or business, or a breach of the relevant representations or any covenants made by us in the Tax Matters Agreement, the materials submitted to the IRS in connection with the request for the private letter ruling or the representations provided in connection with the tax opinion. We believe that the probability of us incurring obligations under the Tax Matters Agreement are remote; and therefore, have recorded no such liabilities in our consolidated balance sheet.

Uniti Group Inc.
Notes to the Consolidated Financial Statements – Continued

Note 15. Accumulated Other Comprehensive Income

Changes in accumulated other comprehensive income (loss) by component is as follows for the year ended December 31, 2017:

(Thousands)	2017	2016	2015
Cash flow hedge changes in fair value gain (loss):			
Balance at beginning of period	\$ (6,102)	\$ (5,427)	\$ —
Other comprehensive income (loss) before reclassifications	(7,735)	(24,465)	(21,682)
Amounts reclassified from accumulated other comprehensive income	20,630	23,790	16,255
Net other comprehensive income	6,793	(6,102)	(5,427)
Less: Other comprehensive (loss) income attributable to noncontrolling interest	442	—	—
Balance at end of period	6,351	(6,102)	(5,427)
Foreign currency translation gain (loss):			
Balance at beginning of period	(267)	—	—
Translation adjustments	1,660	(267)	—
Net other comprehensive income	1,393	(267)	—
Less: Other comprehensive (loss) income attributable to noncontrolling interest	(77)	—	—
Balance at end of period	1,470	(267)	—
Accumulated other comprehensive income (loss) at end of period	\$ 7,821	\$ (6,369)	\$ (5,427)

Note 16. Income Taxes

We have elected on our U.S. federal income tax return to be treated as a REIT and thus have no provision for U.S. federal income tax related to activities of the REIT and its passthrough subsidiaries. The REIT and certain of its subsidiaries are subject to certain state and local income taxes, franchise taxes, and gross receipts taxes. Our TRSs are subject to U.S. federal, state and local corporate income taxes.

Income tax expense (benefit) for the years ended December 31, 2017 and 2016 and for the period from April 24, 2015 to December 31, 2015 as reported in the accompanying Consolidated Statement of Income was comprised of the following:

(Thousands)	Year Ended December 31,	Year Ended December 31,	Period from
	2017	2016	April 24 - December 31,
			2015
Current			
Federal	\$ 1,456	\$ 1,596	\$ 1,208
State	866	1,107	741
Total current expense	2,322	2,703	1,949
Deferred			
Federal	(36,956)	(1,488)	(770)
State	(3,837)	(698)	(441)
Foreign	(378)	—	—
Total deferred expense	(41,171)	(2,186)	(1,211)
Total income tax (benefit) expense	\$ (38,849)	\$ 517	\$ 738

Uniti Group Inc.
Notes to the Consolidated Financial Statements – Continued

An income tax expense reconciliation between the U.S. statutory tax rate and the effective tax rate is as follows:

(Thousands)	Year Ended December 31,		Period from
	2017	2016	April 24 - December 31, 2015
Income from continuing operations, before tax	\$ (47,667)	\$ 305	\$ 24,795
Income tax at U.S. statutory federal rate	(16,687)	107	8,665
Increases (decreases) resulting from:			
State taxes, net of federal benefit	(429)	(224)	266
Benefit of REIT status	8,836	(4,016)	(8,193)
Capitalized transaction costs	(4,820)	(3,915)	-
Change in valuation allowance	(8,176)	8,176	-
Adjustment of deferred tax balances	(217)	149	-
Permanent differences	60	52	-
Foreign taxes	(378)	-	-
Rate differential	(17,038)	188	-
Income tax (benefit) expense	<u>\$ (38,849)</u>	<u>\$ 517</u>	<u>\$ 738</u>

The effective tax rate on income from continuing operations differs from tax at the statutory rate primarily due to our status as a REIT, certain capitalized costs incurred to acquire assets that were transferred to a TRS, changes in valuation allowance related to deferred tax assets of a TRS, and the impact of corporate tax reform, discussed below.

The Tax Cuts and Jobs Act ("Tax Bill") was enacted on December 22, 2017. The Tax Bill reduces the U.S. federal corporate tax rate from 35% to 21%, requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign sourced earnings.

At December 31, 2017, we have not completed our accounting for the tax effects of enactment of the Tax Bill; however, in certain cases, as described below, we have made a reasonable estimate of the effects on our existing deferred tax balances and the one-time transition tax. In other cases, we have not been able to make a reasonable estimate and continue to account for those items based on our existing accounting under ASC 740, Income Taxes, and the provisions of the tax laws that were in effect immediately prior to enactment.

For the items for which we were able to determine a reasonable estimate, we recognized a non-cash provisional benefit in the amount of \$17.0 million due to the revaluing of the Company's deferred tax liabilities, which is included as a component of income tax expense from continuing operations. Given the current structure of the Company, it is anticipated that there will be limited to no impact related to the one-time transition tax on historic foreign earnings.

Future regulatory and rulemaking interpretations and decisions of the Tax Bill may impact the Company's tax position. Therefore the estimated impact of provisions outside of the write-down of cumulative deferred tax liabilities remains uncertain. Corrective or supplemental legislation and its impact will be considered in the Company's financial statements in the period ending September 30, 2018.

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Uniti Group Inc.
Notes to the Consolidated Financial Statements – Continued

The components of the Company's deferred tax assets and liabilities are as follows:

(Thousands)	December 31, 2017	December 31, 2016
Deferred tax assets:		
Deferred revenue	\$ 17,114	\$ 4,244
Accrued bonuses	101	520
Goodwill	-	1,886
Stock based compensation	506	179
Accrued expenses and other	2,023	802
Asset retirement obligation	1,341	790
Inventory reserve	248	401
Net operating loss carryforwards	36,229	39,916
Deferred tax assets	57,562	48,738
Valuation allowance	-	(8,176)
Deferred tax assets, net of valuation allowance	57,562	40,562
Deferred tax liabilities:		
Property, plant & equipment	\$ (43,817)	\$ (20,923)
Customer list intangible	(68,795)	(47,721)
Other intangible amortization	(291)	(137)
Other	(137)	(175)
Deferred tax liabilities	\$ (113,040)	\$ (68,956)
Deferred tax liability, net	\$ (55,478)	\$ (28,394)

As of December 31, 2016, the Company's deferred tax assets were primarily the result of U.S. federal and state NOL carryforwards. A valuation allowance of \$8.2 million was recorded against its gross deferred tax asset balance as of December 31, 2016. During 2017, the Company recorded a full-year valuation allowance release of \$8.2 million on the basis of management's reassessment of the amount of its deferred tax assets that are more likely than not to be realized.

As of each reporting date, the Company's management considers new evidence, both positive and negative, that could impact management's view with regard to future realization of deferred tax assets. Given the Company has significant deferred tax liabilities which are not limited by Sec. 269(a)(1) of the Code, management determined that sufficient positive evidence exists as of December 31, 2017, to conclude that it is more likely than not that additional deferred taxes of \$8,176 are realizable, and therefore, removed the valuation allowance accordingly.

On August 31, 2016, we acquired 100% of the outstanding equity of Tower Cloud, Inc., which had federal NOL carryforwards of approximately \$81.2 million at the date of the acquisition that will expire between 2026 and 2036. As a result of the change in ownership, the utilization of Tower Cloud, Inc. NOL carryforwards is subject to limitations imposed by the Code.

We have total federal NOL carryforwards as of December 31, 2017 of approximately \$133.8 million which will expire between 2026 and 2037.

With the exception of Tower Cloud, Inc., our 2014 returns remain open to examination. As Tower Cloud, Inc. has NOLs available to carry forward, the applicable tax years will generally remain open to examination several years after the applicable loss carryforwards have been utilized or expire.

The Company or its subsidiaries file tax returns in the U.S. federal jurisdiction, various state and local jurisdictions, and certain foreign jurisdictions. A reconciliation of the Company's beginning and ending liability for unrecognized tax benefits is as follows:

Uniti Group Inc.
Notes to the Consolidated Financial Statements – Continued

(Thousands)	2017
Balance at January 1	\$ -
Additions related to acquisitions	3,036
Additions for tax positions for the current year	-
Additions for tax positions of prior years	-
Reductions for tax positions of prior years	-
Settlements	-
Balance at December 31	\$ 3,036

The Company's entire liability for unrecognized tax benefit would affect the annual effective tax rate if recognized. The Company does not expect a significant change in the balance of unrecognized tax benefits within the next 12 months.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits as additional tax expense. The Company recorded no interest expense or penalties for the period ending December 31, 2017. The Company's balance of accrued interest and penalties related to unrecognized tax benefits as of December 31, 2017 was \$2.3 million.

Note 17. Supplemental Cash Flow Information

Cash paid for interest expense and income taxes is as follows:

(Thousands)	Year Ended December 31,		Period from
	2017	2016	April 24 - December 31, 2015
Supplemental cash flow information:			
Cash paid for interest	\$ 276,071	\$ 255,945	\$ 147,428
Cash paid for income taxes	\$ 4,388	\$ 3,003	\$ 1,284

Note 18. Capital Stock

On April 25, 2017, we issued 19.5 million shares of our common stock, par value \$0.0001 per share. The shares were sold at a public offering price of \$26.50, generating proceeds of approximately \$518 million, before underwriter discounts and transaction costs. The Company used the proceeds from this offering to fund a portion of the cash consideration paid in connection with the acquisitions of Southern Light and Hunt that closed on July 3, 2017.

On August 31, 2016, we issued 1.9 million shares of our common stock, par value \$0.0001 per share, as partial consideration for all outstanding equity interests of Tower Cloud. See Note 4.

On June 24, 2016, in connection with Windstream's disposition of its retained ownership interest in Uniti pursuant to the public offering (See Note 11), we issued 2.2 million additional shares of our common stock. The shares were sold at a public offering price of \$26.01, resulting in proceeds to the Company of \$54.8 million, net of underwriting discounts and commissions, which were used to repay existing borrowings under our Revolving Credit Facility.

On May 2, 2016, we issued 1 million shares of our common stock, par value \$0.0001 per share, as partial consideration for all outstanding equity interests of PEG Bandwidth. See Note 4. In addition, we issued 87,500 shares of the Company's 3% Series A Convertible Preferred Stock, \$0.0001 par value ("Series A Shares"), with a liquidation value of \$87.5 million. The Series A Shares are non-voting and entitle the holders to receive cumulative dividends at the rate per annum of 3.0%, payable in cash. Holders of the Series A Shares have the option to convert at any time after three years, or are mandatorily convertible after eight years at a conversion rate of 28.5714 shares of common stock per Series A Share, subject to adjustment for certain dilutive events not to exceed a conversion rate of 50.5305 shares of common stock per Series A Share. The Series A Shares provide us the option to cash or share settle, and it is our policy to settle in cash upon conversion. Upon liquidation, each holder of the Series A Shares shall be entitled to receive the liquidation preference per share of \$1,000 plus an amount equal to the accumulated and unpaid dividends on such shares. The Series A Shares were recorded at inception on the Consolidated Balance Sheet as mezzanine equity at fair value.

Uniti Group Inc.
Notes to the Consolidated Financial Statements – Continued

We are authorized to issue up to 500,000,000 shares of voting common stock and 50,000,000 shares of preferred stock, of which 174,851,514 and 0 shares, respectively, were outstanding at December 31, 2017. We had 325,148,486 shares of voting common stock available for issuance at December 31, 2017.

Note 19. Dividends (Distributions)

Distributions with respect to our common stock is characterized for federal income tax purposes as taxable ordinary dividends, capital gains dividends, non-dividend distribution or a combination thereof. For the years ended December 31, 2017 and 2016 and for the period from April 24, 2015 to December 31, 2015 our common stock distribution per share was \$2.40, \$2.40 and \$1.04, respectively, characterized as follows:

	Year Ended December 31,		Period from
	2017	2016	April 24 - December 31, 2015
Ordinary dividends	\$ 1.22	\$ 1.31	\$ 0.87
Non-dividend distributions	1.18	1.09	0.17
Total	\$ 2.40	\$ 2.40	\$ 1.04

Note 20. Future Minimum Rents

Future minimum lease payments to be received, excluding operating expense reimbursements, from tenant under non-cancelable operating leases as of December 31, 2017, are as follows:

(Thousands)	
2017	\$ 661,859
2018	666,703
2019	669,838
2020	672,998
2021	675,904
Thereafter	5,109,341
Total	\$ 8,456,643

Note 21. Employee Benefit Plan

We sponsor a defined contribution plan under section 401(k) of the Internal Revenue Code, which covers employees who are 21 years of age and over. Under this plan, we match voluntary employee contributions at a rate of 100% for the first 3% of an employee's annual compensation and at a rate of 50% for the next 2% of an employee's annual compensation. Employees vest in our contribution immediately. Our expense related to the plan recognized for the years ended December 31, 2017, 2016 and for the period April 24, 2015 to December 31, 2015 was \$0.8 million, \$0.4 million and \$0.1 million, respectively.

We sponsor a deferred compensation plan. The plan is established and maintained by the Company primarily to permit certain management or highly compensated employees of the Company and its subsidiaries, within the meaning of Section 301(a) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), to defer a percentage of their compensation. The plan is an unfunded deferred compensation plan intended to qualify for the exemptions provided in, and shall be administered in a manner consistent with Section 201, 301 and 401 of ERISA and Section 409A of the Internal Revenue Code of 1986, as amended.

Note 22. Subsequent Events

On March 1, 2018, we announced that Uniti has entered into agreements to acquire and lease-back fiber assets from privately-held U.S. TelePacific holding Corp. ("TPx") for aggregate consideration of \$95 million in cash. In the

Uniti Group Inc.
Notes to the Consolidated Financial Statements – Continued

transactions, Uniti will acquire and leaseback to TPx, on a triple-net basis, 38,000 fiber strand miles located across California, Nevada, Texas, and Massachusetts. In addition, Uniti will acquire and have exclusive use of 7,000 fiber strand miles located in Texas, which are adjacent to Uniti Fiber's southern network footprint. Uniti will also have non-exclusive rights to market, on behalf of TPx, certain of the fiber assets in California and Massachusetts.

The transactions are subject to customary closing conditions and are expected to close in two tranches, with the non-California assets expected to close in the second quarter of 2018 and the remaining California assets to close in the third quarter of 2018. The initial lease term will be 15 years with five 5-year renewal options at TPx's discretion. Upon the closing of both transactions, annual cash rent will initially be \$8.8 million with a fixed annual escalator of 1.5%.

Note 23. Supplemental Guarantor Information

Pursuant to SEC Regulation S-X Rule 3-10 "Financial statements of guarantors and issuers of guaranteed securities registered or being registered," the Company historically has provided condensed consolidating financial information for CSL Capital and the Guarantors because the 2023 Notes and the guarantees thereof were previously registered with the SEC under the Securities Act of 1933, as amended. Effective as of May 9, 2017 (the effective date of the previously announced up-REIT Reorganization (see Note 9)), the 2023 Notes ceased to be an obligation of the Company, and the Company was no longer required to provide supplemental guarantor information related to the 2023 Notes.

Note 24. Quarterly Results of Operations (unaudited)

Selected quarterly information for each of the four quarters in the year ended December 31, 2017:

	2017			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
(Thousands, except per share data)				
Total revenues	\$ 211,473	\$ 213,013	\$ 245,210	\$ 246,336
Loss before income taxes	(20,379)	(16,385)	(3,837)	(7,076)
Net (loss) income	(20,000)	(16,460)	4,835	22,797
Net (loss) income attributable to common shareholders	(21,788)	(18,242)	2,939	20,539
Basic (loss) earnings per common share	\$ (0.14)	\$ (0.11)	\$ 0.02	\$ 0.12
Diluted (loss) earnings per common share	\$ (0.14)	\$ (0.11)	\$ (0.02)	\$ 0.12
Dividends declared per common share	\$ 0.60	\$ 0.60	\$ 0.60	\$ 0.60

Uniti Group Inc.
Notes to the Consolidated Financial Statements – Continued

Selected quarterly information for each of the four quarters in the year ended December 31, 2016:

	2016			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
(Thousands, except per share data)				
Total revenues	\$ 174,675	\$ 188,573	\$ 200,240	\$ 206,920
Income (loss) before income taxes	8,480	(1,208)	(2,215)	(4,752)
Net income (loss)	8,036	(1,535)	(2,343)	(4,370)
Net income (loss) attributable to common shareholders	7,681	(2,871)	(4,144)	(6,163)
Basic earnings (loss) per common share	\$ 0.05	\$ (0.02)	\$ (0.03)	\$ (0.04)
Diluted earnings (loss) per common share	\$ 0.05	\$ (0.02)	\$ (0.03)	\$ (0.04)
Dividends declared per common share	\$ 0.60	\$ 0.60	\$ 0.60	\$ 0.60

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Uniti Group Inc.

We have audited the accompanying special purpose statement of revenue and direct expenses for the period from January 1, 2015 to April 24, 2015 of the Competitive Local Exchange Carrier ("CLEC") Business of Windstream Holdings, Inc. This special purpose financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this special purpose financial statement based on our audit.

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

The accompanying special purpose financial statement was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission as described in Note 2 and are not intended to be a complete presentation of CLEC's revenues and expenses.

In our opinion, the special purpose financial statement referred to above present fairly, in all material respects, the revenues and direct expenses for the period from January 1, 2015 through April 24, 2015 of the CLEC Business of Windstream Holdings, Inc. in conformity with accounting principles generally accepted in the United States of America.

/s/ PricewaterhouseCoopers LLP

Little Rock, Arkansas
March 7, 2016

Consumer CLEC Business
Statement of Revenues and Direct Expenses

(Thousands)	For the Period January 1 - April 24, 2015
Revenues	\$ 10,149
Direct expenses:	
Cost of revenues	5,552
Selling, general, and administrative	22
Amortization	1,283
Total direct expenses	6,857
Revenues in Excess of Direct Expenses	\$ 3,292

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

**Consumer CLEC Business
Notes to Financial Statement**

Note 1. Description of Business

Uniti Group Inc. (the "Company," "Uniti," "we," "us" or "our"), formerly known as Communications Sales and Leasing, Inc., was incorporated in the state of Delaware in February 2014 and reorganized in the state of Maryland on September 4, 2014. On April 24, 2015, in connection with the separation and spin-off of Uniti from Windstream Holdings, Inc. ("Windstream Holdings" and together with its consolidated subsidiaries "Windstream"), Windstream contributed certain telecommunications network assets, including fiber and copper networks and other real estate (the "Distribution Systems") and a small consumer competitive local exchange carrier ("CLEC") business (the "Consumer CLEC Business") to Uniti in exchange for cash, shares of common stock of Uniti and certain indebtedness of Uniti (the "Spin-Off").

The Consumer CLEC Business, which historically has been reported as an integrated operation within Windstream, offers voice, broadband, long-distance, and value-added services to residential customers located primarily in rural locations. Substantially all of the network assets used to provide these services to customers are contracted through interconnection agreements with other telecommunications carriers. Prior to the Spin-Off, Windstream ceased accepting new residential customers in the service areas covered by the Consumer CLEC Business.

Note 2. Basis of Presentation

Subsequent to the Spin-Off, all financial results of the Consumer CLEC Business are reported within the consolidated financial statements of Uniti. The accompanying Statement of Revenues and Direct Expenses for the period January 1, 2015 to April 24, 2015 (the "Spin Date") has been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission (the "SEC"), as permitted by the SEC and is not intended to be a complete presentation of the results of operations of the Consumer CLEC Business. The elements of the financial statements are stated in accordance with accounting principles generally accepted in the United States ("GAAP"). Certain information and footnote disclosures have been condensed or omitted as permitted by the SEC's rules and regulations. In the opinion of management, all adjustments considered necessary for a fair statement of the results presented have been included. The results of operations for the period presented are not necessarily indicative of results of the Consumer CLEC Business following the Spin-Off.

The accompanying Statement of Revenues and Direct Expenses include all direct costs incurred in connection with the operation of the Consumer CLEC Business for which specific identification was practicable. In addition, direct costs incurred by Windstream to operate the Consumer CLEC Business for which specific identification was not practicable have been allocated based on assumptions that management believes reasonable under the circumstances as more fully discussed in Note 4. The Statement of Revenues and Direct Expenses excludes costs that are not directly related to the Consumer CLEC Business including general corporate overhead costs, interest expense and income taxes.

Note 3. Summary of Significant Accounting Policies

Use of Estimates—The preparation of financial statements, in accordance with GAAP, requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses. The estimates and assumptions used in the accompanying financial statement are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statement. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statement, and such differences could be material.

Revenue Recognition—Service revenues are primarily derived from providing access to or usage of leased networks and facilities. Service revenues are recognized over the period that the corresponding services are rendered to customers. Revenues derived from other telecommunications services, including broadband, long distance and enhanced service revenues are recognized monthly as services are provided. Sales of customer premise equipment and modems are recognized when products are delivered to and accepted by customers.

Consumer CLEC Business
Notes to Financial Statement – Continued

In assessing collectability of receivables, management considers a number of factors, including historical collection experience, aging of the accounts receivable balances and current economic conditions. When internal collection efforts on accounts have been exhausted, the accounts are written off by reducing the allowance for doubtful accounts. The provision for doubtful accounts, which is included in cost of service, was \$111,000 for the period from January 1, 2015 to Spin Date.

Subsequent Events—The accompanying financial statements of the Consumer CLEC Business are derived from the consolidated financial statements of Windstream, which issued its audited consolidated financial statements as of and for the year ended December 31, 2015 on February 25, 2016. Accordingly, management has evaluated transactions for consideration as recognized subsequent events in the accompanying financial statement through the date of February 25, 2016. In addition, management has evaluated transactions that occurred as of the issuance of these financial statements on March 7, 2016 for purposes of disclosure of unrecognized subsequent events.

Note 4. Allocations

As described in Note 2, the accompanying Statement of Revenues and Direct Expenses of the Consumer CLEC Business includes all direct costs incurred in connection with the operation of the Consumer CLEC Business for which specific identification was practicable. In addition, certain costs incurred by Windstream to operate the Consumer CLEC Business for which specific identification was not practicable have been allocated based on revenues and sales. These allocated expenses are included in "Cost of revenues" and "Selling, general and administrative."

General and administrative costs incurred by Windstream not directly related to the Consumer CLEC Business have not been allocated to these operations. Costs not allocated include amounts related to executive management, accounting, treasury and cash management, data processing, legal, human resources and certain occupancy costs.

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Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We have established disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our principal executive and principal financial officers as appropriate, to allow timely decisions regarding required disclosure.

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2017. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2017.

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) of the Exchange Act. The 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, and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

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

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

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

On July 3, 2017, the Company completed the acquisitions of Southern Light, LLC and Hunt Telecommunications, LLC. Management excluded Southern Light, LLC and Hunt Telecommunications, LLC from its assessment of internal control over financial reporting as of December 31, 2017 because they were acquired by the Company in purchase business combinations in 2017. Southern Light, LLC and Hunt Telecommunications, LLC represent 11.0% and 3.5% of total assets, respectively and 5.0% and 1.8% of total revenue, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2017.

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our internal control over financial reporting as of December 31, 2017. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control - Integrated Framework (2013)*.

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Based on this evaluation under the framework in *Internal Control - Integrated Framework (2013)* issued by COSO, management concluded the Company's internal control over financial reporting was effective as of December 31, 2017.

The Company's independent registered public accounting firm, PricewaterhouseCoopers LLP, who has audited the consolidated financial statements included in this Annual Report on Form 10-K, has also audited the effectiveness of the Company's internal control over financial reporting as of December 31, 2017, as stated in their report which appears in Part II, Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Except as set forth below, the information required by this item is incorporated by reference from the definitive proxy statement to be filed within 120 days after December 31, 2017, pursuant to Regulation 14A under the Exchange Act in connection with our 2018 annual meeting of stockholders.

We have a code of ethics as defined in Item 406 of Regulation S-K, which code applies to all of our directors and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions. A copy of this code of ethics, titled "Code of Business Conduct and Ethics & Whistleblower Policy," is available free of charge in the *Corporate Governance* section of the About Us page on our website at www.uniti.com. We intend to satisfy the disclosure requirements of Form 8-K regarding any amendment to, or a waiver from, any provision of our code of ethics by posting such amendment or waiver on our website.

Item 11. Executive Compensation.

The information required by this item is incorporated by reference from the definitive proxy statement to be filed within 120 days after December 31, 2017, pursuant to Regulation 14A under the Exchange Act in connection with our 2018 annual meeting of stockholders.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Except as set forth below, the information required by this item is incorporated by reference from the definitive proxy statement to be filed within 120 days after December 31, 2017, pursuant to Regulation 14A under the Exchange Act in connection with our 2018 annual meeting of stockholders.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table contains information about our equity compensation plan as of December 31, 2017:

Equity Compensation Plan Information			
Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	-	-	4,992,583 ¹
Equity compensation plans not approved by security holders	-	-	-
Total	-	-	4,992,583
¹ Shares available for issuance under the Uniti Group Inc. 2015 Equity Incentive Plan.			

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Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this item is incorporated by reference from the definitive proxy statement to be filed within 120 days after December 31, 2017, pursuant to Regulation 14A under the Exchange Act in connection with our 2018 annual meeting of stockholders.

Item 14. Principal Accounting Fees and Services.

The information required by this item is incorporated by reference from the definitive proxy statement to be filed within 120 days after December 31, 2017, pursuant to Regulation 14A under the Exchange Act in connection with our 2018 annual meeting of stockholders.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

Financial Statements

See Index to Consolidated Financial Statements in “Financial Statements and Supplementary Data.”

Financial Statement Schedules

Uniti Group Inc. Schedule I – Condensed Financial Information of the Registrant (Parent Company) on page S-1 of this report.

Uniti Group Inc. Schedule II – Valuation and Qualifying Accounts on page S-5 of this report.

Uniti Group Inc. Schedule III – Schedule of Real Estate Investments and Accumulated Depreciation on page S-6 of this report.

Index to Exhibits

Exhibit No.	Description
2.1	<u>Separation and Distribution Agreement, dated as of March 26, 2015, by and among Windstream Holdings, Inc., Windstream Services, LLC and Communications Sales & Leasing, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K dated and filed with the SEC as of March 26, 2015 (File No. 001-36708))</u>
2.2	<u>Agreement and Plan of Merger, dated as of January 7, 2016, by and among Communications Sales & Leasing, Inc., CSL Bandwidth Inc., Penn Merger Sub, LLC, PEG Bandwidth, LLC, PEG Bandwidth Holdings, LLC, and PEG Bandwidth Holdings, LLC, as Unitholders' Representative (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K dated and filed with the SEC as of January 12, 2016 (File No. 001-36708))</u>
2.3**	<u>Agreement and Plan of Merger, dated as of June 20, 2016, by and among Communications Sales & Leasing, Inc., CSL Fiber Holdings LLC, Thor Merger Sub, Inc., Tower Cloud, Inc. and Shareholder Representative Services LLC, as representative of the equityholders of Tower Cloud, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Quarterly Report on Form 10-Q dated and filed with the SEC as of August 11, 2016 (File No. 001-36708))</u>
2.4	<u>First Amendment, dated as of August 11, 2016, to the Agreement and Plan of Merger, dated as of June 20, 2016, by and among Communications Sales & Leasing, Inc., CSL Fiber Holdings LLC, Thor Merger Sub, Inc., Tower Cloud, Inc. and Shareholder Representative Services LLC, as representative of the equityholders of Tower Cloud, Inc. (incorporated by reference to Exhibit 2.2 to the Company's Quarterly Report on Form 10-Q dated and filed with the SEC as of August 11, 2016 (File No. 001-36708))</u>
2.5	<u>Membership Interests Purchase Agreement, dated as of April 7, 2017, by and among Uniti Group Inc., Uniti Fiber Holdings Inc. and SLF Holdings, LLC (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K dated and filed with the SEC as of April 11, 2017 (File No. 001-36708))</u>
2.6	<u>Amended and Restated Agreement of Limited Partnership of Uniti Group LP, dated July 3, 2017, by and between Uniti and Uniti Group LP LLC (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K dated and filed with the SEC as of July 3, 2017 (File No. 001-36708))</u>
3.1	<u>Articles of Amendment and Restatement of Communications Sales & Leasing, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated and filed with the SEC as of April 10, 2015 (File No. 001-36708))</u>
3.2	<u>Articles of Amendment of Communications Sales & Leasing, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated and filed with the SEC as of February 28, 2017 (File No. 001-36708))</u>

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Exhibit No.	Description
3.3	<u>Amended and Restated Bylaws of Uniti Group Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated as of May 1, 2017 and filed with the SEC as of May 2, 2017 (File No. 001-36708))</u>
4.1	<u>Indenture, dated as of April 24, 2015, among Communications Sales & Leasing, Inc. and CSL Capital, LLC, as Issuers, the guarantors named therein, and Wells Fargo Bank, National Association, as trustee, governing the 8.25% Senior Notes due 2023 (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated and filed with the SEC as of April 27, 2015 (File No. 001-36708))</u>
4.2	<u>Form of 8.25% Senior Note due 2023 (included in Exhibit 4.1 above) (incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K dated and filed with the SEC as of April 27, 2015 (File No. 001-36708))</u>
4.3	<u>Second Supplemental Indenture (8.25% Senior Notes due 2023), dated as of October 19, 2016, among Communications Sales & Leasing, Inc. and CSL Capital, LLC, as Issuers, the guarantors thereto and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.3 to the Company's Annual Report on Form 10-K dated and filed with the SEC as of February 23, 2017 (File No. 001-36708))</u>
4.4	<u>Fifth Supplemental Indenture, dated as of May 9, 2017, to the indenture dated as of April 24, 2015, among Uniti Group LP, Uniti Group Finance Inc., CSL Capital, LLC, Uniti Group Inc., the guarantors named therein and Wells Fargo Bank, National Association, as trustee, governing the 8.25% Senior Notes due 2023 (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated and filed with the SEC as of May 9, 2017 (File No. 001-36708))</u>
4.5	<u>Sixth Supplemental Indenture, dated as of May 9, 2017, to the indenture dated as of April 24, 2015, among Uniti Group LP, Uniti Group Finance Inc., CSL Capital, LLC, Uniti Group Inc., the guarantors named therein and Wells Fargo Bank, National Association, as trustee, governing the 8.25% Senior Notes due 2023 (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated and filed with the SEC as of May 9, 2017 (File No. 001-36708))</u>
4.6	<u>Indenture, dated as of April 24, 2015, among Communications Sales & Leasing, Inc. and CSL Capital, LLC, as Issuers, the guarantors named therein, and Wells Fargo Bank, National Association, as trustee and as collateral agent, governing the 6.00% Senior Secured Notes due 2023 (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated and filed with the SEC as of April 27, 2015 (File No. 001-36708))</u>
4.7	<u>Form of 6.00% Senior Secured Note due 2023 (included in Exhibit 4.6 above) (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K dated and filed with the SEC as of April 27, 2015 (File No. 001-36708))</u>
4.8	<u>Second Supplemental Indenture (6.00% Senior Secured Notes due 2023), dated as of June 14, 2016, among Communications Sales & Leasing, Inc. and CSL Capital, LLC, as Issuers, the guarantors thereto and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.6 to the Company's Annual Report on Form 10-K dated and filed with the SEC as of February 23, 2017 (File No. 001-36708))</u>
4.9	<u>Third Supplemental Indenture (6.00% Senior Secured Notes due 2023), dated as of October 19, 2016, among Communications Sales & Leasing, Inc. and CSL Capital, LLC, as Issuers, the guarantors thereto and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.7 to the Company's Annual Report on Form 10-K dated and filed with the SEC as of February 23, 2017 (File No. 001-36708))</u>
4.10	<u>Sixth Supplemental Indenture, dated as of May 9, 2017, to the indenture dated as of April 24, 2015, among Uniti Group LP, Uniti Group Finance Inc., CSL Capital, LLC, Uniti Group Inc., the guarantors named therein and Wells Fargo Bank, National Association, as trustee and collateral agent, governing the 6.00% Senior Secured Notes due 2023 (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K dated and filed with the SEC as of May 9, 2017 (File No. 001-36708))</u>

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<u>Exhibit No.</u>	<u>Description</u>
4.11	<u>Seventh Supplemental Indenture, dated as of May 9, 2017, to the indenture dated as of April 24, 2015, among Uniti Group LP, Uniti Group Finance Inc., CSL Capital, LLC, Uniti Group Inc., the guarantors named therein and Wells Fargo Bank, National Association, as trustee and collateral agent, governing the 6.00% Senior Secured Notes due 2023 (incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K dated and filed with the SEC as of May 9, 2017 (File No. 001-36708))</u>
4.12	<u>Articles Supplementary for 3.00% Series A Convertible Preferred Stock (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated and filed with the SEC as of May 4, 2016 (File No. 001-36708))</u>
4.13	<u>Articles of Amendment to Articles Supplementary for 3.00% Series A Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated and filed with the SEC as of May 9, 2017 (File No. 001-36708))</u>
4.14	<u>Indenture, dated as of December 15, 2016, among Communications Sales & Leasing, Inc. and CSL Capital, LLC, as Issuers, the guarantors named therein, and Wells Fargo Bank, National Association, as trustee, governing the 7.125% Senior Notes due 2024 (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K dated and filed with the SEC as of December 15, 2016 (File No. 001-36708))</u>
4.15	<u>Form of 7.125% Senior Note due 2024 (included in Exhibit 4.14 above) (incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K dated and filed with the SEC as of December 15, 2016 (File No. 001-36708))</u>
4.16	<u>First Supplemental Indenture, dated as of February 22, 2017, to the Indenture, dated as of December 15, 2016, among Communications Sales & Leasing, Inc. and CSL Capital, LLC, as Issuers, the guarantors named therein, and Wells Fargo Bank, National Association, as trustee, governing the 7.125% Senior Notes due 2024 (incorporated by reference to Exhibit 4.11 to the Company's Annual Report on Form 10-K dated and filed with the SEC as of February 23, 2017 (File No. 001-36708))</u>
4.17	<u>Third Supplemental Indenture, dated as of May 9, 2017, to the indenture dated as of December 15, 2016, among Uniti Group LP, Uniti Fiber Holdings Inc., CSL Capital, LLC, Uniti Group Inc., the guarantors named therein and Wells Fargo Bank, National Association, as trustee, governing the 7.125% Senior Notes due 2024 (incorporated by reference to Exhibit 4.5 to the Company's Current Report on Form 8-K dated and filed with the SEC as of May 9, 2017 (File No. 001-36708))</u>
4.18	<u>Fourth Supplemental Indenture, dated as of May 9, 2017, to the indenture dated as of December 15, 2016, among Uniti Group LP, Uniti Fiber Holdings Inc., CSL Capital, LLC, Uniti Group Inc., the guarantors named therein and Wells Fargo Bank, National Association, as trustee, governing the 7.125% Senior Notes due 2024 (incorporated by reference to Exhibit 4.6 to the Company's Current Report on Form 8-K dated and filed with the SEC as of May 9, 2017 (File No. 001-36708))</u>
4.19	<u>Fifth Supplemental Indenture, dated as of August 11, 2017, among Uniti Group LP, Uniti Fiber Holdings Inc., and CSL Capital, LLC, as Issuers, the guarantors named therein, and Wells Fargo Bank, National Association, as trustee, relating to the 7.125% Senior Notes due 2024 (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q dated and filed with the SEC as of November 2, 2017 (File No. 001-36708))</u>
4.20	<u>Indenture, dated as of May 8, 2017, among Uniti Fiber Holdings Inc, Uniti Group Inc. and CSL Capital, LLC, as Issuers, the guarantors named therein, and Wells Fargo Bank, National Association, as trustee, governing the 7.125% Senior Notes due 2024 (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated and filed with the SEC as of May 8, 2017 (File No. 001-36708))</u>
4.21	<u>Form of 7.125% Senior Note due 2024 (included in Exhibit 4.20 above) (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated and filed with the SEC as of May 8, 2017 (File No. 001-36708))</u>

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Exhibit No.	Description
4.22	<u>First Supplemental Indenture, dated as of May 9, 2017, to the indenture dated as of May 8, 2017, among Uniti Group LP, Uniti Fiber Holdings Inc., CSL Capital, LLC, Uniti Group Inc., the guarantors named therein and Wells Fargo Bank, National Association, as trustee, governing the 7.125% Senior Notes due 2024 (incorporated by reference to Exhibit 4.7 to the Company's Current Report on Form 8-K dated and filed with the SEC as of May 9, 2017 (File No. 001-36708))</u>
4.23	<u>Second Supplemental Indenture, dated as of May 9, 2017, to the indenture dated as of May 8, 2017, among Uniti Group LP, Uniti Fiber Holdings Inc., CSL Capital, LLC, Uniti Group Inc., the guarantors named therein and Wells Fargo Bank, National Association, as trustee, governing the 7.125% Senior Notes due 2024 (incorporated by reference to Exhibit 4.8 to the Company's Current Report on Form 8-K dated and filed with the SEC as of May 9, 2017 (File No. 001-36708))</u>
10.1	<u>Master Lease, entered into as of April 24, 2015, by and among CSL National, L.P. and the other entities listed therein, as Landlord, and Windstream Holdings, Inc., as Tenant (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated and filed with the SEC as of April 27, 2015 (File No. 001-36708))</u>
10.2	<u>Tax Matters Agreement, entered into as of April 24, 2015, by and among Windstream Holdings, Inc., Windstream Services, LLC and Communications Sales & Leasing, Inc. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated and filed with the SEC as of April 27, 2015 (File No. 001-36708))</u>
10.3	<u>Transition Services Agreement, dated April 24, 2015, by and between Windstream Services, LLC and CSL National, L.P., on behalf of itself and its Affiliates, including Talk America Services, LLC (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated and filed with the SEC as of April 27, 2015 (File No. 001-36708))</u>
10.4	<u>Intellectual Property Matters Agreement, dated as of April 24, 2015, by and among Windstream Services, LLC, individually and on behalf of its subsidiaries that may hold certain intellectual property as described therein, CSL National, L.P. and Talk America Services, LLC (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K dated and filed with the SEC as of April 27, 2015 (File No. 001-36708))</u>
10.5	<u>Wholesale Master Services Agreement, dated April 24, 2015, between Windstream Communications, Inc. and Talk America Services, LLC (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K dated and filed with the SEC as of April 27, 2015 (File No. 001-36708))</u>
10.6	<u>Master Services Agreement, dated as of April 24, 2015, by and between Windstream Services, LLC, on behalf of itself and its competitive local exchange and interexchange carrier affiliates, and Talk America Services, LLC (incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K dated and filed with the SEC as of April 27, 2015 (File No. 001-36708))</u>
10.7	<u>Credit Agreement, dated as of April 24, 2015, by and among Communications Sales & Leasing, Inc. and CSL Capital, LLC, as Borrowers, the guarantors party thereto, the lenders party thereto from time to time and Bank of America, N.A., as administrative agent, collateral agent, swing line lender and L/C issuer (incorporated by reference to Exhibit 10.10 to the Company's Current Report on Form 8-K dated and filed with the SEC as of April 27, 2015 (File No. 001-36708))</u>
10.8	<u>Recognition Agreement, dated April 24, 2015, by and among CSL National, LP and the other entities listed therein, as Landlord, and Windstream Holdings, Inc., as Tenant, and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.11 to the Company's Current Report on Form 8-K dated and filed with the SEC as of April 27, 2015 (File No. 001-36708))</u>
10.9+	<u>Employment Agreement between Communications Sales & Leasing, Inc. and Kenneth Gunderman, effective as of February 12, 2015 (incorporated by reference to Exhibit 10.9 to Amendment No. 3 to the Company's Registration Statement on Form 10 dated and filed with the SEC as of March 12, 2015 (File No. 001-36708))</u>
10.10+	<u>Communications Sales & Leasing, Inc. 2015 Equity Incentive Plan (incorporated by reference to Exhibit 10.12 to Amendment No. 3 to the Company's Registration Statement on Form 10 dated and filed with the SEC as of March 12, 2015 (File No. 001-36708))</u>

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Exhibit No.	Description
10.11+	<u>Severance Agreement, dated as of June 1, 2015, by and between Communications Sales & Leasing, Inc. and Mark A. Wallace (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated and filed with the SEC as of June 3, 2015 (File No. 001-36708))</u>
10.12+	<u>Severance Agreement, dated as of June 1, 2015, by and between Communications Sales & Leasing, Inc. and Daniel L. Heard (incorporated by reference to Exhibit 10.16 to the Company's Registration Statement on Form S-4 dated and filed with the SEC as of July 2, 2015 (File No. 333-205450))</u>
10.13+	<u>Form of Restricted Shares Agreement for employees (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated and filed with the SEC as of June 3, 2015 (File No. 001-36708))</u>
10.14+	<u>Form of Performance-Based Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K dated and filed with the SEC as of June 3, 2015 (File No. 001-36708))</u>
10.15+	<u>Form of Restricted Shares Agreement for non-employee directors (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K dated and filed with the SEC as of June 3, 2015 (File No. 001-36708))</u>
10.16	<u>Form of Indemnity Agreement (incorporated by reference to Exhibit 10.20 to the Company's Registration Statement on Form S-4 dated and filed with the SEC as of July 2, 2015 (File No. 333-205450))</u>
10.17+	<u>Communications Sales & Leasing, Inc. Deferred Compensation Plan, effective August 10, 2015 (incorporated by reference to Exhibit 10.20 to the Company's Quarterly Report on Form 10-Q dated and filed with the SEC as of August 13, 2015 (File No. 001-36708))</u>
10.18	<u>Form of Lockup Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated and filed with the SEC as of January 12, 2016 (File No. 001-36708))</u>
10.19	<u>Stockholders' and Registration Rights Agreement, dated May 2, 2016, by and between Communications Sales and Leasing, Inc. and PEG Bandwidth Holdings, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated and filed with the SEC as of May 4, 2016 (File No. 001-36708))</u>
10.20	<u>Amendment No. 1 to Master Lease, entered into as of February 12, 2016, by and among CSI, National, L.P. and the other entities listed therein, as Landlord, and Windstream Holdings, Inc., as Tenant (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q dated and filed with the SEC as of May 12, 2016 (File No. 001-36708))</u>
10.21+	<u>Communications Sales & Leasing, Inc. 2016 Short Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q dated and filed with the SEC as of May 4, 2017 (File No. 001-36708))</u>
10.22	<u>Letter Agreement between Searchlight II CLS, L.P. and Communications Sales and Leasing, Inc. dated as of June 15, 2016 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q dated and filed with the SEC as of August 11, 2016 (File No. 001-36708))</u>
10.23	<u>Registration Rights Agreement by and among each of the parties listed on the signature pages thereto and Communications Sales & Leasing, Inc. dated as of June 15, 2016 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q dated and filed with the SEC as of August 11, 2016 (File No. 001-36708))</u>
10.24	<u>Amendment No. 1 to the Credit Agreement, dated as of October 21, 2016 by and among Communications Sales & Leasing, Inc. and CSI Capital, LLC, as borrowers, the guarantors party thereto, the lenders party thereto, and Bank of America, N.A., as administrative agent and collateral agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated and filed with the SEC as of October 21, 2016 (File No. 001-36708))</u>
10.25	<u>Amendment No. 2 to the Credit Agreement, dated as of February 9, 2017 by and among Communications Sales & Leasing, Inc. and CSI Capital, LLC, as borrowers, the guarantors party thereto, the lenders party thereto, and Bank of America, N.A., as administrative agent and collateral agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated and filed with the SEC as of February 9, 2017 (File No. 001-36708))</u>

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Exhibit No.	Description
10.26	<u>Amendment No. 3 to the Credit Agreement, dated as of April 28, 2017 by and among Uniti Group Inc. and CSI Capital, LLC, as borrowers, the guarantors party thereto, the lenders party thereto, and Bank of America, N.A., as administrative agent and collateral agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of May 1, 2017 and filed with the SEC as of May 2, 2017 (File No. 001-36708))</u>
10.27-***	<u>Communications Sales & Leasing, Inc. 2017 Short Term Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q dated and filed with the SEC as of May 4, 2017 (File No. 001-36708))</u>
10.28	<u>Borrower Assumption Agreement and Joinder, dated as of May 9, 2017 by and among Uniti Group Inc., as initial borrower, Uniti Group LP and Uniti Group Finance Inc., as borrowers, the guarantors party thereto, the lenders party thereto, and Bank of America, N.A., as administrative agent and collateral agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated and filed with the SEC as of May 9, 2017 (File No. 001-36708))</u>
21.1*	<u>List of Subsidiaries of Uniti Group Inc.</u>
23.1*	<u>Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm</u>
23.2*	<u>Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm</u>
31.1*	<u>Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2*	<u>Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32.1*	<u>Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
32.2*	<u>Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith

** Certain portions of this exhibit have been omitted pursuant to a request for confidential treatment granted by, and have been filed separately with, the Securities and Exchange Commission. Also, certain exhibits and schedules to this exhibit have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company agrees to furnish a supplemental copy of any such omitted exhibit or schedule to the Securities and Exchange Commission upon request but may request confidential treatment for any exhibit or schedule so furnished.

*** Certain portions of this exhibit have been omitted pursuant to a request for confidential treatment granted by, and have been filed separately with, the Securities and Exchange Commission.

+ Constitutes a management contract or compensation plan or arrangement.

ITEM 16. FORM 10-K SUMMARY

None.

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.

UNITI GROUP INC.

Date: March 1, 2018

By: /s/ Kenneth A. Gunderman
Kenneth A. Gunderman
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

Name	Title	Date
<u>/s/ Kenneth A. Gunderman</u> Kenneth A. Gunderman	President and Chief Executive Officer <i>(Principal Executive Officer)</i>	March 1, 2018
<u>/s/ Mark A. Wallace</u> Mark A. Wallace	Executive Vice President – Chief Financial Officer and Treasurer <i>(Principal Financial Officer)</i>	March 1, 2018
<u>/s/ Blake Schuhmacher</u> Blake Schuhmacher	Vice President – Chief Accounting Officer <i>(Principal Accounting Officer)</i>	March 1, 2018
<u>/s/ Francis X. Frantz</u> Francis X. Frantz	Chairman and Director	March 1, 2018
<u>/s/ Jennifer S. Banner</u> Jennifer S. Banner	Director	March 1, 2018
<u>/s/ Scott G. Bruce</u> Scott G. Bruce	Director	March 1, 2018
<u>/s/ Andrew Frey</u> Andrew Frey	Director	March 1, 2018
<u>/s/ David L. Solomon</u> David L. Solomon	Director	March 1, 2018

Uniti Group Inc.
Schedule I – Condensed Financial Information of
The Registrant (Parent Company)
Condensed Balance Sheets

(Thousands, except par value)	December 31, 2017	December 31, 2016
Assets:		
Cash and cash equivalents	\$ 2,188	\$ 131,145
Accounts receivable, net	—	(3)
Other assets	(9)	1,066
Investment in consolidated subsidiaries	(1,120,120)	2,801,234
Total Assets	\$ (1,117,941)	\$ 2,933,442
Liabilities:		
Accrued interest payable	\$ —	\$ 27,812
Derivative liability	—	6,102
Dividends payable	107,078	94,607
Contingent consideration	—	98,600
Notes and other debt, net	—	4,028,214
Total liabilities	107,078	4,255,335
Convertible Preferred Stock, Series A, \$0.0001 par value, 88 shares authorized, issued and outstanding, \$87,500 liquidation value	83,530	80,552
Shareholders' Deficit:		
Preferred stock, \$0.0001 par value, 50,000 shares authorized, no shares issued and outstanding	—	—
Common stock, \$0.0001 par value, 500,000 shares authorized, issued and outstanding: 174,852 shares at December 31, 2017 and 155,139 at December 31, 2016	17	15
Additional paid-in capital	644,328	141,092
Accumulated other comprehensive income	7,821	(6,369)
Distributions in excess of accumulated earnings	(1,960,715)	(1,537,183)
Total Uniti shareholders' deficit	(1,308,549)	(1,402,445)
Total Liabilities, Convertible Preferred Stock, and Shareholders' Deficit	\$ (1,117,941)	\$ 2,933,442

See notes to Consolidated Financial Statements of Uniti Group Inc. included in Financial Statements and Supplementary Data.

Uniti Group Inc.
Schedule I – Condensed Financial Information of
The Registrant (Parent Company)
Condensed Statements of Comprehensive Income

(Thousands)	Year Ended December 31,		Period from
	2017	2016	April 24 - December 31, 2015
Costs and Expenses:			
Interest expense	\$ 119,702	\$ 267,959	\$ 181,797
General and administrative expense	40	4,829	1,934
Transaction related costs	—	3,945	—
Other expense	9,253	—	—
Total costs and expenses	128,995	276,733	183,731
Operating loss	(128,995)	(276,733)	(183,731)
Earnings from consolidated subsidiaries	119,556	276,521	208,601
(Loss) income before income taxes	(9,439)	(212)	24,870
Net (loss) income	(9,439)	(212)	24,870
Comprehensive (loss) income	\$ 4,751	\$ (1,154)	\$ 19,443

See notes to Consolidated Financial Statements of Uniti Group Inc. included in Financial Statements and Supplementary Data.

Uniti Group Inc.
Schedule I – Condensed Financial Information of
The Registrant (Parent Company)
Condensed Statements of Cash Flows

(Thousands)	Year Ended December 31,		Period from
	2017	2016	April 24 - December 31, 2015
Cash flow from operating activities			
Net cash (used in) provided by operating activities	\$ (602,530)	\$ (59,076)	\$ 106,332
Cash flow from investing activities			
Consideration paid to Windstream Services	—	—	(1,035,029)
Net cash used in investing activities	—	—	(1,035,029)
Cash flow from financing activities			
Principal payment on debt	(5,270)	(22,027)	(10,700)
Dividends paid	(400,210)	(367,830)	(156,854)
Proceeds from issuance of Term Loans	—	—	1,127,000
Proceeds from issuance of Notes	201,000	548,875	—
Borrowings under revolving credit facility	350,000	641,000	—
Payments under revolving credit facility	(125,000)	(641,000)	—
Payments of contingent consideration	(18,791)	—	—
Purchase of noncontrolling interests	(560)	—	—
Deferred financing costs	(24,686)	(20,557)	(30,057)
Common stock issuance, net of costs	498,926	54,213	(543)
Net share settlement	(1,836)	(2,359)	(113)
Intercompany transactions, net	—	(111)	—
Cash in-lieu of fractional shares	—	—	(19)
Net cash provided by investing activities	473,573	190,204	928,714
Effect of exchange rates on cash and cash equivalents	—	—	—
Net increase in cash and cash equivalents	(128,957)	131,128	17
Cash and cash equivalents at beginning of period	131,145	17	—
Cash and cash equivalents at end of period	\$ 2,188	\$ 131,145	\$ 17

See notes to Consolidated Financial Statements of Uniti Group Inc. included in Financial Statements and Supplementary Data.

Uniti Group Inc.
Schedule I – Condensed Financial Information of
The Registrant (Parent Company)
Notes to Condensed Financial Statements

Note 1. Background and Basis of Presentation

Uniti Group Inc.'s parent company financial information has been derived from its consolidated financial statements and should be read in conjunction with the consolidated financial statements and notes of Uniti and its subsidiaries included in Item 8 Financial Statements and Supplementary Data in this Annual Report on Form 10-K.

Note 2. Subsidiary Transactions

Investment in Subsidiaries

On May 9, 2017, the parent company completed its previously announced reorganization (the “up-REIT Reorganization”) to operate through a customary “up-REIT” structure, pursuant to which we hold substantially all of our assets through a partnership, Uniti Group LP, a Delaware limited partnership (the “Operating Partnership”), that we control as general partner, with the only significant difference between the financial position and results of operations of the Operating Partnership and its subsidiaries compared to the consolidated financial position and consolidated results of operations of Uniti is that the results for the Operating Partnership and its subsidiaries do not include Uniti’s Consumer CLEC segment, which consists of Talk America Services. Under this structure, the Operating Partnership now holds substantially all of Uniti Group Inc.’s assets, liabilities and results of operations. In connection with the up-REIT Reorganization, the Operating Partnership replaced Uniti Group Inc. and assumed its obligations as an obligor under Uniti Group Inc.’s notes and debt facilities.

Dividends

Cash dividends received from subsidiaries and recorded in Cash Flow from Operating Activities in the Condensed Statement of Cash Flows were \$104.9 million for the year ended December 31, 2017. No cash dividends were received for the year ended December 31, 2016 and for the period April 24, 2015 through December 31, 2015.

Uniti Group Inc.
Schedule II – Valuation and Qualifying Accounts
(dollars in thousands)

Column A	Column B	Column C		Column D	Column E
Description	Balance at Beginning of Period	Additions		Deductions	Balance at End of Period
		Charged to Cost and Expenses	Charged to Other Accounts		
Valuation allowance for deferred tax assets:					
Year Ended December 31, 2017	\$ 8,176	\$ -	\$ -	\$ (8,176)	\$ -
Year Ended December 31, 2016	\$ -	\$ -	\$ 8,176	\$ -	\$ 8,176
Period from April 24 - December 31, 2015	\$ -	\$ -	\$ -	\$ -	\$ -
Allowance for Doubtful Accounts					
Year Ended December 31, 2017	\$ 1,352	\$ (86)	\$ 45	\$ (300)	\$ 1,011
Year Ended December 31, 2016	\$ -	\$ 1,352	\$ -	\$ -	\$ 1,352
Period from April 24 - December 31, 2015	\$ -	\$ -	\$ -	\$ -	\$ -

Unifi Group Inc.
Schedule III – Real Estate Investments and Accumulated Depreciation
As of December 31, 2017
(dollars in thousands)

Col. A	Col. B	Col. C	Col. D		Col. E	Col. F	Col. G	Col. H	Col. I
Description	Encumbrances	Initial cost to company(1)	Cost capitalized subsequent to acquisition(1)(3)		Gross Amount Carried at Close of Period(5)	Accumulated Depreciation	Date of Construction(2)	Date Acquired(2)	Life on which Depreciation in Latest Income Statements is Computed
			Improvements	Carry Costs					
Land	\$ —	(1)	(1)	(1)	\$ 28,269	\$ —	(2)	(2)	Indefinite
Building and improvements	—	(1)	(1)	(1)	323,939	(156,620)	(2)	(2)	3 - 40 years
Poles	—	(1)	(1)	(1)	243,710	(179,514)	(2)	(2)	30 years
Fiber	—	(1)	(1)	(1)	2,153,942	(946,564)	(2)	(2)	30 years
Equipment	—	(1)	(1)	(1)	889	(36)	(2)	(2)	5 - 7 years
Copper	—	(1)	(1)	(1)	3,656,384	(3,055,096)	(2)	(2)	20 years
Conduit	—	(1)	(1)	(1)	90,235	(57,205)	(2)	(2)	30 years
Towers	—	(1)	(1)	(1)	55,150	(2,921)	(2)	(2)	20 years
Real property interest	—	(1)	(1)	(1)	34,580	(495)	(2)	(2)	See Note 3
Other assets	—	(1)	(1)	(1)	8,334	(1,338)	(2)	(2)	15 - 20 years
Construction in progress	—	(1)	(1)	(1)	8,048	—	(2)	(2)	See Note 3

(1) Given the voluminous nature and variety of our real estate investment assets, this schedule omits columns C and D from the schedule III presentation.

(2) Because additions and improvements to our real estate investment assets are ongoing, construction and acquisition dates are not applicable.

(3) For the year ended December 31, 2017, the amount of capitalized costs related to the Distribution Systems is as follows (millions):

Tenant capital improvements⁽⁴⁾ \$ 228.0

(4) Tenant capital improvements represent, maintenance, repair, overbuild, upgrade or replacements to the leased network, including, without limitation, the replacement of copper distribution systems with fiber distribution systems. We receive non-monetary consideration related to the TCIs as they automatically become our property, and we recognize the cost basis of TCIs that are capital in nature.

(5) Aggregate cost for Federal income tax purposes related to our real estate investment assets is \$6.3 billion.

Uniti Group Inc.
Schedule III – Real Estate Investments and Accumulated Depreciation
As of December 31, 2017
(dollars in thousands)

	2017	2016
Gross amount at beginning	\$ 6,256,248	\$ 6,093,541
Additions during period:		
Tenant capital improvements	227,969	156,972
Acquisitions	80,132	15,848
Other	45,552	-
Total additions	353,653	172,820
Deductions during period:		
Cost of real estate sold or disposed	6,421	10,113
Other	-	-
Total deductions	6,421	10,113
Balance at end	\$ 6,603,480	\$ 6,256,248
	2017	2016
Gross amount of accumulated depreciation at beginning	\$ 4,054,748	\$ 3,720,890
Additions during period:		
Depreciation	351,332	343,971
Other	(45)	-
Total additions	351,287	343,971
Deductions during period:		
Amount of accumulated depreciation for assets sold or disposed	6,246	-
Other	-	10,113
Total deductions	6,246	10,113
Balance at end	\$ 4,399,789	\$ 4,054,748

Subsidiaries of the Registrants

Subsidiary	State or other jurisdiction of incorporation or organization
CSL Capital, LLC	Delaware
Contact Network, LLC	Alabama
CSL Alabama System, LLC	Delaware
CSL Arkansas System, LLC	Delaware
CSL Florida System, LLC	Delaware
CSL Georgia Realty, LLC	Delaware
CSL Georgia System, LLC	Delaware
CSL Iowa System, LLC	Delaware
CSL Kentucky System, LLC	Delaware
CSL Mississippi System, LLC	Delaware
CSL Missouri System, LLC	Delaware
CSL National, LP	Delaware
CSL National GP, LLC	Delaware
CSL New Mexico System, LLC	Delaware
CSL North Carolina Realty, LP	Delaware
CSL North Carolina Realty GP, LLC	Delaware
CSL North Carolina System, LP	Delaware
CSL Ohio System, LLC	Delaware
CSL Oklahoma System, LLC	Delaware
CSL Realty, LLC	Delaware
CSL Tennessee Realty, LLC	Delaware
CSL Tennessee Realty Partner, LLC	Delaware
CSL Texas System, LLC	Delaware
Hunt Brothers of Louisiana, L.L.C.	Louisiana
Hunt Telecommunications, LLC	Louisiana
InLine Services, LLC	Delaware
Integrated Data Systems, L.L.C.	Louisiana
Network Management Holdings, Ltd	Cayman Islands
Network Mgmt. Services, S.A.	Nicaragua
Nexus Systems, Inc.	Louisiana
Nexus Wireless, L.L.C.	Louisiana
NMS Delaware Subsidiary, LLC	Delaware
NMS NewCo 1, LLC	Delaware
NMS NewCo 2, LLC	Delaware
NMS Towers De Colombia SAS	Colombia
NMS Towers de Mexico, S. De R.L. de C.V.	Mexico
PEG Bandwidth DC, LLC	Delaware
PEG Bandwidth DE, LLC	Delaware
PEG Bandwidth IA, LLC	Delaware
PEG Bandwidth IL, LLC	Delaware
PEG Bandwidth LA, LLC	Delaware
PEG Bandwidth MA, LLC	Delaware
PEG Bandwidth MD, LLC	Delaware
PEG Bandwidth MS, LLC	Delaware
PEG Bandwidth NJ, LLC	Delaware
PEG Bandwidth NY, LLC	Delaware
PEG Bandwidth NY Telephone Corp.	New York
PEG Bandwidth PA, LLC	Delaware

PEG Bandwidth Services, LLC	Delaware
PEG Bandwidth TX, LLC	Delaware
PEG Bandwidth VA, LLC	Delaware
Southern Light, LLC	Alabama
Summit Wireless Infrastructure de México, S. de R.L. de C.V.	Mexico
Summit Wireless Infrastructure Servicios, S. de R.L. de C.V.	Mexico
Talk America Services, LLC*	Delaware
Tower Cloud, Inc.	Delaware
Uniti Dark Fiber LLC	Delaware
Uniti Fiber Holdings Inc.	Delaware
Uniti Fiber Holdings-TC LLC	Delaware
Uniti Fiber LLC	Delaware
Uniti Group Finance Inc.	Delaware
Uniti Group LP*	Delaware
Uniti Group LP LLC*	Delaware
Uniti Holdings GP LLC	Delaware
Uniti Holdings LP	Delaware
Uniti LATAM GP LLC	Delaware
Uniti LATAM LP	Delaware
Uniti Leasing LLC	Delaware
Uniti QRS Holdings GP LLC	Delaware
Uniti QRS Holdings LP	Delaware
Uniti Towers LLC	Delaware
Uniti Towers NMS Holdings LLC	Delaware
Uniti Towers – NMS Investor LLC	Delaware
Uniti Wireless Holdings LLC	Delaware
Uniti Wireless Infrastructure LLC	Delaware

*Uniti Group LP LLC and Talk America Services LLC are direct, wholly-owned subsidiaries of Uniti Group Inc. Uniti Group LP is a direct, majority-owned subsidiary of Uniti Group Inc. The remaining subsidiaries are direct or indirect, wholly-owned subsidiaries of Uniti Group LP.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-203591) and S-3 (No. 333-212046) of Uniti Group Inc. of our report dated March 1, 2018 relating to the financial statements, financial statement schedules and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Little Rock, Arkansas
March 1, 2018

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-203591) and S-3 (No. 333-212046) of Uniti Group Inc. of our report dated March 7, 2016 relating to the special purpose statement of revenues and direct expenses for the period from January 1, 2015 to April 24, 2015 of the Competitive Local Exchange Carrier ("CLEC") Business of Windstream Holdings, Inc., which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Little Rock, Arkansas
March 1, 2018

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kenneth A. Gunderman, certify that:

1. I have reviewed this Annual Report on Form 10-K of Uniti Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant, as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2018

By: _____ /s/ Kenneth A. Gunderman
Kenneth A. Gunderman
President and Chief Executive Officer

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Mark A. Wallace, certify that:

1. I have reviewed this Annual Report on Form 10-K of Uniti Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant, as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2018

By: /s/ Mark A. Wallace
Mark A. Wallace
Executive Vice President – Chief Financial Officer
and Treasurer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Uniti Group Inc. (the "Company") for the period ending December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 1, 2018

By: /s/ Kenneth A. Gunderman
Kenneth A. Gunderman
President and Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Uniti Group Inc. (the "Company") for the period ending December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 1, 2018

By: /s/ Mark A. Wallace

Mark A. Wallace
Executive Vice President – Chief Financial Officer
and Treasurer

Exhibit C

Uniti's Form 10-Q and Form 10-K filed with
the United States Security and Exchange Commission

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2018

OR

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

For the transition period from _____ to _____
Commission File Number: 001-36708

Uniti Group Inc.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

10802 Executive Center Drive
Benton Building Suite 300
Little Rock, Arkansas

(Address of principal executive offices)

46-5230630
(I.R.S. Employer
Identification No.)

72211
(Zip Code)

Registrant's telephone number, including area code: (501) 850-0820

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

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

Indicate by check mark 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 August 3, 2018, the registrant had 175,686,990 shares of common stock, \$0.0001 par value per share, outstanding.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes forward-looking statements as defined under U.S. federal securities law. Forward-looking statements include all statements that are not historical statements of fact and those regarding our intent, belief or expectations, including, but not limited to, statements regarding: our expectations regarding the future growth and demand of the telecommunication industry; future financing plans, business strategies, growth prospects and operating and financial performance; expectations regarding the impact and integration of Hunt Telecommunications, LLC ("Hunt") and Southern Light, LLC ("Southern Light"), including expectations regarding operational synergies with Uniti Towers and Uniti Fiber; expectations regarding settling conversion of our 3% convertible preferred stock in cash upon conversion; expectations regarding the probability of our obligation to pay contingent consideration upon Tower Cloud, Inc.'s ("Tower Cloud") or Hunt's achievement of certain defined operational and financial milestones; expectations regarding future deployment of fiber strand miles and recognition of revenue related thereto; expectations regarding levels of capital expenditures; expectations regarding the deductibility of goodwill for tax purposes; expectations regarding the reclassification of accumulated other comprehensive income (loss) related to derivatives to interest expense; expectations regarding the amortization of intangible assets; expectations regarding the U.S. TelePacific Holdings Corp ("TPx") and CableSouth Media, LLC ("CableSouth") transactions; and expectations regarding the payment of dividends.

Words such as "anticipate(s)," "expect(s)," "intend(s)," "plan(s)," "believe(s)," "may," "will," "would," "could," "should," "seek(s)" and similar expressions, or the negative of these terms, are intended to identify such forward-looking statements. These statements are based on management's current expectations and beliefs and are subject to a number of risks and uncertainties that could lead to actual results differing materially from those projected, forecasted or expected. Although we believe that the assumptions underlying the forward-looking statements are reasonable, we can give no assurance that our expectations will be attained. Factors which could have a material adverse effect on our operations and future prospects or which could cause actual results to differ materially from our expectations include, but are not limited to:

- the ability and willingness of our customers to meet and/or perform their obligations under any contractual arrangements entered into with us, including master lease arrangements;
- the ability of our customers to comply with laws, rules and regulations in the operation of the assets we lease to them;
- the ability and willingness of our customers to renew their leases with us upon their expiration, and the ability to reposition our properties on the same or better terms in the event of nonrenewal or in the event we replace an existing tenant;
- our ability to renew, extend or retain our contracts or to obtain new contracts with significant customers (including customers of the businesses that we acquire);
- the availability of and our ability to identify suitable acquisition opportunities and our ability to acquire and lease the respective properties on favorable terms or operate and integrate the acquired businesses;
- our ability to generate sufficient cash flows to service our outstanding indebtedness;
- our ability to access debt and equity capital markets;
- the impact on our business or the business of our customers as a result of credit rating downgrades, and fluctuating interest rates;
- adverse impacts of litigation or disputes involving us or our customers;
- our ability to retain our key management personnel;
- our ability to maintain our status as a real estate investment trust ("REIT");
- changes in the U.S. tax law and other federal, state or local laws, whether or not specific to REITs, including the impact of the recently enacted U.S. tax reform legislation;
- covenants in our debt agreements that may limit our operational flexibility;
- the possibility that we may experience equipment failures, natural disasters, cyber attacks or terrorist attacks for which our insurance may not provide adequate coverage;
- the risk that we fail to fully realize the potential benefits of or have difficulty in integrating the companies we acquire;

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- other risks inherent in the communications industry and in the ownership of communications distribution systems, including potential liability relating to environmental matters and illiquidity of real estate investments;
- the risk that the TPx or CableSouth transaction agreements may be modified or terminated prior to expiration or that the conditions to the TPx or CableSouth transactions may not be satisfied; and
- additional factors discussed in Part I, Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Quarterly Report on Form 10-Q and in Part I, Item 1A "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2017, as well as those described from time to time in our future reports filed with the U.S. Securities and Exchange Commission ("SEC").

Forward-looking statements speak only as of the date of this Quarterly Report. Except in the normal course of our public disclosure obligations, we expressly disclaim any obligation to release publicly any updates or revisions to any forward-looking statements to reflect any change in our expectations or any change in events, conditions or circumstances on which any such statement is based.

**Uniti Group Inc.
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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

**Uniti Group Inc.
Condensed Consolidated Balance Sheets
(unaudited)**

(Thousands, except par value)	June 30, 2018	December 31, 2017
Assets:		
Property, plant and equipment, net	\$ 3,095,805	\$ 3,053,889
Cash and cash equivalents	76,500	59,765
Accounts receivable, net	66,637	43,652
Goodwill	681,175	673,729
Intangible assets, net	416,430	429,357
Straight-line revenue receivable	54,626	47,041
Derivative asset	56,666	6,793
Other assets	23,819	15,856
Total Assets	\$ 4,471,658	\$ 4,330,082
Liabilities, Convertible Preferred Stock and Shareholders' Deficit:		
Liabilities:		
Accounts payable, accrued expenses and other liabilities	\$ 83,815	\$ 77,634
Accrued interest payable	28,424	28,684
Deferred revenue	653,787	537,553
Dividends payable	110,312	109,557
Deferred income taxes	55,819	55,478
Capital lease obligations	57,378	56,329
Contingent consideration	92,612	105,762
Notes and other debt, net	4,679,304	4,482,697
Total liabilities	5,761,451	5,453,694
Commitments and contingencies (Note 12)		
Convertible preferred stock, Series A, \$0.0001 par value, 88 shares authorized, issued and outstanding, \$87,500 liquidation value	85,019	83,530
Shareholders' Deficit:		
Preferred stock, \$0.0001 par value, 50,000 shares authorized, no shares issued and outstanding	-	-
Common stock, \$0.0001 par value, 500,000 shares authorized, issued and outstanding: 175,029 shares at June 30, 2018 and 174,852 at December 31, 2017	17	17
Additional paid-in capital	645,627	644,328
Accumulated other comprehensive income	56,237	7,821
Distributions in excess of accumulated earnings	(2,174,216)	(1,960,715)
Total Uniti shareholders' deficit	(1,472,335)	(1,308,549)
Noncontrolling interests - operating partnership units	97,523	101,407
Total shareholders' deficit	(1,374,812)	(1,207,142)
Total Liabilities, Convertible Preferred Stock, and Shareholders' Deficit	\$ 4,471,658	\$ 4,330,082

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

Uniti Group Inc.
Condensed Consolidated Statements of Income
(unaudited)

(Thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues:				
Leasing	\$ 173,885	\$ 170,914	\$ 346,659	\$ 341,220
Fiber Infrastructure	67,389	34,983	134,356	69,795
Tower	2,472	2,455	5,842	3,883
Consumer CLEC	3,583	4,661	7,387	9,588
Total revenues	247,329	213,013	494,244	424,486
Costs and Expenses:				
Interest expense	79,385	75,086	156,992	148,451
Depreciation and amortization	114,842	102,599	229,563	203,960
General and administrative expense	20,681	13,503	43,201	27,481
Operating expense (exclusive of depreciation and amortization)	31,522	21,961	61,426	44,086
Transaction related costs	3,789	14,017	9,702	23,701
Other (income) expense	3,349	2,232	(536)	13,571
Total costs and expenses	253,568	229,398	500,348	461,250
Loss before income taxes	(6,239)	(16,385)	(6,104)	(36,764)
Income tax (benefit) expense	(2,646)	75	(3,742)	(304)
Net loss	(3,593)	(16,460)	(2,362)	(36,460)
Net loss attributable to noncontrolling interests	(90)	-	(69)	-
Net loss available to shareholders	(3,503)	(16,460)	(2,293)	(36,460)
Participating securities' share in earnings	(658)	(381)	(1,337)	(768)
Dividends declared on convertible preferred stock	(656)	(656)	(1,312)	(1,312)
Amortization of discount on convertible preferred stock	(745)	(745)	(1,490)	(1,490)
Net loss attributable to common shareholders	<u>\$ (5,562)</u>	<u>\$ (18,242)</u>	<u>\$ (6,432)</u>	<u>\$ (40,030)</u>
Earnings (loss) per common share:				
Basic	<u>\$ (0.03)</u>	<u>\$ (0.11)</u>	<u>\$ (0.04)</u>	<u>\$ (0.25)</u>
Diluted	<u>\$ (0.03)</u>	<u>\$ (0.11)</u>	<u>\$ (0.04)</u>	<u>\$ (0.25)</u>
Weighted-average number of common shares outstanding:				
Basic	<u>175,011</u>	<u>169,655</u>	<u>174,951</u>	<u>162,460</u>
Diluted	<u>175,011</u>	<u>169,655</u>	<u>174,951</u>	<u>162,460</u>
Dividends declared per common share	<u>\$ 0.60</u>	<u>\$ 0.60</u>	<u>\$ 1.20</u>	<u>\$ 1.20</u>

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

Uniti Group Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(unaudited)

(Thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net loss	\$ (3,593)	\$ (16,460)	\$ (2,362)	\$ (36,460)
Other comprehensive income (loss):				
Unrealized gain (loss) on derivative contracts	14,605	(10,695)	49,873	(6,129)
Changes in foreign currency translation	(4,879)	123	(314)	4,998
Other comprehensive income (loss):	9,726	(10,572)	49,559	(1,131)
Comprehensive income (loss)	6,133	(27,032)	47,197	(37,591)
Comprehensive income attributable to noncontrolling interest	134	-	1,074	-
Comprehensive income (loss) attributable to common shareholders	\$ 5,999	\$ (27,032)	\$ 46,123	\$ (37,591)

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

Uniti Group Inc.
Condensed Consolidated Statements of Shareholders' Deficit
(unaudited)

(Thousands, except share data)	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Distributions in Excess of Accumulated Earnings	Noncontrolling Interest	Total Shareholders' Deficit
	Shares	Amount	Shares	Amount					
Balance at December 31, 2016	-	\$ -	155,138,637	\$ 15	\$ 141,092	\$ (6,369)	\$ (1,537,183)	\$ -	\$ (1,402,445)
Net loss	-	-	-	-	-	-	(36,460)	-	(36,460)
Issuance of common stock	-	-	19,528,302	2	517,500	-	-	-	517,502
Amortization of discount of convertible preferred stock	-	-	-	-	(1,490)	-	-	-	(1,490)
Other comprehensive loss	-	-	-	-	-	(1,131)	-	-	(1,131)
Common stock dividends	-	-	-	-	-	-	(199,137)	-	(199,137)
Convertible preferred stock dividends	-	-	-	-	-	-	(1,312)	-	(1,312)
Equity issuance cost	-	-	-	-	(18,525)	-	-	-	(18,525)
Net share settlement	-	-	-	-	(420)	-	(1,274)	-	(1,694)
Stock-based compensation	-	-	145,626	-	3,653	-	-	-	3,653
Balance at June 30, 2017	-	\$ -	174,812,565	\$ 17	\$ 641,810	\$ (7,500)	\$ (1,775,366)	\$ -	\$ (1,141,039)
Balance at December 31, 2017	-	\$ -	174,851,514	\$ 17	\$ 644,328	\$ 7,821	\$ (1,960,715)	\$ 101,407	\$ (1,207,142)
Net loss	-	-	-	-	-	-	(2,293)	(69)	(2,362)
Amortization of discount on convertible preferred stock	-	-	-	-	(1,490)	-	-	-	(1,490)
Other comprehensive income	-	-	-	-	-	48,416	-	1,143	49,559
Common stock dividends	-	-	-	-	-	-	(211,486)	-	(211,486)
Distributions to noncontrolling interest	-	-	-	-	-	-	-	(4,958)	(4,958)
Convertible preferred stock dividends	-	-	-	-	-	-	(1,312)	-	(1,312)
Net share settlement	-	-	-	-	(1,306)	-	(269)	-	(1,575)
Stock-based compensation	-	-	177,321	-	4,095	-	-	-	4,095
Impact of change in accounting standard	-	-	-	-	-	-	1,859	-	1,859
Balance at June 30, 2018	-	\$ -	175,028,835	\$ 17	\$ 645,627	\$ 56,237	\$ (2,174,216)	\$ 97,523	\$ (1,374,812)

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

Uniti Group Inc.
Condensed Consolidated Statements of Cash Flows
(unaudited)

(Thousands)	Six Months Ended June 30,	
	2018	2017
Cash flow from operating activities		
Net loss	\$ (2,362)	\$ (36,460)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	229,563	203,960
Amortization of deferred financing costs and debt discount	12,147	10,981
Deferred income taxes	(4,257)	(1,607)
Straight-line revenues	(7,400)	(7,248)
Stock-based compensation	4,095	3,653
Change in fair value of contingent consideration	(488)	13,024
Other	1,597	590
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	(22,971)	4,468
Other assets	(5,510)	(2,671)
Accounts payable, accrued expenses and other liabilities	26,559	7,712
Net cash provided by operating activities	230,973	196,402
Cash flow from investing activities		
Acquisition of businesses, net of cash acquired	-	248
Acquisition of ground lease investments	-	(9,355)
NMS asset acquisitions (Note 4)	(1,154)	(67,924)
Other capital expenditures	(163,467)	(46,234)
Net cash used in investing activities	(164,621)	(123,265)
Cash flow from financing activities		
Principal payments on debt	(10,540)	(10,540)
Dividends paid	(212,043)	(188,347)
Payments of contingent consideration	(12,662)	(18,791)
Proceeds from issuance of Notes	-	201,000
Distributions paid to noncontrolling interest	(4,958)	-
Borrowings under revolving credit facility	245,000	360,000
Payments under revolving credit facility	(50,000)	(125,000)
Capital lease payments	(2,738)	(1,345)
Deferred financing costs	-	(25,411)
Common stock issuance, net of costs	-	498,977
Net share settlement	(1,575)	(1,694)
Net cash (used in) provided by financing activities	(49,516)	688,849
Effect of exchange rates on cash and cash equivalents	(101)	356
Net decrease in cash and cash equivalents	16,735	762,342
Cash and cash equivalents at beginning of period	59,765	171,754
Cash and cash equivalents at end of period	<u>\$ 76,500</u>	<u>\$ 934,096</u>
Non-cash investing and financing activities:		
Property and equipment acquired but not yet paid	\$ 15,191	\$ 2,892
Tenant capital improvements	92,190	113,785

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

Uniti Group Inc.
Notes to the Condensed Consolidated Financial Statements
(unaudited)

Note 1. Organization and Description of Business

Uniti Group Inc. (the “Company,” “Uniti,” “we,” “us,” or “our”) was incorporated in the state of Delaware in February 2014 and reorganized in the state of Maryland on September 4, 2014. We are an internally managed real estate investment trust (“REIT”) engaged in the acquisition and construction of mission critical infrastructure in the communications industry. We are principally focused on acquiring and constructing fiber optic broadband networks, wireless communications towers, copper and coaxial broadband networks and data centers. We manage our operations in four separate lines of business: Uniti Fiber, Uniti Towers, Uniti Leasing, and the Consumer CLEC Business.

The Company operates through a customary “up-REIT” structure, pursuant to which we hold substantially all of our assets through a partnership, Uniti Group LP, a Delaware limited partnership (the “Operating Partnership”), that we control as general partner, with the only significant difference between the financial position and results of operations of the Operating Partnership and its subsidiaries compared to the consolidated financial position and consolidated results of operations of Uniti is that the results for the Operating Partnership and its subsidiaries do not include Uniti’s Consumer CLEC segment, which consists of Talk America Services. The up-REIT structure is intended to facilitate future acquisition opportunities by providing the Company with the ability to use common units of the Operating Partnership as a tax-efficient acquisition currency. We are the sole general partner of the Operating Partnership and own approximately 97.7% of the partnership interests in the Operating Partnership as of June 30, 2018 and December 31, 2017, respectively.

Note 2. Basis of Presentation and Summary of Significant Accounting Policies

The accompanying Condensed Consolidated Financial Statements include all accounts of the Company, its wholly-owned and/or controlled subsidiaries, which consist of the Operating Partnership. Under the Accounting Standards Codification 810, *Consolidation* (“ASC 810”), the Operating Partnership is considered a variable interest entity and is consolidated in the Condensed Consolidated Financial Statements of Uniti Group Inc. because the Company is the primary beneficiary. All material intercompany balances and transactions have been eliminated.

ASC 810 provides guidance on the identification of entities for which control is achieved through means other than voting rights (“variable interest entities” or “VIEs”) and the determination of which business enterprise, if any, should consolidate the VIEs. Generally, the consideration of whether an entity is a VIE applies when either: (1) the equity investors (if any) lack (i) the ability to make decisions about the entity’s activities through voting or similar rights, (ii) the obligation to absorb the expected losses of the entity, or (iii) the right to receive the expected residual returns of the entity; (2) the equity investment at risk is insufficient to finance that entity’s activities without additional subordinated financial support; or (3) the equity investors have voting rights that are not proportionate to their economic interests and substantially all of the activities of the entity involve or are conducted on behalf of an investor with a disproportionately small voting interest. The Company consolidates VIEs in which it is considered to be the primary beneficiary. The primary beneficiary is defined by the entity having both of the following characteristics: (1) the power to direct the activities that, when taken together, most significantly impact the VIE’s performance; and (2) the obligation to absorb losses and right to receive the returns from the VIE that would be significant to the VIE.

The accompanying Condensed Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information set forth in the Accounting Standards Codification (“ASC”), as published by the Financial Accounting Standards Board (“FASB”), and with the applicable rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement of results for the interim period have been included. Operating results from any interim period are not necessarily indicative of the results that may be expected for the full fiscal year. The accompanying Condensed Consolidated Financial Statements and related notes should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2017 (“Annual Report”), filed with the SEC on March 1, 2018. Accordingly, significant accounting policies and other disclosures normally provided have been omitted from the accompanying Condensed Consolidated Financial Statements and related notes since such items are disclosed in our Annual Report.

Concentration of Credit Risks—We are party to a Master Lease agreement with from Windstream Holdings, Inc. (“Windstream Holdings” and together with its subsidiaries, “Windstream”) from which substantially all of Uniti’s leasing revenues and operating

Uniti Group Inc.
Notes to the Condensed Consolidated Financial Statements – Continued
(unaudited)

cash flows are currently derived. Revenue under the Master Lease provided 70.0% and 80.4% of our revenue for the six months ended June 30, 2018 and 2017, respectively. Because a substantial portion of our revenue and cash flows are derived from lease payments by Windstream pursuant to the Master Lease, there could be a material adverse impact on our consolidated results of operations, liquidity, financial condition and/or ability to pay dividends and service debt if Windstream were to default under the Master Lease or otherwise experiences operating or liquidity difficulties and becomes unable to generate sufficient cash to make payments to us. In recent years, Windstream has experienced annual declines in its total revenue, sales and cash flow, and has had its credit ratings downgraded by nationally recognized credit rating agencies multiple times over the past 12 months, and as recently as June 2018. In addition, Windstream is involved in litigation with an entity who acquired certain Windstream debt securities and thereafter issued a notice of default as to such securities relating to our spin-off from Windstream. On December 7, 2017, the entity issued a notice of acceleration to Windstream claiming that the alleged default had matured into an “event of default” and that the principal amount, along with accrued interest, of such securities was due and payable immediately. Windstream challenged the matter in federal court and a trial was held, in July 2018. A verdict is expected to be issued during the third quarter of 2018. If Windstream receives an adverse ruling (and the ruling is not stayed or is final and unappealable), an actual “event of default” would result. An actual “event of default” would trigger cross-default provisions in Windstream’s other debt instruments, including Windstream Services’ existing credit facility and notes, which, in turn, would trigger a default under the Master Lease. In addition, Windstream is dependent upon distributions from its subsidiaries to fund its rental payments, and its subsidiaries’ debt instruments generally prohibit such distributions upon any event of default. If an adverse outcome occurs with respect to this matter and Windstream does not have the ability to pay under the Master Lease, there could be a material adverse impact to us.

Accordingly, we monitor the credit quality of Windstream through numerous methods, including by (i) reviewing the credit ratings of Windstream by nationally recognized credit rating agencies, (ii) reviewing the financial statements of Windstream that are publicly available and that are required to be delivered to us pursuant to the Master Lease, (iii) monitoring ongoing litigation and news reports regarding Windstream and its businesses, (iv) conducting research to ascertain industry trends potentially affecting Windstream, and (v) monitoring the timeliness of its lease payments.

Windstream is a publicly traded company and is subject to the periodic filing requirements of the Securities Exchange Act of 1934, as amended. Windstream filings can be found at www.sec.gov. Windstream filings are not incorporated by reference in this Quarterly Report on Form 10-Q.

Income Taxes—The Tax Cuts and Jobs Act (“Tax Bill”) was enacted on December 22, 2017. The Tax Bill reduces the U.S. federal corporate tax rate from 35% to 21%, requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign sourced earnings. Consistent with Staff Accounting Bulletin No. 118 issued by the SEC, which provides for a measurement period of one year from the enactment date to finalize the accounting for effects of the Tax Bill, the Company provisionally recorded income tax benefit of \$17.0 million related to the Tax Bill in the fourth quarter of 2017. During the second quarter of 2018, the purchase price allocations related to our acquisitions of Hunt Telecommunications, LLC and Southern Light, LLC were adjusted to record additional deferred tax liabilities of \$3.2 million and \$0.9 million, respectively, that existed as of the acquisition date. These deferred tax liabilities were recorded at the tax rate in effect as of the date of acquisition. Upon enactment of the Tax Bill, the incremental deferred tax liability would have been adjusted to the newly enacted corporate tax rate. This resulted in a decrease to the deferred tax liability and an income tax benefit of \$1.3 million recorded for the three months ended June 30, 2018. As of June 30, 2018, we have not yet completed our accounting for the tax effects of the enactment of the Tax Bill. Future regulatory and rulemaking interpretations or other guidance clarifying provisions of the Tax Bill could affect the Company’s analysis and tax position.

Reclassifications—Certain prior year asset categories and related amounts in Note 6 have been reclassified to conform with current year presentation.

Recently Issued Accounting Standards

In August 2017, the FASB issued Accounting Standards Update (“ASU”) No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* (“ASU 2017-12”), which amends and simplifies existing guidance in order to allow companies to more accurately present the economic effects of risk management activities in the financial statements. ASU 2017-12 is effective for annual periods beginning after December 15, 2018 and interim periods within those annual periods, and earlier adoption is permitted. We adopted ASU 2017-12 effective January 1, 2018, and there was no material impact on our financial position.

Uniti Group Inc.
Notes to the Condensed Consolidated Financial Statements – Continued
(unaudited)

In February 2017, the FASB issued ASU No. 2017-05, *Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets* ("ASU 2017-05"), which provides guidance for recognizing gains and losses from the transfer of nonfinancial assets and for partial sales of nonfinancial assets, and is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2017. We adopted ASU 2017-05 effective January 1, 2018, using the modified retrospective approach and there was no material impact on our financial position.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"). ASU 2016-15 provides guidance on reducing the diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. In addition to other specific cash flow issues, ASU 2016-15 provides clarification on when an entity should separate cash receipts and cash payments into more than one class of cash flows and when an entity should classify those cash receipts and payments into one class of cash flows on the basis of predominance. The new guidance is effective for the fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. We adopted ASU 2016-15 effective January 1, 2018, and there was no material impact on our financial position.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("Topic 606"). This update outlines a single comprehensive revenue recognition model for entities to follow in accounting for revenue from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity should recognize revenue for the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to receive for those goods or services. Topic 606 is effective for annual periods beginning after December 15, 2017 and interim periods within those annual periods. We adopted Topic 606 as of January 1, 2018 using the modified retrospective transition method. See Note 3.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* ("ASC 842"), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The provisions of this guidance are effective for annual periods beginning after December 31, 2018, and for interim periods therein. The Company is currently evaluating this guidance to determine the impact it will have on our financial statements by reviewing its existing operating lease contracts, where we are the lessee and service contracts that may include embedded leases. The Company expects a gross-up of its Consolidated Balance Sheets as a result of recognizing lease liabilities and right-of-use assets, the extent of the impact of a gross-up is under evaluation. The Company does not anticipate material changes to the recognition of operating lease expense in its Consolidated Statements of Income.

In January 2018, the FASB issued ASU 2018-01, *Leases (Topic 842) – Land Easement Practical Expedient for Transition to Topic 842*. This standard permits an entity to elect an optional transition practical expedient to not evaluate land easements that exist or expire before the Company's adoption of ASC 842 and that were not previously accounted for as leases under ASC 840. The Company intends to elect this transition provision.

Note 3. Revenues

Adoption of ASC Topic 606, Revenue from Contracts with Customers

Except for the changes below, we have consistently applied the accounting policies to all periods presented in these Condensed Consolidated Financial Statements.

On January 1, 2018, we adopted Topic 606 using the modified retrospective method, whereby the cumulative effect of initially applying Topic 606 is recognized as an adjustment to the opening balance of equity at January 1, 2018. Therefore, comparative information has not been adjusted and continues to be reported under ASC 605, *Revenue Recognition*. We recorded a net increase to

Uniti Group Inc.
Notes to the Condensed Consolidated Financial Statements – Continued
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opening retained earnings of \$1.9 million as of January 1, 2018 due to the cumulative impact of adopting Topic 606, with the impact primarily related to commission costs that are capitalized under Topic 606 which were previously expensed.

The details of the significant changes and quantitative impact of the changes are set out below. We have applied this guidance only to contracts that are not completed as of the January 1, 2018, the date of initial application.

Commissions

We previously recognized commission fees related to obtaining a contract as selling expenses when incurred. Under Topic 606 and Topic 340, *Other Assets and Deferred Costs*, when they are incremental, expected to be recovered, we capitalize those commission fees as costs of obtaining a contract and amortize them consistently with the pattern of transfer of the product or service to which the asset relates. These costs are included in general and administrative expense on the Condensed Consolidated Statements of Income. These deferred balances were \$3.7 million and \$2.5 million at June 30, 2018 and January 1, 2018, respectively, and included in Other Assets on the Condensed Consolidated Balance Sheets; Other Assets would have been lower by those amounts under revenue recognition and cost guidance applicable to us prior to the adoption of Topic 606 and Topic 340. For the three and six months ended June 30, 2018, the impact to costs as a result of applying Topic 606 was a decrease of \$0.8 million and \$1.2 million, respectively, as compared to what the general and administrative expense would have been under previous revenue and cost recognition guidance. There would have been no other differences in our Condensed Consolidated Balance Sheet as of June 30, 2018 or Condensed Consolidated Statements of Income for the three and six months ended June 30, 2018 under previous revenue and cost recognition guidance as compared to Topic 606 and Topic 340.

Nature of goods and services

The following is a description of principal activities, separated by reportable segments (see Note 11), from which the Company generates its revenues.

Leasing

Leasing revenue represents the results from our leasing programs, Uniti Leasing, which is engaged in the acquisition of mission-critical communications assets and leasing them back to anchor customers on either an exclusive or shared-tenant basis. Due to the nature of these activities, they are outside the scope of the guidance of Topic 606, and are recognized under other applicable guidance, including ASC 840, *Leases* ("Topic 840").

Fiber Infrastructure

The Fiber Infrastructure segment represents the operations of our fiber business, Uniti Fiber, which provides (i) consumer, enterprise, wholesale and backhaul lit fiber, (ii) e-rate, (iii) small cell, (iv) construction services, (v) dark fiber and (vi) other revenue generating activities.

- i. Consumer, enterprise, wholesale, and backhaul lit fiber fall under the guidance of Topic 606. Revenue is recognized over the life of the contracts in a pattern that reflects the satisfaction of Uniti's stand-ready obligation to provide lit fiber services. The transaction price is equal to the monthly-recurring charge multiplied by the contract term, plus any non-recurring or variable charges. For each contract, the customer is invoiced monthly.
- ii. E-rate contracts involve providing lit fiber services to schools and libraries, and is governed by Topic 606. Revenue is recognized over the life of the contract in a pattern that reflects the satisfaction of Uniti's stand-ready obligation to provide lit fiber services. The transaction price is equal to the monthly-recurring charge multiplied by the contract term, plus any non-recurring or variable charges. For each contract, the customer is invoiced monthly.
- iii. Small cell contracts provide improved network connection to areas that may not require or accommodate a tower. Small cell arrangements typically contain five streams of revenue: site development, radio frequency ("RF") design, dark fiber lease, construction services, and maintenance services. Site development, RF design and construction are each separate services and are considered distinct performance obligations under Topic 606. Dark fiber and associated maintenance

Uniti Group Inc.
Notes to the Condensed Consolidated Financial Statements – Continued
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services constitute a lease, and as such, they are outside the scope of Topic 606 and are governed by other applicable guidance.

- iv. Construction revenue is generated from contracts to provide various construction services such as equipment installation or the laying of fiber. Construction revenue is recognized over time as construction activities occur as we are either enhancing a customer's owned asset or we are constructing an asset with no alternative use to us and we would be entitled to our costs plus a reasonable profit margin if the contract was terminated early by the customer. We are utilizing our costs incurred as the measure of progress of satisfying our performance obligation.
- v. Dark fiber arrangements represent operating leases under Topic 840 and, is outside the scope of Topic 606. When (i) a customer makes an advance payment or (ii) a customer is contractually obligated to pay any amounts in advance, which is not deemed a separate performance obligation, deferred leasing revenue is recorded. This leasing revenue is recognized ratably over the expected term of the contract, unless the pattern of service suggests otherwise.
- vi. The Company generates revenues from other services, such as consultation services and equipment sales. Revenue from the sale of customer premise equipment and modems that are not provided as an essential part of the telecommunications services, including broadband, long distance, and enhanced services is recognized when products are delivered to and accepted by customer. Revenue from customer premise equipment and modems provided as an essential part of the telecommunications services, including broadband, long distance, and enhanced services are recognized over time in a pattern that reflects the satisfaction of the service performance obligation.

Towers

The Towers segment represents the operations of our towers business, Uniti Towers, through which we acquire and construct tower and tower-related real estate, which we then lease to our customers in the United States and Latin America. Revenue from our towers business qualifies as a lease under Topic 840 and is outside the scope of Topic 606.

Consumer CLEC

The Consumer CLEC segment represents the operations of Talk America Services ("Talk America") through which we operate the Consumer CLEC Business, which provides local telephone, high-speed internet and long-distance services to customers in the eastern and central United States. Customers are billed monthly for services rendered based on actual usage or contracted amounts. The transaction price is equal to the monthly-recurring charge multiplied by the initial contract term (typically 12 months), plus any non-recurring or variable charges.

Disaggregation of Revenue

The following table presents our revenues disaggregated by revenue stream.

(Thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017(1)	2018	2017(1)
<i>Revenue disaggregated by revenue stream</i>				
Revenue from contracts with customers				
Fiber Infrastructure				
Lit backhaul	\$ 33,474	\$ 24,296	\$ 66,820	\$ 48,548
Enterprise and wholesale	15,562	3,442	30,980	6,921
E-Rate and government	14,157	6,798	28,387	13,749
Other	878	(38)	1,868	(278)
Fiber Infrastructure	\$ 64,071	\$ 34,498	\$ 128,055	\$ 68,940
Consumer CLEC	3,583	4,661	7,387	9,588
Total revenue from contracts with customers	67,654	39,159	135,442	78,528
Revenue accounted for under other applicable guidance	179,675	173,854	358,802	345,958
Total revenue	\$ 247,329	\$ 213,013	\$ 494,244	\$ 424,486

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(1) As noted above, prior period amounts have not been adjusted under the modified retrospective method.

At June 30, 2018, and January 1, 2018, lease receivables were \$32.3 million and \$10.9 million, respectively, and receivables from contract with customers were \$32.9 million and \$31.2 million, respectively.

Contract Assets (Unbilled Revenue) and Liabilities (Deferred Revenue)

Contract liabilities are generally comprised of upfront fees charged to the customer for the cost of establishing the necessary components of the Company's network prior to the commencement of use by the customer. Fees charged to customers for the recurring use of the Company's network are recognized during the related periods of service. Upfront fees that are billed in advance of providing services are deferred until such time the customer accepts the Company's network and then are recognized as service revenues ratably over a period in which substantive services required under the revenue arrangement are expected to be performed, which is the initial term of the arrangement.

The following table provides information about contract assets and contract liabilities accounted for under Topic 606.

(Thousands)	Contract Assets	Contract Liabilities
Balance at January 1, 2018	\$ 2,490	\$ 26,256
Revenue recognized that was included in the contract liability balance at the beginning of the period	-	(4,575)
Increases due to revenue recognized, and not billed during the period	6,424	-
Increases due to cash received, excluding amounts recognized as revenue during the period	-	2,613
Transferred to receivables from contract assets, recognized at the beginning of the period	(5,857)	-
Balance at June 30, 2018	\$ 3,057	\$ 24,294

Transaction Price Allocated to Remaining Performance Obligations

Performance obligations within contracts to stand ready to provide services are typically satisfied over time or as those services are provided. Contract assets primarily relate costs incremental to obtaining contracts and contract liabilities primarily relate to deferred revenue from non-recurring charges. The deferred revenue is recognized, and the liability reduced, over the contract term as the Company completes the performance obligation. As of June 30, 2018, our future revenues (i.e. transaction price related to remaining performance obligations) under contract accounted for under Topic 606 totaled \$678.3 million, of which \$600.3 million is related to contracts that are currently being invoiced and have an average remaining contract term of 2.8 years, while \$78.0 million represents our backlog for sales bookings which have yet to be installed and have an average remaining contract term of 4.3 years.

Practical Expedients and Exemptions

We do not disclose the value of unsatisfied performance obligations for contracts that have an original expected duration of one year or less.

We exclude from the transaction price any amounts collected from customers for sales taxes and therefore, they are not included in revenue.

Note 4. Business Combinations and Asset Acquisitions

2017 Transactions

Asset Acquisitions

Network Management Holdings LTD

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On January 31, 2017, we completed the acquisition of NMS. The Company accounted for the acquisition of NMS as an asset purchase. At close, NMS owned and operated 366 wireless communications towers in Latin America with an additional 105 build to suit tower sites under development. The NMS portfolio spans three Latin American countries with 212 towers in Mexico, 54 towers in Nicaragua, and 100 towers in Colombia. The consideration for the 366 wireless towers in operation as of the transaction close date was \$62.6 million, which was funded through cash on hand, and is presented in NMS asset acquisition on the Condensed Consolidated Statements of Cash Flows. NMS conducts its operations through three non-U.S. subsidiaries and the Company has determined that the functional currencies for the Mexican, Nicaraguan and Colombian subsidiaries are the Mexican Peso, U.S. Dollar and Colombian Peso, respectively. The non-U.S. subsidiaries in which NMS conducts its operations are subject to income tax in the jurisdictions in which they operate. The acquisition did not result in a step up in tax basis under local law. The Company recorded a net deferred tax liability of \$18.4 million and a liability for unrecognized tax benefits of \$5.3 million in connection with the acquisition. The deferred tax liability is primarily related to the excess of the recorded amounts for Property, Plant & Equipment and Intangibles over their respective historical tax bases. Under the terms of the purchase agreement, we will acquire the towers under development when construction is completed. The NMS towers are reflected in our Towers segment. [See Note 11](#). The following is a summary of the estimated fair values of the assets acquired and liabilities assumed:

	(thousands)
Property, plant and equipment	\$ 36,417
Accounts receivable	2,826
Other assets	1,623
Intangible assets	52,437
Accounts payable, accrued expenses and other liabilities	(8,895)
Intangible liabilities	(3,440)
Deferred income taxes	(18,403)
Total purchase consideration	\$ 62,565

Of the \$52.4 million of acquired intangible assets, \$37.4 million was assigned to tenant contracts (22 year life), \$13.5 million was assigned to network (22 year life) and \$1.5 million was assigned to acquired above-market leases (10 year life). The acquired below-market lease intangible liability of \$3.4 million has a 10 year life. [See Note 8](#).

During the six months ended June 30, 2018, construction was completed on 16 of the towers that were under development at the time of the NMS acquisition and we acquired the completed towers pursuant to the purchase agreement for approximately \$1.2 million. As of June 30, 2018, we acquired 66 of the 105 towers that were under development at the time of NMS acquisition.

Business Combinations

Southern Light, LLC

On July 3, 2017, we acquired 100% of the outstanding equity of Southern Light for \$638.1 million in cash and 2.5 million common units in the Operating Partnership with an acquisition date fair value of \$64.3 million. Southern Light is a leading provider of data transport services along the Gulf Coast region serving twelve attractive Tier II and Tier III markets across Florida, Alabama, Louisiana, and Mississippi. The acquisition was recorded by allocating the costs of the assets acquired based on their estimated fair values at the acquisition date. The excess of the cost of the acquisition over the fair value of the assets acquired is recorded as goodwill within our Fiber Infrastructure segment. [See Note 11](#). The following is a summary of the estimated fair values of the assets acquired and liabilities assumed:

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	(thousands)
Property, plant and equipment	\$ 279,467
Cash and cash equivalents	1,992
Accounts receivable	11,139
Other assets	1,287
Goodwill	319,508
Intangible assets	160,100
Accounts payable, accrued expenses and other liabilities	(19,846)
Deferred revenue	(38,134)
Deferred income taxes	(9,892)
Capital lease obligations	(3,189)
Total purchase consideration	<u>\$ 702,432</u>

During the second quarter of 2018, the purchase price allocation was adjusted to record \$0.9 million of deferred tax liabilities that existed at the date of acquisition.

The goodwill arising from the transaction is primarily attributable to the expansion of our fiber network through the complementary nature of Southerm Light's fiber network to our existing fiber network, including anticipated incremental sales and cost savings. For federal income tax purposes, the transaction was treated as partially taxable (for portion paid in cash) and partially non-taxable (for portion paid with common units in the Operating Partnership). The portion of the acquisition that was treated as a taxable acquisition resulted in tax deductible goodwill. No tax deductible goodwill resulted from the portion of the acquisition that was treated as non-taxable.

As part of the acquisition, we acquired an intangible asset that was assigned to customer relationships of \$160.1 million (15 year life). [See Note 8.](#)

Hunt Telecommunications, LLC

On July 3, 2017, we acquired 100% of the outstanding equity of Hunt for \$129.3 million in cash and 1.6 million common units in the Operating Partnership with an acquisition date fair value of \$41.6 million. Additional contingent consideration of up to \$17 million, with an acquisition date fair value of \$16.4 million, may be paid upon the achievement of certain revenue milestones by delivering shares of our common stock. [See Note 5.](#) Hunt is a leading provider of data transport to K-12 schools and government agencies with a dense fiber network in Louisiana. The acquisition was recorded by allocating the costs of the assets acquired based on their estimated fair values at the acquisition date. The excess of the cost of the acquisition over the fair value of the assets acquired is recorded as goodwill within our Fiber Infrastructure segment. [See Note 11.](#)

	(thousands)
Property, plant and equipment	\$ 59,682
Cash and cash equivalents	3,181
Accounts receivable	4,906
Other assets	413
Goodwill	99,580
Intangible assets	73,000
Accounts payable, accrued expenses and other liabilities	(3,741)
Deferred revenue	(6,036)
Deferred income taxes	(43,550)
Capital lease obligations	(164)
Total purchase consideration	<u>\$ 187,271</u>

During the first quarter of 2018, the purchase price allocation was adjusted to record certain deferred revenues and accrued liabilities that existed at the date of acquisition. Deferred revenue and accrued liabilities increased \$2.2 million and \$1.2 million, respectively.

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During the second quarter of 2018, the purchase price allocation was adjusted to record \$3.2 million of deferred tax liabilities that existed at the date of acquisition.

The goodwill arising from the transaction is primarily attributable to the expansion of our fiber network through the complementary nature of Hunt's fiber network to our existing fiber network, including anticipated incremental sales and cost savings. The goodwill is not expected to be deductible for tax purposes.

As part of the acquisition we acquired an intangible asset that was assigned to customer relationships of \$73 million (18 year life). See Note 8.

Note 5. Fair Value of Financial Instruments

FASB ASC 820, *Fair Value Measurements*, establishes a hierarchy of valuation techniques based on the observability of inputs utilized in measuring assets and liabilities at fair values. This hierarchy establishes market-based or observable inputs as the preferred source of values, followed by valuation models using management assumptions in the absence of market inputs. The three levels of the hierarchy are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the assessment date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

Our financial instruments consist of cash and cash equivalents, accounts and other receivables, a derivative liability, our outstanding notes and other debt, contingent consideration and accounts, interest and dividends payable.

The following table summarizes the fair value of our financial instruments at June 30, 2018 and December 31, 2017:

(Thousands)	Total	Quoted Prices in Active Markets (Level 1)	Prices with Other Observable Inputs (Level 2)	Prices with Unobservable Inputs (Level 3)
At June 30, 2018				
Assets				
Derivative asset	\$ 56,666	\$ -	\$ 56,666	\$ -
Total	<u>\$ 56,666</u>	<u>\$ -</u>	<u>\$ 56,666</u>	<u>\$ -</u>
Liabilities				
Senior secured term loan B - variable rate, due October 24, 2022	\$ 1,982,912	\$ -	\$ 1,982,912	\$ -
Senior secured notes - 6.00%, due April 15, 2023	524,563	-	524,563	-
Senior unsecured notes - 8.25%, due October 15, 2023	1,054,500	-	1,054,500	-
Senior unsecured notes - 7.125%, due December 15, 2024	547,500	-	547,500	-
Senior secured revolving credit facility, variable rate, due April 24, 2020	474,953	-	474,953	-
Contingent consideration	92,612	-	-	92,612
Total	<u>4,677,040</u>	<u>-</u>	<u>4,584,428</u>	<u>92,612</u>

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(Thousands)	Total	Quoted Prices in Active Markets (Level 1)	Prices with Other Observable Inputs (Level 2)	Prices with Unobservable Inputs (Level 3)
At December 31, 2017				
Assets				
Derivative asset	\$ 6,793	\$ -	\$ 6,793	\$ -
Total	\$ 6,793	\$ -	\$ 6,793	\$ -
Liabilities				
Senior secured term loan B - variable rate, due October 24, 2022	\$ 2,011,237	\$ -	\$ 2,011,237	\$ -
Senior secured notes - 6.00%, due April 15, 2023	540,375	-	540,375	-
Senior unsecured notes - 8.25%, due October 15, 2023	1,073,925	-	1,073,925	-
Senior unsecured notes - 7.125%, due December 15, 2024	542,250	-	542,250	-
Senior secured revolving credit facility, variable rate, due April 24, 2020	279,972	-	279,972	-
Contingent consideration	105,762	-	-	105,762
Total	\$ 4,553,521	\$ -	\$ 4,447,759	\$ 105,762

The carrying value of cash and cash equivalents, accounts and other receivables, and accounts, interest and dividends payable approximate fair values due to the short-term nature of these financial instruments.

The total principal balance of our outstanding notes and other debt was \$4.81 billion at June 30, 2018, with a fair value of \$4.58 billion. The estimated fair value of our outstanding notes and other debt was based on available external pricing data and current market rates for similar debt instruments, among other factors, which are classified as Level 2 inputs within the fair value hierarchy. Derivative assets are carried at fair value. See Note 7. The fair value of an interest rate swap is determined based on the present value of expected future cash flows using observable, quoted LIBOR swap rates for the full term of the swap and also incorporate credit valuation adjustments to appropriately reflect both Uniti's own non-performance risk and non-performance risk of the respective counterparties. The Company has determined that the majority of the inputs used to value its derivative assets fall within Level 2 of the fair value hierarchy; however the associated credit valuation adjustments utilized Level 3 inputs, such as estimates of credit spreads, to evaluate the likelihood of default by the Company and its counterparties. As of June 30, 2018, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustment is not significant to the overall value of the derivatives. As such, the Company classifies its derivative assets valuation in Level 2 of the fair value hierarchy.

As part of the acquisition of Hunt on July 3, 2017, we may be obligated to pay contingent consideration (the "Hunt Contingent Consideration") upon the achievement of certain defined revenue milestones; therefore, we have recorded the estimated fair value of contingent consideration of approximately \$12.9 million as of June 30, 2018. See Note 4. In accordance with the Hunt merger agreement, Uniti common shares will be used to satisfy the contingent consideration payment. The fair value of the Hunt Contingent Consideration at June 30, 2018 was determined using the closing price of our common shares in the active market and the probability of expected declared dividends, and is classified as Level 3.

As part of the acquisition of Tower Cloud on August 31, 2016, we may be obligated to pay contingent consideration upon achievement of certain defined operational and financial milestones. At the Company's discretion, a combination of cash and Uniti common shares may be used to satisfy the contingent consideration payments, provided that at least 50% of the aggregate amount of payments is satisfied in cash. We recorded the estimated fair value of future contingent consideration of \$79.7 million as of June 30, 2018. The fair value of the contingent consideration as of June 30, 2018, was determined using a discounted cash flow model and probability adjusted estimates of the future earnings and is classified as Level 3. During the six months ended June 30, 2018 and 2017, we paid \$12.7 million and \$18.8 million, respectively, for the achievement of certain milestones in accordance with the Tower Cloud merger agreement.

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Changes in the fair value of contingent consideration arrangements are recorded in our Condensed Consolidated Statement of Income in the period in which the change occurs. For the three and six months ended June 30, 2018, there was a \$3.4 million increase and \$0.5 million decrease, respectively, in the fair value of the contingent consideration that was recorded in Other (income) expense on the Condensed Consolidated Statements of Income.

The following is a roll forward of our liabilities measured at fair value on a recurring basis using unobservable inputs (Level 3):

(Thousands)	December 31, 2017	Transfers into Level 3	(Gain)/Loss included in earnings	Settlements	June 30, 2018
Contingent consideration	\$ 105,762	\$ -	\$ (488)	\$ (12,662)	\$ 92,612

Note 6. Property, Plant and Equipment

The carrying value of property, plant and equipment is as follows:

(Thousands)	Depreciable Lives	June 30, 2018	December 31, 2017
Land	Indefinite	\$ 27,006	\$ 27,110
Building and improvements	3 - 40 years	334,051	333,121
Real property interests	(1)	34,997	34,580
Poles	30 years	246,142	243,710
Fiber	30 years	2,800,022	2,671,216
Equipment	5 - 7 years	225,822	201,490
Copper	20 years	3,697,150	3,656,384
Conduit	30 years	89,692	91,210
Tower assets	20 years	78,800	59,610
Capital lease assets	(1)	121,661	93,465
Other assets	15 - 20 years	10,576	10,232
Corporate assets	3 - 7 years	5,623	7,970
Construction in progress	(1)	125,647	112,489
		7,797,189	7,542,587
Less accumulated depreciation		(4,701,384)	(4,488,698)
Net property, plant and equipment		\$ 3,095,805	\$ 3,053,889

(1) See our Annual Report for property, plant and equipment accounting policies.

Depreciation expense for the three and six months ended June 30, 2018 was \$108.7 million and \$216.9 million, respectively.

Depreciation expense for the three and six months ended June 30, 2017 was \$99.8 million and \$198.7 million, respectively.

Note 7. Derivative Instruments and Hedging Activities

The Company uses derivative instruments to mitigate the effects of interest rate volatility inherent in our variable rate debt, which could unfavorably impact our future earnings and forecasted cash flows. The Company does not use derivative instruments for speculative or trading purposes.

On April 27, 2015, we entered into fixed for floating interest rate swap agreements to mitigate the interest rate risk inherent in our variable rate Senior Secured Term Loan B facility. These interest rate swaps are designated as cash flow hedges and have a notional value of \$2.08 billion and mature on October 24, 2022. The weighted average fixed rate paid is 2.105%, and the variable rate received resets monthly to the one-month LIBOR subject to a minimum rate of 1.0%. The Company does not currently have any master netting arrangements related to its derivative contracts.

The following table summarizes the fair value and the presentation in our Condensed Consolidated Balance Sheet:

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(Thousands)	Location on Condensed Consolidated Balance Sheet	June 30, 2018	December 31, 2017
Interest rate swaps	Derivative asset	\$ 56,666	\$ 6,793

As of June 30, 2018 and December 31, 2017, all of the interest rate swaps were valued in net unrealized gain positions and recognized as asset balances within the derivative asset balance. For the three and six months ended June 30, 2018, the amount recorded in other comprehensive income related to the unrealized gain on derivative instruments was \$13.6 million and \$46.3 million, respectively. For the three and six months ended June 30, 2017, the amount recorded in other comprehensive income related to the unrealized loss on derivative instruments was \$16.5 million and \$17.7 million, respectively. The amount reclassified out of other comprehensive income into interest expense on our Condensed Consolidated Statement of Income for the three and six months ended June 30, 2018, was \$1.0 million and \$3.6 million, respectively. The amount reclassified out of other comprehensive income into interest expense on our Condensed Consolidated Statement of Income for the three and six months ended June 30, 2017, was \$5.8 million and \$11.6 million, respectively. For the three and six months ended June 30, 2018 and 2017, there was no ineffective portion of the change in fair value derivatives.

Amounts reported in accumulated other comprehensive income (loss) related to derivatives will be reclassified to interest expense as interest payments are made on our variable-rate debt. During the next twelve months, beginning July 1, 2018, we estimate that \$3.8 million will be reclassified as an increase to interest expense.

Note 8. Goodwill and Intangible Assets and Liabilities

Changes in the carrying amount of goodwill occurring during the six months ended June 30, 2018, are as follows:

(Thousands)	Fiber Infrastructure	Total
Goodwill at December 31, 2017	\$ 673,729	\$ 673,729
Goodwill purchase accounting adjustments - See Note 4	7,446	7,446
Goodwill associated with 2018 acquisitions	-	-
Goodwill at June 30, 2018	<u>681,175</u>	<u>681,175</u>

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The carrying value of the intangible assets is as follows:

(Thousands)	June 30, 2018			December 31, 2017		
	Original Cost	Cumulative Translation Adjustment	Accumulated Amortization	Original Cost	Cumulative Translation Adjustment	Accumulated Amortization
Indefinite life intangible assets:						
Trade name	\$ 2,000	\$ -	\$ -	\$ 2,000	\$ -	\$ -
Finite life intangible assets:						
Customer lists	421,743	-	(57,603)	421,743	-	(46,049)
Tenant contracts	37,386	1,060	(2,476)	37,386	1,141	(1,605)
Network ⁽¹⁾	13,541	380	(896)	13,541	410	(581)
Acquired below-market leases	1,509	-	(214)	1,509	-	(138)
Total intangible assets	477,619			477,730		
Less: Accumulated amortization	(61,189)			(48,373)		
Total intangible assets, net	\$ 416,430			\$ 429,357		
Finite life intangible liabilities:						
Acquired above-market leases	\$ 3,440	\$ 47	\$ (494)	\$ 3,440	\$ 15	\$ (317)
Finite life intangible liabilities:						
Acquired above-market leases	3,487			3,455		
Less: Accumulated amortization	(494)			(317)		
Total intangible liabilities, net⁽²⁾	\$ 2,993			\$ 3,138		

(1) Reflects the potential to lease additional tower capacity on the existing towers due to their geographical location and capacity that currently exists on these towers as of the valuation date.

(2) Recorded in accounts payable, accrued expenses and other liabilities on the Condensed Consolidated Balance Sheet.

Amortization expense for the three and six months ended June 30, 2018 was \$6.2 million and \$12.7 million, respectively. Amortization expense for the three and six months ended June 30, 2017 was \$2.8 million and \$5.3 million, respectively.

Amortization expense is estimated to be \$25.2 million for the full year of 2018, \$24.4 million in 2019, \$23.9 million in 2020, \$23.5 million in 2021, and \$23.0 million for 2022.

Note 9. Notes and Other Debt

All debt, including the senior secured credit facility and notes described below, are obligations of the Operating Partnership and certain of its subsidiaries as discussed below. The Company is, however, a guarantor of such debt.

Notes and other debt is as follows:

(Thousands)	June 30, 2018	December 31, 2017
Principal amount	\$ 4,811,347	\$ 4,626,887
Less unamortized discount, premium and debt issuance costs	(132,043)	(144,190)
Notes and other debt less unamortized discount, premium and debt issuance costs	\$ 4,679,304	\$ 4,482,697

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Notes and other debt at June 30, 2018 and December 31, 2017 consisted of the following:

(Thousands)	June 30, 2018		December 31, 2017	
	Principal	Unamortized Discount, Premium and Debt Issuance Costs	Principal	Unamortized Discount, Premium and Debt Issuance Costs
Senior secured term loan B - variable rate, due October 24, 2022 (discount is based on imputed interest rate of 5.66%)	\$ 2,076,347	(78,818)	\$ 2,086,887	\$ (87,140)
Senior secured notes - 6.00%, due April 15, 2023 (discount is based on imputed interest rate of 6.29%)	550,000	(7,823)	550,000	(8,508)
Senior unsecured notes - 8.25%, due October 15, 2023 (discount is based on imputed interest rate of 9.06%)	1,110,000	(37,746)	1,110,000	(40,467)
Senior unsecured notes - 7.125% due December 15, 2024	600,000	(7,656)	600,000	(8,075)
Senior secured revolving credit facility, variable rate, due April 24, 2020	475,000	-	280,000	-
Total	<u>\$ 4,811,347</u>	<u>\$ (132,043)</u>	<u>\$ 4,626,887</u>	<u>\$ (144,190)</u>

At June 30, 2018, notes and other debt included the following: (i) \$2.1 billion under the senior secured term loan B facility that matures on October 24, 2022 (“Term Loan Facility”) pursuant to the credit agreement by and among the Operating Partnership, CSL Capital, LLC and Uniti Group Finance Inc., the guarantors and lenders party thereto and Bank of America, N.A., as administrative agent and collateral agent (the “Credit Agreement”); (ii) \$550.0 million aggregate principal amount of 6.00% Senior Secured Notes due April 15, 2023 (the “Secured Notes”); (iii) \$1.11 billion aggregate principal amount of 8.25% Senior Notes due October 15, 2023 (the “2023 Notes”); (iv) \$600 million aggregate principal amount of 7.125% Senior Unsecured Notes due December 15, 2024 (the “2024 Notes,” and together with the Secured Notes and 2023 Notes, the “Notes”), and (v) \$475 million under the senior secured revolving credit facility, variable rate, that matures April 24, 2020 pursuant to the Credit Agreement (the “Revolving Credit Facility” and, together with the Term Loan Facility, the “Facilities”).

On May 9, 2017, the Company completed its previously announced reorganization (the “up-REIT Reorganization”) to operate through a customary “up-REIT” structure. Under this structure, the Operating Partnership now holds substantially all of the Company’s assets and is the parent company of, among others, CSL Capital, LLC, Uniti Group Finance Inc. and Uniti Fiber Holdings Inc. In connection with the up-REIT Reorganization, the Operating Partnership replaced the Company and assumed its obligations as an obligor under the Notes and Facilities. The Company subsequently became a guarantor of the Notes and Facilities. Because the Operating Partnership is not a corporation, a corporate co-obligor that is a subsidiary of the Operating Partnership was also added to the Notes and Credit Agreement as part of the up-REIT Reorganization. As discussed below, Uniti Group Finance Inc. is the corporate co-obligor under the Credit Agreement and co-issuer of the Secured Notes and the 2023 Notes, and Uniti Fiber Holdings Inc. is the co-issuer of the 2024 Notes. Separate financial statements of the Operating Partnership have not been included since the Operating Partnership is not a registrant.

Credit Agreement

The Operating Partnership and its wholly-owned subsidiaries, CSL Capital, LLC, and Uniti Group Finance Inc. (collectively, the “Borrowers”) are party to the Credit Agreement, which provides for the Term Loan Facility (in an initial principal amount of \$2.14 billion) and the Revolving Credit Facility. The term loans bear interest at a rate equal to LIBOR, subject to a 1.0% floor, plus an applicable margin equal to 3.00%, and are subject to amortization of 1.0% per annum. All obligations under the Credit Agreement are guaranteed by (i) the Company and (ii) certain of the Operating Partnership’s wholly-owned subsidiaries (the “Subsidiary Guarantors”), and are secured by substantially all of the assets of the Borrowers and the Subsidiary Guarantors, which assets also secure the Secured Notes. The Revolving Credit Facility bears interest at a rate equal to LIBOR plus 1.75% to 2.25% based on our consolidated secured leverage ratio, as defined in the Credit Agreement. On April 28, 2017, we amended the Credit Agreement to increase the commitments under our Revolving Credit Facility from \$500 million to \$750 million. Other terms of the Revolving Credit Facility remain unchanged.

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The Borrowers are subject to customary covenants under the Credit Agreement, including an obligation to maintain a consolidated secured leverage ratio, as defined in the Credit Agreement, not to exceed 5.00 to 1.00. We are permitted, subject to customary conditions, to incur (i) incremental term loan borrowings and/or increased commitments under the Credit Agreement in an unlimited amount, so long as, on a pro forma basis after giving effect to any such borrowings or increases, our consolidated secured leverage ratio, as defined in the Credit Agreement, does not exceed 4.00 to 1.00 and (ii) other indebtedness, so long as, on a pro forma basis after giving effect to any such indebtedness, our consolidated total leverage ratio, as defined in the Credit Agreement, does not exceed 6.50 to 1.00 and our consolidated secured leverage ratio, as defined in the Credit Agreement, does not exceed 4.00 to 1.00. In addition, the Credit Agreement contains customary events of default, including a cross default provision whereby the failure of the Borrowers or certain of their subsidiaries to make payments under other debt obligations, or the occurrence of certain events affecting those other borrowing arrangements, could trigger an obligation to repay any amounts outstanding under the Credit Agreement. In particular, a repayment obligation could be triggered if (i) the Borrowers or certain of their subsidiaries fail to make a payment when due of any principal or interest on any other indebtedness aggregating \$75.0 million or more, or (ii) an event occurs that causes, or would permit the holders of any other indebtedness aggregating \$75.0 million or more to cause, such indebtedness to become due prior to its stated maturity. As of June 30, 2018, the Borrowers were in compliance with all of the covenants under the Credit Agreement.

The Notes

The Borrowers, as co-issuers, have outstanding \$550 million aggregate principal amount of the Secured Notes, of which \$400 million was originally issued on April 24, 2015 at an issue price of 100% of par value and the remaining \$150 million was issued on June 9, 2016 at an issue price of 99.25% of the par value as an add-on to the existing Secured Notes. The Borrowers, as co-issuers, also have outstanding \$1.11 billion aggregate principal amount of the 2023 Notes that were originally issued on April 24, 2015 at an issue price of 97.055% of par value. The Secured Notes and the 2023 Notes are guaranteed by the Company and the Subsidiary Guarantors.

The Operating Partnership and its wholly-owned subsidiaries, CSL Capital, LLC and Uniti Fiber Holdings Inc., as co-issuers, have outstanding \$600 million aggregate principal amount of the 2024 Notes, of which \$400 million was originally issued on December 15, 2016 at an issue price of 100% of par value and the remaining \$200 million of which was issued on May 8, 2017 at an issue price of 100.50% of par value under a separate indenture and was mandatorily exchanged on August 11, 2017 for 2024 Notes issued as “additional notes” under the indenture governing the 2024 Notes. The 2024 Notes are guaranteed by the Company, Uniti Group Finance Inc. and the Subsidiary Guarantors.

Deferred Financing Cost

Deferred financing costs were incurred in connection with the issuance of the Notes and the Facilities. These costs are amortized using the effective interest method over the term of the related indebtedness, and are included in interest expense in our Condensed Consolidated Statements of Income. For the three and six months ended June 30, 2018, we recognized \$3.7 million and \$7.3 million, respectively, of non-cash interest expense related to the amortization of deferred financing costs. For the three and six months ended June 30, 2017, we recognized \$2.6 million and \$5.1 million, respectively, of non-cash interest expense related to the amortization of deferred financing costs.

Note 10. Earnings Per Share

Our time-based restricted stock awards are considered participating securities as they receive non-forfeitable rights to dividends at the same rate as common stock. As participating securities, we included these instruments in the computation of earnings per share under the two-class method described in FASB ASC 260, *Earnings per Share* (“ASC 260”).

We also have outstanding performance-based restricted stock units that contain forfeitable rights to receive dividends. Therefore, the awards are considered non-participating restrictive shares and are not dilutive under the two-class method until performance conditions are met.

The earnings per share impact of the Company’s 3% Convertible Preferred Stock, \$0.0001 par value (“Series A Shares”), issued in connection with the May 2, 2016 acquisition of PEG Bandwidth, LLC, is calculated using the net share settlement method, whereby

Uniti Group Inc.
Notes to the Condensed Consolidated Financial Statements – Continued
(unaudited)

the redemption value of the instrument is assumed to be settled in cash and only the conversion premium, if any, is assumed to be settled in shares. The Series A Shares provide Uniti the option to cash or share settle the instrument, and it is our policy to settle the instrument in cash upon conversion.

The Hunt merger agreement provides for the issuance of additional common shares upon the achievement of certain defined revenue milestones. See Note 4. The earnings per share impact of the Hunt Contingent Consideration is calculated under the method described in ASC 260 for the treatment of contingently issuable shares in weighted-average shares outstanding.

The following sets forth the computation of basic and diluted earnings per share under the two-class method:

(Thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Basic earnings per share:				
Numerator:				
Net loss available to shareholders	\$ (3,503)	\$ (16,460)	\$ (2,293)	\$ (36,460)
Less: Income allocated to participating securities	(400)	(381)	(869)	(768)
Income allocated to participating securities on share settled contingent consideration arrangements	(258)	-	(468)	-
Dividends declared on convertible preferred stock	(656)	(656)	(1,312)	(1,312)
Amortization of discount on convertible preferred stock	(745)	(745)	(1,490)	(1,490)
Net loss attributable to common shares	\$ (5,562)	\$ (18,242)	\$ (6,432)	\$ (40,030)
Denominator:				
Basic weighted-average common shares outstanding	175,011	169,655	174,951	162,460
Basic earnings (loss) per common share	<u>\$ (0.03)</u>	<u>\$ (0.11)</u>	<u>\$ (0.04)</u>	<u>\$ (0.25)</u>
(Thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Diluted earnings per share:				
Numerator:				
Net loss available to shareholders	\$ (3,503)	\$ (16,460)	\$ (2,293)	\$ (36,460)
Less: Income allocated to participating securities	(400)	(381)	(869)	(768)
Income allocated to participating securities on share settled contingent consideration arrangements	(258)	-	(468)	-
Dividends declared on convertible preferred stock	(656)	(656)	(1,312)	(1,312)
Amortization of discount on convertible preferred stock	(745)	(745)	(1,490)	(1,490)
Net loss attributable to common shares	\$ (5,562)	\$ (18,242)	\$ (6,432)	\$ (40,030)
Denominator:				
Basic weighted-average common shares outstanding	175,011	169,655	174,951	162,460
Contingent consideration (See Note 4)	-	-	-	-
Effect of dilutive non-participating securities	-	-	-	-
Weighted-average shares for dilutive earnings per common share	175,011	169,655	174,951	162,460
Dilutive (loss) earnings per common share	<u>\$ (0.03)</u>	<u>\$ (0.11)</u>	<u>\$ (0.04)</u>	<u>\$ (0.25)</u>

Uniti Group Inc.
Notes to the Condensed Consolidated Financial Statements – Continued
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For the three and six months ended June 30, 2018, 563,492 non-participating securities and 619,581 potential common shares related to Hunt Contingent Consideration were excluded from the computation of diluted earnings per share, as their effect would have been anti-dilutive. For the three and six months ended June 30, 2017, 295,837 non-participating securities were excluded from the computation of diluted earnings per share, as their effect would have been anti-dilutive.

Note 11. Segment Information

Our management, including our chief executive officer, who is our chief operating decision maker, manage our operations as four reportable segments in addition to our corporate operations and include:

Leasing: Represents the results from our leasing programs, Uniti Leasing, which is engaged in the acquisition of mission-critical communications assets and leasing them back to anchor customers on either an exclusive or shared-tenant basis.

Fiber Infrastructure: Represents the operations of our fiber business, Uniti Fiber, which is a leading provider of infrastructure solutions, including cell site backhaul and dark fiber, to the telecommunications industry.

Towers: Represents the operations of our towers business, Uniti Towers, through which we acquire and construct tower and tower-related real estate, which we then lease to our customers in the United States and Latin America.

Consumer CLEC: Represents the operations of Talk America Services (“Talk America”) through which we operate the Consumer CLEC Business, that prior to the Spin-Off was reported as an integrated operation within Windstream. Talk America provides local telephone, high-speed internet and long distance services to customers in the eastern and central United States.

Corporate: Represents our corporate and back office functions. Certain costs and expenses, primarily related to headcount, insurance, professional fees and similar charges, that are directly attributable to operations of our business segments are allocated to the respective segments.

Management evaluates the performance of each segment using Adjusted EBITDA, which is a segment performance measure defined as net income determined in accordance with GAAP, before interest expense, provision for income taxes, depreciation and amortization, stock-based compensation expense, the impact, which may be recurring in nature, of transaction and integration related expenses, the write off of unamortized deferred financing costs, costs incurred as a result of the early repayment of debt, changes in the fair value of contingent consideration and financial instruments, and other similar items. The Company believes that net income, as defined by GAAP, is the most appropriate earnings metric; however we believe that Adjusted EBITDA serves as a useful supplement to net income because it allows investors, analysts and management to evaluate the performance of our segments in a manner that is comparable period over period. Adjusted EBITDA should not be considered as an alternative to net income as determined in accordance with GAAP.

Selected financial data related to our segments is presented below for the three and six months ended June 30, 2018 and 2017:

Uniti Group Inc.
Notes to the Condensed Consolidated Financial Statements – Continued
(unaudited)

Three Months Ended June 30, 2018

(Thousands)	Leasing	Fiber Infrastructure	Towers	Consumer CLEC	Corporate	Subtotal of Reportable Segments
Revenues	\$ 173,885	\$ 67,389	\$ 2,472	\$ 3,583	\$ -	\$ 247,329
Adjusted EBITDA	\$ 173,356	\$ 29,405	\$ (1,167)	\$ 928	\$ (5,511)	\$ 197,011
Less:						
Interest expense						79,385
Depreciation and amortization	86,454	26,244	1,575	499	70	114,842
Other income						3,349
Transaction related costs						3,789
Stock-based compensation						1,885
Income tax benefit						(2,646)
Net loss						<u>\$ (3,593)</u>

Three Months Ended June 30, 2017

(Thousands)	Leasing	Fiber Infrastructure	Towers	Consumer CLEC	Corporate	Subtotal of Reportable Segments
Revenues	\$ 170,914	\$ 34,983	\$ 2,455	\$ 4,661	\$ -	\$ 213,013
Adjusted EBITDA	\$ 170,528	\$ 12,618	\$ (242)	\$ 1,323	\$ (4,657)	\$ 179,570
Less:						
Interest expense						75,086
Depreciation and amortization	87,213	13,346	1,292	652	96	102,599
Other expense						2,232
Transaction related costs						14,017
Stock-based compensation						2,021
Income tax expense						75
Net loss						<u>\$ (16,460)</u>

Uniti Group Inc.
Notes to the Condensed Consolidated Financial Statements – Continued
(unaudited)

Six Months Ended June 30, 2018							Subtotal of Reportable Segments
(Thousands)	Leasing	Fiber Infrastructure	Towers	Consumer CLEC	Corporate		
Revenues	\$ 346,659	\$ 134,356	\$ 5,842	\$ 7,387	\$ -		\$ 494,244
Adjusted EBITDA	\$ 345,725	\$ 58,600	\$ (1,630)	\$ 1,841	\$ (10,824)		\$ 393,712
Less:							
Interest expense							156,992
Depreciation and amortization	173,198	52,149	3,052	997	167		229,563
Other expense							(536)
Transaction related costs							9,702
Stock-based compensation							4,095
Income tax benefit							(3,742)
Net loss							\$ (2,362)

Six Months Ended June 30, 2017							Subtotal of Reportable Segments
(Thousands)	Leasing	Fiber Infrastructure	Towers	Consumer CLEC	Corporate		
Revenues	\$ 341,220	\$ 69,795	\$ 3,883	\$ 9,588	\$ -		\$ 424,486
Adjusted EBITDA	\$ 340,588	\$ 24,185	\$ (977)	\$ 2,489	\$ (9,713)		\$ 356,572
Less:							
Interest expense							148,451
Depreciation and amortization	173,719	26,567	2,178	1,304	192		203,960
Other expense							13,571
Transaction related costs							23,701
Stock-based compensation							3,653
Income tax benefit							(304)
Net loss							\$ (36,460)

Note 12. Commitments and Contingencies

In the ordinary course of our business, we are subject to claims and administrative proceedings, none of which we believe are material or would be expected to have, individually or in the aggregate, a material adverse effect on our business, financial condition, cash flows or results of operations.

Pursuant to the Separation and Distribution Agreement entered into with Windstream in connection with the Spin-Off, Windstream has agreed to indemnify us (including our subsidiaries, directors, officers, employees and agents and certain other related parties) for any liability arising from or relating to legal proceedings involving Windstream's telecommunications business prior to the Spin-Off, and, pursuant to the Master Lease, Windstream has agreed to indemnify us for, among other things, any use, misuse, maintenance or repair by Windstream with respect to the Distribution Systems. Windstream is currently a party to various legal actions and administrative proceedings, including various claims arising in the ordinary course of its telecommunications business, which are subject to the indemnities provided by Windstream to us.

Uniti Group Inc.
Notes to the Condensed Consolidated Financial Statements – Continued
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Under the terms of the Tax Matters Agreement entered into with Windstream in connection with the Spin-Off, we are generally responsible for any taxes imposed on Windstream that arise from the failure of the Spin-Off and the debt exchanges to qualify as tax-free for U.S. federal income tax purposes, within the meaning of Section 355 and Section 368(a)(1)(D) of the Internal Revenue Code, as applicable, to the extent such failure to qualify is attributable to certain actions, events or transactions relating to our stock, indebtedness, assets or business, or a breach of the relevant representations or any covenants made by us in the Tax Matters Agreement, the materials submitted to the IRS in connection with the request for the private letter ruling or the representations provided in connection with the tax opinion. We believe that the probability of us incurring obligations under the Tax Matters Agreement are remote; and therefore, we have recorded no such liabilities in our consolidated balance sheet.

Note 13. Accumulated Other Comprehensive (Loss) Income

Changes in accumulated other comprehensive (loss) income by component is as follows for the six months ended June 30, 2018:

(Thousands)	Six Months Ended June 30,	
	2018	2017
Cash flow hedge changes in fair value gain (loss):		
Balance at beginning of period attributable to common shareholders	\$ 6,351	\$ (6,102)
Other comprehensive income (loss) before reclassifications	46,317	(17,714)
Amounts reclassified from accumulated other comprehensive income	3,556	11,585
Balance at end of period	56,224	(12,231)
Less: Other comprehensive income attributable to noncontrolling interest	1,150	-
Balance at end of period attributable to common shareholders	55,074	(12,231)
Foreign currency translation gain (loss):		
Balance at beginning of period attributable to common shareholders	1,470	(267)
Translation adjustments	(314)	4,998
Balance at end of period	1,156	4,731
Less: Other comprehensive income attributable to noncontrolling interest	(7)	-
Balance at end of period attributable to common shareholders	1,163	4,731
Accumulated other comprehensive income at end of period	\$ 56,237	\$ (7,500)

Note 14. Subsequent Events

During August 2018, we entered into an agreement to acquire fiber assets from CableSouth Media, LLC (“CableSouth”) for cash consideration of \$31 million. In the transaction, Uniti will acquire 607 route miles or approximately 43,000 fiber strand miles located across Arkansas, Louisiana and Mississippi. Upon closing, the Company will enter into an agreement with CableSouth to lease-back 34,000 fiber strand miles on a triple-net basis. Uniti will have exclusive use of 9,000 fiber strand miles, which are adjacent to Uniti Fiber’s southern network footprint. The transaction is subject to certain closing conditions and is expected to close in the third quarter of 2018. The initial lease term will be 20 years with four 5-year renewal options at CableSouth’s discretion. Annual cash rent will initially be \$2.9 million with a fixed annual escalator of 2.0%.

During August 2018, the Company executed a lease agreement with a national multiple system operator (“MSO”) on existing Uniti Leasing fiber. The lease term will be 20 years covering approximately 9,900 route miles or 41,000 fiber strand miles. Annual revenue related to this agreement will be approximately \$5 million. The transaction is subject to certain closing conditions and is expected to close in the fourth quarter of 2018.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following management's discussion and analysis of financial condition and results of operations describes the principal factors affecting the results of our operations, financial condition, and changes in financial condition for the three and six months ended June 30, 2018. This discussion should be read in conjunction with the accompanying unaudited financial statements, and the notes thereto set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2017, filed with the Securities and Exchange Commission (the "SEC") on March 1, 2018.

Overview

Company Description

Uniti Group Inc. (the "Company", "Uniti", "we", "us" or "our") is an independent, internally-managed real estate investment trust ("REIT") engaged in the acquisition and construction of mission critical infrastructure in the communications industry. We are principally focused on acquiring and constructing fiber optic broadband networks, wireless communications towers, copper and coaxial broadband networks and data centers.

On April 24, 2015, we were separated and spun-off (the "Spin-Off") from Windstream Holdings, Inc. ("Windstream Holdings" and together with its subsidiaries, "Windstream") pursuant to which Windstream contributed certain telecommunications network assets, including fiber and copper networks and other real estate (the "Distribution Systems") and a small consumer competitive local exchange carrier ("CLEC") business (the "Consumer CLEC Business"), to Uniti and Uniti issued common stock and indebtedness and paid cash obtained from borrowings under Uniti's senior credit facilities to Windstream. In connection with the Spin-Off, we entered into a long-term exclusive triple-net lease (the "Master Lease") with Windstream, pursuant to which a substantial portion of our real property is leased to Windstream and from which substantially all of our leasing revenues are currently derived.

Uniti operates as a REIT for U.S. federal income tax purposes. As a REIT, the Company is generally not subject to U.S. federal income taxes on income generated by its REIT operations, which includes income derived from the Master Lease. We have elected to treat the subsidiaries through which we operate our fiber business, Uniti Fiber, and Talk America Services, LLC, which operates the Consumer CLEC Business ("Talk America"), as taxable REIT subsidiaries ("TRSs"). TRSs enable us to engage in activities that result in income that does not constitute qualifying income for a REIT. Our TRSs are subject to U.S. federal, state and local corporate income taxes.

The Company operates through a customary up-REIT structure, pursuant to which we hold substantially all of our assets through a partnership, Uniti Group LP, a Delaware limited partnership (the "Operating Partnership"), that we control as general partner. This structure is intended to facilitate future acquisition opportunities by providing the Company with the ability to use common units of the Operating Partnership as a tax-efficient acquisition currency. As of June 30, 2018, we are the sole general partner of the Operating Partnership and own approximately 97.7% of the partnership interests in the Operating Partnership.

We expect to grow and diversify our portfolio and tenant base by pursuing a range of transaction structures with communication service providers, including, (i) sale leaseback transactions, whereby we acquire existing infrastructure assets from third parties, including communication service providers, and lease them back on a long-term triple-net basis; (ii) whole company acquisitions, which may include the use of one or more TRSs that are permitted under the tax laws to acquire and operate non-REIT businesses and assets subject to certain limitations; (iii) capital investment financing, whereby we offer communication service providers a cost efficient method of raising funds for discrete capital investments to upgrade or expand their network; and (iv) mergers and acquisitions financing, whereby we facilitate mergers and acquisition transactions as a capital partner.

We manage our operations as four reportable business segments in addition to our corporate operations:

Leasing Segment: Represents our REIT operations and includes the results from our leasing business, Uniti Leasing, which is engaged in the acquisition of mission-critical communications assets and leasing them to anchor customers on either an exclusive or shared-tenant basis.

Fiber Infrastructure Segment: Represents the operations of our fiber business, Uniti Fiber, which is a leading provider of infrastructure solutions, including cell site backhaul and dark fiber, to the telecommunications industry.

Towers Segment: Represents the operations of our towers business, Uniti Towers, through which we acquire and construct tower and tower-related real estate in the United States and Latin America.

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Consumer CLEC Segment: Represents the operations of Talk America through which we operate the Consumer CLEC Business, that prior to the Spin-Off was reported as an integrated operation within Windstream. Talk America provides local telephone, high-speed internet and long distance services to customers in the eastern and central United States.

Corporate Operations: Represents our corporate and centrally managed functions. Certain costs and expenses, primarily related to headcount, insurance, professional fees and similar charges, that are directly attributable to operations of our business segments are allocated to the respective segments.

We evaluate the performance of each segment based on Adjusted EBITDA, which is a segment performance measure we define as net income determined in accordance with GAAP, before interest expense, provision for income taxes, depreciation and amortization, stock-based compensation expense, the impact, which may be recurring in nature, of transaction and integration related expenses, the write off of unamortized deferred financing costs, costs incurred as a result of the early repayment of debt, changes in the fair value of contingent consideration and financial instruments, and other similar items. For more information on Adjusted EBITDA, see "Non-GAAP Financial Measures." Detailed information about our segments can be found in Note 11 to our condensed consolidated financial statements contained in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Significant Business Developments

Acquisition and Lease-back of CableSouth Media, LLC Fiber Assets: During August 2018, we entered into an agreement to acquire fiber assets from CableSouth Media, LLC ("CableSouth") for cash consideration of \$31 million. In the transaction, Uniti will acquire 607 route miles or approximately 43,000 fiber strand miles located across Arkansas, Louisiana and Mississippi. Upon closing, the Company will enter into an agreement with CableSouth to lease-back 34,000 fiber strand miles on a triple-net basis. Uniti will have exclusive use of 9,000 fiber strand miles, which are adjacent to Uniti Fiber's southern network footprint. The transaction is subject to certain closing conditions and is expected to close in the third quarter of 2018. The initial lease term will be 20 years with four 5-year renewal options at CableSouth's discretion. Annual cash rent will initially be \$2.9 million with a fixed annual escalator of 2.0%. The Company expects to fund the acquisition of fiber assets through borrowings on its revolving credit facility.

IRS Private Letter Ruling: During July 2018, we received a favorable private letter ruling ("PLR") from the Internal Revenue Service ("IRS") in connection with our request for guidance to clarify the treatment of income the Company receives from certain communication infrastructure assets. In the PLR, the IRS addressed and favorable ruled that the revenues generated from certain communication infrastructure assets that presently are part of our TRSs would be considered rent from real property.

Dark Fiber Acquisition and Anchor Tenant Lease: On May 10, 2018, the Company acquired from CenturyLink, Inc. 30 long-haul intercity dark fiber routes totaling 11,000 route miles and 270,000 fiber strand miles across 25 states. This transaction was approved by the U.S. Department of Justice as a condition of the merger between CenturyLink, Inc. and Level 3 Communications, Inc., and adds attractive, high demand assets to Uniti Leasing. Simultaneously with this purchase, the Company executed an anchor tenant lease with a Fortune 100 company for 11% of the fiber strand miles. During August 2018, the Company executed a lease agreement with a national multiple system operator ("MSO") on existing Uniti Leasing fiber. The lease term will be 20 years covering approximately 9,900 route miles or 41,000 fiber strand miles. Annual revenue related to this agreement will be approximately \$5 million. The transaction is subject to certain closing conditions and is expected to close in the fourth quarter of 2018.

Acquisition and Lease-back of U.S. TelePacific Holding Corp. Fiber Assets: On May 1, 2018, we closed on the non-California assets of the previously announced acquisition and lease-back of U.S. TelePacific Holding Corp. ("TPx") fiber assets, which included the exclusive use fiber strand miles in Texas, for total cash consideration of \$25 million. The remaining California assets are subject to customary closing conditions and are expected to close in the fourth quarter of 2018. The initial lease term will be 15 years with five 5-year renewal options at TPx's discretion. Upon the closing of both transactions, annual cash rent will initially be \$8.8 million with a fixed annual escalator of 1.5%.

Comparison of the three months ended June 30, 2018 and 2017

The following table sets forth, for the periods indicated, our results of operations expressed as dollars and as a percentage of total revenues:

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(Thousands)	Three Months Ended June 30,			
	2018		2017	
	Amount	% of Revenues	Amount	% of Revenues
Revenues:				
Leasing	\$ 173,885	70.3%	\$ 170,914	80.2%
Fiber Infrastructure	67,389	27.2%	34,983	16.4%
Tower	2,472	1.0%	2,455	1.2%
Consumer CLEC	3,583	1.5%	4,661	2.2%
Total revenues	247,329	100.0%	213,013	100.0%
Costs and Expenses:				
Interest expense	79,385	32.1%	75,086	35.2%
Depreciation and amortization	114,842	46.4%	102,599	48.2%
General and administrative expense	20,681	8.4%	13,503	6.3%
Operating expense	31,522	12.7%	21,961	10.3%
Transaction related costs	3,789	1.5%	14,017	6.6%
Other (income) expense	3,349	1.4%	2,232	1.0%
Total costs and expenses	253,568	102.5%	229,398	107.7%
Loss before income taxes	(6,239)	(2.5%)	(16,385)	(7.7%)
Income tax (benefit) expense	(2,646)	(1.1%)	75	0.0%
Net loss	(3,593)	(1.4%)	(16,460)	(7.7%)
Net loss attributable to noncontrolling interests	(90)	(0.0%)	-	-
Net loss available to shareholders	(3,503)	(1.4%)	(16,460)	(7.7%)
Participating securities' share in earnings	(658)	(0.3%)	(381)	(0.2%)
Dividends declared on convertible preferred stock	(656)	(0.2%)	(656)	(0.3%)
Amortization of discount on convertible preferred stock	(745)	(0.3%)	(745)	(0.3%)
Net loss attributable to common shareholders	<u>\$ (5,562)</u>	<u>(2.2%)</u>	<u>\$ (18,242)</u>	<u>(8.6%)</u>

The following tables set forth, for the three months ended June 30, 2018 and 2017, revenues and Adjusted EBITDA of our reportable segments:

(Thousands)	Three Months Ended June 30, 2018					
	Leasing	Fiber Infrastructure	Towers	Consumer CLEC	Corporate	Subtotal of Reportable Segments
Revenues	\$ 173,885	\$ 67,389	\$ 2,472	\$ 3,583	\$ -	\$ 247,329
Adjusted EBITDA	\$ 173,356	\$ 29,405	\$ (1,167)	\$ 928	\$ (5,511)	\$ 197,011
Less:						
Interest expense						79,385
Depreciation and amortization	86,454	26,244	1,575	499	70	114,842
Other income						3,349
Transaction related costs						3,789
Stock-based compensation						1,885
Income tax benefit						(2,646)
Net loss						<u>\$ (3,593)</u>

Three Months Ended June 30, 2017

(Thousands)	Leasing	Fiber Infrastructure	Towers	Consumer CLEC	Corporate	Subtotal of Reportable Segments
Revenues	\$ 170,914	\$ 34,983	\$ 2,455	4,661	\$ -	\$ 213,013
Adjusted EBITDA	\$ 170,528	\$ 12,618	\$ (242)	\$ 1,323	\$ (4,657)	\$ 179,570
Less:						
Interest expense						75,086
Depreciation and amortization	87,213	13,346	1,292	652	96	102,599
Other expense						2,232
Transaction related costs						14,017
Stock-based compensation						2,021
Income tax expense						75
Net loss						<u>\$ (16,460)</u>

Revenues

Leasing - Leasing revenues are primarily attributable to rental revenue from leasing the Distribution Systems to Windstream Holdings pursuant to the Master Lease.

The Master Lease provides that tenant funded capital improvements ("TCIs"), defined as maintenance, repair, overbuild, upgrade or replacement to the Distribution Systems, including without limitation, the replacement of copper distribution systems with fiber distribution systems, automatically become property of Uniti upon their construction by Windstream. We receive non-monetary consideration related to TCIs as they automatically become our property, and we recognize the cost basis of TCIs that are capital in nature as real estate investments and deferred revenue. We depreciate the real estate investments over their estimated useful lives and amortize the deferred revenue as additional leasing revenues over the same depreciable life of the TCI assets.

For the three months ended June 30, 2018, we recognized \$173.3 million of revenue from rents under the Master Lease, which included \$3.8 million of straight-line revenues and \$5.6 million of TCI revenue. For the three months ended June 30, 2017, we recognized \$170.9 million of revenues from the Master Lease, which included \$4.3 million of straight-line rent revenue, and \$3.2 million of TCI revenue. The increase in TCI revenue is attributable to increased investment by Windstream in TCIs. Windstream invested \$44.8 million in TCIs during the three months ended June 30, 2018, a decrease from \$80.0 million it invested in TCIs during the three months ended June 30, 2017. Since the inception of the Master Lease, Windstream has invested a total of \$545.7 million in such improvements.

Because a substantial portion of our revenue and cash flows are derived from lease payments by Windstream pursuant to the Master Lease, there could be a material adverse impact on our consolidated results of operations, liquidity, financial condition and/or ability to pay dividends and service debt if Windstream were to default under the Master Lease or otherwise experiences operating or liquidity difficulties and becomes unable to generate sufficient cash to make payments to us. In recent years, Windstream has experienced annual declines in its total revenue, sales and cash flow, and has had its credit ratings downgraded by nationally recognized credit rating agencies multiple times over the past 12 months, and as recently as June 2018. In addition, Windstream is involved in litigation with an entity who acquired certain Windstream debt securities and thereafter issued a notice of default under such securities relating to our spin-off from Windstream. On December 7, 2017, the entity issued a notice of acceleration to Windstream claiming that the alleged default had matured into an "event of default" and that the principal amount, along with accrued interest, of such securities was due and payable immediately. Windstream challenged the matter in federal court and a trial was held in July 2018. A verdict is expected to be issued during the third quarter of 2018. If Windstream receives an adverse ruling (and the ruling is not stayed or is final and unappealable), an actual "event of default" would result. An actual "event of default" would trigger cross-default provisions in Windstream's other debt instruments, including Windstream Services' existing credit facility and all of its other notes, which, in turn, would trigger a default under the Master Lease. In addition, Windstream is dependent upon distributions from its subsidiaries to fund its rental payments, and its subsidiaries' debt instruments generally prohibit such distributions upon any event of default. If an adverse outcome occurs with respect to this matter and Windstream does not have the ability and/or intent to pay under the Master Lease, there could be a material adverse impact to us.

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Accordingly, we monitor the credit quality of Windstream through numerous methods, including by (i) reviewing the credit ratings of Windstream by nationally recognized credit rating agencies, (ii) reviewing the financial statements of Windstream that are publicly available and that are required to be delivered to us pursuant to the Master Lease, (iii) monitoring ongoing litigation and news reports regarding Windstream and its businesses, (iv) conducting research to ascertain industry trends potentially affecting Windstream, and (v) monitoring the timeliness of its lease payments. In addition to periodic financial statements, Windstream is obligated under the Master Lease to provide us (i) a detailed consolidated budget on an annual basis and any significant revisions approved by Windstream's board of directors, (ii) prompt notice of any adverse action or investigation by a governmental authority relating to Windstream's licenses affecting the leased property, and (iii) any information we require to comply with our reporting and filing obligations with the SEC. Furthermore, pursuant to the Master Lease, we may inspect the properties leased to Windstream upon reasonable advance notice, and, no more than twice per year, we may require Windstream to deliver an officer's certificate certifying, among other things, its material compliance with the covenants under the Master Lease, the amount of rent and additional charges payable thereunder, the dates the same were paid, and any other questions or statements of fact we reasonably request.

At June 30, 2018, Uniti Leasing had 3.9 million fiber strand miles, of which 3.6 million fiber strand miles were under long-term exclusive triple-net leases.

Fiber Infrastructure – For the three months ended June 30, 2018 and 2017, we recognized \$67.4 million and \$35.0 million of revenue, respectively, in our Fiber Infrastructure segment. The increase to Fiber Infrastructure revenue is primarily driven by the timing of the July 3, 2017 acquisitions of Southern Light and Hunt.

At June 30, 2018, we had approximately 17,559 customer connections, up from 5,600 customer connections at June 30, 2017. The increase is primarily attributable to the Southern Light and Hunt acquisitions, which added 11,845 connections as of June 30, 2018.

Fiber Infrastructure revenues for the three months ended June 30, 2018 and 2017 consisted of the following:

(Thousands)	Three Months Ended June 30,			
	2018		2017	
	Amount	% of Segment Revenues	Amount	% of Segment Revenues
Fiber Infrastructure revenues:				
Lit backhaul services	\$ 33,474	49.7%	\$ 24,296	69.5%
Enterprise and wholesale	15,562	23.1%	3,442	9.8%
E-Rate and government	14,157	21.0%	6,798	19.4%
Dark fiber and small cells	3,318	4.9%	485	1.4%
Other services	878	1.3%	(38)	(0.1%)
Total Fiber Infrastructure revenues	\$ 67,389	100.0%	\$ 34,983	100.0%

Towers - For the three months ended June 30, 2018, we recognized \$2.5 million of revenue in our Towers segment, of which \$2.2 million relates to our Latin American operations and included a non-recurring charge of \$1.1 million related to the accounting of straight line rents in our U.S. operations. For the three months ended June 30, 2017, we recognized \$2.5 million of revenue, of which \$2.0 million related to our Latin American operations. At June 30, 2018, the Uniti Towers portfolio consisted of 305 wireless communications towers across the Eastern and Central regions in the United States, and 462 wireless communication towers in Latin America, up from 81 wireless communications towers in the United States, and 429 wireless communication towers in Latin America, at June 30, 2017.

Consumer CLEC - For the three months ended June 30, 2018, we recognized \$3.6 million of revenue from the Consumer CLEC Business, compared to \$4.7 million for the three months ended June 30, 2017. The decrease is due to the effects of competition and customer attrition, as we served 25,100 customers as of June 30, 2018, a 24.2% decrease from 33,100 customers served at June 30, 2017.

Interest Expense

Interest expense for the three months ended June 30, 2018, totaled \$79.4 million, which includes non-cash interest expense of \$6.1 million resulting from the amortization of our debt discounts and debt issuance costs. Interest expense for the three months ended June 30, 2017 totaled \$75.1 million, which includes non-cash interest expense of \$5.7 million resulting from the amortization of our debt discounts and debt issuance costs. The increase is related to an increase of interest expense incurred on the revolving credit facility of

\$2.8 million due to increased borrowings and LIBOR rates compared to the prior year, and interest expense on the 2024 Notes of \$1.5 million, which were not incurred in the three months ended June 30, 2017.

Depreciation and Amortization Expense

We incur depreciation and amortization expense related to our property, plant and equipment, corporate assets and intangible assets. Charges for depreciation and amortization for the three months ended June 30, 2018 totaled \$114.8 million, which included property, plant and equipment depreciation of \$108.6 million and intangible asset amortization of \$6.2 million. Charges for depreciation and amortization for the three months ended June 30, 2017 totaled \$102.6 million, which included property, plant and equipment depreciation of \$99.8 million and intangible asset amortization of \$2.8 million. The increase is primarily driven by the timing of the acquisitions of Southern Light and Hunt.

General and Administrative Expense

General and administrative expenses include compensation costs (including stock-based compensation awards), professional and legal services, corporate office costs and other costs associated with administrative activities. For the three months ended June 30, 2018, general and administrative costs totaled \$20.7 million (8.4% of revenue), which includes \$1.9 million of stock-based compensation expense. For the three months ended June 30, 2017, general and administrative costs totaled \$13.5 million (6.3% of revenue), which includes \$2.0 million of stock-based compensation expense. The increase is primarily driven by the timing of the acquisitions of Southern Light and Hunt, as Fiber Infrastructure general and administrative expenses for the three months ended June 30, 2018 and 2017, totaled \$11.7 million and \$5.4 million, respectively.

Operating Expense

Operating expense for the three months ended June 30, 2018, totaled \$31.5 million (12.7% of revenue) compared to \$22.0 million (10.3% of revenue) for the three months ended June 30, 2017. Operating expense for our reportable segments for the three months ended June 30, 2018 and 2017 consisted of the following:

(Thousands)	Three Months Ended June 30,			
	2018		2017	
	Amount	% of Consolidated Revenues	Amount	% of Consolidated Revenues
Operating expenses by segment:				
Fiber Infrastructure	\$ 26,534	10.7%	\$ 17,334	8.1%
Towers	2,167	0.9%	1,285	0.6%
CLEC	2,655	1.0%	3,342	1.6%
Leasing	166	0.1%	-	0.0%
Total operating expenses	<u>\$ 31,522</u>	<u>12.7%</u>	<u>\$ 21,961</u>	<u>10.3%</u>

The increase to Fiber Infrastructure operating expense is primarily driven by the timing of the acquisitions of Southern Light and Hunt. For the three months ended June 30, 2018, Fiber Infrastructure operating expenses included \$4.4 million of construction related expenses, \$4.9 million of payroll related expense, \$2.9 million of tower rent, \$6.4 million of lit service expense and \$1.9 million of dark fiber rent. For the three months ended June 30, 2017, Fiber Infrastructure operating expenses included \$2.0 million of payroll related expense, \$2.6 million of tower rent, \$1.8 million of lit service expense and \$1.7 million of dark fiber rent expense.

Expense associated with the Consumer CLEC Business is primarily attributable to the Wholesale Agreement and the Master Services Agreement entered into between us and Windstream in connection with the Spin-Off, and also included costs arising under the interconnection agreements with other telecommunication carriers. Expense associated with the Wholesale Agreement and Master Services Agreement for the three months ended June 30, 2018 totaled \$2.0 million (0.8% of revenue) and \$0.2 million (0.08% of revenue), respectively, and expense associated with the Wholesale Agreement and the Master Services Agreement for the three months ended June 30, 2017 totaled \$2.6 million (1.2% of revenue) and \$0.4 million (0.2% of revenue), respectively.

Other (Income) Expense

We recognized in other (income) expense a \$3.4 million (1.4% of revenue) unrealized loss for mark-to-market adjustments on our contingent consideration arrangements for the three months ended June 30, 2018, compared to a \$2.1 million (1.0% of revenue)

unrealized loss for mark-to-market adjustments on our contingent consideration arrangements for the three months ended June 30, 2017. The fair value of the contingent consideration arrangement connected to the July 3, 2017 acquisition of Hunt is determined using the closing price of our common shares in the active market, while the fair value of the contingent consideration arrangement in connection to the August 31, 2016 acquisition of Tower Cloud is determined using a discounted cash flow model and probability adjusted estimates of the future earnings.

Income Tax (Benefit) Expense

We recorded a \$2.6 million income tax benefit for the three months ended June 30, 2018, \$1.3 million of which relates to the impact of the reduction in the corporate tax rate under the Tax Bill on purchase price allocation adjustments recorded during the three months ended June 30, 2018 and the remainder of which is primarily driven by pre-tax loss in our Fiber Infrastructure segment.

Comparison of the six months ended June 30, 2018 and 2017

The following table sets forth, for the periods indicated, our results of operations expressed as dollars and as a percentage of total revenues:

(Thousands)	Six Months Ended June 30,			
	2018		2017	
	Amount	% of Revenues	Amount	% of Revenues
Revenues:				
Leasing	\$ 346,659	70.1%	\$ 341,220	80.4%
Fiber Infrastructure	134,356	27.2%	69,795	16.4%
Tower	5,842	1.2%	3,883	0.9%
Consumer CLEC	7,387	1.5%	9,588	2.3%
Total revenues	494,244	100.0%	424,486	100.0%
Costs and Expenses:				
Interest expense	156,992	31.8%	148,451	35.0%
Depreciation and amortization	229,563	46.4%	203,960	48.0%
General and administrative expense	43,201	8.7%	27,481	6.5%
Operating expense	61,426	12.4%	44,086	10.4%
Transaction related costs	9,702	2.0%	23,701	5.6%
Other expense	(536)	(0.1%)	13,571	3.2%
Total costs and expenses	500,348	101.2%	461,250	108.7%
Loss before income taxes	(6,104)	(1.2%)	(36,764)	(8.7%)
Income tax benefit	(3,742)	(0.7%)	(304)	(0.1%)
Net loss	(2,362)	(0.5%)	(36,460)	(8.6%)
Net loss attributable to noncontrolling interests	(69)	(0.0%)	-	-
Net loss available to shareholders	(2,293)	(0.5%)	(36,460)	(8.6%)
Participating securities' share in earnings	(1,337)	(0.3%)	(768)	(0.2%)
Dividends declared on convertible preferred stock	(1,312)	(0.3%)	(1,312)	(0.3%)
Amortization of discount on convertible preferred stock	(1,490)	(0.2%)	(1,490)	(0.4%)
Net loss attributable to common shareholders	<u>\$ (6,432)</u>	<u>(1.3%)</u>	<u>\$ (40,030)</u>	<u>(9.4%)</u>

The following tables set forth, for the six months ended June 30, 2018 and 2017, revenues and Adjusted EBITDA of our reportable segments:

Six Months Ended June 30, 2018

(Thousands)	Leasing	Fiber Infrastructure	Towers	Consumer CLEC	Corporate	Subtotal of Reportable Segments
Revenues	\$ 346,659	\$ 134,356	\$ 5,842	\$ 7,387	\$ -	\$ 494,244
Adjusted EBITDA	\$ 345,725	\$ 58,600	\$ (1,630)	\$ 1,841	\$ (10,824)	\$ 393,712
Less:						
Interest expense						156,992
Depreciation and amortization	173,198	52,149	3,052	997	167	229,563
Other expense						(536)
Transaction related costs						9,702
Stock-based compensation						4,095
Income tax benefit						(3,742)
Net loss						\$ (2,362)

Six Months Ended June 30, 2017

(Thousands)	Leasing	Fiber Infrastructure	Towers	Consumer CLEC	Corporate	Subtotal of Reportable Segments
Revenues	\$ 341,220	\$ 69,795	\$ 3,883	\$ 9,588	\$ -	\$ 424,486
Adjusted EBITDA	\$ 340,588	\$ 24,185	\$ (977)	\$ 2,489	\$ (9,713)	\$ 356,572
Less:						
Interest expense						148,451
Depreciation and amortization	173,719	26,567	2,178	1,304	192	203,960
Other expense						13,571
Transaction related costs						23,701
Stock-based compensation						3,653
Income tax benefit						(304)
Net loss						\$ (36,460)

Revenues

Leasing - Leasing revenues are primarily attributable to rental revenue from leasing the Distribution Systems to Windstream Holdings pursuant to the Master Lease.

The Master Lease provides that tenant funded capital improvements ("TCIs"), defined as maintenance, repair, overbuild, upgrade or replacement to the Distribution Systems, including without limitation, the replacement of copper distribution systems with fiber distribution systems, automatically become property of Uniti upon their construction by Windstream. We receive non-monetary consideration related to TCIs as they automatically become our property, and we recognize the cost basis of TCIs that are capital in nature as real estate investments and deferred revenue. We depreciate the real estate investments over their estimated useful lives and amortize the deferred revenue as additional leasing revenues over the same depreciable life of the TCI assets.

For the six months ended June 30, 2018, we recognized \$346.1 million of revenue from rents under the Master Lease, which included \$8.1 million of straight-line revenues and \$10.7 million of TCI revenue. For the six months ended June 30, 2017, we recognized \$341.2 million of revenues from the Master Lease, which included \$8.6 million of straight-line rent revenue, and \$5.8 million of TCI revenue. The increase in TCI revenue is attributable to increased investment by Windstream in TCIs. Windstream invested \$92.2 million in TCIs during the six months ended June 30, 2018, a decrease from \$113.8 million it invested in TCIs during the six months ended June 30, 2017.

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Fiber Infrastructure – For the six months ended June 30, 2018 and 2017, we recognized \$134.4 million and \$69.8 million of revenue, respectively in our Fiber Infrastructure segment. The increase to Fiber Infrastructure revenue is primarily driven by the timing of the July 3, 2017 acquisitions Southern Light and Hunt.

At June 30, 2018, we had approximately 17,559 customer connections, up from 5,600 customer connections at June 30, 2017. The increase is primarily attributable to the Southern Light and Hunt acquisitions, which added 11,845 connections as of June 30, 2018.

Fiber Infrastructure revenues for the six months ended June 30, 2018 and 2017 consisted of the following:

(Thousands)	Six Months Ended June 30,			
	2018		2017	
	Amount	% of Segment Revenues	Amount	% of Segment Revenues
Fiber Infrastructure revenues:				
Lit backhaul services	\$ 66,820	49.7%	\$ 48,548	69.6%
Enterprise and wholesale	30,980	23.1%	6,921	9.9%
E-Rate and government	28,387	21.1%	13,749	19.7%
Dark fiber and small cells	6,301	4.7%	855	1.2%
Other services	1,868	1.4%	(278)	(0.4%)
Total Fiber Infrastructure revenues	\$ 134,356	100.0%	\$ 69,795	100.0%

Towers - For the six months ended June 30, 2018, we recognized \$5.8 million of revenue in our Towers segment, of which \$4.5 million relates to our Latin American operations and included a non-recurring charge of \$1.1 million related to the accounting of straight line rents in our U.S. operations. For the six months ended June 30, 2017, we recognized \$3.8 million of revenue, of which \$3.1 million related to our Latin American operations. The increase is primarily driven by revenues associated with our January 31, 2017 acquisition of Network Management Holdings LTD ("NMS"), including the additional 26 towers acquired that were under development at the time of the NMS acquisition. At June 30, 2018, the Uniti Towers portfolio consisted of 305 wireless communications towers across the Eastern and Central regions in the United States, and 462 wireless communication towers in Latin America, up from 81 wireless communications towers in the United States, and 429 wireless communication towers in Latin America, at June 30, 2017.

Consumer CLEC - For the six months ended June 30, 2018, we recognized \$7.4 million of revenue from the Consumer CLEC Business, compared to \$9.6 million for the six months ended June 30, 2017. The decrease is due to the effects of competition and customer attrition, as we served 25,100 customers as of June 30, 2018, a 24.2% decrease from 33,100 customers served at June 30, 2017.

Interest Expense

Interest expense for the six months ended June 30, 2018, totaled \$157.0 million, which includes non-cash interest expense of \$12.1 million resulting from the amortization of our debt discounts and debt issuance costs. Interest expense for the six months ended June 30, 2017 totaled \$148.5 million, which includes non-cash interest expense of \$11.0 million resulting from the amortization of our debt discounts and debt issuance costs. The increase is related to interest expense on the 2024 Notes of \$5.1 million, an increase in interest incurred on the revolving credit facility of \$6.4 million due to increased borrowings and LIBOR rates compare to the prior year, partially offset by a decrease in interest expense related to capitalized interest of \$2.9 million, which were not incurred in the six months ended June 30, 2017.

Depreciation and Amortization Expense

We incur depreciation and amortization expense related to our property, plant and equipment, corporate assets and intangible assets. Charges for depreciation and amortization for the six months ended June 30, 2018 totaled \$229.6 million, which included property, plant and equipment depreciation of \$216.9 million and intangible asset amortization of \$12.7 million. Charges for depreciation and amortization for the six months ended June 30, 2017 totaled \$204.0 million, which included property, plant and equipment depreciation of \$198.7 million and intangible asset amortization of \$5.3 million. The increase is primarily driven by the timing of the acquisitions of Southern Light and Hunt.

General and Administrative Expense

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General and administrative expenses include compensation costs (including stock-based compensation awards), professional and legal services, corporate office costs and other costs associated with administrative activities. For the six months ended June 30, 2018, general and administrative costs totaled \$43.2 million (8.7% of revenue), which includes \$4.1 million of stock-based compensation expense. For the six months ended June 30, 2017, general and administrative costs totaled \$27.5 million (6.5% of revenue), which includes \$3.6 million of stock-based compensation expense. The increase is primarily driven by the timing of the acquisitions of Southern Light and Hunt, as Fiber Infrastructure general and administrative expenses for the six months ended June 30, 2018 and 2017, totaled \$24.9 million and \$11.2 million, respectively.

Operating Expense

Operating expense for the six months ended June 30, 2018, totaled \$61.4 million (12.4% of revenue) compared to \$44.1 million (10.4% of revenue) for the six months ended June 30, 2017. Operating expense for our reportable segments for the three months ended June 30, 2018 and 2017 consisted of the following:

(Thousands)	Six Months Ended June 30.			
	2018		2017	
	Amount	% of Consolidated Revenues	Amount	% of Consolidated Revenues
Operating expenses by segment:				
Fiber Infrastructure	\$ 51,495	10.4%	\$ 34,962	8.2%
Towers	4,220	0.9%	2,026	0.5%
CLEC	5,545	1.1%	7,098	1.7%
Leasing	166	0.0%	-	0.0%
Total operating expenses	<u>\$ 61,426</u>	<u>12.4%</u>	<u>\$ 44,086</u>	<u>10.4%</u>

The increase to Fiber Infrastructure operating expense is primarily driven by the timing of the acquisitions of Southern Light and Hunt. For the six months ended June 30, 2018, Fiber Infrastructure operating expenses included \$9.3 million of construction related expenses, \$8.5 million of payroll related expense, \$5.8 million of tower rent, \$12.6 million of lit service expense and \$3.8 million of dark fiber rent. For the six months ended June 30, 2017, Fiber Infrastructure operating expenses included \$11.1 million of construction related expenses, \$4.1 million of payroll related expense, \$5.2 million of tower rent, \$3.6 million of lit service expense, \$3.4 million of maintenance expense and \$3.4 million of dark fiber rent.

Expense associated with the Consumer CLEC Business is primarily attributable to the Wholesale Agreement and the Master Services Agreement entered into between us and Windstream in connection with the Spin-Off, and also included costs arising under the interconnection agreements with other telecommunication carriers. Expense associated with the Wholesale Agreement and Master Services Agreement for the six months ended June 30, 2018 totaled \$4.1 million (0.8% of revenue) and \$0.4 million (0.1% of revenue), respectively, and expense associated with the Wholesale Agreement and the Master Services Agreement for the six months ended June 30, 2017 totaled \$5.4 million (1.3% of revenue) and \$0.8 million (0.2% of revenue), respectively.

Other (Income) Expense

We recognized in other (income) expense a \$0.5 million (0.1% of revenue) unrealized gain for mark-to-market adjustments on our contingent consideration arrangements for the six months ended June 30, 2018, compared to a \$13.0 million (3.1% of revenue) unrealized loss for mark-to-market adjustments on our contingent consideration arrangements for the six months ended June 30, 2017. The fair value of the contingent consideration arrangement connected to the July 3, 2017 acquisition of Hunt is determined using the closing price of our common shares in the active market, while the fair value of the contingent consideration arrangement in connection to the August 31, 2016 acquisition of Tower Cloud is determined using a discounted cash flow model and probability adjusted estimates of the future earnings.

Income Tax (Benefit) Expense

We recorded a \$3.7 million income tax benefit for the six months ended June 30, 2018, \$1.3 million of which relates to the impact of the reduction in the corporate tax rate under the Tax Bill on purchase price allocation adjustments recorded during the three months ended June 30, 2018 and the remainder of which is primarily driven by pre-tax loss in our Fiber Infrastructure segment.

Non-GAAP Financial Measures

We refer to EBITDA, Adjusted EBITDA, Funds From Operations ("FFO") (as defined by the National Association of Real Estate Investment Trusts ("NAREIT")) and Adjusted Funds From Operations ("AFFO") in our analysis of our results of operations, which are not required by, or presented in accordance with, accounting principles generally accepted in the United States ("GAAP"). While we believe that net income, as defined by GAAP, is the most appropriate earnings measure, we also believe that EBITDA, Adjusted EBITDA, FFO and AFFO are important non-GAAP supplemental measures of operating performance for a REIT.

We define "EBITDA" as net income, as defined by GAAP, before interest expense, provision for income taxes and depreciation and amortization. We define "Adjusted EBITDA" as EBITDA before stock-based compensation expense and the impact, which may be recurring in nature, of transaction and integration related costs (collectively, "transaction related costs"), the write-off of unamortized deferred financing costs, costs incurred as a result of the early repayment of debt, changes in the fair value of contingent consideration and financial instruments, and other similar items (although we may not have had such charges in the periods presented). We believe EBITDA and Adjusted EBITDA are important supplemental measures to net income because they provide additional information to evaluate our operating performance on an unleveraged basis. Since EBITDA and Adjusted EBITDA are not measures calculated in accordance with GAAP, they should not be considered as an alternative to net income determined in accordance with GAAP.

Because the historical cost accounting convention used for real estate assets requires the recognition of depreciation expense except on land, such accounting presentation implies that the value of real estate assets diminishes predictably over time. However, since real estate values have historically risen or fallen with market and other conditions, presentations of operating results for a REIT that uses historical cost accounting for depreciation could be less informative. Thus, NAREIT created FFO as a supplemental measure of operating performance for REITs that excludes historical cost depreciation and amortization, among other items, from net income, as defined by GAAP. FFO is defined by NAREIT as net income applicable to common shareholders computed in accordance with GAAP, excluding gains or losses from real estate dispositions, plus real estate depreciation and amortization and impairment charges. We compute FFO in accordance with NAREIT's definition.

We define AFFO as FFO excluding (i) transaction related costs; (ii) certain non-cash revenues and expenses such as stock-based compensation expense, amortization of debt and equity discounts, amortization of deferred financing costs, depreciation and amortization of non-real estate assets, straight-line revenues, non-cash income taxes, and the amortization of other non-cash revenues to the extent that cash has not been received, such as revenue associated with the amortization of TCIs; (iii) the impact, which may be recurring in nature, of the write-off of unamortized deferred financing fees, additional costs incurred as a result of the early repayment of debt, changes in the fair value of contingent consideration and financial instruments and similar items less maintenance capital expenditures. We believe that the use of FFO and AFFO, and their respective per share amounts, combined with the required GAAP presentations, improves the understanding of operating results of REITs among investors and analysts, and makes comparisons of operating results among such companies more meaningful. We consider FFO and AFFO to be useful measures for reviewing comparative operating performance. In particular, we believe AFFO, by excluding certain revenue and expense items, can help investors compare our operating performance between periods and to other REITs on a consistent basis without having to account for differences caused by unanticipated items and events, such as transaction related costs. The Company uses FFO and AFFO, and their respective per share amounts, only as performance measures, and FFO and AFFO do not purport to be indicative of cash available to fund our future cash requirements. While FFO and AFFO are relevant and widely used measures of operating performance of REITs, they do not represent cash flows from operations or net income as defined by GAAP and should not be considered an alternative to those measures in evaluating our liquidity or operating performance.

Further, our computations of EBITDA, Adjusted EBITDA, FFO and AFFO may not be comparable to that reported by other REITs or companies that do not define FFO in accordance with the current NAREIT definition or that interpret the current NAREIT definition or define EBITDA, Adjusted EBITDA and AFFO differently than we do.

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The reconciliation of our net income to EBITDA and Adjusted EBITDA and of our net income attributable to common shareholders to FFO and AFFO for the three and six months ended June 30, 2018 and 2017 is as follows:

(Thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net loss	\$ (3,593)	\$ (16,460)	\$ (2,362)	\$ (36,460)
Depreciation and amortization	114,842	102,599	229,563	203,960
Interest expense	79,385	75,086	156,992	148,451
Income (benefit) expense	(2,646)	75	(3,742)	(304)
EBITDA	\$ 187,988	\$ 161,300	\$ 380,451	\$ 315,647
Stock based compensation	1,885	2,021	4,095	3,653
Transaction related costs	3,789	14,017	9,702	23,701
Other (income) expense	3,349	2,232	(536)	13,571
Adjusted EBITDA	\$ 197,011	\$ 179,570	\$ 393,712	\$ 356,572

(Thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net loss attributable to common shareholders	\$ (5,562)	\$ (18,242)	\$ (6,432)	\$ (40,030)
Real estate depreciation and amortization	95,399	92,181	190,976	183,195
Participating securities share in earnings	658	381	1,337	768
Participating securities share in FFO	(658)	(381)	(1,337)	(768)
Adjustments for noncontrolling interests	(2,200)	-	(4,405)	-
FFO attributable to common shareholders	\$ 87,637	\$ 73,939	\$ 180,139	\$ 143,165
Transaction related costs	3,789	14,017	9,702	23,701
Change in fair value of contingent consideration	3,376	2,114	(488)	13,024
Amortization of deferred financing costs and debt discount	6,113	5,716	12,147	10,981
Stock based compensation	1,885	2,021	4,095	3,653
Non-real estate depreciation and amortization	19,443	10,418	38,587	20,765
Straight-line revenues	(2,808)	(3,619)	(7,400)	(7,248)
Maintenance capital expenditures	(665)	(1,442)	(2,150)	(1,978)
Amortization of discount on convertible preferred stock	745	745	1,490	1,490
Other non-cash (revenue) expense, net	(9,678)	(2,467)	(17,260)	(5,795)
Adjustments for noncontrolling interests	(482)	-	(835)	-
AFFO attributable to common shareholders	\$ 109,355	\$ 101,442	\$ 218,027	\$ 201,758

Critical Accounting Estimates

We make certain judgments and use certain estimates and assumptions when applying accounting principles in the preparation of our consolidated financial statements. The nature of the estimates and assumptions are material due to the levels of subjectivity and judgment necessary to account for highly uncertain factors or the susceptibility of such factors to change. We have identified the accounting for income taxes, revenue recognition, useful lives of assets, the impairment of property, plant and equipment, goodwill impairment and business combinations as critical accounting estimates, as they are the most important to our financial statement presentation and require difficult, subjective and complex judgments.

We believe the current assumptions and other considerations used to estimate amounts reflected in our financial statements are appropriate. However, if actual experience differs from the assumptions and other considerations used in estimating amounts reflected in our consolidated financial statements, the resulting changes could have a material adverse effect on our consolidated results of operations and, in certain situations, could have a material adverse effect on our financial condition.

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For further information on our critical accounting estimates, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the notes to our audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2017, filed with SEC on March 1, 2018. As of June 30, 2018, there has been no material change to these estimates.

Liquidity and Capital Resources

Our principal liquidity needs are to fund operating expenses, meet debt service requirements, fund investment activities, and make dividend distributions. Our primary sources of liquidity and capital resources are cash on hand, cash provided by operating activities (primarily arising under the Master Lease with Windstream), borrowings under our credit agreement by and among the Operating Partnership, CSL Capital, LLC and Uniti Group Finance Inc., the guarantors and lenders party thereto and Bank of America, N.A., as administrative agent and collateral agent (the “Credit Agreement”), and proceeds from the issuance of debt and equity securities.

As of June 30, 2018, we had cash and cash equivalents of \$76.5 million and \$275 million of undrawn borrowing capacity under the Revolving Credit Facility.

Cash provided by operating activities was \$231.0 million and \$196.4 million for the six months ended June 30, 2018 and 2017, respectively. Cash provided by operating activities is primarily attributable to our leasing activities.

Cash used in investing activities was \$164.6 million for the six months ended June 30, 2018, which was driven by capital expenditures (\$163.5 million), primarily related to our Uniti Fiber and Uniti Leasing businesses. Cash used in investing activities was \$123.3 million for the six months ended June 30, 2017, which was driven by the acquisition of NMS assets (\$67.9 million), ground lease investments (\$9.4 million) and capital expenditures (\$46.2 million). The increase in capital expenditures is due to network deployments related to our Uniti Fiber and Uniti Towers businesses.

As of June 30, 2018, under the terms of the purchase agreement with NMS, we acquired 66 of the 105 towers, which were under development at the time of the NMS acquisition, for approximately \$6.2 million.

Cash used in financing activities was \$49.5 million for the six months ended June 30, 2018, which primarily represents the dividend payments (\$212.0 million), contingent consideration payments (\$12.7 million), principal payments related to the Term Loan Facility (\$10.5 million), and distributions paid to noncontrolling interests (\$5.0 million), partially offset by net borrowings under the Revolving Credit Facility (\$195 million). Cash provided in financing activities was \$688.8 million for the six months ended June 30, 2017, which primarily represents the net proceeds from the sale of common stock through a public offering (\$499.0 million) and proceeds from the May 2017 Notes (\$201.0 million), which were used to fund acquisitions of Southern Light and Hunt, and net borrowings under the Revolving Credit Facility (\$235 million), partially offset by dividend payments (\$188.3 million), deferred financing costs related to the term loan pricing (\$25.4 million), contingent consideration payments (\$18.8 million), and principal payments related to the Term Loan Facility (\$10.5 million).

We have an effective shelf registration statement on file with the SEC (the “Registration Statement”) to offer and sell various securities from time to time. Under the Registration Statement, we have established an at-the-market common stock offering program (the “ATM Program”) to sell shares of common stock having an aggregate offering price of up to \$250.0 million. During the quarter ended June 30, 2018, no sales were made under the ATM Program. This program provides additional financial flexibility and an alternative mechanism to access the capital markets at an efficient cost as and when we need financing, including for acquisitions. While we have not used the program to date, we currently intend to utilize the program when we believe the price we can obtain for our common stock is attractive or we otherwise determine it is an efficient manner to raise needed capital. In addition, our UPREIT structure, enables us to acquire properties by issuing to sellers, as a form of consideration, limited partnership interests in our operating partnership, (commonly called “OP Units”). We believe that this structure will facilitate our ability to acquire individual properties and portfolios of properties by enabling us to structure transactions which will defer taxes payable by a seller while preserving our available cash for other purposes, including the possible payment of dividends.

We anticipate our cash on hand and borrowing availability under the Revolving Credit Facility, combined with our cash flows provided by operating activities will be sufficient to fund our business operations, debt service and distributions to our shareholders over the next twelve months. However, we may take advantage of opportunities to generate additional liquidity through capital markets transactions. The amount, nature and timing of any capital markets transactions will depend on: our operating performance and other circumstances; our then-current commitments and obligations; the amount, nature and timing of our capital requirements; any limitations imposed by our current credit arrangements; and overall market conditions. These expectations are forward-looking and subject to a number of uncertainties and assumptions. If our expectations about our liquidity prove to be incorrect, we could be

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subject to a shortfall in liquidity in the future, and this shortfall may occur rapidly and with little or no notice, which would limit our ability to address the shortfall on a timely basis.

Contractual Obligations

As of June 30, 2018, we had contractual obligations and commitments as follows:

(millions)	Payments Due by Period				
	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years	Total
Long-term debt(a)	\$ 21	\$ 517	\$ 2,563	\$ 1,710	\$ 4,811
Interest payments on long-term debt obligations(b)	250	497	441	110	1,298
Operating leases	12	16	6	15	49
Capital Leases	9	15	13	55	92
Network deployment(c)	49	-	-	-	49
Total projected obligations and commitments(d)	\$ 341	\$ 1,045	\$ 3,023	\$ 1,890	\$ 6,299

(a) Excludes \$132.0 million of unamortized discounts on long-term debt and deferred financing costs.

(b) Interest rates on our Term Loan Facility are based on our swap rates.

(c) Network deployment purchase commitments are for success-based projects for which we have a signed customer contract before we commit resources to expand our network.

(d) Excludes \$56.7 million of derivative asset related to interest rate swaps maturing on October 24, 2022.

Dividends

We are taxed as a REIT for U.S. federal income tax purposes. U.S. federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its taxable income. In order to maintain our REIT status, we intend to make regular quarterly dividend payments of all or substantially all of our taxable income to holders of our common stock out of assets legally available for this purpose, if and to the extent authorized by our board of directors. Before we make any dividend payments, whether for U.S. federal income tax purposes or otherwise, we must first meet both our operating requirements and debt service obligations. If our cash available for distribution is less than our taxable income, we could be required to sell assets or borrow funds to make cash dividends or we may make a portion of the required dividend in the form of a taxable distribution of stock or debt securities.

On July 13, 2018, we paid, to shareholders of record as of the close of business on June 29, 2018, a cash dividend on our common stock of \$0.60 per share for the period from April 1, 2018 through June 30, 2018.

On April 13, 2018, we paid, to shareholders of record as of the close of business on March 30, 2018, a cash dividend on our common stock of \$0.60 per share for the period from January 1, 2018 through March 31, 2018.

On January 12, 2018, we paid, to shareholders of record as of the close of business on December 29, 2017, a cash dividend on our common stock of \$0.60 per share for the period from October 1, 2017 through December 31, 2017.

Capital Expenditures

We categorize our capital expenditures as either (i) success-based, (ii) maintenance, or (iii) corporate and non-network. We define success-based capital expenditures as those which are tied to contractual obligations to customers or are discretionary in nature and are intended to add growth capacity to our existing network. Maintenance capital expenditures are those necessary to keep existing network elements fully operational. We anticipate continuing to invest in our network infrastructure across our Uniti Fiber and Uniti Towers portfolios, and expect that cash on hand, borrowings under our Revolving Credit Facility, and cash flows provided by operating activities will be sufficient to support these investments.

Recent Accounting Guidance

New accounting rules and disclosures can impact our reported results and comparability of our financial statements. These matters are described in our Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on March 1, 2018.

In August 2017, the FASB issued Accounting Standards Update ("ASU") No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* ("ASU 2017-12"), which amends and simplifies existing guidance in order to allow companies to more accurately present the economic effects of risk management activities in the financial statements. ASU 2017-12 is effective for annual periods beginning after December 15, 2018 and interim periods within those annual periods, and earlier adoption is permitted. We adopted ASU 2017-12 effective January 1, 2018, and there was no material impact on our financial position.

In February 2017, the FASB issued ASU No. 2017-05, *Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets* ("ASU 2017-05"), which provides guidance for recognizing gains and losses from the transfer of nonfinancial assets and for partial sales of nonfinancial assets, and is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2017. We adopted ASU 2017-05 effective January 1, 2018, using the modified retrospective approach and there was no material impact on our financial position.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"). ASU 2016-15 provides guidance on reducing the diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. In addition to other specific cash flow issues, ASU 2016-15 provides clarification on when an entity should separate cash receipts and cash payments into more than one class of cash flows and when an entity should classify those cash receipts and payments into one class of cash flows on the basis of predominance. The new guidance is effective for the fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. We adopted ASU 2016-15 effective January 1, 2018, and there was no material impact on our financial position.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("Topic 606"). This update outlines a single comprehensive revenue recognition model for entities to follow in accounting for revenue from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity should recognize revenue for the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to receive for those goods or services. Topic 606 is effective for annual periods beginning after December 15, 2017 and interim periods within those annual periods. We adopted Topic 606 as of January 1, 2018 using the modified retrospective transition method.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* ("ASC 842"), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The provisions of this guidance are effective for annual periods beginning after December 31, 2018, and for interim periods therein. The Company is currently evaluating this guidance to determine the impact it will have on our financial statements by reviewing its existing operating lease contracts, where we are the lessee and service contracts that may include embedded leases. The Company expects a gross-up of its Consolidated Balance Sheets as a result of recognizing lease liabilities and right-of-use assets, the extent of the impact of a gross-up is under evaluation. The Company does not anticipate material changes to the recognition of operating lease expense in its Consolidated Statements of Income.

In January 2018, the FASB issued ASU 2018-01, *Leases (Topic 842) – Land Easement Practical Expedient for Transition to Topic 842*. This standard permits an entity to elect an optional transition practical expedient to not evaluate land easements that exist or expire before the Company's adoption of ASC 842 and that were not previously accounted for as leases under ASC 840. The Company intends to elect this transition provision.

Off-Balance Sheet Arrangements

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As of the date of this Quarterly Report on Form 10-Q, we do not have any off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes from the information reported under Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on March 1, 2018.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

We have established disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"), that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our principal executive and principal financial officers as appropriate, to allow timely decisions regarding required disclosure.

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2018. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of June 30, 2018.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act, that occurred during the quarter ended June 30, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

In the ordinary course of our business, we are subject to claims and administrative proceedings, none of which we believe are material or would be expected to have, individually or in the aggregate, a material adverse effect on our business, financial condition, cash flows or results of operations.

Item 1A. Risk Factors.

There have been no material changes to the risk factors affecting our business that were discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2017 filed with the SEC on March 1, 2018.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Issuer Purchases of Equity Securities

The table below provides information regarding shares withheld from Uniti employees to satisfy minimum statutory tax withholding obligations arising from the vesting of restricted stock granted under the Uniti Group Inc. 2015 Equity Incentive Plan. The shares of common stock withheld to satisfy tax withholding obligations may be deemed purchases of such shares required to be disclosed pursuant to this Item 2.

Period	Total Number of Shares Purchased	Average Price Paid per Share ⁽¹⁾	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
April 1, 2018 to April 30, 2018	43,069	\$ 16.69	—	—
May 1, 2018 to May 31, 2018	—	—	—	—
June 1, 2018 to June 30, 2018	—	—	—	—
Total	43,069	\$ 16.69	—	—

(1) The average price paid per share is the weighted-average of the fair market prices at which we calculated the number of shares withheld to cover tax withholdings for the employees.

Item 3. Defaults Upon Senior Securities.

None

Item 4. Mine Safety Disclosures.

Not Applicable

Item 5. Other Information.

Certain Recent U.S. Federal Income Tax Developments

The following is a summary of certain recent amendments to the Internal Revenue Code of 1986, as amended (the “Code”), that may be relevant to an investment in our common stock.

In any circumstances in which we may be subject to entity-level taxation at the regular U.S. federal corporate income tax rate, such rate is now 21%.

Distributions that we make to our taxable U.S. stockholders out of current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) that we do not designate as capital gain dividends will generally be taken into account by such stockholders as ordinary income (now taxed at maximum rates of 37% for individuals and 21% for corporations) and will not be eligible for the dividends received deduction for corporations. While, with limited exceptions, dividends we pay are not eligible for taxation at the preferential income tax rates applicable to “qualified dividend income,” a U.S. stockholder that is not a corporation for

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U.S. federal income tax purposes may now be eligible for a deduction equal to 20% of ordinary dividend distributions received from REITs.

We are required to withhold from distributions to a non-U.S. stockholder (other than a qualified foreign pension fund or a qualified collective investment vehicle) that are treated as effectively connected with a U.S. trade or business, such as USRPI capital gain dividends, an amount of tax based on the maximum amount that could have been designated as USRPI capital gain dividends. As a result of recent changes to the Code, the applicable rate of this withholding generally now is 21%.

Item 6. Exhibits.

Exhibit Number	Description
4.1	<u>Articles of Amendment of Uniti Group Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated May 17, 2018 and filed with the SEC as of May 18, 2018 (File No. 001-36708))</u>
10.1	<u>Uniti Group Inc. Amended and Restated Employee Stock Purchase Plan (incorporated by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8 filed with the SEC as of June 7, 2018 (File No. 333-225501))</u>
31.1*	<u>Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2*	<u>Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1*	<u>Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2*	<u>Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

SIGNATURES

Pursuant to the requirements 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.

UNITI GROUP INC.

Date: August 9, 2018

/s/ Mark A. Wallace

Mark A. Wallace

**Executive Vice President – Chief Financial Officer and Treasurer
(Principal Financial Officer)**

Date: August 9, 2018

/s/ Blake Schuhmacher

Blake Schuhmacher

**Vice President – Chief Accounting Officer
(Principal Accounting Officer)**

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kenneth A. Gunderman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Uniti Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant, as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2018

By: /s/ Kenneth A. Gunderman
Kenneth A. Gunderman
President and Chief Executive Officer

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Mark A. Wallace, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Uniti Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant, as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2018

By: /s/ Mark A. Wallace
Mark A. Wallace
Executive Vice President – Chief Financial Officer
and Treasurer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Uniti Group Inc. (the "Company") for the period ending June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2018

By: /s/ Kenneth A. Gunderman
Kenneth A. Gunderman
President and Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Uniti Group Inc. (the "Company") for the period ending June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2018

By: _____ /s/ Mark A. Wallace
Mark A. Wallace
Executive Vice President – Chief Financial Officer
and Treasurer