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**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 March 31, 2022**

**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** |  |  | **46-5230630** |
| **(State or other jurisdiction of** |  |  | **(I.R.S. Employer** |
| **incorporation or organization)** |  |  | **Identification No.)** |
| **2101 Riverfront Drive, Suite A** |  |  |  |
| **Little Rock, Arkansas** |  |  | **72202** |
| **(Address of principal executive offices)** |  |  | **(Zip Code)** |
| **Registrant’s telephone number, including area code: (501) 850-0820** | | | |
|  | |  |  |
| Securities registered pursuant to Section 12(b) of the Act: | | | |
| Title of each class |  | Trading Symbol(s) | Name of each exchange on which registered |
| Common Stock |  | UNIT | The NASDAQ Global Select Market |

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

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

Indicate by check mark 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 | ☐ | 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 April 28, 2022, the registrant had 237,106,412 shares of common stock, $0.0001 par value per share, outstanding.



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**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 settlement we have entered into with Windstream Holdings, Inc. (together with Windstream Holdings II, LLC, its successor in interest, and its subsidiaries, “Windstream”); the future prospects and financial health of Windstream; our ability to delever and achieve the ‘covenant reversion date’ under our 7.875% senior secured notes due 2025, which would permit us to pay additional dividends to shareholders; our expectations about our ability to maintain our status as a real estate investment trust (a “REIT”); our expectations regarding the effect of the COVID-19 pandemic on our results of operations and financial condition, including the potential need to perform an interim goodwill analysis and report an impairment charge related thereto; our expectations regarding the effect of the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”), the Consolidated Appropriations Act of 2021 (the “2021 Appropriations Act”) and other tax related legislation on our tax position; our expectations regarding the future growth and demand of the telecommunication industry, future financing plans, business strategies, growth prospects, operating and financial performance, and our future liquidity needs and access to capital; expectations regarding future deployment of fiber strand miles and small cell networks and recognition of revenue related thereto; expectations regarding levels of capital expenditures; expectations regarding the deductibility of goodwill for tax purposes; expectations regarding reclassification of accumulated other comprehensive income (loss) related to derivatives to interest expense; expectations regarding the amortization of intangible assets; 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 future prospects of our largest customer, Windstream, following its emergence from bankruptcy;
* adverse impacts of the COVID-19 pandemic on our employees, our business, the business of our customers and other business partners and the global financial markets;
* 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, our ability to reach agreement on the price of such renewal or ability to obtain a satisfactory renewal rent from an independent appraisal, 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 and fund our capital funding commitments;
* 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 REIT;

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* 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 CARES Act, the Families First Coronavirus Response Act and the 2021 Appropriations Act;
* 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;
* 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; and
* additional factors discussed in Part I, Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Part II, Item 1A “Risk Factors” of this Quarterly Report on Form 10-Q and in Part I, Item 1A "Risk Factors" of our 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 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.

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|  | **PART I—FINANCIAL INFORMATION** | | |  |  |  |  |  |  |
| **Item 1. Financial Statements.** | |  |  |  |  |  |  |  |  |
|  | **Uniti Group Inc.** |  |  |  |  |  |  |  |  |
|  | **Condensed Consolidated Balance Sheets** | | | **(Unaudited)** | |  |  |  |  |
|  |  |  |  |  |  |  |  |
| (Thousands, except par value) | |  | **March 31, 2022** | | |  | **December 31, 2021** | |  |
| **Assets:** | |  |  |  |  |  |  |  |  |
| Property, plant and equipment, net | | $ | | 3,546,501 |  | $ | 3,508,939 |  |  |
| Cash and cash equivalents | |  |  | 51,129 |  |  | 58,903 |  |  |
| Accounts receivable, net | |  |  | 41,269 |  |  | 38,455 |  |  |
| Goodwill | |  |  | 601,878 |  |  | 601,878 |  |  |
| Intangible assets, net | |  |  | 357,183 |  |  | 364,630 |  |  |
| Straight-line revenue receivable | |  |  | 48,865 |  |  | 41,323 |  |  |
| Operating lease right-of-use assets, net | |  |  | 81,810 |  |  | 80,271 |  |  |
| Other assets | |  |  | 81,556 |  |  | 38,900 |  |  |
| Investment in unconsolidated entities | |  |  | 64,333 |  |  | 64,223 |  |  |
| Deferred income tax assets, net | |  |  | 15,385 |  |  | 11,721 |  |  |
| **Total Assets** | |  | $ | 4,889,909 |  | $ | 4,809,243 |  |  |
| **Liabilities and Shareholders' Deficit:** | |  |  |  |  |  |  |  |  |
| **Liabilities:** | |  |  |  |  |  |  |  |  |
| Accounts payable, accrued expenses and other liabilities | | $ | | 122,157 |  | $ | 86,868 |  |  |
| Settlement payable (Note 13) | |  |  | 242,261 |  |  | 239,384 |  |  |
| Intangible liabilities, net | |  |  | 175,112 |  |  | 177,786 |  |  |
| Accrued interest payable | |  |  | 68,298 |  |  | 109,826 |  |  |
| Deferred revenue | |  |  | 1,134,585 |  |  | 1,134,236 |  |  |
| Derivative liability, net | |  |  | 7,269 |  |  | 10,413 |  |  |
| Dividends payable | |  |  | 37,145 |  |  | 1,264 |  |  |
| Operating lease liabilities | |  |  | 59,679 |  |  | 57,355 |  |  |
| Finance lease obligations | |  |  | 15,144 |  |  | 15,348 |  |  |
| Notes and other debt, net | |  |  | 5,120,281 |  |  | 5,090,537 |  |  |
| Total liabilities | |  |  | 6,981,931 |  |  | 6,923,017 |  |  |
|  |  |  |  |  |  |  |  |  |  |
| Commitments and contingencies (Note 13) | |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
| **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: | |  |  |  |  |  |  |  |  |
| 235,298 shares at March 31, 2022 and 234,779 at December 31, 2021 | |  |  | 23 |  |  | 23 |  |  |
| Additional paid-in capital | |  |  | 1,220,039 |  |  | 1,214,830 |  |  |
| Accumulated other comprehensive loss | |  |  | (6,341) | |  | (9,164) | |  |
| Distributions in excess of accumulated earnings | |  |  | (3,316,781) | |  | (3,333,481) | |  |
| Total Uniti shareholders' deficit | |  |  | (2,103,060) |  |  | (2,127,792) |  |  |
| Noncontrolling interests: | |  |  |  |  |  |  |  |  |
| Operating partnership units | |  |  | 10,788 |  |  | 13,893 |  |  |
| Cumulative non-voting convertible preferred stock, $0.01 par value, 6 shares | |  |  |  |  |  |  |  |  |
| authorized, 3 issued and outstanding | |  |  | 250 |  |  | 125 |  |  |
| Total shareholders' deficit | |  |  | (2,092,022) |  |  | (2,113,774) |  |  |
| **Total Liabilities and Shareholders' Deficit** | |  | $ | 4,889,909 |  | $ | 4,809,243 |  |  |
|  |  |  |  |  |  |  |  |  |  |

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

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**Uniti Group Inc.**

**Condensed Consolidated Statements of Income (Loss)**

**(unaudited)**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Three Months Ended March 31,** | | | |  |  |  |
| (Thousands, except per share data) |  |  | **2022** |  |  |  | **2021** |  |  |
| **Revenues:** |  |  |  |  |  |  |  |  |  |
| Leasing | $ | | 204,641 |  | $ | | 194,936 |  |  |
| Fiber Infrastructure |  |  | 73,393 |  |  |  | 77,650 |  |  |
| Total revenues |  |  | 278,034 |  |  |  | 272,586 |  |  |
| **Costs and Expenses:** |  |  |  |  |  |  |  |  |  |
| Interest expense, net |  |  | 96,172 |  |  |  | 140,581 |  |  |
| Depreciation and amortization |  |  | 71,457 |  |  |  | 70,964 |  |  |
| General and administrative expense |  |  | 23,870 |  |  |  | 25,823 |  |  |
| Operating expense (exclusive of depreciation and amortization) |  |  | 34,976 |  |  |  | 38,084 |  |  |
| Transaction related and other costs |  |  | 1,714 |  |  |  | 4,137 |  |  |
| Other (income) expense, net |  |  | (398) | |  |  | 454 |  |  |
| Total costs and expenses |  |  | 227,791 |  |  |  | 280,043 |  |  |
|  |  |  |  |  |  |  |  |  |  |
| **Income (loss) before income taxes and equity in earnings from unconsolidated entities** |  |  | 50,243 |  |  |  | (7,457) | |  |
| Income tax benefit |  |  | (2,071) | |  |  | (2,557) | |  |
| Equity in earnings from unconsolidated entities |  |  | (544) | |  |  | (398) | |  |
| **Net income (loss)** |  |  | 52,858 |  |  |  | (4,502) |  |  |
| Net income (loss) attributable to noncontrolling interests |  |  | 128 |  |  |  | (64) | |  |
| **Net income (loss) attributable to shareholders** |  |  | 52,730 |  |  |  | (4,438) |  |  |
| Participating securities' share in earnings |  |  | (331) | |  |  | (248) | |  |
| Dividends declared on convertible preferred stock |  |  | (5) | |  |  | (3) | |  |
| **Net income (loss) attributable to common shareholders** |  | $ | 52,394 |  |  | $ | (4,689) |  |  |
|  |  |  |  |  |  |  |  |  |  |
| **Income (loss) per common share:** |  |  |  |  |  |  |  |  |  |
| Basic | $ | | 0.22 |  | $ | | (0.02) | |  |
| Diluted |  |  |  |  |  |  |  |  |  |
|  | $ | 0.21 |  |  | $ | (0.02) |  |  |
|  |  |  |  |  |  |  |  |  |  |
| **Weighted-average number of common shares outstanding:** |  |  |  |  |  |  |  |  |  |
| Basic |  |  | 235,046 |  |  |  | 231,469 |  |  |
| Diluted |  |  |  |  |  |  |  |  |  |
|  |  | 267,304 |  |  |  | 231,469 |  |  |
|  |  |  |  |  |  |  |  |  |  |

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

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**Uniti Group Inc.**

**Condensed Consolidated Statements of Comprehensive Income (Loss)**

**(unaudited)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Three Months Ended March 31,** | | |  |  |
| (Thousands) |  |  | **2022** |  |  | **2021** |  |
| Net income (loss) |  | $ | 52,858 |  | $ | (4,502) |  |
| Other comprehensive income: |  |  |  |  |  |  |  |
| Interest rate swap termination |  |  | 2,830 |  |  | 2,829 |  |
| Other comprehensive income: |  |  | 2,830 |  |  | 2,829 |  |
| Comprehensive income (loss) |  |  | 55,688 |  |  | (1,673) |  |
| Comprehensive income (loss) attributable to noncontrolling interest |  |  | 135 |  |  | (22) | |
| **Comprehensive income (loss) attributable to shareholders** |  | $ | 55,553 |  | $ | (1,651) |  |
|  |  |  |  |  |  |  |  |

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

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**Uniti Group Inc.**

**Condensed Consolidated Statements of Shareholders’ Deficit**

**(unaudited)**

**For the Three Months Ended March 31,**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | Noncontrolling | | | |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | Accumulated | | | Distributions | | |  |  |  |  | Interest - Non- | | |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | Additional | | |  | Other | | in Excess of | | | Noncontrolling | | |  |  | voting | |  | Total | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | Paid-in | | Comprehensive | | | Accumulated | | | Interest - OP | | |  |  | Preferred | | Shareholders' | | |  |
| (Thousands, except share data) |  |  | Preferred Stock | | | | |  |  |  |  | Common Stock | | | | |  |  |  |  | Capital |  | Income (Loss) | |  |  | Earnings |  |  | Units |  |  |  | Shares |  |  | Deficit |  |  |
|  |  | Shares | | | |  | Amount | | | | Shares | | | |  | Amount | | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Balance at December 31, 2020 | | - | | |  | $ | | - | |  | 231,261,958 | | |  | $ | | 23 | |  | $ | 1,209,141 |  | $ | (20,367) | | $ | (3,330,455) | | $ | 69,157 |  | $ | | 125 |  | $ | (2,072,376) | |  |
| Cumulative effect adjustment | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| for adoption of new accounting | | - | | |  | $ | | - | |  | - | | |  | $ | | - | |  | $ | (59,908) | | $ | - |  | $ | 14,598 |  | $ | - |  | $ | | - |  | $ | (45,310) | |  |
| standard | |  |  |  |  |  |  |  |  |  |
| Net loss | | - | | |  |  |  | - | |  | - | | |  |  |  | - | |  |  | - |  |  | - |  |  | (4,438) | |  | (64) | |  |  | - |  |  | (4,502) | |  |
| Other comprehensive income | | - | | |  |  |  | - | |  | - | | |  |  |  | - | |  |  | - |  |  | 2,787 |  |  | - |  |  | 42 |  |  |  | - |  |  | 2,829 |  |  |
| Common stock dividends | | - | | |  |  |  | - | |  | - | | |  |  |  | - | |  |  | - |  |  | - |  |  | (35,128) | |  | - |  |  |  | - |  |  | (35,128) | |  |
| declared ($0.15 per share) | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Distributions to noncontrolling | | - | | |  |  |  | - | |  | - | | |  |  |  | - | |  |  | - |  |  | - |  |  | - |  |  | (520) | |  |  | - |  |  | (520) | |  |
| interest declared | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Payments related to tax | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| withholding for stock-based | | - | | |  |  |  | - | |  | - | | |  |  |  | - | |  |  | (2,306) | |  | - |  |  | - |  |  | - |  |  |  | - |  |  | (2,306) | |  |
| compensation | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Stock-based compensation | | - | | |  |  |  | - | |  | 396,481 | | |  |  |  | - | |  |  | 3,335 |  |  | - |  |  | - |  |  | - |  |  |  | - |  |  | 3,335 |  |  |
| Issuance of common stock - | | - | | |  |  |  | - | |  | 35,764 | | |  |  |  | - | |  |  | 288 |  |  | - |  |  | - |  |  | - |  |  |  | - |  |  | 288 |  |  |
| employee stock purchase plan | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Balance at March 31 2021 | | - | | |  | $ | | - | |  | 231,694,203 | | |  | $ | | 23 | |  | $ | 1,150,550 |  | $ | (17,580) | | $ | (3,355,423) | | $ | 68,615 |  | $ | | 125 |  | $ | (2,153,690) | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Balance at December 31, 2021 | | - | | |  | $ | | - | |  | 234,779,247 | | |  | $ | | 23 | |  | $ | 1,214,830 |  | $ | (9,164) | | $ | (3,333,481) | | $ | 13,893 |  | $ | | 125 |  | $ | (2,113,774) | |  |
| Net income | | - | | |  |  |  | - | |  | - | | |  |  |  | - | |  |  | - |  |  | - |  |  | 52,730 |  |  | 128 |  |  |  | - |  |  | 52,858 |  |  |
| Other comprehensive income | | - | | |  |  |  | - | |  | - | | |  |  |  | - | |  |  | - |  |  | 2,823 |  |  | - |  |  | 7 |  |  |  | - |  |  | 2,830 |  |  |
| Common stock dividends | | - | | |  |  |  | - | |  | - | | |  |  |  | - | |  |  | - |  |  | - |  |  | (35,905) | |  | - |  |  |  | - |  |  | (35,905) | |  |
| declared ($0.15 per share) | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Distributions to noncontrolling | | - | | |  |  |  | - | |  | - | | |  |  |  | - | |  |  | - |  |  | - |  |  | - |  |  | (82) | |  |  | - |  |  | (82) | |  |
| interest declared | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Cumulative non-voting | | - | | |  |  |  | - | |  | - | | |  |  |  | - | |  |  | - |  |  | - |  |  | (125) | |  | - |  |  |  | 125 |  |  | - |  |  |
| convertible preferred stock | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Exchange of noncontrolling | | - | | |  |  |  | - | |  | 157,733 | | |  |  |  | - | |  |  | 3,158 |  |  | - |  |  | - |  |  | (3,158) | |  |  | - |  |  | - |  |  |
| interest | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Payments related to tax | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| withholding for stock-based | | - | | |  |  |  | - | |  | - | | |  |  |  | - | |  |  | (1,525) | |  | - |  |  | - |  |  | - |  |  |  | - |  |  | (1,525) | |  |
| compensation | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Stock-based compensation | | - | | |  |  |  | - | |  | 331,686 | | |  |  |  | - | |  |  | 3,312 |  |  | - |  |  | - |  |  | - |  |  |  | - |  |  | 3,312 |  |  |
| Issuance of common stock - | | - | | |  |  |  | - | |  | 29,324 | | |  |  |  | - | |  |  | 264 |  |  | - |  |  | - |  |  | - |  |  |  | - |  |  | 264 |  |  |
| employee stock purchase plan | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Balance at March 31, 2022 | | - | | |  | $ | | - | |  | 235,297,990 | | |  | $ | | 23 | |  | $ | 1,220,039 |  | $ | (6,341) | | $ | (3,316,781) | | $ | 10,788 |  | $ | | 250 |  | $ | (2,092,022) | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

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

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**Uniti Group Inc.**

**Condensed Consolidated Statements of Cash Flows**

**(unaudited)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Three Months Ended March 31,** | | |  |  |
| (Thousands) | |  | **2022** |  |  | **2021** |  |
| **Cash flow from operating activities** |  |  |  |  |  |  |  |
| Net income (loss) | | $ | 52,858 |  | $ | (4,502) | |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | |  |  |  |  |  |  |
| Depreciation and amortization | |  | 71,457 |  |  | 70,964 |  |
| Amortization of deferred financing costs and debt discount | |  | 4,514 |  |  | 4,959 |  |
| Loss on debt extinguishment | |  | - |  |  | 37,965 |  |
| Interest rate swap termination | |  | 2,830 |  |  | 2,829 |  |
| Deferred income taxes | |  | (3,664) | |  | (3,428) | |
| Equity in earnings of unconsolidated entities | |  | (544) | |  | (398) | |
| Distributions of cumulative earnings from unconsolidated entities | |  | 980 |  |  | 960 |  |
| Cash paid for interest rate swap settlement | |  | (3,144) | |  | (2,989) | |
| Straight-line revenues and amortization of below-market lease intangibles | |  | (11,022) | |  | (6,906) | |
| Stock-based compensation | |  | 3,312 |  |  | 3,335 |  |
| Change in fair value of contingent consideration | |  | - |  |  | 21 |  |
| Loss on asset disposals | |  | 663 |  |  | 134 |  |
| Accretion of settlement obligation | |  | 2,876 |  |  | 4,553 |  |
| Other | |  | (318) | |  | 181 |  |
| Changes in assets and liabilities, net of acquisitions: | |  |  |  |  |  |  |
| Accounts receivable | |  | (2,814) | |  | 11,466 |  |
| Other assets | |  | 157 |  |  | 47,630 |  |
| Accounts payable, accrued expenses and other liabilities | |  | (54,920) | |  | (40,110) | |
| Net cash provided by operating activities | |  | 63,221 |  |  | 126,664 |  |
| **Cash flow from investing activities** | |  |  |  |  |  |  |
| Other capital expenditures | |  | (94,728) | |  | (84,377) | |
| Proceeds from sale of other equipment | |  | 379 |  |  | - |  |
| Net cash used in investing activities | |  | (94,349) |  |  | (84,377) |  |
| **Cash flow from financing activities** | |  |  |  |  |  |  |
| Repayment of debt | |  | - |  |  | (1,051,181) | |
| Proceeds from issuance of notes | |  | - |  |  | 1,110,000 |  |
| Dividends paid | |  | (105) | |  | (34,961) | |
| Payments of settlement payable | |  | - |  |  | (24,505) | |
| Payments of contingent consideration | |  | - |  |  | (2,979) | |
| Distributions paid to noncontrolling interest | |  | - |  |  | (520) | |
| Borrowings under revolving credit facility | |  | 85,000 |  |  | 105,000 |  |
| Payments under revolving credit facility | |  | (60,000) | |  | (55,000) | |
| Finance lease payments | |  | (280) | |  | (710) | |
| Payments for financing costs | |  | - |  |  | (22,931) | |
| Payment of tender premium | |  | - |  |  | (17,550) | |
| Employee stock purchase program | |  | 264 |  |  | 288 |  |
| Payments related to tax withholding for stock-based compensation | |  | (1,525) | |  | (2,306) | |
| Net cash provided by financing activities | |  | 23,354 |  |  | 2,645 |  |
|  |  |  |  |  |  |  |  |
| Net (decrease) increase in cash and cash equivalents | |  | (7,774) |  |  | 44,932 |  |
| Cash and cash equivalents at beginning of period | |  | 58,903 |  |  | 77,534 |  |
| Cash and cash equivalents at end of period | | $ | 51,129 |  | $ | 122,466 |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| Non-cash investing and financing activities: | |  |  |  |  |  |  |
| Property and equipment acquired but not yet paid | | $ | 13,338 |  | $ | 17,795 |  |
| Tenant capital improvements | |  | 38,669 |  |  | 62,888 |  |

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

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**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 Maryland on September 4, 2014. We are an independent internally managed real estate investment trust (“REIT”) engaged in the acquisition, construction and leasing of mission critical infrastructure in the communications industry. We are principally focused on acquiring and constructing fiber optic, copper and coaxial broadband networks and data centers. We manage our operations focused on our two primary lines of business: Uniti Fiber and Uniti Leasing.

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 Talk America Services (“Talk America”) business, the wind down of which was substantially completed as of the end of the second quarter of 2020. 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 March 31, 2022, we are the sole general partner of the Operating Partnership and own approximately 99.8% of the partnership interests in the Operating Partnership.

**Note 2. Basis of Presentation and Summary of Significant Accounting Policies**

The accompanying Condensed Consolidated Financial Statements include all accounts of the Company and its wholly-owned and/or controlled subsidiaries, including 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 as 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 filed with the SEC on February 25, 2022, as amended by Amendment No. 1 thereto filed on Form 10-K/A with the SEC on March 22, 2022 (the “Annual Report”). 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—Prior to September 2020, we were party to a long-term exclusive triple-net lease (the “Master Lease”) with Windstream Holdings, Inc. (together with Windstream Holdings II, LLC, its successor in interest, and its subsidiaries,

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“Windstream”) pursuant to which a substantial portion of our real property was leased to Windstream and from which a substantial portion of our leasing revenues were derived. On September 18, 2020, Uniti and Windstream bifurcated the Master Lease and entered into two structurally similar master leases (collectively, the “Windstream Leases”), which amended and restated the Master Lease in its entirety. Revenue under the Windstream Leases provided

66.9% and 66.3% of our revenue for the three months ended March 31, 2022 and 2021, respectively. Because a substantial portion of our revenue and cash flows are derived from lease payments by Windstream pursuant to the Windstream Leases, 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 Windstream Leases or otherwise experiences operating or liquidity difficulties and becomes unable to generate sufficient cash to make payments to us.

Prior to its emergence from bankruptcy on September 21, 2020, Windstream was a publicly traded company subject to the periodic filing requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Windstream’s historic filings through their quarter ended June 30, 2020 can be found at www.sec.gov. Additionally, the Windstream audited financial statements as of December 31, 2021, and for the year ended December 31, 2021, as of December 31, 2020 and for the period from September 22, 2020 to December 31, 2020 and for the period from January 1, 2020 to September 21, 2020 and for the year ended December 31, 2019 are included as an exhibit to our Annual Report. On September 22, 2020, Windstream filed a Form 15 to terminate all filing obligations under Sections 12(g) and 15(d) under the Exchange Act. Windstream filings are not incorporated by reference in this Quarterly Report on Form 10-Q.

We monitor the credit quality of Windstream through numerous methods, including by (i) reviewing credit ratings of Windstream by nationally recognized credit agencies, (ii) reviewing the financial statements of Windstream that are required to be delivered to us pursuant to the Windstream Leases, (iii) monitoring news reports regarding Windstream and its business, (iv) conducting research to ascertain industry trends potentially affecting Windstream, (v) monitoring Windstream’s compliance with the terms of the Windstream Leases and (vi) monitoring the timeliness of its payments under the Windstream Leases.

As of the date of this Quarterly Report on Form 10-Q, Windstream is current on all lease payments. We note that in August 2020, Moody’s Investor Service assigned a B3 corporate family rating with a stable outlook to Windstream in connection with its post-emergence exit financing. At the same time, S&P Global Ratings assigned Windstream a B- issuer rating with a stable outlook. Both ratings remain current as of the date of this filing. In order to assist us in our continuing assessment of Windstream’s creditworthiness, we periodically receive certain confidential financial information and metrics from Windstream.

Reclassifications—Certain prior year asset and liability categories and related amounts have been reclassified to conform with current year presentation.

Recently Adopted Accounting Pronouncements

In May 2021, the FASB issued ASU 2021-04, *Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50),* *Compensation— Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815- 40)*: Issuer’sAccounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options, which clarifies and reduces diversity in an issuer’s accounting for modifications or exchanges of freestanding equity-classified written call options (for example, warrants) that remain equity classified after modification or exchange (“ASU 2021-04”). ASU 2021-04 is effective for all entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Company adopted ASU 2021-04 effective January 1, 2022, and there was no impact on our consolidated financial statements.

In July 2021, the FASB issued ASU 2021-05, Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments (“ASU 2021-05”), which requires lessors to classify leases as operating leases if they (1) have variable lease payments that do not depend on a reference index or rate, and (2) would have resulted in the recognition of a selling loss at lease commencement if classified as sales-type or direct financing. ASU 2021-05 is effective for all entities which have previously adopted Topic 842 for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Company adopted ASU 2021-05 effective January 1, 2022, and there was no impact on our consolidated financial statements.

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|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
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|  |  |  |  |  |  |  |  |  |  |
| **Note 3. Revenues** | | |  |  |  |  |  |  |  |
| Disaggregation of Revenue | |  |  |  |  |  |  |  |  |
| The following table presents our revenues disaggregated by revenue stream. | | |  |  |  |  |  |  |  |
|  |  |  |  |  | **Three Months Ended** | | |  |  |
|  |  |  |  |  | **March 31,** | | |  |  |
| (Thousands) | | |  |  | **2022** |  |  | **2021** |  |
| *Revenue disaggregated by revenue stream* | | |  |  |  |  |  |  |  |
| Revenue from contracts with customers | | |  |  |  |  |  |  |  |
| Fiber Infrastructure | | |  |  |  |  |  |  |  |
| Lit backhaul | | | $ | | 19,438 |  | $ | 25,044 |  |
| Enterprise and wholesale | | |  |  | 20,935 |  |  | 21,000 |  |
| E-Rate and government | | |  |  | 14,276 |  |  | 19,364 |  |
| Other | | |  |  | 661 |  |  | 816 |  |
| Fiber Infrastructure | | |  | $ | 55,310 |  | $ | 66,224 |  |
| Leasing | | |  |  | 1,159 |  |  | 1,167 |  |
| Total revenue from contracts with customers | | |  |  | 56,469 |  |  | 67,391 |  |
| Revenue accounted for under leasing guidance | | |  |  |  |  |  |  |  |
| Leasing | | |  |  | 203,482 |  |  | 193,769 |  |
| Fiber Infrastructure | | |  |  | 18,083 |  |  | 11,426 |  |
| Total revenue accounted for under leasing guidance | | |  |  | 221,565 |  |  | 205,195 |  |
| Total revenue | | |  | $ | 278,034 |  | $ | 272,586 |  |
|  |  |  |  |  |  |  |  |  |  |

At March 31, 2022, and December 31, 2021, lease receivables were $19.0 million and $19.4 million, respectively, and receivables from contracts with customers were $19.3 million and $14.7 million, respectively.

Contract Assets (Unbilled Revenue) and Liabilities (Deferred Revenue)

Contract assets primarily consist of unbilled construction revenue where we are utilizing our costs incurred as the measure of progress of satisfying our performance obligation. Contract assets are reported within accounts receivable, net on our Condensed Consolidated Balance Sheet. When the contract price is invoiced, the related unbilled receivable is reclassified to trade accounts receivable, where the balance will be settled upon the collection of the invoiced amount. 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. During the three months ended March 31, 2022, we recognized revenues of $1.8 million which was included in the December 31, 2021 contract liabilities balance.

The following table provides information about contract assets and contract liabilities accounted for under ASC 606.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| (Thousands) |  |  | **Contract Assets** | |  | **Contract Liabilities** | |
| Balance at December 31, 2021 |  | $ | 4,066 |  | $ | 9,099 |  |
| Balance at March 31, 2022 |  | $ | 159 |  | $ | 9,869 |  |
|  |  |  |  |  |  |  |  |

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 liabilities primarily relate to deferred revenue from upfront customer payments. The deferred revenue is recognized, and the liability reduced, over the contract term as the Company completes the performance obligation. As of March 31, 2022, our future revenues (i.e., transaction price related to remaining performance obligations) under contract accounted for under ASC 606 totaled $441.9 million, of which $336.1 million is related to contracts that are currently being invoiced and have an average remaining contract term of 1.7 years, while $105.8 million represents our backlog for sales bookings which have yet to be installed and have an average remaining contract term of 5.6 years. We do not disclose the value of unsatisfied performance obligations for contracts that have an original expected duration of one year or less.

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**Note 4. Leases**

*Lessor Accounting*

We lease communications towers, ground, colocation, and dark fiber to tenants under operating leases. Our leases have initial lease terms ranging from less than one year to 35 years, most of which include options to extend or renew the leases for less than one year to 20 years (based on the satisfaction of certain conditions as defined in the lease agreements), and some of which may include options to terminate the leases within one to six months. Certain lease agreements contain provisions for future rent increases. Payments due under the lease contracts include fixed payments plus, for some of our leases, variable payments.

The components of lease income for the three months ended March 31, 2022 and 2021, respectively, are as follows:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Three Months Ended March 31,** | | |  |  |
| (Thousands) | | **2022** |  |  |  | **2021** |  |
| Lease income - operating leases |  | $ | 221,565 |  | $ | 205,195 |  |

Lease payments to be received under non-cancellable operating leases where we are the lessor for the remainder of the lease terms are as of March 31, 2022 are as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| (Thousands) | |  | **March 31, 2022 (1)** | |
| 2022 |  | $ | 566,495 |  |
| 2023 |  |  | 772,167 |  |
| 2024 |  |  | 774,111 |  |
| 2025 |  |  | 775,326 |  |
| 2026 |  |  | 776,735 |  |
| Thereafter | |  | 3,033,462 |  |
| Total lease receivables | | $ | 6,698,296 |  |
|  |  |  |  |  |

1. Total future minimum lease payments to be received include $5.7 billion relating to the Windstream Leases. The underlying assets under operating leases where we are the lessor are summarized as follows:

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| (Thousands) |  |  |  | **March 31, 2022** | |  |  | **December 31, 2021** | |  |
| Land |  |  | $ | 26,580 |  |  | $ | 26,593 |  |  |
| Building and improvements |  |  |  | 343,934 |  |  |  | 343,624 |  |  |
| Poles |  |  |  | 285,474 |  |  |  | 281,130 |  |  |
| Fiber |  |  |  | 3,317,265 |  |  |  | 3,278,276 |  |  |
| Equipment |  |  |  | 428 |  |  |  | 428 |  |  |
| Copper |  |  |  | 3,933,940 |  |  |  | 3,918,281 |  |  |
| Conduit |  |  |  | 89,859 |  |  |  | 89,859 |  |  |
| Tower assets |  |  |  | 1,397 |  |  |  | 1,397 |  |  |
| Finance lease assets |  |  |  | 28,126 |  |  |  | 28,126 |  |  |
| Other assets |  |  |  | 10,577 |  |  |  | 10,649 |  |  |
|  |  |  |  | 8,037,580 |  |  |  | 7,978,363 |  |  |
| Less: accumulated depreciation |  |  |  | (5,433,927) | |  |  | (5,391,479) | |  |
| Underlying assets under operating leases, net |  |  | $ | 2,603,653 |  |  | $ | 2,586,884 |  |  |
|  | 13 |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |



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Depreciation expense for the underlying assets under operating leases where we are the lessor for the three months ended March 31, 2022 and 2021, respectively, is summarized as follows:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Three Months Ended March 31,** | | |  |  |
| (Thousands) | **2022** | |  |  |  | **2021** |  |
| Depreciation expense for underlying assets under operating leases |  | $ | 43,187 |  | $ | 45,913 |  |

*Lessee Accounting*

We have commitments under operating leases for communications towers, ground, colocation, dark fiber lease arrangements, and buildings. We also have finance leases for dark fiber lease arrangements and other communications equipment. Our leases have initial lease terms ranging from less than one year to 30 years, most of which include options to extend or renew the leases for less than one year to 20 years, and some of which may include options to terminate the leases within one to six months. Certain lease agreements contain provisions for future rent increases. Payments due under the lease contracts include fixed payments plus, for some of our leases, variable payments.

As of March 31, 2022, we have short term lease commitments amounting to approximately $2.5 million.

Future lease payments under non-cancellable leases as of March 31, 2022 are as follows:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| (Thousands) |  |  | **Operating Leases** | |  |  | **Finance Leases** | |
| 2022 |  | $ | 11,387 |  |  | $ | 1,724 |  |
| 2023 |  |  | 13,515 |  |  |  | 2,281 |  |
| 2024 |  |  | 11,204 |  |  |  | 2,082 |  |
| 2025 |  |  | 8,590 |  |  |  | 2,021 |  |
| 2026 |  |  | 5,964 |  |  |  | 2,021 |  |
| Thereafter |  |  | 37,309 |  |  |  | 14,749 |  |
| Total undiscounted lease payments |  | $ | 87,969 |  |  | $ | 24,878 |  |
| Less: imputed interest |  |  | (28,290) | |  |  | (9,734) | |
| Total lease liabilities |  | $ | 59,679 |  |  | $ | 15,144 |  |
|  |  |  |  |  |  |  |  |  |

**Note 5. Investments in Unconsolidated Entities**

As of March 31, 2022, the Company had an aggregate investment of $64.3 million in its equity method unconsolidated entities, which included a 42% interest in BB Fiber Holdings LLC (“Fiber Holdings”) and a 7% interest in Harmoni Towers LP (“Harmoni”).

*Fiber Holdings*

Fiber Holdings was primarily established to develop fiber networks as real estate property for long-term investment. On July 1, 2020, the

Company completed the sale of an ownership stake in the entity that controls the Company’s Midwest fiber network assets (the “Propco”). Fiber Holdings has a 47.5% ownership in the Propco that is under a long-term, triple net lease with our joint venture partner. Our ownership interest in Fiber Holdings represents approximately a 20% economic interest in the Propco. The Company’s current investment and maximum exposure to loss as a result of its involvement with Fiber Holdings was approximately $39.6 million as of March 31, 2022. The Company has not provided financial support to Fiber Holdings.

*Harmoni*

Harmoni was primarily established to develop wireless communication towers as real estate property for long-term investment. We concluded that Harmoni is a VIE; however, the Company determined that it was not the primary beneficiary of Harmoni because the Company lacks the power to direct the activities that most significantly impact its economic performance. The Company’s current investment and maximum exposure to loss as a result of its involvement with Harmoni was approximately $24.7 million as of March 31, 2022. The Company has not provided financial support to Harmoni.

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We provided transition services to Harmoni through January 31, 2022 in exchange for fees and reimbursements. Total transition service fees earned in connection with Harmoni were less than $0.1 million and $0.1 million for the three months ended March 31, 2022 and 2021, respectively, which is included in operating expense on a net basis in our Condensed Consolidated Statements of Income (Loss).

**Note 6. 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; and ***Level 3*** – Unobservable inputs for the asset or liability.

Our financial instruments consist of cash and cash equivalents, accounts and other receivables, derivative assets and liabilities, our outstanding notes and other debt, settlement payable, contingent consideration and accounts, interest and dividends payable.

The following table summarizes the fair value of our financial instruments at March 31, 2022 and December 31, 2021:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  | **Prices with** |  |  |  |  |  |
|  |  |  |  |  | **Quoted Prices in** | |  |  | **Other** |  |  | **Prices with** | |  |
|  |  |  |  |  |  |  | **Observable** |  |  |  |
|  |  |  | **Total** | | **Active Markets** | |  |  | **Inputs** |  |  | **Unobservable** | |  |
| (Thousands) | |  |  | **(Level 1)** |  |  | **(Level 2)** |  | **Inputs (Level 3)** | | |  |
| At March 31, 2022 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Liabilities | |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Senior secured notes - 7.875%, due February 15, 2025 | | $ | 2,318,873 |  | $ | - | $ | | 2,318,873 | $ | | - |  |  |
| Senior secured notes - 4.75%, due April 15, 2028 | |  | 522,419 |  |  | - |  |  | 522,419 |  |  | - |  |  |
| Senior unsecured notes - 6.50% , due February 15, 2029 | |  | 995,226 |  |  | - |  |  | 995,226 |  |  | - |  |  |
| Senior unsecured notes - 6.00%, due January 15, 2030 | |  | 605,822 |  |  | - |  |  | 605,822 |  |  | - |  |  |
| Exchangeable senior notes - 4.00%, due June 15, 2024 | |  | 460,354 |  |  | - |  |  | 460,354 |  |  | - |  |  |
| Senior secured revolving credit facility, variable rate, due December 10, 2024 | |  | 224,978 |  |  | - |  |  | 224,978 |  |  | - |  |  |
| Settlement payable | |  | 245,750 |  |  | - |  |  | 245,750 |  |  | - |  |  |
| Derivative liability, net | |  | 7,269 |  |  | - |  |  | 7,269 |  |  | - |  |  |
| Total | | $ | 5,380,691 |  | $ | - |  | $ | 5,380,691 |  | $ | - |  |  |
| 15 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Quoted Prices** | | |  | **Prices with** | |  |  |  |  |
|  |  |  |  |  |  | **Other** | | **Prices with** |  |  |  |
|  |  |  |  |  |  | **in Active** | |  | **Observable** | |  |  |  |
|  |  |  | **Total** |  |  | **Markets** | |  | **Inputs** | | **Unobservable** |  |  |  |
| (Thousands) | |  |  |  | **(Level 1)** | |  | **(Level 2)** | | **Inputs (Level 3)** | | |  |
| At December 31, 2021 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Liabilities | |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Senior secured notes - 7.875%, due February 15, 2025 | | $ | 2,351,576 | $ | | - |  | $ | 2,351,576 |  | $ | - |  |  |
| Senior secured notes - 4.75%, due April 15, 2028 | |  | 560,857 |  |  | - |  |  | 560,857 |  |  | - |  |  |
| Senior unsecured notes - 6.50% , due February 15, 2029 | |  | 1,087,844 |  |  | - |  |  | 1,087,844 |  |  | - |  |  |
| Senior unsecured notes - 6.00%, due January 15, 2030 | |  | 659,992 |  |  | - |  |  | 659,992 |  |  | - |  |  |
| Exchangeable senior notes - 4.00%, due June 15, 2024 | |  | 453,104 |  |  | - |  |  | 453,104 |  |  | - |  |  |
| Senior secured revolving credit facility, variable rate, due December 10, 2024 | |  | 199,980 |  |  | - |  |  | 199,980 |  |  | - |  |  |
| Settlement payable | |  | 254,725 |  |  | - |  |  | 254,725 |  |  | - |  |  |
| Derivative liability, net | |  | 10,413 |  |  | - |  |  | 10,413 |  |  | - |  |  |
| Total | | $ | 5,578,491 | $ | | - |  | $ | 5,578,491 |  | $ | - |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

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 $5.20 billion at March 31, 2022, with a fair value of $5.13 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 and liabilities are carried at fair value. See Note 8. The](#page17) [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](#page17) [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 and](#page17) [liabilities fall within Level 2 of the fair value hierarchy; however, the associated credit valuation adjustments utilized Level 3 inputs, such as estimates of](#page17) [credit spreads, to evaluate the likelihood of default by the Company and its counterparties. As of March 31, 2022, the Company has assessed the](#page17) [significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation](#page17) [adjustment is not significant to the overall value of the derivatives. As such, the Company classifies its derivative assets and liabilities valuation in Level 2](#page17) [of the fair value hierarchy.](#page17)

Given the limited trade activity of the Exchangeable Notes, the fair value of the Exchangeable Notes ([see Note 10](#page20)) is determined based on inputs that are observable in the market and have been classified as Level 2 in the fair value hierarchy. Specifically, we estimated the fair value of the Exchangeable Notes based on readily available external pricing information, quoted market prices, and current market rates for similar convertible debt instruments.

Uniti is required to make $490.1 million of cash payments to Windstream in equal installments over 20 consecutive quarters beginning the first month after Windstream’s emergence (the “Settlement Payable”). [See Note 13](#page24). The Settlement Payable was recorded at fair value, using the present value of future cash flows. The future cash flows are discounted using discount rate input based on observable market data. Accordingly, we classify inputs used as Level 2 in the fair value hierarchy. The remaining Settlement Payable is $242.3 million and is reported on our Condensed Consolidated Balance Sheet at March 31, 2022. There have been no changes in the valuation methodologies used since the initial recording.

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**Note 7. Property, Plant and Equipment**

The carrying value of property, plant and equipment is as follows:

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| (Thousands) | | **Depreciable Lives** | |  | **March 31, 2022** | |  |  | **December 31, 2021** | |
| Land |  | Indefinite |  | $ | 28,683 |  |  | $ | 28,449 |  |
| Building and improvements | | 3 - 40 years | |  | 360,572 |  |  |  | 359,980 |  |
| Poles | | 30 years | |  | 285,474 |  |  |  | 281,130 |  |
| Fiber | | 30 years | |  | 4,164,962 |  |  |  | 4,107,519 |  |
| Equipment | | 5 - 7 years | |  | 348,114 |  |  |  | 331,761 |  |
| Copper | | 20 years | |  | 3,933,940 |  |  |  | 3,918,281 |  |
| Conduit | | 30 years | |  | 89,859 |  |  |  | 89,859 |  |
| Tower assets | | 20 years | |  | 8,544 |  |  |  | 8,544 |  |
| Finance lease assets | | (1) | |  | 72,284 |  |  |  | 72,284 |  |
| Other assets | | 15 - 20 years | |  | 10,578 |  |  |  | 10,652 |  |
| Corporate assets | | 3 - 7 years | |  | 14,581 |  |  |  | 14,326 |  |
| Construction in progress | | (1) | |  | 32,873 |  |  |  | 27,366 |  |
|  |  |  |  |  | 9,350,464 |  |  |  | 9,250,151 |  |
| Less accumulated depreciation | |  |  |  | (5,803,963) | |  |  | (5,741,212) | |
| Net property, plant and equipment | |  |  | $ | 3,546,501 |  |  | $ | 3,508,939 |  |
|  |  |  |  |  |  |  |  |  |  |  |

(1) See our Annual Report for property, plant and equipment accounting policies.

Depreciation expense for the three months ended March 31, 2022 and 2021 was $64.0 million and $66.2 million, respectively.

**Note 8. 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 were designated as cash flow hedges and have a notional value of $2.0 billion and mature on October 24, 2022. As result of the repayment of the Company’s senior secured term loan B facility in February 2020, the Company entered into receive-fixed interest rate swaps to offset its existing pay-fixed interest rate swaps. As a result, the Company discontinued hedge accounting as the hedge accounting requirements were no longer met. Amounts in accumulated other comprehensive (loss) income as of the date of de-designation, will be reclassified to interest expense as the hedged transactions impact earnings. Prospectively, changes in fair value of all interest rate swaps will be recorded directly to earnings.

The Company has elected to offset derivative positions that are subject to master netting arrangements with the same counterparty in our Condensed Consolidated Balance Sheets. The following tables present the gross amounts of our derivative instruments subject to master netting arrangements with the same counterparty as of March 31, 2022 and December 31, 2021:

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Gross Amounts of** |  |  | **Gross Amounts Offset in** | |  |  | **Net Amounts of Assets or** | |  |
|  |  |  |  |  | **the Condensed** | |  |  | **Liabilities presented in the** | |  |
| Offsetting of Derivative Assets and Liabilities (Thousands) |  |  | **Recognized Assets or** |  |  | **Consolidated Balance** | |  |  | **Condensed Consolidated** | |  |
|  |  | **Liabilities** |  |  | **Sheets** | |  |  | **Balance Sheets** | |  |
| At March 31, 2022 |  |  |  |  |  |  |  |  |  |  |  |  |
| Assets |  |  |  |  |  |  |  |  |  |  |  |  |
| Interest rate swaps | $ | | 900 | $ | | (900) | | $ | | - |  |  |
| Total |  | $ | 900 |  | $ | (900) |  |  | $ | - |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Liabilities |  |  |  |  |  |  |  |  |  |  |  |  |
| Interest rate swaps | $ | | 8,169 | $ | | (900) | | $ | | 7,269 |  |  |
| Total |  | $ | 8,169 |  | $ | (900) |  |  | $ | 7,269 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | 17 |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |



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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Gross Amounts of** |  |  | **Gross Amounts Offset in** | |  |  | **Net Amounts of Assets or** | |  |
|  |  |  |  |  | **the Condensed** | |  |  | **Liabilities presented in the** | |  |
| Offsetting of Derivative Assets and Liabilities (Thousands) |  |  | **Recognized Assets or** |  |  | **Consolidated Balance** | |  |  | **Condensed Consolidated** | |  |
|  |  | **Liabilities** |  |  | **Sheets** | |  |  | **Balance Sheets** | |  |
| At December 31, 2021 |  |  |  |  |  |  |  |  |  |  |  |  |
| Assets |  |  |  |  |  |  |  |  |  |  |  |  |
| Interest rate swaps | $ | | 10,788 | $ | | (10,788) | | $ | | - |  |  |
| Total |  | $ | 10,788 |  | $ | (10,788) |  |  | $ | - |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Liabilities |  |  |  |  |  |  |  |  |  |  |  |  |
| Interest rate swaps | $ | | 21,201 | $ | | (10,788) | | $ | | 10,413 |  |  |
| Total |  | $ | 21,201 |  | $ | (10,788) |  |  | $ | 10,413 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |

The following table summarizes the fair value and the presentation in our Condensed Consolidated Balance Sheets:

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Location on Condensed** | |  |  |  |  |  |  |  |
|  |  | **Consolidated Balance** | |  | **March 31, 2022** | |  | **December 31, 2021** | |  |
| (Thousands) | | **Sheets** | |  |  |  |
| Interest rate swaps |  | Derivative liability, net |  | $ | 7,269 |  | $ | 10,413 |  |  |

As of March 31, 2022, all of the interest rate swaps were valued in net unrealized loss positions and recognized as liability balances within the derivative liability, net in our Condensed Consolidated Balance Sheets. As hedge accounting is no longer applied beginning in February 2020, the unrealized loss amounts are now being recorded directly to earnings. The amount reclassified out of other comprehensive income into interest expense on our Condensed Consolidated Statements of Income (Loss) for the three months ended March 31, 2022 and 2021 was $2.8 million and $2.8 million, respectively.

During the next twelve months, beginning April 1, 2022, we estimate that $6.4 million will be reclassified as an increase to interest expense.

*Exchangeable Notes Hedge Transactions*

On June 25, 2019, concurrently with the pricing of the Exchangeable Notes, and on June 27, 2019, concurrently with the exercise by the initial purchasers involved in the offering of the Exchangeable Notes (the “Initial Purchasers”) of their option to purchase additional Exchangeable Notes, Uniti Fiber Holdings Inc., the issuer of the Exchangeable Notes, entered into exchangeable note hedge transactions with respect to the Company’s common stock (the “Note Hedge Transactions”) with certain of the Initial Purchasers or their respective affiliates (collectively, the “Counterparties”). The Note Hedge Transactions cover, subject to anti-dilution adjustments substantially similar to those applicable to the Exchangeable Notes, the same number of shares of the Company’s common stock that initially underlie the Exchangeable Notes in the aggregate and are exercisable upon exchange of the Exchangeable Notes. The Note Hedge Transactions have an initial strike price that corresponds to the initial exchange price of the Exchangeable Notes, subject to anti-dilution adjustments substantially similar to those applicable to the Exchangeable Notes. The Note Hedge Transactions will expire upon the maturity of the Exchangeable Notes, if not earlier exercised. The Note Hedge Transactions are intended to reduce potential dilution to the Company’s common stock upon any exchange of the Exchangeable Notes and/or offset any cash payments Uniti Fiber is required to make in excess of the principal amount of exchanged Exchangeable Notes, as the case may be, in the event that the market value per share of the Company’s common stock, as measured under the Note Hedge Transactions, at the time of exercise is greater than the strike price of the Note Hedge Transactions.

The Note Hedge Transactions are separate transactions, entered into by Uniti Fiber Holdings Inc. with the Counterparties, and are not part of the terms of the Exchangeable Notes. Holders of the Exchangeable Notes will not have any rights with respect to the Note Hedge Transactions. The Note Hedge Transactions meet certain accounting criteria under GAAP, are recorded in additional paid-in capital on our Condensed Consolidated Balance Sheets and are not accounted for as derivatives that are remeasured each reporting period.

*Warrant Transactions*

On June 25, 2019, concurrently with the pricing of the Exchangeable Notes, and on June 27, 2019 concurrently with the exercise by the Initial Purchasers of their option to purchase additional Exchangeable Notes, the Company entered into warrant transactions to sell to the Counterparties Warrants (the “Warrants”) to acquire, subject to anti-dilution adjustments, up to approximately 27.8 million

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shares of the Company’s common stock in the aggregate at an exercise price of approximately $16.42 per share. The maximum number of shares of the Company’s common stock that could be issued pursuant to the Warrants is approximately 55.5 million. The Company offered and sold the Warrants in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended. If the market value per share of the Company’s common stock, as measured under the Warrants, at the time of exercise exceeds the strike price of the Warrants, the Warrants will have a dilutive effect on the Company’s common stock unless, subject to the terms of the Warrants, the Company elects to cash settle the Warrants. The Warrants will expire over a period beginning in September 2024.

The Warrants are separate transactions, entered into by the Company with the Counterparties, and are not part of the terms of the Exchangeable Notes. Holders of the Exchangeable Notes will not have any rights with respect to the Warrants. The Warrants meet certain accounting criteria under GAAP, are recorded in additional paid-in capital on our Condensed Consolidated Balance Sheets and are not accounted for as derivatives that are remeasured each reporting period.

**Note 9. Goodwill and Intangible Assets and Liabilities**

There were no changes in the carrying amount of goodwill occurring during the three months ended March 31, 2022. The balance of goodwill recorded in our Fiber Infrastructure segment as of March 31, 2022 and December 31, 2021 is as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| (Thousands) |  |  |  |  |  |  |  | **Fiber Infrastructure** | | | |  |  |  |  |  |  | **Total** | |  |
| Goodwill at December 31, 2021 |  |  |  |  |  |  |  | $ |  |  | 601,878 |  | | $ |  |  |  | 601,878 |  |  |
| Goodwill at March 31, 2022 |  |  |  |  |  |  |  | $ |  |  | 601,878 |  |  | $ |  |  |  | 601,878 |  |  |
|  |  |  |  |  | |  |  |  |  |  |  |  | |  |  | |  | |  |  |
| (Thousands) |  |  | **March 31, 2022** | | |  |  |  |  |  |  | **December 31, 2021** | | | | | | | |  |
|  |  |  | **Original** | |  | **Accumulated** | | |  |  | **Original** | | | | |  |  | **Accumulated** |  |  |
|  |  |  | **Cost** | |  | **Amortization** | | | |  | **Cost** |  |  |  |  |  |  | **Amortization** | |  |
| Finite life intangible assets: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Customer lists | $ | | 416,104 |  | $ | (111,579) | | | | $ |  | 416,104 | | |  | $ | | (105,861) | |  |
| Contracts |  |  | 52,536 |  |  | (9,850) | | | |  |  | 52,536 | | |  |  |  | (8,209) | |  |
| Underlying Rights |  |  | 10,497 |  |  | (525) | | | |  |  | 10,497 | | |  |  |  | (437) | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  | | |  |  |  |  |  |  |
| Total intangible assets | $ | | 479,137 |  |  |  |  |  |  | $ |  | 479,137 | | |  |  |  |  |  |  |
| Less: accumulated amortization |  |  | (121,954) | |  |  |  |  |  |  | (114,507) | | | | |  |  |  |  |  |
| Total intangible assets, net |  |  |  |  |  |  |  |  |  |  |  |  | | |  |  |  |  |  |  |
| $ | | 357,183 |  |  |  |  |  |  | $ |  | 364,630 | | |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Finite life intangible liabilities: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Below-market leases | $ | | 191,154 |  |  | (16,042) | | | | $ |  | 191,154 | | |  |  |  | (13,368) | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Finite life intangible liabilities: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Below-market leases | $ | | 191,154 |  |  |  |  |  |  | $ |  | 191,154 | | |  |  |  |  |  |  |
| Less: accumulated amortization |  |  | (16,042) | |  |  |  |  |  |  |  | (13,368) | | | |  |  |  |  |  |
| Total intangible liabilities, net |  |  |  |  |  |  |  |  |  |  |  |  | | |  |  |  |  |  |  |
| $ | | 175,112 |  |  |  |  |  |  | $ |  | 177,786 | | |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

As of March 31, 2022, the remaining weighted average amortization period of the Company’s intangible assets was 14.7 years.

Amortization expense for the three months ended March 31, 2022 and 2021 was $7.4 million and $4.8 million, respectively. Amortization expense is estimated to be $29.7 million for the full year of 2022, $29.8 million in 2023, $29.7 million in 2024, $29.7 million in 2025, and $29.7 million for 2026.

We recognize the amortization of below-market leases in revenue. Revenue related to the amortization of the below-market leases for the three months ended March 31, 2022 was $2.7 million. During the three months ended March 31, 2021, $2.7 million was recorded as a benefit to amortization expense, and subsequently reclassified to revenue during the fourth quarter of 2021. As of March 31, 2022, the remaining weighted average amortization period of the Company’s intangible liabilities was 17.7 years. Revenue due to the amortization of the below-market leases is estimated to be $10.7 million for the full year of 2022, $10.7 million in 2023, $10.7 million in 2024, $10.7 million in 2025, and $10.7 million in 2026.

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**Note 10. Notes and Other Debt**

All debt, including the senior secured credit facility and notes described below, are obligations of the Operating Partnership and/or certain of its subsidiaries as discussed below. The Company is, however, a guarantor of such debt.

Notes and other debt are as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| (Thousands) | |  |  |  |  |  | **March 31, 2022** | | | | |  |  | **December 31, 2021** | | | |  |
| Principal amount | |  |  |  |  |  | $ |  | 5,200,000 | | |  | $ |  |  | 5,175,000 |  |  |
| Less unamortized discount, premium and debt issuance costs | |  |  |  |  |  |  |  |  |  | (79,719) | |  |  |  | (84,463) | |  |
| Notes and other debt less unamortized discount, premium and debt issuance costs | | | | |  |  | $ |  | 5,120,281 | | |  | $ |  |  | 5,090,537 |  |  |
| Notes and other debt at March 31, 2022 and December 31, 2021 consisted of the following: | | | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | **March 31, 2022** | | | | | |  |  |  | **December 31, 2021** | | | | | |  |
|  |  |  |  |  |  | **Unamortized** | |  |  |  |  |  |  |  |  | **Unamortized** |  |  |
|  |  |  |  |  |  | **Discount,** | | |  |  |  |  |  |  |  | **Discount,** | |  |
|  |  |  |  |  |  | **Premium and** | | |  |  |  |  |  |  |  | **Premium and** | |  |
|  |  |  | **Principal** | |  | **Debt Issuance** | | |  |  | **Principal** | | |  |  | **Debt Issuance** | |  |
| (Thousands) | |  |  |  | **Costs** | |  |  |  |  | **Costs** | |  |
| Senior secured notes - 7.875%, due February 15, 2025 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| (discount is based on imputed interest rate of 8.38%) | | $ | 2,250,000 |  | $ | (29,191) | | | $ | | 2,250,000 | | | $ | | (31,411) | |  |
| Senior secured notes - 4.75%, due April 15, 2028 | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| (discount is based on imputed interest rate of 5.04%) | |  | 570,000 |  |  | (8,584) | | |  |  |  | 570,000 | |  |  | (8,886) | |  |
| Senior unsecured notes - 4.00%, due June 15, 2024 | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| (discount is based on imputed interest rate of 4.77%) | |  | 345,000 |  |  | (5,590) | | |  |  |  | 345,000 | |  |  | (6,187) | |  |
| Senior unsecured notes - 6.50%, due February 15, 2029 | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| (discount is based on imputed interest rate of 6.83%) | |  | 1,110,000 |  |  | (20,000) | | |  |  | 1,110,000 | | |  |  | (20,797) | |  |
| Senior unsecured notes - 6.00% due January 15, 2030 | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| (discount is based on imputed interest rate of 6.27%) | |  | 700,000 |  |  | (11,407) | | |  |  |  | 700,000 | |  |  | (11,689) | |  |
| Senior secured revolving credit facility, variable rate, due December | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 10, 2024 |  |  | 225,000 |  |  | (4,947) | | |  |  |  | 200,000 | |  |  | (5,493) | |  |
| Total | |  |  |  |  |  | |  |  |  |  | | |  |  |  |  |  |
| $ | 5,200,000 |  | $ | (79,719) | | | $ | | 5,175,000 | | | $ | | (84,463) | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

At March 31, 2022, notes and other debt included the following: (i) $225.0 million under the Revolving Credit Facility (as defined below) pursuant to the credit agreement by and among Uniti Group LP, Uniti Group Finance 2019 Inc. and CSL Capital, LLC (the “Borrowers”), the guarantors and lenders party thereto and Bank of America, N.A., as administrative agent and collateral agent (the “Credit Agreement”); (ii) $2.25 billion aggregate principal amount of 7.875% Senior Secured Notes due 2025 (the “2025 Secured Notes”); (iii) $570.0 million aggregate principal amount of 4.75% Senior Secured Notes due 2028 (the “2028 Secured Notes”); (iv) $1.11 billion aggregate principal amount of 6.50% Senior Notes due February 15, 2029 (the “2029 Notes”); and (v) $345.0 million aggregate principal amount of 4.00% Exchangeable Senior Notes due June 15, 2024 (the “Exchangeable Notes”); and (vi) $700.0 million aggregate principal amount of 6.00% Senior Unsecured Notes due January 15, 2030 (the “2030 Notes” and collectively with the 2025 Secured Notes, the 2028 Secured Notes, the 2029 Notes and the Exchangeable Notes, the “Notes”). Until our net leverage ratio is below 5.75 : 1.00, our 2025 Secured Notes limit our ability to make cash distributions to our shareholders in amounts exceeding 90% of our good faith estimate, as of the date on which the first quarterly dividend for the relevant year is declared, of our REIT taxable income for such year, determined without regard to the dividends paid deduction and excluding any capital gains. The terms of the Notes are as described in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021.

Credit Agreement

The Borrowers are party to the Credit Agreement, which provides for a $500 million revolving credit facility that will mature on December 10, 2024 (the “Revolving Credit Facility”) and provides us with the ability to obtain revolving loans as well as swingline loans and letters of credit from time to time. All obligations under the Credit Agreement are guaranteed by (i) the Company and (ii) certain of

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the Operating Partnership’s subsidiaries (the “Subsidiary Guarantors”) and are secured by substantially all of the assets of the Borrowers and the Subsidiary Guarantors.

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 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, if such debt is secured, 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 March 31, 2022, the Borrowers were in compliance with all of the covenants under the Credit Agreement.

A termination of either Windstream Lease would result in an “event of default” under the Credit Agreement if a replacement lease is not entered into within ninety (90) calendar days and we do not maintain pro forma compliance with a consolidated secured leverage ratio, as defined in the Credit Agreement, of 5.00 to 1.00.

Borrowings under the Revolving Credit Facility bear interest at a rate equal to either a base rate plus an applicable margin ranging from 2.75% to 3.50% or a eurodollar rate plus an applicable margin ranging from 3.75% to 4.50%, in each case, calculated in a customary manner and determined based on our consolidated secured leverage ratio. We are required to pay a quarterly commitment fee under the Revolving Credit Facility equal to 0.50% of the average amount of unused commitments during the applicable quarter (subject to a step-down to 0.40% per annum of the average amount of unused commitments during the applicable quarter upon achievement of a consolidated secured leverage ratio not to exceed a certain level), as well as quarterly letter of credit fees equal to the product of (A) the applicable margin with respect to eurodollar borrowings and (B) the average amount available to be drawn under outstanding letters of credit during such quarter.

Deferred Financing Cost

Deferred financing costs were incurred in connection with the issuance of the Notes and the Revolving Credit Facility. 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 (Loss). For the three months ended March 31, 2022 and 2021, we recognized $4.3 million and $4.1 million, respectively, of non-cash interest expense related to the amortization of deferred financing costs.

**Note 11. 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 dilutive effect of the Exchangeable Notes is calculated by using the “if-converted” method. This assumes an add-back of interest, net of income taxes, to net income attributable to shareholders as if the securities were converted at the beginning of the reporting period (or at time of issuance, if later) and the resulting common shares included in number of weighted average shares. The dilutive effect of the Warrants ([see Note](#page17) 8) is calculated using the treasury-stock method. During the three months ended March 31, 2022 and 2021, the Warrants were excluded from diluted shares outstanding because the exercise price exceeded the average market price of our common stock for the reporting period.

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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 March 31,** | | | |  |  |  |
|  | **2022** |  |  |  | **2021** |  |  |
| Basic earnings per share: |  |  |  |  |  |  |  |  |  |
| Numerator: | |  |  |  |  |  |  |  |  |
| Net income (loss) attributable to shareholders | | $ | 52,730 |  | $ | | (4,438) | |  |
| Less: Income allocated to participating securities | |  | (331) | |  |  | (248) | |  |
| Dividends declared on convertible preferred stock | |  | (5) | |  |  | (3) | |  |
| Net income (loss) attributable to common shares | | $ | 52,394 |  |  | $ | (4,689) |  |  |
| Denominator: | |  |  |  |  |  |  |  |  |
| Basic weighted-average common shares outstanding | |  | 235,046 |  |  |  | 231,469 |  |  |
| Basic earnings (loss) per common share | | $ | 0.22 |  |  | $ | (0.02) |  |  |
|  |  |  |  |  | |  |  |  |  |
| (Thousands, except per share data) | |  | **Three Months Ended March 31,** | | | |  |  |  |
|  | **2022** |  |  |  | **2021** |  |  |
| Diluted earnings per share: |  |  |  |  |  |  |  |  |  |
| Numerator: | |  |  |  |  |  |  |  |  |
| Net income (loss) attributable to shareholders | | $ | 52,730 |  | $ | | (4,438) | |  |
| Less: Income allocated to participating securities | |  | (331) | |  |  | (248) | |  |
| Dividends declared on convertible preferred stock | |  | (5) | |  |  | (3) | |  |
| Impact on if-converted dilutive securities | |  | 2,994 |  |  |  | - |  |  |
| Net income (loss) attributable to common shares | | $ | 55,388 |  |  | $ | (4,689) |  |  |
| Denominator: | |  |  |  |  |  |  |  |  |
| Basic weighted-average common shares outstanding | |  | 235,046 |  |  |  | 231,469 |  |  |
| Effect of dilutive non-participating securities | |  | 1,226 |  |  |  | - |  |  |
| Impact on if-converted dilutive securities | |  | 31,032 |  |  |  | - |  |  |
| Weighted-average shares for dilutive earnings per common share | |  | 267,304 |  |  |  | 231,469 |  |  |
| Dilutive earnings (loss) per common share | | $ | 0.21 |  |  | $ | (0.02) |  |  |
|  |  |  |  |  |  |  |  |  |  |

For the three months ended March 31, 2021, 30,052,433 potential common shares related to the Exchangeable Notes and 762,355 non-participating securities were excluded from the computation of earnings per share, as their effect would have been anti-dilutive.

**Note 12. Segment Information**

Our management, including our chief executive officer, who is our chief operating decision maker, manages our operations as two reportable segments, in addition to our corporate operations, which include:

*Leasing*: Represents the operations of our leasing business, Uniti Leasing, which is engaged in the acquisition and construction of mission-criticalcommunications assets and leasing them to anchor customers on either an exclusive or shared-tenant basis, in addition to the leasing of dark fiber on our existing dark fiber network assets that we either constructed or acquired. While the Leasing segment represents our REIT operations, certain aspects of the Leasing segment are also operated through taxable REIT subsidiaries.

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

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*Corporate:* Represents our corporate office and shared service 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 we define as net income determined in accordance with GAAP, before interest expense, provision for income taxes, depreciation and amortization, stock-based compensation expense and the impact, which may be recurring in nature, of transaction and integration related costs, costs associated with Windstream’s bankruptcy, costs associated with litigation claims made against us, costs associated with the implementation of our enterprise resource planning system, executive severance costs, costs related to the settlement with Windstream, amortization of non-cash rights-of-use assets, the write off of unamortized deferred financing costs, costs incurred as a result of the early repayment of debt, including early tender and redemption premiums and costs associated with the termination of related hedging activities, gains or losses on dispositions, changes in the fair value of contingent consideration and financial instruments, and other similar or infrequent items (although we may not have had such charges in the periods presented). Adjusted EBITDA includes adjustments to reflect the Company’s share of Adjusted EBITDA from unconsolidated entities. 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 months ended March 31, 2022 and 2021:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Three Months Ended March 31, 2022** | | | | |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  | **Subtotal of** |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  | **Reportable** | |  |
| (Thousands) | |  | **Leasing** |  |  | **Fiber Infrastructure** | |  | **Corporate** | |  | **Segments** | |  |
| Revenues |  | $ | 204,641 |  | $ | 73,393 |  | $ | - |  | $ | 278,034 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Adjusted EBITDA | | $ | 198,973 | $ | | 31,459 |  | $ | (5,643) | | $ | 224,789 |  |  |
| Less: | |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Interest expense | |  |  |  |  |  |  |  |  |  |  | 96,172 |  |  |
| Depreciation and amortization | |  | 42,102 |  |  | 29,319 |  |  | 36 |  |  | 71,457 |  |  |
| Other, net | |  |  |  |  |  |  |  |  |  |  | 361 |  |  |
| Transaction related and other costs | |  |  |  |  |  |  |  |  |  |  | 1,714 |  |  |
| Stock-based compensation | |  |  |  |  |  |  |  |  |  |  | 3,312 |  |  |
| Income tax benefit | |  |  |  |  |  |  |  |  |  |  | (2,071) | |  |
| Adjustments for equity in earnings | |  |  |  |  |  |  |  |  |  |  | 986 |  |  |
| from unconsolidated entities | |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net income | |  |  |  |  |  |  |  |  |  | $ | 52,858 |  |  |
|  |  |  |  |  |  | 23 |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |



|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
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|  |  |  |  |  |  |  | **Three Months Ended March 31, 2021** | | | | |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  | **Subtotal of** |  |  |
| (Thousands) | |  |  | **Leasing** |  |  | **Fiber Infrastructure** |  |  | **Corporate** | |  | **Reportable Segments** | | |  |
| Revenues | |  | $ | 194,936 |  | $ | 77,650 |  | $ | - |  |  | $ | 272,586 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Adjusted EBITDA | | $ | | 191,497 | $ | | 29,721 | $ | | (6,970) | | $ | | 214,248 |  |  |
| Less: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Interest expense | |  |  |  |  |  |  |  |  |  |  |  |  | 140,581 |  |  |
| Depreciation and amortization | |  |  | 42,226 |  |  | 28,670 |  |  | 68 |  |  |  | 70,964 |  |  |
| Other, net | |  |  |  |  |  |  |  |  |  |  |  |  | 1,318 |  |  |
| Transaction related and other costs | |  |  |  |  |  |  |  |  |  |  |  |  | 4,137 |  |  |
| Stock-based compensation | |  |  |  |  |  |  |  |  |  |  |  |  | 3,335 |  |  |
| Income tax benefit | |  |  |  |  |  |  |  |  |  |  |  |  | (2,557) | |  |
| Adjustments for equity in earnings from | |  |  |  |  |  |  |  |  |  |  |  |  | 972 |  |  |
| unconsolidated entities | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net loss | |  |  |  |  |  |  |  |  |  |  |  | $ | (4,502) |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

**Note 13. 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.

Windstream Commitments

Following the consummation of our settlement agreement with Windstream, including entry into the Windstream Leases, we are obligated to make $490.1 million of cash payments to Windstream in equal installments over 20 consecutive quarters beginning in October 2020, and Uniti may prepay any installments due on or after the first anniversary of the settlement agreement (discounted at a 9% rate). On October 14, 2021, the Company prepaid four installments for a total of $92.9 million. As of March 31, 2022, the Company has made payments totaling $215.4 million.

Further, we are obligated to reimburse Windstream for up to an aggregate of $1.75 billion for certain growth capital improvements in long-term fiber and related assets made by Windstream (“Growth Capital Improvements”) through 2029. Uniti’s reimbursement commitment for Growth Capital Improvements does not require Uniti to reimburse Windstream for maintenance or repair expenditures (except for costs incurred for fiber replacements to the property leased under the competitive local exchange carrier master lease agreement, up to $70 million during the term), and each such reimbursement is subject to underwriting standards. Uniti’s total annual reimbursement commitments for the Growth Capital Improvements under both Windstream Leases (and under separate equipment loan facilities) were limited to $225 million per year in 2021, and are limited to $225 million per year in 2022 through 2024; $175 million per year in 2025 and 2026; and $125 million per year in 2027 through 2029. If the cost incurred by Windstream (or the successor tenant under a Windstream Lease) for Growth Capital Improvements in any calendar year exceeds the annual limit for such calendar year, Windstream (or such tenant, as the case may be) may submit such excess costs for reimbursement in any subsequent year and such excess costs shall be funded from the annual commitment amounts in such subsequent period. In addition, to the extent that reimbursements for Growth Capital Improvements funded in any calendar year during the term is less than the annual limit for such calendar year, the unfunded amount in any calendar year will carry-over and may be added to the annual limits for subsequent calendar years, subject to an annual limit of $250 million in any calendar year. During the three months ended March 31, 2022, Uniti reimbursed $48.2 million of Growth Capital Improvements, of which $29.0 million represented the reimbursement of capital improvements completed in 2021 that were previously classified as tenant funded capital improvements. Upon reimbursement, the Company reduced the unamortized portion of deferred revenue related to these capital improvements and capitalized the difference between the cash provided to Windstream and the unamortized deferred revenue as a lease incentive. This lease incentive, which is $0.9 million and reported within other assets on our Condensed Consolidated Balance Sheets as of March 31, 2022, will be amortized as a reduction to revenue over the initial term of the Windstream Leases.

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Starting on the first anniversary of each installment of reimbursement for a Growth Capital Improvement, the rent payable by Windstream under the applicable Windstream Lease will increase by an amount equal to 8.0% (the “Rent Rate”) of such installment of reimbursement. The Rent Rate will thereafter increase to 100.5% of the prior Rent Rate on each anniversary of each reimbursement. In the event that the tenant’s interest in either Windstream Lease is transferred by Windstream under the terms thereof (unless transferred to the same transferee), or if Uniti transfers its interests as landlord under either Windstream Lease (unless to the same transferee), the reimbursement rights and obligations will be allocated between the ILEC MLA and the CLEC MLA by Windstream, provided that the maximum that may be allocated to the CLEC MLA following such transfer is $20 million per year. If Uniti fails to reimburse any Growth Capital Improvement reimbursement payment or equipment loan funding request as and when it is required to do so under the terms of the Windstream Leases, and such failure continues for thirty (30) days, then such unreimbursed amounts may be applied as an offset against the rent owed by Windstream under the Windstream Leases (and such amounts will thereafter be treated as if Uniti had reimbursed them).

Uniti and Windstream have entered into separate ILEC and CLEC Equipment Loan and Security Agreements (collectively “Equipment Loan Agreement”) in which Uniti will provide up to $125 million (limited to $25 million in any calendar year) of the $1.75 billion of Growth Capital Improvements commitments discussed above in the form of loans for Windstream to purchase equipment related to network upgrades or to be used in connection with the Windstream Leases. Interest on these loans will accrue at 8% from the date of the borrowing. All equipment financed through the Equipment Loan Agreement is the sole property of Windstream; however, Uniti will receive a first-lien security interest in the equipment purchased with the loans.

Other Litigation

On July 3, 2019, SLF Holdings, LLC (“SLF”) filed a complaint against the Company, Uniti Fiber, and certain current and former officers of the Company (collectively, the “Defendants”) in the United States District Court for the Southern District of Alabama, in connection with Uniti Fiber’s purchase of Southern Light, LLC from SLF in July 2017. The complaint asserted claims for fraud and conspiracy, as well as claims under federal and Alabama securities laws, alleging that Defendants improperly failed to disclose to SLF the risk that the Spin-Off and entry into the Master Lease violated certain debt covenants of Windstream. On September 26, 2019, the action was transferred to United States District Court for the District of Delaware. On November 18, 2019, SLF filed an amended complaint, adding allegations that Defendants also failed to fully disclose the risk that the Master Lease purportedly could be recharacterized as a financing instead of a “true lease.” The amended complaint seeks compensatory and punitive damages, as well as reformation of the purchase agreement for the sale. On December 18, 2019, Defendants moved to dismiss the amended complaint in its entirety. That motion was fully briefed as of February 7, 2020, and a hearing on the motion was heard on May 12, 2020. On November 4, 2020, the court granted the Defendants’ motion and dismissed SLF’s amended complaint, in its entirety, with prejudice. On December 1, 2020, SLF filed a notice of appeal to the United States Court of Appeals for the Third Circuit from the district court’s dismissal order. The appeal was fully briefed on September 10, 2021. We have evaluated this matter under the guidance provided by ASC 450, *Contingencies* (“ASC 450”), and as of the date of this Quarterly Report on Form 10-Q, we consider a loss not to be probable and are unable to estimate a reasonably possible range of loss; therefore, we have not recorded any liabilities associated with these claims in our Condensed Consolidated Balance Sheets.

Beginning on October 25, 2019, several purported shareholders filed separate putative class actions in the U.S. District Court for the Eastern District of Arkansas against the Company and certain of our officers, alleging violations of the federal securities laws based on claims similar to those asserted in the SLF Action. On March 12, 2020, the U.S. District Court for the Eastern District of Arkansas consolidated the Shareholder Actions and appointed lead plaintiffs and lead counsel in the consolidated cases under the caption *In re Uniti Group Inc. Securities Litigation* (the “Class Action”). On May 11, 2020, lead plaintiffs filed a consolidated amended complaint in the Class Action. The consolidated amended complaint seeks to represent investors who acquired the Company’s securities between April 20, 2015 and February 15, 2019. The Class Action asserts claims under Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder, alleging that the Company made materially false and misleading statements by allegedly failing to disclose, among other things, the risk that the Spin-Off and entry into the Master Lease violated certain debt covenants of Windstream and/or the risk that the Master Lease purportedly could be recharacterized as a financing instead of a “true lease.” The Class Action seeks class certification, unspecified

monetary damages, costs and attorneys’ fees and other relief. On July 10, 2020, defendants moved to dismiss the consolidated amended complaint. On April 1, 2021, the court issued an order denying defendants’ motion to dismiss. On April 15, 2021, defendants filed a motion for reconsideration of the order or, in the alternative, for certification of an appeal of the decision to the Eighth Circuit. On October 25, 2021, plaintiffs filed a motion for class certification, which defendants opposed. On December 22, 2021, the court issued an order denying defendants’ motion for reconsideration or, in the alternative, certification of an appeal. On March 25, 2022, the parties reached an agreement to settle the Class Action, on behalf of a settlement class, for $38.9 million, to be funded entirely by the Company’s insurance carriers. The settlement remains subject to negotiation of definitive settlement documents, notice to the settlement class and court approval. In accordance with ASC 450, we recorded $38.9 million of settlement expense within general and administrative expense within our Condensed Consolidated Statements of Income (Loss) during the three months ended March 31, 2022 and accounts payable, accrued expenses and other liabilities, net within our Condensed Consolidated Balance Sheets as of March 31, 2022. Additionally, we recorded the probable

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insurance recovery of $38.9 million as a reduction to general and administrative expense during the three months ended March 31, 2022 within our Condensed Consolidated Statements of Income (Loss), and other assets within Condensed Consolidated Balance Sheets as of March 31, 2022.

On August 17, 2021, two purported shareholders filed a derivative action on behalf of Uniti in the Circuit Court for Baltimore City, Maryland, under the caption Mayer et al. v. Gunderman et al., 24-C-21-003488 (the “Mayer Derivative Complaint”). The Mayer Derivative Action names Kenneth Gunderman and Mark Wallace as defendants and the Company as a nominal defendant and asserts claims for breach of fiduciary duty and unjust enrichment. The complaint alleges that the individual defendants caused the Company to issue certain false and misleading statements relating to the Spin-Off and/or the Master Lease. In particular, as in the Shareholder Actions, the complaint alleges, among other things, that defendants failed to disclose the risk that the Spin-Off and entry into the Master Lease violated certain debt covenants of Windstream and/or the risk that the Master Lease purportedly could be recharacterized as a financing instead of a “true lease.” The complaint seeks unspecified damages, unspecified equitable relief, and related costs and fees. On December 23, 2021, the court entered a joint stipulation to stay the Mayer Derivative Action, including the time for the defendants to respond to the complaint, pending the outcome of the Class Action. Because this matter is still in its preliminary stages, we have not yet determined what effect this lawsuit will have, if any, on our financial position or results of operations. We have evaluated this matter under the guidance provided by ASC 450, and as of the date of this Quarterly Report on Form 10-Q, we consider a loss not to be probable and are unable to estimate a reasonably possible range of loss; therefore, we have not recorded any liabilities associated with these claims in our Condensed Consolidated Balance Sheets.

On February 11, 2022, a purported shareholder filed a derivative action on behalf of Uniti in the federal District Court for the District of Maryland, under the caption *Guzzo et al. v. Gunderman et al.*, 1:22-cv-00366-GLR (the “Guzzo Derivative Action”). The complaint names Kenneth Gunderman, Mark Wallace, Francis Frantz, David Solomon, Jennifer Banner, and Scott Bruce as defendants and the Company as a nominal defendant and asserts claims for contribution against Gunderman and Wallace if the Company is found to be liable for violations of the federal securities laws in the Class Action and claims against all the individual defendants for breaches of fiduciary duty, waste of corporate assets, and unjust enrichment against. The allegations in the Guzzo Derivative Action are similar to those in the Mayer Derivative Action and the Class Action. The complaint seeks unspecified damages, equitable relief, and related costs and fees. On March 16, 2022, the court entered a joint stipulation to stay the Guzzo Derivative Action, including the time for the defendants to respond to the complaint, pending the outcome of the Class Action. We intend to defend this matter vigorously, and, because it is still in its relatively early stages, we have not yet determined what effect this lawsuit will have, if any, on our financial position or results of operations.

We maintain insurance policies that would provide coverage to various degrees for potential liabilities arising from the legal proceedings described above.

Under the terms of the tax matters agreement entered into on April 24, 2015 by the Company, Windstream Services, LLC and Windstream (the “Tax Matters Agreement”), 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 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 Condensed Consolidated Balance Sheets as of March 31, 2022.

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**Note 14. Accumulated Other Comprehensive (Loss) Income**

Changes in accumulated other comprehensive (loss) income by component is as follows for the three months ended March 31, 2022 and 2021:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Three Months Ended March 31,** | | | | |
| (Thousands) | |  | **2022** |  |  | **2021** |  |
| Cash flow hedge changes in fair value (loss) gain: |  |  |  |  |  |  |  |
| Balance at beginning of period attributable to shareholders | | $ | (30,353) | | $ | (30,353) | |
| Balance at end of period attributable to shareholders | |  | (30,353) |  |  | (30,353) |  |
| Interest rate swap termination: | |  |  |  |  |  |  |
| Balance at beginning of period attributable to shareholders | |  | 21,189 |  |  | 9,986 |  |
| Amounts reclassified from accumulated other comprehensive income | |  | 2,830 |  |  | 2,829 |  |
| Balance at end of period | |  | 24,019 |  |  | 12,815 |  |
| Less: Other comprehensive income attributable to noncontrolling interest | |  | 7 |  |  | 42 |  |
| Balance at end of period attributable to shareholders | |  | 24,012 |  |  | 12,773 |  |
| Accumulated other comprehensive loss at end of period | | $ | (6,341) |  | $ | (17,580) |  |
|  |  |  |  |  |  |  |  |

**Note 15. Capital Stock**

The limited partner equity interests in our operating partnership (commonly called “OP Units”), are exchangeable on a one-for-one basis for shares of our common stock or, at our election, cash of equivalent value. During the three months ended March 31, 2022, the Company exchanged 157,733 OP Units held by third parties for an equal number of common shares of the Company. The OP Units exchanged represented approximately 23% of the OP Units held by a third party with a carrying value of $3.2 million as of the exchange date.

**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 months ended March 31, 2022. This discussion should be read in conjunction with the accompanying Condensed Consolidated 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 filed with the U.S. Securities and Exchange Commission (“SEC”) on February 25, 2022, as amended by Amendment No. 1 thereto filed on Form 10-K/A with the SEC on March 22, 2022 (the “Annual Report”).

**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, 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 Windstream Holdings II, LLC, its successor in interest, and 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 a substantial portion of our leasing revenues are currently derived. In connection with Windstream’s emergence from bankruptcy, Uniti and Windstream bifurcated the Master Lease and entered into two structurally similar master leases (collectively, the “Windstream Leases”), which amended and restated the Master Lease in its entirety. The Windstream Leases consist of (a) a master lease (the “ILEC MLA”) that governs Uniti owned assets used for Windstream’s incumbent local exchange carrier (“ILEC”) operations and (b) a master lease (the “CLEC MLA”) that governs Uniti owned assets used for Windstream’s CLEC operations.

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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 Windstream Leases. We have elected to treat the subsidiaries through which we operate our fiber business, Uniti Fiber, certain aspects of our leasing business, Uniti Leasing, certain aspects of our former towers business, and Talk America Services, LLC, which operated 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 March 31, 2022, we are the sole general partner of the Operating Partnership and own approximately 99.8% of the partnership interests in the Operating Partnership. In addition, we have undertaken series of transactions to permit us to hold certain assets through subsidiaries that are taxed as REITs, which may also facilitate future acquisition opportunities.

We aim to grow and diversify our portfolio and tenant base by pursuing a range of transaction structures with communication service providers, including

1. 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) leasing of dark fiber and selling of lit services on our existing fiber network assets that we either constructed or acquired; (iii) 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; (iv) 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 (v) mergers and acquisitions financing, whereby we facilitate mergers and acquisition transactions as a capital partner, including through operating company-property company (“OpCo-PropCo”) structures.

***Segments***

We manage our operations as the two reportable business segments, in addition to our corporate operations, which include:

*Leasing Segment*: Represents the operations of our leasing business, Uniti Leasing, which is engaged in the acquisition and construction of mission-criticalcommunications assets and leasing them to anchor customers on either an exclusive or shared-tenant basis, in addition to the leasing of dark fiber on our existing fiber network assets that we either constructed or acquired. While the Leasing segment represents our REIT operations, certain aspects of the Leasing segment are also operated through TRSs.

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

*Corporate Operations*: Represents our corporate office and shared service functions. Certain costs and expenses, primarily related to headcount,information technology systems, 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 and the impact, which may be recurring in nature, of transaction and integration related costs, costs associated with Windstream’s bankruptcy, costs associated with litigation claims made against us, costs associated with the implementation of our enterprise resource planning system, executive severance costs, costs related to the settlement with Windstream, amortization of non-cash rights-of-use assets, the write off of unamortized deferred financing costs, costs incurred as a result of the early repayment of debt, including early tender and redemption premiums and costs associated with the termination of related hedging activities, gains or losses on dispositions, changes in the fair value of contingent consideration and financial instruments, and other similar or infrequent items (although we may not have had such charges in the periods presented). Adjusted EBITDA includes adjustments to reflect the Company’s share of Adjusted EBITDA from unconsolidated entities. For more information on Adjusted EBITDA, see “Non-GAAP Financial Measures.” Detailed information about our segments can be found in Note 12 to our accompanying Condensed Consolidated Financial Statements contained in Part I, Item 1 of this Quarterly Report on Form 10-Q.

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**Results of Operations**

**Comparison of the three months ended March 31, 2022 and 2021**

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Three Months Ended March 31,** | | | | | | |  |  |
|  |  |  | **2022** | | |  |  |  | **2021** | | |  |  |
|  |  |  |  |  |  | **% of** |  |  |  |  |  | **% of** |  |
| (Thousands) |  |  | **Amount** | |  | **Revenues** | |  | **Amount** | | | **Revenues** | |
| **Revenues:** |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Leasing | $ | | 204,641 |  | 73.6% | |  | $ | 194,936 |  |  | 71.5% |  |
| Fiber Infrastructure |  |  | 73,393 |  | 26.4% | |  |  | 77,650 |  |  | 28.5% |  |
| Total revenues |  |  | 278,034 |  | 100.0% | |  |  | 272,586 |  |  | 100.0% |  |
| **Costs and Expenses:** |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Interest expense |  |  | 96,172 |  | 34.5% | |  |  | 140,581 |  |  | 51.5% |  |
| Depreciation and amortization |  |  | 71,457 |  | 25.7% | |  |  | 70,964 |  |  | 26.0% |  |
| General and administrative expense |  |  | 23,870 |  | 8.6% | |  |  | 25,823 |  |  | 9.5% |  |
| Operating expense (exclusive of depreciation and amortization) |  |  | 34,976 |  | 12.6% | |  |  | 38,084 |  |  | 14.0% |  |
| Transaction related and other costs |  |  | 1,714 |  | 0.6% | |  |  | 4,137 |  |  | 1.5% |  |
| Other (income) expense, net |  |  | (398) | | (0.1%) | |  |  | 454 |  |  | 0.2% |  |
| Total costs and expenses |  |  | 227,791 |  |  | 81.9% |  |  | 280,043 |  |  | 102.7% |  |
| **Income (loss) before income taxes and equity in earnings from** |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **unconsolidated entities** |  |  | 50,243 |  | 18.1% | |  |  | (7,457) | |  | (2.7%) |  |
| Income tax benefit |  |  | (2,071) | | (0.7%) | |  |  | (2,557) | |  | (0.9%) |  |
| Equity in earnings from unconsolidated entities |  |  | (544) | | (0.2%) | |  |  | (398) | |  | (0.1%) |  |
| **Net income (loss)** |  |  | 52,858 |  |  | 19.0% |  |  | (4,502) |  |  | (1.7%) |  |
| Net income (loss) attributable to noncontrolling interests |  |  | 128 |  | 0.1% | |  |  | (64) | |  | (0.1%) |  |
| **Net income (loss) attributable to shareholders** |  |  | 52,730 |  |  | 18.9% |  |  | (4,438) |  |  | (1.6%) |  |
| Participating securities' share in earnings |  |  | (331) | | (0.1%) | |  |  | (248) | |  | (0.1%) |  |
| Dividends declared on convertible preferred stock |  |  | (5) | | (0.0%) | |  |  | (3) | |  | (0.0%) |  |
| **Net income (loss) attributable to common shareholders** |  | $ | 52,394 |  |  | 18.8% |  | $ | (4,689) |  |  | (1.7%) |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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The following tables set forth, for the three months ended March 31, 2022 and 2021, revenues, Adjusted EBITDA and net (loss) income of our reportable segments:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  | **Three Months Ended March 31, 2022** | | | | | | | |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | **Subtotal of** |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | **Reportable** | | |  |
| (Thousands) | | |  |  | **Leasing** | |  |  |  |  | **Fiber Infrastructure** | |  |  |  | **Corporate** | | |  |  |  | **Segments** | | |  |
| Revenues |  |  | $ |  | 204,641 | |  |  |  | $ | 73,393 | |  |  | $ | - | |  |  |  | $ | 278,034 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Adjusted EBITDA | | | $ |  | 198,973 | |  |  | $ | | 31,459 | | $ | | | (5,643) | | | $ | | | 224,789 |  |  |  |
| Less: | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Interest expense | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 96,172 |  |  |  |
| Depreciation and amortization | | |  |  | 42,102 | |  |  |  |  | 29,319 | |  |  |  | 36 | |  |  |  |  | 71,457 |  |  |  |
| Other, net | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 361 |  |  |  |
| Transaction related and other costs | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 1,714 |  |  |  |
| Stock-based compensation | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 3,312 |  |  |  |
| Income tax benefit | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | (2,071) | | |  |
| Adjustments for equity in earnings | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 986 |  |  |  |
| from unconsolidated entities | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net income | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | $ | 52,858 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  | **Three Months Ended March 31, 2021** | | | | | | | |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | **Subtotal of** | |  |  |
| (Thousands) | | |  |  | **Leasing** | |  |  |  | **Fiber Infrastructure** | | |  |  |  | **Corporate** | | |  | **Reportable Segments** | | | | |  |
| Revenues | |  |  | $ | 194,936 |  |  | $ |  |  | 77,650 |  |  | $ |  | - |  |  |  | $ | | 272,586 | |  |  |
|  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | |  |  | |  | |  |  |
| Adjusted EBITDA | | | $ | | 191,497 |  | $ | |  |  | 29,721 |  | $ | |  | (6,970) | | | $ | | | 214,248 | |  |  |
| Less: | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Interest expense | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 140,581 | |  |  |
| Depreciation and amortization | | |  |  | 42,226 |  |  |  |  |  | 28,670 |  |  |  |  | 68 |  |  |  |  |  | 70,964 | |  |  |
| Other, net | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 1,318 | |  |  |
| Transaction related and other costs | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 4,137 | |  |  |
| Stock-based compensation | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 3,335 | |  |  |
| Income tax benefit | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | (2,557) | | |  |
| Adjustments for equity in earnings from | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 972 | |  |  |
| unconsolidated entities | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net loss | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | $ | | (4,502) | |  |  |
|  |  |  |  |  |  |  |  |  |  |  | 30 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| [Table of Contents](#page4) | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| ***Summary of Operating Metrics*** | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  | **Operating Metrics** | | | | | |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  | **As of March 31,** | | | | |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | **% Increase /** |  |  |
|  |  |  |  |  |  |  |  | **2022** |  | **2021** | | | | |  |  |  | **(Decrease)** | | |
| **Operating metrics:** | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Leasing: | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Fiber strand miles | | |  |  |  |  |  | 4,910,000 |  |  |  |  |  | 4,550,000 |  | 7.9% | | |  |  |
| Copper strand miles | | |  |  |  |  |  | 230,000 |  |  |  |  |  | 230,000 |  | 0.0% | | |  |  |
| Fiber Infrastructure: | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Fiber strand miles | | |  |  |  |  |  | 2,760,000 |  |  |  |  |  | 2,490,000 |  | 10.8% | | |  |  |
| Customer connections | | |  |  |  |  |  | 26,631 |  |  |  |  |  | 26,315 |  | 1.2% | | |  |  |
| ***Revenues*** | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  | **Three Months Ended March 31,** | | | | | | | |  |  |  |  |  |
|  |  |  |  | **2022** | | | |  |  |  |  |  |  |  |  | **2021** | | |  |  |
|  |  |  |  |  |  |  |  | **% of** | |  |  |  |  |  |  |  |  | **% of** | |  |
|  |  |  |  |  |  |  |  | **Consolidated** | |  |  |  |  |  |  |  |  | **Consolidated** | | |
| (Thousands) | | |  | **Amount** | | | | **Revenues** | |  |  |  |  | **Amount** | |  |  | **Revenues** | | |
| **Revenues:** | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Leasing | | | $ | 204,641 | |  |  | 73.6% |  | $ | | | | 194,936 | | 71.5% | | |  |  |
| Fiber Infrastructure | | |  | 73,393 | |  |  | 26.4% |  |  |  |  |  | 77,650 | | 28.5% | | |  |  |
| Total revenues | | | $ | 278,034 | |  |  | 100.0% |  |  |  | | $ | 272,586 | |  | | 100.0% |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

*Leasing* – Leasing revenues are primarily attributable to rental revenue from leasing our Distribution Systems to Windstream pursuant to the WindstreamLeases (and historically, the Master Lease). Under the Windstream Leases, 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, as Windstream makes direct payments to the taxing authorities. The initial term of the Windstream Leases expires on April 30, 2030. Annual rent under the Windstream Leases for the full year 2022 is $668.9 million and is subject to annual escalation at a rate of 0.5%. For a description of the Windstream Leases, see Part I, Item 2 Management’s Discussion and Analysis in “Liquidity and Capital Resources—Windstream Master Lease and Windstream Leases.”

The rent for the first year of each renewal term will be an amount agreed to by us and Windstream. While the agreement requires that the renewal rent be “Fair Market Rent,” if we are unable to agree, the renewal Fair Market 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%.

Pursuant to the Windstream Leases, Windstream (or any successor tenant under a Windstream Lease) has the right to cause Uniti to reimburse up to an aggregate $1.75 billion for certain growth capital improvements in long-term value accretive fiber and related assets made by Windstream (or the applicable tenant under the Windstream Lease) to certain ILEC and CLEC properties (the “Growth Capital Improvements” or “GCIs”). Uniti’s total annual reimbursement commitments to Windstream for the Growth Capital Improvements is discussed below in this Part I, Item 2 Management’s Discussion and Analysis in “Liquidity and Capital Resources—Windstream Master Lease and Windstream Leases.”

Starting on the first anniversary of each installment of reimbursement for a Growth Capital Improvement, the rent payable by Windstream under the applicable Windstream Lease will increase by an amount equal to 8.0% (the “Rent Rate”) of such installment of reimbursement. The Rent Rate will thereafter increase to 100.5% of the prior Rent Rate on each anniversary of each reimbursement. In the event that the tenant’s interest in

either Windstream Lease is transferred by Windstream under the terms thereof (unless transferred to the same transferee), or if Uniti transfers its interests as landlord under either Windstream Lease (unless to the same transferee), the reimbursement rights and obligations will be allocated between the ILEC MLA and the CLEC MLA by Windstream, provided that the maximum that may be allocated to the CLEC MLA following such transfer is $20 million per year.

If Uniti fails to reimburse any Growth Capital Improvement reimbursement payment or equipment loan funding request as and when it is required to do so under the terms of the Windstream Leases, and such failure continues for thirty (30) days, then such unreimbursed

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amounts may be applied as an offset against the rent owed by Windstream under the Windstream Leases (and such amounts will thereafter be treated as if Uniti had reimbursed them).

The Windstream Leases provide 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. TCIs exclude Growth Capital Improvements as and when reimbursed by Uniti.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Three Months Ended March 31,** | | | | | |  |  |
|  |  |  | **2022** | | |  |  |  | **2021** |  |  |  |  |
|  |  |  |  |  |  | **% of Segment** |  |  |  |  |  | **% of Segment** |  |
| (Thousands) |  |  | **Amount** | | | **Revenues** |  |  | **Amount** | | | **Revenues** | |
| **Leasing revenues:** |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Windstream Leases: |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Cash revenue |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Cash rent | $ | | 166.7 |  |  | 81.5% | $ | | 165.8 |  |  | 85.1% |  |
| GCI revenue |  |  | 1.9 |  |  | 0.9% |  |  | - |  |  | 0.0% |  |
| Total cash revenue |  |  | 168.6 |  |  | 82.4% |  |  | 165.8 |  |  | 85.1% |  |
| Non-cash revenue |  |  |  |  |  |  |  |  |  |  |  |  |  |
| TCI revenue |  |  | 10.4 |  |  | 5.1% |  |  | 9.3 |  |  | 4.7% |  |
| GCI revenue |  |  | 3.9 |  |  | 1.9% |  |  | 1.7 |  |  | 0.9% |  |
| Other straight-line revenue |  |  | 3.1 |  |  | 1.5% |  |  | 3.9 |  |  | 2.0% |  |
| Total non-cash revenue |  |  | 17.4 |  |  | 8.5% |  |  | 14.9 |  |  | 7.6% |  |
| Total Windstream Leases revenue |  |  | 186.0 |  |  | 90.9% |  |  | 180.7 |  |  | 92.7% |  |
| Other triple-net leasing and dark fiber IRU |  |  | 18.6 |  |  | 9.1% |  |  | 14.2 |  |  | 7.3% |  |
| Total Leasing revenues |  | $ | 204.6 |  |  | 100.0% |  | $ | 194.9 |  |  | 100.0% |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |

The increase in TCI revenue is attributable to continued investment by Windstream, which invested $38.7 million in TCIs during the three months ended March 31, 2022, offset by the Growth Capital Improvement reimbursement of capital improvements completed in 2021, as allowed under the Settlement, that were previously classified as TCIs of $29.0 million. The total amount invested in TCIs by Windstream since the inception of the Windstream Leases and Master Lease was $994.4 million as of March 31, 2022.

The increase in GCI revenue is attributable to Uniti’s continued reimbursement of Growth Capital Improvements. During the three months ended March 31, 2022, Uniti reimbursed $48.2 million of Growth Capital Improvements. Subsequent to March 31, 2022, Windstream requested, and we reimbursed $10.4 million of qualifying Growth Capital Improvements. As of the date of this Quarterly Report on Form 10-Q, we have reimbursed a total of $364.8 million of Growth Capital Improvements.

For the three months ended March 31, 2022, we recognized $18.6 million of leasing revenues from non-Windstream triple-net leasing and dark fiber indefeasible rights of use (“IRU”) arrangements. For the three months ended March 31, 2021, we recognized $14.2 million from non-Windstream triple-net leasing and dark fiber IRU arrangements.

Because a substantial portion of our revenue and cash flows are derived from lease payments by Windstream pursuant to the Windstream Leases, there could be a material adverse impact on our consolidated results of operations, liquidity, financial condition and/or ability to maintain our status as a REIT and service debt if Windstream were to become unable to generate sufficient cash to make payments to us.

Prior to its emergence from bankruptcy on September 21, 2020, Windstream was a publicly traded company and was subject to the periodic filing requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Windstream’s historic filings through their quarter ended June 30, 2020 can be found at www.sec.gov. Additionally, the Windstream audited financial statements as of December 31, 2021, and for the year ended December 31, 2021, as of December 31, 2020 and for the period from September 22, 2020 to December 31, 2020 and for the period from January 1, 2020 to September 21, 2020 and for the year ended December 31, 2019 are included as an exhibit to our Annual Report. On September 22, 2020, Windstream filed a Form 15 to terminate all filing

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obligations under Section 12(g) and 15(d) under the Exchange Act. Windstream filings are not incorporated by reference in this Quarterly Report on Form 10-Q.

We monitor the credit quality of Windstream through numerous methods, including by (i) reviewing credit ratings of Windstream by nationally recognized credit agencies, (ii) reviewing the financial statements of Windstream that are required to be delivered to us pursuant to the Windstream Leases, (iii) monitoring news reports regarding Windstream and its business, (iv) conducting research to ascertain industry trends potentially affecting Windstream, (v) monitoring Windstream’s compliance with the terms of the Windstream Leases and (vi) monitoring the timeliness of its payments under the Windstream Leases.

As of the date of this Quarterly Report on Form 10-Q, Windstream is current on all lease payments. We note that in August 2020, Moody’s Investor Service assigned a B3 corporate family rating with a stable outlook to Windstream in connection with its post-emergence exit financing. At the same time, S&P Global Ratings assigned Windstream a B- issuer rating with a stable outlook. Both ratings remain current as of the date of this filing. In order to assist us in our continuing assessment of Windstream’s creditworthiness, we periodically receive certain confidential financial information and metrics from Windstream.

*Fiber Infrastructure* – Fiber Infrastructure revenues for the three months ended March 31, 2022 and 2021 consisted of the following:

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Three Months Ended March 31,** | | | | |  |  |  |
|  |  |  |  | **2022** | |  |  |  |  | **2021** | |  |
|  |  |  |  |  | **% of Segment** |  |  |  |  |  | **% of Segment** |  |
| (Thousands) | |  | **Amount** |  | **Revenues** | |  | **Amount** | |  | **Revenues** | |
| **Fiber Infrastructure revenues:** |  |  |  |  |  |  |  |  |  |  |  |  |
| Lit backhaul services | | $ | 19,438 | 26.5% | |  | $ | 25,044 |  | 32.3% | |  |
| Enterprise and wholesale | |  | 20,935 | 28.5% | |  |  | 21,000 |  | 27.0% | |  |
| E-Rate and government | |  | 14,276 | 19.5% | |  |  | 19,364 |  | 24.9% | |  |
| Dark fiber and small cells | |  | 18,083 | 24.6% | |  |  | 11,426 |  | 14.7% | |  |
| Other services | |  | 661 | 0.9% | |  |  | 816 |  | 1.1% | |  |
| Total Fiber Infrastructure revenues | | $ | 73,393 |  | 100.0% |  | $ | 77,650 |  |  | 100.0% |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |

For the three months ended March 31, 2022, Fiber Infrastructure revenues totaled $73.4 million as compared to $77.7 million for the three months ended March 31, 2021. As of March 31, 2022, we had approximately 26,631 customer connections, up from 26,315 customer connections as of March 31, 2021. The $4.3 million decrease in Fiber Infrastructure revenues is attributable to the following factors: (i) Lit backhaul service revenues decreased $5.6 million driven by a $4.3 million decrease attributable to the Uniti Fiber Northeast operations sold on May 28, 2021, a $1.0 million decrease due to lit-to-dark fiber conversions and $0.3 million decease due to contract renewals at a lower rate and longer term; and (ii) E-Rate and government decreased $5.1 million primarily related to a $4.0 million decrease in installation and equipment sales and a $0.7 million decrease due to the wind down of our construction activities. These reductions were partially offset by a $6.7 million increase in dark fiber and small cell revenues primarily attributable to one-time early termination revenues.

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|  |  | |  |  |  |  |  |  |  |  |  |  |  |  |
| ***Interest Expense, net*** | | |  | **Three Months Ended March 31,** | | | | | | | |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  | **Increase /** |  |  |
| (Thousands) | | |  | **2022** |  |  |  | **2021** |  |  |  | **(Decrease)** | |  |
| **Interest expense, net:** | |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Cash:** | | |  |  |  |  |  |  |  |  |  |  |  |  |
| Senior secured notes | | | $ | 51,066 |  | $ | | 52,547 |  |  |  | (1,481) | |  |
| Senior unsecured notes | | |  | 31,988 |  |  |  | 34,885 |  |  |  | (2,897) | |  |
| Senior secured revolving credit facility - variable rate | | |  | 2,602 |  |  |  | 2,315 |  |  |  | 287 |  |  |
| Tender premium payment | | |  | - |  |  |  | 17,550 |  |  |  | (17,550) | |  |
| Interest rate swap termination | | |  | 2,830 |  |  |  | 2,829 |  |  |  | 1 |  |  |
| Other | | |  | 356 |  |  |  | 921 |  |  |  | (565) | |  |
| Total cash interest | | |  | 88,842 |  |  |  | 111,047 |  |  |  | (22,205) |  |  |
| **Non-cash:** | | |  |  |  |  |  |  |  |  |  |  |  |  |
| Amortization of deferred financing costs and debt discount | | |  | 4,514 |  |  |  | 4,959 |  |  |  | (445) | |  |
| Write off of deferred financing costs and debt discount | | |  | - |  |  |  | 20,415 |  |  |  | (20,415) | |  |
| Accretion of settlement payable | | |  | 2,876 |  |  |  | 4,563 |  |  |  | (1,687) | |  |
| Capitalized Interest | | |  | (60) | |  |  | (403) | |  |  | 343 |  |  |
| Total non-cash interest | | |  | 7,330 |  |  |  | 29,534 |  |  |  | (22,204) |  |  |
| Total interest expense, net | | | $ | 96,172 |  |  | $ | 140,581 |  |  | $ | (44,409) |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

Interest expense for the three months ended March 31, 2022 decreased $44.4 million compared to the three months ended March 31, 2021. The decrease is primarily due to the February 2, 2021 issuance of $1.11 billion aggregate principal amount of 6.50% Senior Unsecured Notes due 2029 (the “2029 Notes”) used to fund the redemption of the 8.25% Senior Unsecured Notes due 2023 (the “2023 Notes”) which resulted in a $17.6 million tender premium payment and the $20.4 million write off of deferred financing costs and debt discount during the three months ended March 31, 2021 and reduced cash interest of $2.5 million for the three months ended March 31, 2022.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ***Depreciation and Amortization Expense*** |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  | **Three Months Ended March 31,** | | | | | | |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  | **Increase /** |  |  |
| (Thousands) |  |  |  | **2022** |  |  | **2021** |  |  |  | **(Decrease)** | |  |
| **Depreciation and amortization expense by segment:** |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Depreciation expense |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Leasing | $ | | | 40,372 | $ | | 43,170 |  | $ | | (2,798) | |  |
| Fiber Infrastructure |  |  |  | 23,602 |  |  | 22,952 |  |  |  | 650 |  |  |
| Corporate |  |  |  | 36 |  |  | 68 |  |  |  | (32) | |  |
| Total depreciation expense |  |  |  | 64,010 |  |  | 66,190 |  |  |  | (2,180) |  |  |
| Amortization expense |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Leasing |  |  |  | 1,730 |  |  | (944) | |  |  | 2,674 |  |  |
| Fiber Infrastructure |  |  |  | 5,717 |  |  | 5,718 |  |  |  | (1) | |  |
| Total amortization expense |  |  |  | 7,447 |  |  | 4,774 |  |  |  | 2,673 |  |  |
| Total depreciation and amortization expense |  |  | $ | 71,457 |  | $ | 70,964 |  |  | $ | 493 |  |  |
|  | 34 |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |



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*Leasing* – Leasing depreciation expense decreased $2.8 million for the quarter ended March 31, 2022 as compared to the quarter ended March 31,2021. The decrease is primarily attributable to a $3.1 million decrease related to the natural decrease in remaining useful life of the Windstream Distribution System assets which utilize the group composite depreciation method, partially offset by a $0.4 million increase in depreciation related to depreciable asset additions since March 31, 2021. During the three months ended March 31, 2021, $2.7 million was recorded as a benefit to amortization expense, and subsequently reclassified to revenue during the fourth quarter of 2021.

*Fiber Infrastructure* – Fiber Infrastructure depreciation expense increased $0.7 million for the quarter ended March 31, 2022 as compared to the quarterended March 31, 2021. The increase in depreciation expense is primarily attributable to depreciable asset additions since March 31, 2021, net of depreciation expenses due to fully depreciated assets and disposals.

***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 of our segments.

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Three Months Ended March 31,** | | | | | | |  |  |
|  |  |  | **2022** | | |  |  | **2021** |  |  |  |  |
|  |  |  |  |  | **% of** |  |  |  |  |  | **% of** |  |
|  |  |  |  |  | **Consolidated** |  |  |  |  |  | **Consolidated** | |
| (Thousands) |  |  | **Amount** |  | **Revenues** |  |  | **Amount** | | | **Revenues** | |
| **General and administrative expense by segment:** |  |  |  |  |  |  |  |  |  |  |  |  |
| Leasing | $ | | 3,303 | 1.2% | | $ | | 2,570 |  |  | 0.9% |  |
| Fiber Infrastructure |  |  | 12,646 | 4.6% | |  |  | 13,836 |  |  | 5.1% |  |
| Corporate |  |  | 7,921 | 2.8% | |  |  | 9,417 |  |  | 3.5% |  |
| Total general and administrative expenses |  | $ | 23,870 |  | 8.6% |  | $ | 25,823 |  |  | 9.5% |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |

*Leasing* – Leasing general and administrative expense increased $0.7 million for the three months ended March 31, 2022 as compared to the three monthsended March 31, 2021. The increase is primarily attributable to a $0.4 million increase in personnel expenses and a $0.3 million loss on the retirement of assets.

*Fiber Infrastructure* – Fiber Infrastructure general and administrative expense decreased $1.2 million for the three months ended March 31, 2022 ascompared to the three months ended March 31, 2021. This decrease is primarily attributable to decreases in bad debt reserves of $0.3 million driven by increased collections, decreased personnel expense of $0.2 million and gains on the sale of equipment and idle fleet vehicle assets of $0.2 million.

*Corporate* – Corporate general and administrative expense decreased $1.5 million for the three months ended March 31, 2022 as compared to the threemonths ended March 31, 2021. The decrease is attributable to a $1.2 million decrease in insurance expenses and $1.0 million decrease in personnel expenses, partially offset by a $0.5 million increase in professional and legal expenses.

***Operating Expense***

Operating expense for the three months ended March 31, 2022 decreased by $3.1 million from the three months ended March 31, 2021, which was primarily attributable to a decrease in Fiber Infrastructure operating expenses partially offset by an increase in Leasing operating expenses discussed below. Operating expense for our reportable segments for the three months ended March 31, 2022 and 2021 consisted of the following:

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Three Months Ended March 31,** | | | | |  |  |  |
|  |  |  |  | **2022** | |  |  |  |  | **2021** | |  |
|  |  |  |  |  | **% of** |  |  |  |  |  | **% of** |  |
|  |  |  |  |  | **Consolidated** | |  |  |  |  | **Consolidated** | |
| (Thousands) | |  | **Amount** |  | **Revenues** | |  | **Amount** | |  | **Revenues** | |
| **Operating expenses by segment:** |  |  |  |  |  |  |  |  |  |  |  |  |
| Leasing | | $ | 4,867 | 1.8% | |  | $ | 3,229 |  | 1.2% | |  |
| Fiber Infrastructure | |  | 30,109 | 10.8% | |  |  | 34,855 |  | 12.8% | |  |
| Total operating expenses | | $ | 34,976 |  | 12.6% |  | $ | 38,084 |  |  | 14.0% |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |

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*Leasing* – Leasing operating expense was $4.9 million and $3.2 million for the three months ended March 31, 2022 and 2021, respectively. The increase isprimarily driven by growth within our Leasing business growth resulting in a $1.0 million increase in network expenses.

*Fiber Infrastructure* –For the three months ended March 31, 2022, Fiber Infrastructure operating expenses totaled $30.1 million as compared to $34.9million for the three months ended March 31, 2021. Operating expense consists of network related costs, such as dark fiber and tower rents, and lit service and maintenance expense. In addition, costs associated with our construction activities are presented within operating expenses. The $4.7 million decrease in operating expenses is primarily attributable to decreases of $3.9 million in equipment sales and installations expenses, $1.7 million in expenses related to the Uniti Fiber Northeast operations sold on May 28, 2021 and $1.1 million in construction related expenses, partially offset by a $1.5 million increase in dark fiber early termination fees.

***Transaction Related and Other Costs***

Transaction related and other costs included incremental acquisition, pursuit, transaction and integration costs (including unsuccessful acquisition pursuit costs), costs incurred as a result of Windstream’s bankruptcy filing, costs associated with Windstream’s claims against us and costs associated with the implementation of our new enterprise resource planning system. For the three months ended March 31, 2022, we incurred $1.7 million of transaction related and other costs, compared to $4.1 million of such costs during the three months ended March 31, 2021. The decrease is primarily attributable to a $1.3 million decrease in costs incurred related to the Windstream bankruptcy for the comparable periods.

***Income Tax Benefit***

The income tax benefit recorded for the three months ended March 31, 2022 and 2021, respectively, is related to the tax impact of the following:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Three Months Ended March 31,** | | | | | |
| (Thousands) |  |  | **2022** |  |  |  | **2021** |  |
| **Income tax benefit** |  |  |  |  |  |  |  |  |
| Pre-tax loss (Fiber Infrastructure) | $ | | (3,812) | | $ | | (3,058) | |
| Other undistributed REIT taxable income |  |  | 1,160 |  |  |  | - |  |
| REIT state and local taxes |  |  | 538 |  |  |  | 370 |  |
| Other |  |  | 43 |  |  |  | 131 |  |
| Total income tax benefit |  | $ | (2,071) |  |  | $ | (2,557) |  |
|  |  |  |  |  |  |  |  |  |

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**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, costs associated with Windstream’s bankruptcy, costs associated with litigation claims made against us, and costs associated with the implementation of our enterprise resource planning system, (collectively, “Transaction Related and Other Costs”), costs related to the settlement with Windstream, goodwill impairment charges, executive severance costs, amortization of non-cash rights-of-use assets, the write off of unamortized deferred financing costs, costs incurred as a result of the early repayment of debt, including early tender and redemption premiums and costs associated with the termination of related hedging activities, gains or losses on dispositions, changes in the fair value of contingent consideration and financial instruments, and other similar or infrequent items (although we may not have had such charges in the periods presented). Adjusted EBITDA includes adjustments to reflect the Company’s share of Adjusted EBITDA from unconsolidated entities. 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. In addition, Adjusted EBITDA is calculated similar to defined terms in our material debt agreements used to determine compliance with specific financial covenants. Since EBITDA and Adjusted EBITDA are not measures calculated in accordance with GAAP, they should not be considered as alternatives 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 attributable 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, and includes adjustments to reflect the Company’s share of FFO from unconsolidated entities. We compute FFO in accordance with NAREIT’s definition.

The Company defines AFFO, as FFO excluding (i) Transaction Related and Other Costs; (ii) costs related to the litigation settlement with Windstream, accretion on our settlement obligation, and gains on prepayment of our settlement obligation as these items are not reflective of ongoing operating performance; (iii) goodwill impairment charges; (iv) 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, amortization of non-cash rights-of-use 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; and (v) 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, including early tender and redemption premiums and costs associated with the termination of related hedging activities, executive severance costs, taxes associated with tax basis cancellation of debt, gains or losses on dispositions, changes in the fair value of contingent consideration and financial instruments and similar or infrequent items less maintenance capital expenditures. AFFO includes adjustments to reflect the Company’s share of AFFO from unconsolidated entities. 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.

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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 (loss) to EBITDA and Adjusted EBITDA and of our net income (loss) attributable to common shareholders to FFO and AFFO for the three months ended March 31, 2022 and 2021 is as follows:

**Three Months Ended March 31,**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| (Thousands) |  | **2022** |  |  |  | **2021** |  |
| **Net income (loss)** | $ | 52,858 |  |  | $ | (4,502) |  |
| Depreciation and amortization |  | 71,457 |  |  |  | 70,964 |  |
| Interest expense, net |  | 96,172 |  |  |  | 140,581 |  |
| Income tax benefit |  | (2,071) | |  |  | (2,557) | |
| **EBITDA** | $ | 218,416 |  |  | $ | 204,486 |  |
| Stock based compensation |  | 3,312 |  |  |  | 3,335 |  |
| Transaction related and other costs |  | 1,714 |  |  |  | 4,137 |  |
| Other, net |  | 361 |  |  |  | 1,318 |  |
| Adjustments for equity in earnings from unconsolidated entities |  | 986 |  |  |  | 972 |  |
| **Adjusted EBITDA** | $ | 224,789 |  |  | $ | 214,248 |  |
|  |  |  |  |  |  |  |  |

**Three Months Ended March 31,**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| (Thousands) |  | **2022** |  |  |  | **2021** |  |
| **Net income (loss) attributable to common shareholders** | $ | 52,394 |  |  | $ | (4,689) |  |
| Real estate depreciation and amortization |  | 51,893 |  |  |  | 53,377 |  |
| Participating securities share in earnings |  | 331 |  |  |  | 248 |  |
| Participating securities share in FFO |  | (658) | |  |  | (344) | |
| Real estate depreciation and amortization from unconsolidated entities |  | 690 |  |  |  | 616 |  |
| Adjustments for noncontrolling interests |  | (129) | |  |  | (796) | |
| **FFO attributable to common shareholders** | $ | 104,521 |  |  | $ | 48,412 |  |
| Transaction related and other costs |  | 1,714 |  |  |  | 4,137 |  |
| Change in fair value of contingent consideration |  | - |  |  |  | 21 |  |
| Amortization of deferred financing costs and debt discount |  | 4,514 |  |  |  | 4,959 |  |
| Write off of deferred financing costs and debt discount |  | - |  |  |  | 20,415 |  |
| Costs related to the early repayment of debt |  | - |  |  |  | 17,550 |  |
| Stock based compensation |  | 3,312 |  |  |  | 3,335 |  |
| Non-real estate depreciation and amortization |  | 19,564 |  |  |  | 17,587 |  |
| Straight-line revenues and amortization of below-market lease intangibles |  | (11,022) | |  |  | (6,906) | |
| Maintenance capital expenditures |  | (2,366) | |  |  | (1,976) | |
| Other, net |  | (8,170) | |  |  | (3,970) | |
| Adjustments for equity in earnings from unconsolidated entities |  | 296 |  |  |  | 356 |  |
| Adjustments for noncontrolling interests |  | (21) | |  |  | (818) | |
| **AFFO attributable to common shareholders** | $ | 112,342 |  |  | $ | 103,102 |  |
|  |  |  |  |  |  |  |  |

**Liquidity and Capital Resources**

Our principal liquidity needs are to fund operating expenses, meet debt service obligations, fund investment activities, including capital expenditures, and make dividend distributions. Furthermore, following consummation of our settlement agreement with Windstream, including entry into the Windstream Leases, we are obligated (i) to make $490.1 million of cash payments to Windstream in equal installments over 20 consecutive quarters beginning in October 2020 and (ii) to reimburse Windstream for up to an aggregate of $1.75 billion for Growth Capital Improvements in long-term value accretive fiber and related assets made by Windstream through 2029. To date, we have paid $215.4 million of the $490.1 million due to Windstream under the settlement agreement, including $92.9 million that we pre-paid on October 14, 2021, $78.0 million of which was funded from a portion of the proceeds of the 2030 Notes. Uniti’s reimbursement commitment for Growth Capital Improvements does not require Uniti to reimburse Windstream for maintenance or repair expenditures (except for costs incurred for fiber replacements to the CLEC MLA

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leased property, up to $70 million during the term), and each such reimbursement is subject to underwriting standards. Uniti’s total annual reimbursement commitments for the Growth Capital Improvements under both Windstream Leases (and under separate equipment loan facilities) were limited to $125 million in 2020 and $225 million in 2021, and are limited to $225 million per year in 2022 through 2024; $175 million per year in 2025 and 2026; and $125 million per year in 2027 through 2029.

Our primary sources of liquidity and capital resources are cash on hand, cash provided by operating activities (primarily from the Windstream Leases), available borrowings under our credit agreement by and among the Operating Partnership, CSL Capital, LLC and Uniti Group Finance 2019 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 March 31, 2022, we had cash and cash equivalents of $51.1 million and approximately $335.5 million of borrowing availability under our Revolving Credit Facility. Subsequent to March 31, 2022, other than $10.4 million of Growth Capital Improvements (see *“Result of Operations—Revenues”* above), there have been no material outlays of funds outside of our scheduled interest and dividend payments. Availability under our Revolving Credit Facility is subject to various conditions, including a maximum secured leverage ratio of 5.0:1. In addition, if we incur debt under our Revolving Credit Facility or otherwise such that our total leverage ratio exceeds 6.5:1, our Revolving Credit Facility would impose significant restrictions on our ability to pay dividends. See “—Dividends.”

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended March 31,** | | | |  |  |
| (Thousands) |  | **2022** |  | **2021** | |  |  |
| **Cash flow from operating activities:** |  |  |  |  |  |  |  |
| Net cash provided by operating activities | $ | | 63,221 | $ | | 126,664 |  |

Cash provided by operating activities is primarily attributable to our leasing activities, which includes the leasing of mission-critical communications assets to anchor customers on either an exclusive or shared-tenant basis, in addition to the leasing of dark fiber network assets to the telecommunications industry. Cash used in operating activities include compensation and related costs, interest payments, and other changes in working capital. Cash provided by operating activities was $63.2 million and $126.7 million for the three months ended March 31, 2022 and 2021, respectively. The decrease in cash provided by operating activities during the three months ended March 31, 2022 is primarily attributable to changes in working capital, including the timing of interest payments associated with debt refinancing activities occurring in 2021.

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Three Months Ended March 31,** | | | | | |  |
| (Thousands) |  |  |  | **2022** |  |  |  | **2021** |  |  |
| **Cash flow from investing activities:** |  |  |  |  |  |  |  |  |  |  |
| Other capital expenditures | $ | | | (94,728) | | $ | | (84,377) | |  |
| Proceeds from sale of other equipment |  |  |  | 379 |  |  |  | - |  |  |
| Net cash used in investing activities |  |  | $ | (94,349) |  |  | $ | (84,377) |  |  |
|  | 39 |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |



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Cash used in investing activities was $94.3 million and $84.4 million for the three months ended March 31, 2022 and 2021, respectively, and is driven by capital expenditures, primarily related to our Uniti Fiber and Uniti Leasing businesses for deployment of network assets.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Three Months Ended March 31,** | | | | | |
| (Thousands) |  |  | **2022** |  |  |  | **2021** |  |
| **Cash flow from financing activities:** |  |  |  |  |  |  |  |  |
| Repayment of debt | $ | | - |  | $ | | (1,051,181) | |
| Proceeds from issuance of notes |  |  | - |  |  |  | 1,110,000 |  |
| Dividends paid |  |  | (105) | |  |  | (34,961) | |
| Payments of settlement payable |  |  | - |  |  |  | (24,505) | |
| Payments of contingent consideration |  |  | - |  |  |  | (2,979) | |
| Distributions paid to noncontrolling interest |  |  | - |  |  |  | (520) | |
| Borrowings under revolving credit facility |  |  | 85,000 |  |  |  | 105,000 |  |
| Payments under revolving credit facility |  |  | (60,000) | |  |  | (55,000) | |
| Finance lease payments |  |  | (280) | |  |  | (710) | |
| Payments for financing costs |  |  | - |  |  |  | (22,931) | |
| Payment for tender premium |  |  |  |  |  |  | (17,550) | |
| Employee stock purchase program |  |  | 264 |  |  |  | 288 |  |
| Payments related to tax withholding for stock-based compensation |  |  | (1,525) | |  |  | (2,306) | |
| Net cash provided by financing activities |  | $ | 23,354 |  |  | $ | 2,645 |  |
|  |  |  |  |  |  |  |  |  |

Cash provided by financing activities was $23.4 million for the three months ended March 31, 2022, which was primarily driven by net borrowings of $25.0 million under the Revolving Credit Facility. Cash provided by financing activities was $2.6 million for the three months ended March 31, 2021, which was primarily driven by proceeds from the issuance of the 2029 Notes ($1.11 billion) and net borrowings under the Revolving Credit Facility ($50.0 million), partially offset by the repayment of the 2023 Notes ($1.05 billion), dividend payments ($35.0 million), payments for financing costs ($22.9 million), payment of settlement obligation ($24.5 million), 2023 Notes tender premium payment ($17.6 million) and contingent consideration payments ($3.0 million).

Windstream Master Lease and Windstream Leases

On September 18, 2020, in connection with Windstream’s emergence from bankruptcy and the implementation of the Settlement, Uniti and Windstream bifurcated the Master Lease and entered into the Windstream Leases that each expires on April 30, 2030. The aggregate initial annual rent under the Windstream Leases is equal to the annual rent under the Master Lease previously in effect. The Windstream Leases contain cross-guarantees and cross-default provisions, which will remain effective as long as Windstream or an affiliate is the tenant under both of the Windstream Leases and unless and until the landlords under the ILEC MLA are different from the landlords under the CLEC MLA. The Windstream Leases permit Uniti to transfer its rights and obligations and otherwise monetize or encumber the Windstream Leases, together or separately, so long as Uniti does not transfer interests in either Windstream Lease to a Windstream competitor.

Pursuant to the Windstream Leases, Windstream (or any successor tenant under a Windstream Lease) has the right to cause Uniti to reimburse up to an aggregate $1.75 billion for certain growth capital improvements in long-term value accretive fiber and related assets made by Windstream (or the applicable tenant under the Windstream Lease) to certain ILEC and CLEC properties (the “Growth Capital Improvements”). Uniti’s reimbursement commitment for Growth Capital Improvements does not require Uniti to reimburse Windstream for maintenance or repair expenditures (except for costs incurred for fiber replacements to the CLEC MLA leased property, up to $70 million during the term), and each such reimbursement is subject to underwriting standards. Uniti’s total annual reimbursement commitments for the Growth Capital Improvements under both Windstream Leases (and under separate equipment loan facilities) were limited to $125 million in 2020 and $225 million in 2021, and are limited to $225 million per year in 2022 through 2024; $175 million per year in 2025 and 2026; and $125 million per year in 2027 through 2029. If the costs incurred by Windstream (or the successor tenant under a Windstream Lease) for Growth Capital Improvements in any calendar year exceeds the annual limit for such calendar year, Windstream (or such tenant, as the case may be) may submit such excess costs for reimbursement in any subsequent year and such excess costs shall be funded from the annual commitment amounts in such subsequent period. In addition, to the extent that reimbursements for Growth Capital Improvements funded in any calendar year during the term is less than the annual limit for such calendar year, the unfunded amount in any calendar year will carry-over and may be added to the annual limits for subsequent calendar years, subject to an annual limit of $250 million in any calendar year.

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Starting on the first anniversary of each installment of reimbursement for a Growth Capital Improvement, the rent payable by Windstream under the applicable Windstream Lease will increase by an amount equal to 8.0% (the “Rent Rate”) of such installment of reimbursement. The Rent Rate will thereafter increase to 100.5% of the prior Rent Rate on each anniversary of each reimbursement. In the event that the tenant’s interest in either Windstream Lease is transferred by Windstream under the terms thereof (unless transferred to the same transferee), or if Uniti transfers its interests as landlord under either Windstream Lease (unless to the same transferee), the reimbursement rights and obligations will be allocated between the ILEC MLA and the CLEC MLA by Windstream, provided that the maximum that may be allocated to the CLEC MLA following such transfer is $20 million per year. If Uniti fails to reimburse any Growth Capital Improvement reimbursement payment or equipment loan funding request as and when it is required to do so under the terms of the Windstream Leases, and such failure continues for thirty (30) days, then such unreimbursed amounts may be applied as an offset against the rent owed by Windstream under the Windstream Leases (and such amounts will thereafter be treated as if Uniti had reimbursed them).

Uniti and Windstream have entered into separate ILEC and CLEC Equipment Loan and Security Agreements (collectively “Equipment Loan Agreement”) in which Uniti will provide up to $125 million (limited to $25 million in any calendar year) of the $1.75 billion of Growth Capital Improvements commitments discussed above in the form of loans for Windstream to purchase equipment related to network upgrades or to be used in connection with the Windstream Leases. Interest on these loans will accrue at 8% from the date of the borrowing. All equipment financed through the Equipment Loan Agreement is the sole property of Windstream; however, Uniti will receive a first-lien security interest in the equipment purchased with the loans.

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 million. During the three months ended March 31, 2022, we did not make any sales under the ATM Program. This program is intended to provide 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. 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.

Outlook

We anticipate continuing to invest in our network infrastructure across our Uniti Leasing and Uniti Fiber portfolios. We anticipate that we will partially finance these needs, as well as operating expenses (including our debt service obligations), from our cash on hand and cash flows provided by operating activities. As of March 31, 2022, we had $335.5 million in borrowing availability under our Revolving Credit Facility, however, we may need to access the capital markets to generate additional funds in an amount sufficient to fund our business operations, announced investment activities, capital expenditures, including reimbursement commitments for Growth Capital Improvements, debt service and distributions to our shareholders. We may also issue equity securities to repay debt and reduce our leverage ratio to be below 5.75 to 1.0 to obtain additional flexibility under our debt covenants, as described under “—Dividends.” We are closely monitoring the equity and debt markets and may seek to access them promptly if and when we determine market conditions are appropriate. Our debt covenants currently do not permit us to incur material additional debt.

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 or we are unable to access the capital markets as we anticipate, we would be subject to a shortfall in liquidity in the future which could lead to a reduction in our capital expenditures and/or dividends and, in an extreme case, our ability to pay our debt service obligations. If this shortfall occurs rapidly and with little or no notice, it could limit our ability to address the shortfall on a timely basis.

In addition to exploring potential capital markets transactions, the Company regularly evaluates market conditions, its liquidity profile, and various financing alternatives for opportunities to enhance its capital structure. If opportunities are favorable, the Company may refinance or repurchase existing debt. However, there can be no assurances that any debt refinancing would be on similar or more favorable terms than our existing arrangements. This would include the risk that interest rates could increase and/or there may be changes to our existing covenants.

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If circumstances warrant, we may take measures to conserve cash as we anticipate that it will be more difficult for us to access the capital markets at attractive rates until such uncertainty is clarified.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Capital Expenditures** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  | **Three Months Ended March 31, 2022** | | | | | | | |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  | **Non-** | |  |  |  |
| (Thousands) |  | **Success Based** | | | **Maintenance** | |  | **Integration** | |  |  | **Network** | |  | **Total** | |
| **Capital expenditures:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Leasing | $ | | 4,544 |  | $ | - | $ | | - | $ | | - |  | $ | 4,544 |  |
| Growth capital improvements |  |  | 48,166 |  |  | - |  |  | - |  |  | - |  |  | 48,166 |  |
| Fiber Infrastructure |  |  | 39,207 |  |  | 2,366 |  |  | 154 |  |  | 255 |  |  | 41,982 |  |
| Corporate |  |  | - |  |  | - |  |  | - |  |  | 36 |  |  | 36 |  |
| Total capital expenditures |  | $ | 91,917 |  | $ | 2,366 |  | $ | 154 |  | $ | 291 |  | $ | 94,728 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

We categorize our capital expenditures as either (i) success-based, (ii) maintenance, (iii) integration or (iv) corporate and non-network. We define success-based capital expenditures as those related to installing existing or anticipated contractual customer service orders. Maintenance capital expenditures are those necessary to keep existing network elements fully operational. Integration capital expenditures are those made specifically with respect to recent acquisitions that are essential to integrating acquired companies in our business. We anticipate continuing to invest in our network infrastructure across our Uniti Leasing and Uniti Fiber businesses and expect that cash on hand and cash flows provided by operating activities will be sufficient to support these investments. We have the right, but not the obligation (except for Growth Capital Improvements), to reimburse growth capital expenditures in certain of our lease arrangements where we are the lessor.

Uniti’s total annual reimbursement commitments to Windstream for the Growth Capital Improvements is discussed above in this Part I, Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in “Liquidity and Capital Resources—Windstream Master Lease and Windstream Leases.” Growth Capital Improvements are treated as success-based capital improvements based on the rents paid with respect to such amounts.

If circumstances warrant, we may need to take measures to conserve cash, which may include a suspension, delay or reduction in success-based capital expenditures.

**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. Subject to the restrictions imposed by our 7.875% senior secured notes due 2025 (the “2025 Secured Notes”), in order to maintain our REIT status, we intend to make 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.

The following table below sets out details regarding our cash dividends on our common stock:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Period | | Payment Date |  |  | Cash Dividend Per Share | | Record Date |
| October 1, 2021 - December 31, 2021 |  | January 3, 2022 |  | $ | 0.15 |  | December 17, 2021 |
| January 1, 2022 - March 31, 2022 | | April 15, 2022 | $ | | 0.15 |  | April 1, 2022 |
|  |  | 42 |  |  |  |  |  |
|  |  |  |  |  |  |  |  |



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Any dividends must be declared by our Board of Directors, which will take into account various factors including our current and anticipated operating results, our financial position, REIT requirements, conditions prevailing in the market, restrictions in our debt documents and additional factors they deem appropriate. Dividend payments are not guaranteed, and our Board of Directors may decide, in its absolute discretion, at any time and for any reason, not to pay dividends or to change the amount paid as dividends. In light of the ongoing COVID-19 pandemic, we may take further measures to conserve cash, which may include a suspension, delay or reduction in our dividend. In addition, until such time our consolidated net leverage ratio (as defined in the indenture governing the 2025 Secured Notes) is no greater than 5.75 to 1.0, our 2025 Secured Notes generally limit our ability to pay cash dividends in excess of 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains.

**Critical Accounting Policies and Estimates**

We make certain judgments and use certain estimates and assumptions when applying accounting principles in the preparation of our Condensed 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, 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 accompanying Condensed Consolidated Financial Statements are appropriate. However, if actual experience differs from the assumptions and other considerations used in estimating amounts reflected in our Condensed 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.

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. As of March 31, 2022, there has been no material change to these estimates.

**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.

**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.

**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 March 31, 2022, and based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of March 31, 2022.

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*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 March 31, 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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**PART II—OTHER INFORMATION**

**Item 1. Legal Proceedings.**

A description of legal proceedings can be found in Note 13 - Commitments and Contingencies to our Condensed Consolidated Financial Statements, included in this report at Part I, Item 1-Financial Statements, and is incorporated by reference into this Item 1.

**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.

**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.

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Total Number** |  |  |  |  | **Total Number of Shares** |  | **Maximum Number of** | |  |
|  |  |  | **Average Price Paid per** | | | **Purchased as Part of** |  | **Shares that May Yet Be** | |  |
|  |  | **of Shares** |  | **Publicly Announced Plans** |  | **Purchased Under the Plans** | |  |
| Period | | **Purchased** |  |  | **Share(1)** | | **or Programs** |  | **or Programs** | |  |
| January 1, 2022 to January 31, 2022 |  | 4,023 |  | $ | 13.04 |  | — |  | — |  |  |
| February 1, 2022 to February 28, 2022 | | 55,056 |  |  | 11.20 |  | — |  | — | |  |
| March 1, 2022 to March 31, 2022 | | 63,572 |  |  | 13.61 |  | — |  | — | |  |
| Total | | 122,651 | $ | | 12.51 |  | — |  | — | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

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.**

None

**Item 6. Exhibits.**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Exhibit** | | **Description** | | | | |  |
| **Number** | |  |
| 10.1\* |  | [Severance Agreement, dated as of February 24, 2022, by and between Uniti Group Inc. and Michael Friloux](#page47) | | | | |  |
|  |  |  |  |  |  |  |  |
| 31.1\* |  | [Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as](#page65) | | | | |  |
|  |  | [Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#page65) |  | | |  |  |
| 31.2\* |  | [Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as](#page66) | | |  | |  |
|  |  | [Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#page66) | | | | |  |
|  |  | 45 |  |  |  |  |  |
|  |  |  |  |  |  |  |  |



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|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 32.1\* | [Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-](#page67) | | |  |
|  | [Oxley Act of 2002.](#page67) |  | | |
| 32.2\* | [Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-](#page68) | | | |
|  | [Oxley Act of 2002.](#page68) |  |  | |
| 101.INS | Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded | | | |
|  | within the Inline XBRL document. | | | |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document | | | |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document | | | |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document | | | |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document | | | |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document | | | |

1. Cover Page Interactive Data File (embedded within the Inline XBRL 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: | May 5, 2022 |  | /s/ Paul E. Bullington | |
|  |  |  | **Paul E. Bullington** | |
|  |  |  | **Senior Vice President – Chief Financial Officer and Treasurer** | |
|  |  |  | **(Principal Financial Officer)** | |
|  |  |  |  |  |
|  |  |  |  |  |
| Date: | May 5, 2022 |  | /s/ Travis T. Black | |
|  |  |  | **Travis T. Black** | |
|  |  |  | **Vice President – Chief Accounting Officer** | |
|  |  |  | **(Principal Accounting Officer)** | |

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**Exhibit 10.1**

**SEVERANCE AGREEMENT**

This Severance Agreement (the “Agreement”), dated as of February 24, 2022 (the “Effective Date”), is made by and between Uniti Group Inc., a Maryland corporation (the “Corporation”), and Michael Friloux (“Executive”).

WHEREAS, the Board of Directors of the Corporation (the “Board”) has determined that it is in the best interests of the Corporation to retain the services of Executive by the Corporation;

WHEREAS, Executive desires to be employed by the Corporation; and

WHEREAS, the Corporation and Executive desire to enter into this Agreement to set forth their understanding as to their respective rights and obligations in the event of a termination of Executive’s employment.

NOW THEREFORE, in consideration of the premises and the mutual covenants herein contained, the Corporation and Executive hereby agree

as follows:

1. Defined Terms. For purposes of this Agreement, the following terms have the meanings indicated below:

(A)“Affiliate” means any business entity that is a Subsidiary of the Corporation and any limited liability company, partnership, corporation, joint venture, or any other entity in which the Corporation or any such Subsidiary owns an equity interest.

(B)“Annual Incentive Plan” means any short-term cash incentive plan of Uniti Group Inc.

(C)“Annual Incentive Target” means, with respect to any measuring period, the amount of cash compensation that would be payable to Executive under the Annual Incentive Plan for such measuring period, computed assuming that the level of performance with respect to a performance goal identified in accordance with the terms of the Annual Incentive Plan as the “target” level of performance has been achieved. Where no level of performance has been specifically identified as the “target” level, the “target” level shall be (i) the only level if one level is identified and (ii) the midpoint between the lowest level and the highest level if two or more levels are identified. Where the amount of compensation depends on the achievement of multiple performance goals, the achievement of each target level of performance with respect to each goal shall be assumed.

(D)“Cause” means the occurrence of any of the following: (i) Executive’s failure to make a good faith effort to substantially perform his or her duties (other than any such failure due to Executive’s Disability) or Executive’s insubordination with respect to a specific lawful directive of his/her direct report (if Executive reports directly to an officer) or the Board (if Executive reports directly to the Board) to which Executive reports directly or indirectly; (ii) Executive’s dishonesty, gross negligence in the performance of his or her duties hereunder or engaging in willful misconduct, which in the case of any such gross negligence, has caused or is reasonably expected to result in direct or indirect material injury to the Corporation or any Affiliate; (iii) breach by Executive of any material provision of any written agreement, including, without limitation, this Agreement, with the Corporation or any Affiliate or material violation of any Corporation policy applicable to Executive; or (iv) Executive’s commission of a crime that constitutes a felony or other crime of moral turpitude or fraud. If, subsequent to Executive’s termination of employment hereunder for other than Cause, the Corporation in good faith determines that Executive’s employment could have been terminated for Cause hereunder, Executive’s employment shall, at the election of the Corporation, be deemed to have been terminated for Cause retroactively to the date the events giving rise to Cause occurred.

(E)A “Change in Control” means, at any time subsequent to the date of this Agreement, the occurrence of any of the following

events:

(i)any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Corporation to any Person or group of related Persons for purposes of Section 13(d) of the Exchange Act (a “Group”), together with any affiliates thereof;

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(ii)the commencement of the liquidation or dissolution of the Corporation that occurs following the approval by the holders of capital stock of the Corporation of any plan or proposal for such liquidation or dissolution of the Corporation;

(iii)any Person or Group becomes the beneficial owner (within the meaning of Section 13(d) of the Exchange Act), directly or indirectly, of shares representing more than 50% of the aggregate voting power of the issued and outstanding stock entitled to vote in the election of directors, managers or trustees of the Corporation and such Person or Group actually has the power to vote such shares in any such election;

(iv)the replacement of a majority of the Board over a two-year period from the directors who constituted the Board at the beginning of such period, and such replacement shall not have been approved by a vote of at least a majority of the Board then still in office who either were members of such Board at the beginning of such period; or

(v)a merger or consolidation of the Corporation with another entity in which holders of the Corporation’s common stock immediately prior to the consummation of the transaction hold, directly or indirectly, immediately following the consummation of the transaction, 50% or less of the common equity interest in the surviving corporation in such transaction.

Notwithstanding anything herein to the contrary, an event described above shall be considered a Change in Control hereunder only if it also constitutes a “change in control event” under Section 409A of the Code, to the extent necessary to avoid the adverse tax consequences thereunder with respect to any award subject to Section 409A of the Code.

(F)“Code” means the Internal Revenue Code of 1986 and the rules and regulations promulgated thereunder, as such law, rules and regulations may be amended, supplemented or replaced from time to time.

(G)“Date of Termination” has the meaning stated in paragraph (B) of Section 8 hereof.

(H)“Disability” means that Executive is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. The determination of whether an individual has a Disability shall be determined under procedures established by the Board. The Board may rely on any determination that Executive is disabled for purposes of benefits under any long-term disability plan maintained by the Corporation or any Affiliate in which Executive participates, provided that the definition of disability applied under such disability plan meets the requirements of a Disability in the first sentence hereof.

(I)“Exchange Act” means the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder, as such law, rules and regulations may be amended, supplemented or replaced from time to time.

(J)“Good Reason” means any one of the following: (i) a material diminution in Executive’s base compensation; (ii) a material diminution in authority, duties, or responsibilities of Executive; (iii) a material diminution in the budget over which executive retains authority;

1. a material change in the geographic location (i.e., to a location more than 50 miles from Executive’s primary work location prior to such change) at which Executive is required to perform services; and (v) any other action or inaction that constitutes a material breach of Executive’s employment agreement, if any, with the Corporation or any Affiliate; provided, however, that for Executive to be able to resign for “Good Reason,” Executive must give the Corporation and the applicable Affiliate, if any, notice of the above conditions within 90 days after the condition first exists, the Corporation and/or Affiliate must not have remedied the condition within 30 days after receiving written notice, and Executive must resign within 60 days after Executive’s and/or Affiliate’s failure to remedy.

(K)“Non-Interference / Assistance Period” means the period commencing with the Date of Termination and ending on the first anniversary of the Date of Termination; provided that if a court of competent

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jurisdiction determines that such period is unenforceable, then such time period shall end on the date that is 6 months after the Date of Termination.

(L)“Notice of Termination” has the meaning stated in Paragraph (A) of Section 8 hereof.

(M)“Payment Trigger” means the termination of Executive’s employment with the Corporation or an Affiliate in a manner that constitutes a “separation from service”, as defined in Section 409A, (i) for any reason other than (a) by Executive without Good Reason, (b) by the Corporation as a result of the Disability of Executive or with Cause or, (c) as a result of the death of Executive; and (ii) coincident with or within one year following a Change in Control.

(N)“Person” means an individual, partnership, corporation, limited liability company, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof.

(O)“Section 409A” means Section 409A of the Code and any proposed, temporary or final regulations, or any other guidance, promulgated with respect to such Section 409A by the U.S. Department of Treasury or the Internal Revenue Service.

(P)“Subsidiary” means a “subsidiary corporation,” as that term is defined in Section 424(f) of the Code, or any successor provision.

2. Term of Agreement. This Agreement shall become effective on the Effective Date and shall continue in effect until the earliest of

1. a Date of Termination determined in accordance with Section 8 shall have occurred prior to a Change in Control, (B) if a Payment Trigger shall have occurred during the term of this Agreement, the performance by the Corporation of all its obligations under this Agreement, (C) March 1, 2024, if, as of such date, a Change in Control shall not have occurred and be continuing; or (D) if, as of March 1, 2024, a Change in Control shall have occurred and be continuing, either the expiration of such period thereafter within which a Payment Trigger may occur or the ensuing occurrence of a Payment Trigger and the performance by the Corporation of all of its obligations under this Agreement.

3. General Provisions.

(A)The Corporation hereby represents and warrants to Executive as follows: (i) the execution and delivery of this Agreement and the performance by the Corporation of the actions contemplated hereby have been duly authorized by all necessary corporate action on the part of the Corporation; (ii) this Agreement is a legal, valid and legally binding obligation of the Corporation, enforceable in accordance with its terms;

1. neither the execution or delivery of this Agreement nor the consummation by the Corporation of the actions contemplated hereby (a) will violate any provision of the certificate of incorporation or bylaws (or other charter documents) of the Corporation; or (b) will violate or be in conflict with any applicable law or any judgment, decree, injunction or order of any court or governmental agency or authority. Executive hereby represents and warrants to the Corporation that (x) Executive’s execution, delivery and performance of this Agreement does not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which Executive is a party or by which he is bound, (y) Executive is not a party to or bound by any employment agreement, non-compete agreement or confidentiality agreement with any other person or entity, and (z) upon the execution and delivery of this Agreement by the Corporation, this Agreement shall be the valid and binding obligation of Executive, enforceable in accordance with its terms. Executive hereby acknowledges and represents that s/he fully understands the terms and conditions contained herein.

(B)In no event shall payments be made under this Agreement in respect of more than one termination of Executive’s employment with the Corporation and its Affiliates.

(C)This Agreement does not create, and shall not be construed as creating, an express or implied contract of employment and, except as otherwise agreed in writing between Executive and the Corporation, Executive does not and shall not have any right to be retained in the employ of the Corporation or any Affiliate. Notwithstanding the immediately preceding sentence or any other provision of this Agreement, a termination of

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Executive’s employment with the Corporation or any Affiliate must be effected in accordance with a Notice of Termination satisfying paragraph (A) of Section 8 in order to constitute a termination for purposes of this Agreement.

4. Severance Payments.

(A)Not in Connection with a Change in Control. In the event that the Executive’s employment with the Corporation and its Affiliates terminates during the term of this Agreement and such termination does not occur coincident with or within one year following a Change in Control, the terms of this Paragraph (A) of Section 4 shall apply.

(i)By the Corporation for Cause or by Executive without Good Reason. f the Corporation terminates Executive’s employment for Cause or Executive terminates his or her employment with the Corporation without Good Reason, then the Corporation shall pay to Executive Executive’s base salary and any accrued vacation pay through the Date of Termination to the extent not theretofore paid, and such amount shall be paid in a lump sum within 30 days following the Date of Termination.

(ii)By the Corporation not for Cause or by Executive with Good Reason. If the Corporation terminates Executive’s employment not for Cause or Executive terminates his or her employment with the Corporation with Good Reason, then the Corporation shall pay to Executive:

(a)Executive’s base salary and any accrued vacation pay through the Date of Termination to the extent not theretofore paid and such amount shall be paid in a lump sum within 30 days following the Date of Termination;

(b)within (I) 30 days following the Date of Termination or (II) any earlier date as required by the Annual Incentive Plan, and subject to Sections 7 and 10 of this Agreement, the amount of any incentive compensation that has been allocated to, accrued to, earned by, or awarded to Executive for a completed fiscal year or other completed measuring period preceding the occurrence of the Date of Termination under any incentive compensation plan that has not yet been paid to Executive;

(c)Commencing on the first payroll date on or immediately following the 60th day following the Date of Termination, subject to Sections 7 and 10 of this Agreement, the Corporation shall pay to Executive an amount equal to the product of: (I) 1.5 (one and one-half) multiplied by (II) the sum of (x) Executive’s annual base salary in effect on the Date of Termination and (y) the average of the bonus payments paid to Executive under an Annual Incentive Plan during the three years (or lesser period if the Executive has been employed fewer than three full fiscal years) preceding the year in which the Date of Termination occurs. This amount will be paid to Executive in equal installments over a period of 1 year. Such installment payments will be made to Executive in accordance with the Corporation’s customary payroll practices; and

(d) Commencing on the first payroll date on or immediately following the 60th day following the Date of Termination and continuing for a period of 1 year, and subject to Sections 7 and 10 of this Agreement the Corporation shall pay to Executive, in equal installments over the course of the applicable payment period, an amount equal to the product of (I) Executive’s monthly premium for health, vision and dental insurance continuation coverage for Executive and Executive’s family under the Consolidated Omnibus Budget Reconciliation Act of 1985, based on the monthly premium rate for such coverage in effect on the Date of Termination, multiplied by (II) 12 months. The installment payments will be made to Executive in accordance with the Corporation’s customary payroll practices.

(B)Coincident with or within one year following a Change in Control. In the event that Executive’s employment with the Corporation and its Affiliates terminates during the term of this Agreement and such termination occurs coincident with or within one year following a Change in Control, the terms of this Paragraph (B) of Section 4 shall apply:

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(i)By the Corporation for Cause or by Executive without Good Reason. If the Corporation terminates Executive’s employment for Cause or Executive terminates his or her employment without Good Reason, then the Corporation shall pay to Executive Executive’s base salary and any accrued vacation pay through the Date of Termination to the extent not theretofore paid, and such amount shall be paid in a lump sum within 30 days following the Date of Termination.

(ii)Upon the occurrence of a Payment Trigger. If a Payment Trigger occurs during the term of this Agreement, then the Corporation shall provide to Executive:

(a)within 30 days following the Date of Termination, Executive’s base salary and accrued vacation pay through the Date of Termination to the extent not theretofore paid;

(b)within (I) 30 days following the Date of Termination or (II) any earlier date as required by the Annual Incentive Plan, and subject to Sections 7 and 10 of this Agreement, the amount of any incentive compensation that has been allocated to, accrued to, earned by, or awarded to Executive for a completed fiscal year or other completed measuring period preceding the occurrence of the Date of Termination under any incentive compensation plan that has not yet been paid to Executive;

(c)within (I) the 30-day period commencing on the 60th day following the Date of Termination, or (II) such later period as required by Section 6, and subject to Sections 7 and 10 of this Agreement, a lump sum payment equal to the product of (x) the Annual Incentive Target in effect immediately prior to the Payment Trigger and (y) a fraction, the numerator of which is the number of calendar days in the current fiscal year through the Date of Termination, and the denominator of which is 365, reduced by the amount, if any, paid to Executive under the Annual Incentive Plan’s terms with respect to the fiscal year during which the Date of Termination occurs;

(d)Commencing on the first payroll date on or immediately following the 60th day following the Date of Termination and continuing for a period of 1 year, or within such other period as required by Section 6, and subject to Sections 7 and 10 of this Agreement, the Corporation shall pay to Executive, in equal installments over the course of the applicable payment period, an amount equal to the product of: (I) two multiplied by, (II) the sum of: (x) the higher of (1) Executive’s annual base salary in effect immediately prior to the occurrence of the Change in Control and (2) Executive’s annual base salary in effect immediately prior to the Payment Trigger; and (y) the average of the bonus payments paid to Executive under an Annual Incentive Plan during the three years (or lesser period if the Executive has been employed fewer than three full fiscal years) preceding the year in which the Date of Termination occurs. The installment payments will be made to Executive in accordance with the Corporation’s customary payroll practices;

(e)Commencing on the first payroll date on or immediately following the 60th day following the Date of Termination and continuing for a period of 1 year, and subject to Sections 7 and 10 of this Agreement, the Corporation shall pay to Executive, in equal installments over the course of the applicable payment period, an amount equal to the product of (I) Executive’s monthly premium for health, vision and dental insurance continuation coverage for Executive and Executive’s family under the Consolidated Omnibus Budget Reconciliation Act of 1985, based on the monthly premium rate for such coverage in effect on the Date of Termination, multiplied by (II) 24 months. The installment payments will be made to Executive in accordance with the Corporation’s customary payroll practices; and

(f)subject to Sections 7 and 10 of this Agreement, up to $25,000 for executive transition/outplacement services received by Executive (I) prior to the expiration of the Non-Interference / Assistance Period (II) through a third party professional provider of such services identified and retained by Executive. Such payment will be paid directly to such third-party provider by the Corporation promptly following its receipt of an invoice from such provider confirming the provision of such services to Executive.

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(C)Death or Disability. If Executive’s employment terminates as a result of Executive’s death or Disability, then the Corporation shall pay to Executive or Executive’s estate, as appropriate: (I) Executive’s base salary and any accrued vacation pay through the Date of Termination to the extent not theretofore paid; (II) the amount of any incentive compensation that has been allocated to, accrued to, earned by or awarded to Executive for a completed fiscal year or other completed measuring period preceding the occurrence of the Date of Termination under any incentive compensation plan that has not yet been paid to Executive (III) one (1) times the Executive’s annual base salary in effect on the Date of Termination. Such payments shall be made in a lump sum within 30 days following the Date of Termination.

(D)Exclusive Severance Benefit. Notwithstanding the foregoing provisions of this Article 4, and except as specifically provided below, any severance payments or benefits received by Executive pursuant to this Agreement shall be in lieu of any benefits under the Uniti Group Inc. Severance Program or any other severance or reduction‑in‑force plan, program, policy, agreement or arrangement maintained by the Corporation or an Affiliate (not including an equity award agreement, retirement or deferred compensation plan or similar plan or agreement which may contain provisions operative on a termination of Executive’s employment or which may incidentally refer to accelerated vesting or accelerated payment upon a termination of employment) and in lieu of any severance or separation pay benefit that may be required under applicable law.

5. Certain Reductions in Change in Control Payments.

(A)In the event that the Accounting Firm determines that any Change in Control Payment to Executive would be subject to the Excise Tax, the Accounting Firm shall determine, in accordance with the following restrictions, whether to reduce the aggregate amount of the Change in Control Payments payable to Executive to the Reduced Amount. For clarity, the Change in Control Payments shall be reduced to the Reduced Amount only if the Accounting Firm determines that Executive would receive a greater Net After-Tax Benefit if Executive’s Change in Control Payments were reduced to the Reduced Amount.

(B)If the Accounting Firm determines that the aggregate Change in Control Payments otherwise payable to Executive should be reduced to the Reduced Amount in accordance with Section 5(A), the Corporation shall promptly notify Executive to that effect and provide Executive a copy of the detailed calculation thereof. All determinations made by the Accounting Firm under this Section 5 shall be binding upon the Corporation and Executive and shall be made within 30 business days after termination of Executive’s employment. The reduction of Executive’s Change in Control Payments to the Reduced Amount, if applicable, shall be made by reducing the Change in Control Payments under the following Paragraphs of Section 4 (and no other Change in Control Payments) in the following order: (i) Paragraph (B)(ii)(d), (ii) Paragraph (B)(ii)(c), (iii) Paragraph (B)(ii)(e), and (iv) Paragraph (B)(ii)(f). All fees and expenses of the Accounting Firm pursuant to this Section 5 shall be borne solely by the Corporation.

(C)The following terms have the following meanings for purposes of this Section 5:

(i)“Accounting Firm” means an independent, nationally recognized accounting firm designated by the Corporation in good faith prior to a Change in Control; provided that if the Accounting Firm is not willing or able to value the restrictive covenants in Section 9, then the restrictive covenants shall be valued by an independent third-party valuation specialist selected by the Corporation in good faith.

(ii)“Change in Control Payment” means any payment or distribution by the Corporation in the nature of compensation (within the meaning of Section 280G(b)(2) of the Code) to or for the benefit of Executive that is contingent on a Change in Control, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise.

(iii)“Excise Tax” means the excise tax imposed by Section 4999 of the Code, together with any interest or penalties imposed with respect to such excise tax.

(iv)“Net After-Tax Benefit” means the aggregate Value of all Change in Control Payments to Executive, net of all taxes imposed on Executive with respect thereto under Sections 1 and 4999 of the Code and under applicable state and local laws, as determined by the Accounting Firm after taking

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into account any value attributable to the restrictive covenants in Section 9 that is treated as reasonable compensation described in

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|  | Section 280G(b)(4) of the Code. | | | | | | | |
|  |  | (v)“Reduced Amount” means the greatest amount of Change in Control Payments that can be paid to Executive that would not result | | | | | | |
|  |  |  |  |  |  |  |  |  |
|  | in the imposition of the Excise Tax upon Executive if the Accounting Firm determines to reduce Change in Control Payments to Executive | | | | | | | |
|  | pursuant to this Section 5, determined after taking into account any value attributable to the restrictive covenants in Section 9 that is treated as | | | | | | | |
|  | reasonable compensation described in Section 280G(b)(4) of the Code. | | | | | | | |
|  |  | (vi)“Value” of a Change in Control Payment means the economic present value of a Change in Control Payment as of the date of the | | | | | | |
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|  | Change in Control (or such other date as required pursuant to Section 280G), as determined by the Accounting Firm pursuant to Section 280G | | | | | | | |
|  | of the Code using the discount rate required by Section 280G(d)(4) of the Code. | | | | | | | |
| 6. |  | Compliance with Section 409A. | | | | | | |
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|  |  | (A)Notwithstanding anything contained in this Agreement to the contrary, if Executive is a “specified employee,” as determined | | | | | | |
|  | under the Corporation’s policy for determining specified employees on the Date of Termination, all payments, benefits or reimbursements paid | | | | | | | |
|  | or provided under this Agreement that constitute a “deferral of compensation” within the meaning of Section 409A of the Code, that are | | | | | | | |
|  | provided as a result of a “separation from service” within the meaning of Section 409A and that would otherwise be paid or provided during the | | | | | | | |
|  | first six months following such Date of Termination shall be accumulated through and paid or provided (together with interest at the applicable | | | | | | | |
|  | Federal short-term rate, compounded semi-annually, in effect under Section 1274(d) of the Code as of the Date of Termination) within 30 | | | | | | | |
|  | calendar days after the first business day following the six month anniversary of such Date of Termination (or, if Executive dies during such | | | | | | | |
|  | six-month period, within 10 calendar days after Executive’s death). | | | | | | | |
|  |  | (B)It is intended that the payments and benefits provided under this Agreement either shall be exempt from the application of or | | | | | | |
|  | shall comply with the requirements of Section 409A. For purposes of Section 409A, each payment hereunder shall be considered a separate | | | | | | | |
|  | payment. This Agreement shall be construed, administered, and governed in a manner that effects such intent, and the Corporation shall not | | | | | | | |
|  | take any action that would be inconsistent with such intent. Without limiting the foregoing, the payments and benefits provided under this | | | | | | | |
|  | Agreement may not be deferred, accelerated, extended, paid out or modified in a manner that would result in the imposition of an additional tax | | | | | | | |
|  | under Section 409A upon Executive. Although the Corporation shall use its best efforts to avoid the imposition of taxation, interest and | | | | | | | |
|  | penalties under Section 409A, the tax treatment of the benefits provided under this Agreement is not warranted or guaranteed. Neither the | | | | | | | |
|  | Corporation, its Affiliates nor any of their respective directors, officers, employees or advisors shall be held liable for any taxes, interest, | | | | | | | |
|  | penalties or other monetary amounts owed by Executive or any other taxpayer as a result of the Agreement. | | | | | | | |
| 7. |  | Release. Notwithstanding anything contained herein to the contrary, the Corporation shall only be obligated to pay or provide, or | | | | | | |
|  |  |  | |  | | |  | |
|  | continue to pay or provide, any benefit under Paragraphs (A)(ii), (B)(ii)(c), (B)(ii)(d), (B)(ii)(e) and (B)(ii)(f) of Section 4 to the extent that: (A) | | | | | | | |
|  | within the 45-day period after the Date of Termination, Executive executes a waiver and release substantially in the form attached hereto as | | | | | | | |
|  | Exhibit A; (B) Executive does not revoke such waiver and release; (C) the waiver and release becomes effective and irrevocable in accordance | | | | | | | |
|  | with its terms; (D) Executive remains in compliance with the terms and conditions of Section 9; and (E) Executive is not then-currently subject | | | | | | | |
|  | to any claims for recoupment or clawback of any of his or her compensation from the Corporation under any clawback and/or recoupment | | | | | | | |
|  | policy of the Corporation applicable to Executive. | | | | | | | |
| 8. |  | Termination Procedures. | | | | | | |
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|  |  | (A)Except in the event that Executive’s employment terminates as a result of Executive’s death (in which case no Notice of | | | | | | |

Termination is required), any purported termination of Executive’s employment shall be communicated by written Notice of Termination from one party hereto to the other party hereto in accordance with Section 13 hereof. For purposes of this Agreement, a “Notice of Termination” means a written notice that indicates the specific termination provision in this Agreement relied upon, and, if applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive’s employment under the provision so

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indicated. Further, a Notice of Termination for Cause shall include a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board (excluding for these purposes Executive himself or herself) at a meeting of the Board that was called and held for the purpose of considering the termination (after reasonable notice to Executive and an opportunity for Executive, together with his or her counsel, to be heard by the members of the Board) finding that, in the informed, reasonable, good faith judgment of the Board, Executive was guilty of conduct set forth in the definition of Cause in Section 1(D), and specifying the particulars thereof in detail.

(B)“Date of Termination” means the effective date of the termination of Executive’s employment with the Corporation resulting from Executive’s death or an event that constitutes a “separation from service” within the meaning of Section 409A of the Code. Except as provided in the next sentence, the Date of Termination shall be determined as follows: (i) if Executive’s employment is terminated for Disability, 20 business days after Notice of Termination is given (provided that Executive shall not have returned to the full-time performance of Executive’s duties during that 20 business day period); (ii) if Executive’s employment is terminated as a result of Executive’s death, the date of Executive’s death; and (iii) if Executive’s employment is terminated for any other reason, the date specified in the Notice of Termination, which, in the case of a termination by the Corporation, shall not be less than 10 business days except in the case of a termination for Cause (in which case the date of termination may be earlier), and, in the case of a termination by Executive, shall not be less than 10 business days nor more than 20 business days, respectively, after the date such Notice of Termination is given. The Corporation and Executive shall take all steps necessary (including with regard to any post-termination services by Executive) to ensure that any termination described in this Paragraph (B) of Section 8 constitutes a “separation from service” (or is otherwise a permissible distribution event) within the meaning of Section 409A of the Code and that the date on which such separation from service (or permissible distribution event) takes place is the “Date of Termination”.

9. Non-Disclosure; Non-Competition; and Non-Interference.

(A)Executive acknowledges that in the course of his or her employment with the Corporation and its Affiliates s/he has had and will have access to confidential information and trade secrets proprietary to the Corporation and its Affiliates, including, without limitation, information relating to the Corporation’s and its Affiliates’ products, suppliers, and customers, the sources, nature, processes, costs and prices of the Corporation’s and its Affiliates’ products, the names, addresses, contact persons, purchasing and sales histories, and preferences of the Corporation’s and its Affiliates’ suppliers and customers, the Corporation’s and its Affiliates’ business plans and strategies, and the names and addresses of, amounts of compensation paid to, and the trading and sales performance of the Corporation’s and its Affiliates’ employees and agents (hereinafter referred to as the “Confidential Information”). Confidential Information excludes information which (i) is in the public domain through no act or omission of Participant in violation of any agreement that Participant is a party to with the Corporation, or (ii) has become available to Participant on a nonconfidential basis from a source other than the Corporation without breach of such source’s confidentiality or nondisclosure obligations to the Corporation. Executive further acknowledges that the Confidential Information is proprietary to the Corporation and its Affiliates, that the unauthorized disclosure of any of the Confidential Information to any person or entity will result in immediate and irreparable competitive injury to the Corporation and its Affiliates, and that such injury cannot adequately be remedied by an award of monetary damages. Accordingly, Executive shall not at any time disclose any Confidential Information to any person or entity who is not properly authorized by the Corporation or its Affiliates to receive the information without the prior written consent of the Chairman of the Board (which consent may be withheld for any reason or no reason) unless and except to the extent that such disclosure is required by any subpoena or other legal process (in which event Executive shall give the Chairman of the Board prompt written notice of such subpoena or other legal process in order to permit the Corporation and its Affiliates to seek appropriate protective orders), and that s/he shall not use any Confidential Information for his or her own account without the prior written consent of the Chairman of the Board (which consent may be withheld for any reason or no reason).

(B)Executive shall not during his or her employment with the Corporation or its Affiliates and thereafter until the expiration of the Non-Interference/Assistance Period, in any manner, directly or indirectly, through any person, firm or corporation, alone or as a member of a partnership or as an officer, director, shareholder, investor or employee of or in any other corporation or enterprise or otherwise, (i) engage in or be engaged in, or collaborate or partner with, or assist or provide perform any executive, managerial, supervisory, sales, marketing, research, consulting, or customer-related services to any other person, firm, corporation or enterprise in engaging or being

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engaged in, any Competitive Business within any state in which the Corporation or any Affiliate conducts business as of Executive’s Date of Termination, or (ii) directly or indirectly solicit, divert, take away, service, or accept the business of any active customer of the Corporation or any Affiliate, or any person or entity who is or was at any time during the previous one-year period a customer of the Corporation or any Affiliate. Nothing in this Section 9 prohibit Executive from being: (a) owning shares of a mutual fund or a diversified investment company or (b) passively owning not more than 5% of any class of outstanding equity securities of any corporation or other entity that is publicly traded, so long as Executive does not actively participate in the business of such corporation or other entity. For purposes of this Section 9, “Competitive Business” means the business then actively being conducted by the Corporation or any Affiliate as of the Date of Termination, and any area of business in which the Corporation or any Affiliate has engaged during the one year period immediately preceding the Date of Termination, including, but not limited to, the business of owning, acquiring, developing, building and/or leasing communication distribution systems.

(C)Executive shall not during his or her employment with the Corporation or its Affiliates and thereafter until the expiration of the Non-Interference/Assistance Period, employ, partner or collaborate on a business enterprise with or assist any person or entity in employing, any employee of the Corporation or an Affiliate. Executive shall not during his or her employment with the Corporation or its Affiliates and thereafter until the expiration of the Non-Interference/Assistance Period solicit, or assist any person or entity to solicit, any employee of the Corporation or any Affiliate to leave the employment of the Corporation or such Affiliate or to become employed by, or partner or collaborate on a business enterprise with, any other entity.

(D)If a court of competent jurisdictions holds that the restrictions stated herein are unreasonable under circumstances then existing, the parties agree to substitute the maximum period, scope or geographical area reasonable under such circumstances for the stated period, scope or area and that the court shall be allowed to revise and/or modify the restrictions contained herein to cover the maximum period, scope and area permitted by applicable law.

(E)Executive acknowledges that the covenants contained in this Section 9 are a principal inducement for the willingness of the Corporation to enter into this Agreement and make the payments and provide to Executive the benefits described in this Agreement and that the Corporation and Executive intend the covenants (i) to be binding upon and enforceable against Executive in accordance with their terms, notwithstanding any common or statutory law to the contrary; and (ii) to survive and continue in full force in accordance with their terms notwithstanding the termination of this Agreement. Executive agrees that the obligations of the Corporation under this Agreement (specifically including, but not limited to, the obligation to make any payment or provide any benefit under any of Paragraphs (A)(ii), (B)(ii)(c), (B)(ii)(d), (B)(ii)(e) and (B)(ii)(f) of Section 4) constitute sufficient consideration for the covenants contained in this Section 9. The Corporation and Executive further agree that the restrictions contained in this Section 9 are reasonable in period, scope and geographical area and are necessary to protect the legitimate business interests and Confidential Information of the Corporation and its Affiliates. Executive agrees that s/he will notify the Corporation in writing if s/he has any questions regarding the applicability of this Section 9. Because Executive’s services are unique and because Executive has access to Confidential Information, the parties agree that the Corporation and its Affiliates would be damaged irreparably in the event any of the provisions of this Section 9 were not performed in accordance with their specific terms or were otherwise breached and that money damages would be an inadequate remedy for any such non-performance or breach. In the event that Executive breaches or threatens to breach any such provision of this Section 9, the parties agree that the Corporation and its Affiliates shall be entitled to seek any and all equitable and legal relief provided by law, specifically including immediate and permanent injunctive relief to prevent any breach or threatened breach of any of such provisions and to enforce such provisions specifically (without posting a bond or other security). Executive hereby waives any claim that the Corporation and its Affiliates have an adequate remedy at law. The parties agree that the foregoing relief shall not be construed to limit or otherwise restrict the ability of the Corporation and its Affiliates to pursue any other remedy provided by law, including the recovery of any actual, compensatory or punitive damages.

10. Cessation of Payments; Recoupment. The Corporation and Executive acknowledge and agree that the Corporation may cease making any and all payments payable under Paragraphs (A)(ii), (B)(ii)(c), (B)(ii)(d), (B)(ii)(e) and (B)(ii)(f) of Section 4 if the Corporation reasonably believes that Executive has breached, or is in breach of, any of his/her obligations under Section 9 as evidenced by a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board at a meeting of the Board that was called and held for the purpose of considering such action (after reasonable notice to Executive and an opportunity for Executive, together

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with his or her counsel, to be heard by the members of the Board) finding that, in the informed, reasonable, good faith judgment of the Board, Executive has breached, or is in breach of, any of his/her obligations under Section 9, and specifying the particulars thereof in detail. Without prejudice to any other remedies available to the Corporation under this Agreement or applicable law, the Corporation may also seek to recoup, and Executive agrees to return upon Corporation’s written request, any payments (other than Executive’s annual base salary and any accrued vacation pay through the Date of Termination) made to Executive under Paragraphs (A)(ii), (B)(ii)(c), (B)(ii)(d), (B)(ii)(e) and (B)(ii) (f) of Section 4 if Executive has breached, or is in breach of, any of Executive’s obligations under this Agreement.

11. Disputes.

(A)Except as set forth in Section 11(B) below, any dispute or controversy arising out of or in connection with this Agreement shall, upon a written notice from Executive to the Corporation either before suit thereupon is filed or within 20 business days thereafter, be settled exclusively by binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association. The arbitration proceeding shall be conducted before a panel of three arbitrators sitting in the municipality in which Executive’s principal place of employment with the Corporation (or, if applicable, an Affiliate) is (or was, in the event that Executive’s employment is terminated prior to the initiation of arbitration proceedings) located. Judgment may be entered on the arbitrator’s award in any court having jurisdiction.

(B)Notwithstanding anything to the contrary in Section 11(A), the Corporation shall not be required to seek or participate in arbitration regarding any breach or threatened breach by Executive of his or her obligations under Section 9, and may instead pursue its remedies for such breach in a court of competent jurisdiction in accordance with Section 15.

(C)Corporation undertakes and agrees that if Corporation breaches or threatens to breach any material provision of this Agreement, Corporation shall be liable for any attorneys’ fees and costs reasonably incurred by Executive in enforcing, in accordance with the terms of this Agreement, Executive’s rights under this Agreement. Executive undertakes and agrees that if Executive breaches or threatens to breach any provision of this Agreement, Executive shall be liable for any attorneys’ fees and costs reasonably incurred by the Corporation in enforcing, in accordance with the terms of this Agreement, its rights under this Agreement.

12. Successors; Binding Agreement.

(A)Except as otherwise provided herein, all covenants and agreements contained in this Agreement shall bind and inure to the benefit of and be enforceable by and upon the Corporation and its successors and assigns.

(B)This Agreement shall inure to the benefit of and be enforceable by Executive’s personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, and legatees. Any and all amounts payable to Executive hereunder that, as a result of Executive’s death, would not be paid until after Executive’s death (other than amounts which, by their terms, terminate upon the death of Executive) shall be paid in accordance with the terms of this Agreement to the executors, personal representatives, or administrators of Executive’s estate.

13. Notices. For purposes of this Agreement, all notices and other communications provided pursuant to the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon actual receipt:

To the Corporation:

Uniti Group Inc.

2101 Riverfront Drive, Suite A

Little Rock, AR 72202

Attention: Chief Executive Officer

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| --- | --- | --- |
| To Executive: | Michael Friloux | |
|  | XXXXX | |
|  | XXXXX | |
| 14. | Miscellaneous. Except as otherwise provided in Section 6, no provision of this Agreement may be modified, waived, or discharged | |
|  |  |  |
| unless such waiver, modification, or discharge is agreed to in writing and signed by Executive and an officer of the Corporation specifically | | |
| designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any | | |
| condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or | | |
| conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect | | |
| to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. Any payments provided for | | |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | hereunder shall be paid net of any applicable withholding required under federal, state, or local law and any additional withholding to which | | | |
|  | Executive has agreed. | | | |
| 15. |  | Governing Law. The validity, interpretation, construction, and performance of this Agreement shall be governed by the laws of the | | |
|  |  |  |  |  |
|  | State of Maryland, without giving effect to any choice of law or conflict of law provision or rule (whether of the State or Maryland or any other | | | |
|  | jurisdiction). Any legal action, other than an arbitration described in Paragraph (A) of Section 11, relating to or arising out of this Agreement | | | |
|  | shall be filed and litigated exclusively in a state court of competent jurisdiction located in Little Rock, Arkansas. | | | |
| 16. |  | Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any | | |
|  |  |  |  | |
|  | other provision of this Agreement, each of which shall remain in full force and effect. | | | |

17. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

[Signature page follows]

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IN WITNESS WHEREOF, the parties have signed this Agreement as of the date set forth above.

UNITI GROUP INC.

|  |  |  |  |
| --- | --- | --- | --- |
| By: | /s/ Kenneth A. Gunderman | | |
|  |  |  |  |
| Name: |  | Kenneth A. Gunderman | |
| Title: |  | President and Chief Executive Officer | |

EXECUTIVE

/s/ Michael Firloux

Michael Friloux

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EXHIBIT A

\*\*\*\*\*\*

WAIVER AND RELEASE AGREEMENT

THIS WAIVER AND RELEASE AGREEMENT (this “Waiver and Release”) is entered into by and between \_\_\_\_\_\_\_\_\_\_\_\_(“Executive”) and

Uniti Group Inc. (the “Company”) (collectively, the “Parties”).

WHEREAS, the Parties have entered into a Severance Agreement dated as of \_\_\_\_, 20\_\_ (the “Agreement”);

WHEREAS, Executive’s employment has been or will be terminated in accordance with the Agreement as of [DATE] (the “Date of Termination”); and

WHEREAS, the Parties seek to fully and finally settle all existing claims, whether or not now known, arising out of Executive’s employment and termination of employment on the terms set forth herein.

NOW, THEREFORE, in consideration of the promises and agreements contained herein and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, the Parties agree as follows:

1. In consideration of the payments to be made and the benefits to be received by Executive pursuant to Paragraphs (A)(ii), (B)(ii)(c), (B)(ii)(d), (B)(ii)(e) and (B)(ii)(f) of Section 4 of the Agreement (the “Severance Benefits”) which Executive acknowledges are in addition to payments and benefits to which Executive would otherwise be entitled upon termination of employment without providing a release of claims under the normal operation of the Company’s benefit plans, policies, and/or practices Executive hereby agrees to provide the waiver and release set forth in Section 2 below.

2. For valuable consideration from the Company, receipt of which is hereby acknowledged, Executive waives, releases, and forever discharges the Company and its current and former parents, subsidiaries, affiliates, divisions, shareholders, owners, members, officers, directors, attorneys, agents, employees, successors, and assigns, and the Company’s parents’, subsidiaries’, and affiliates’ divisions, shareholders, owners, members, officers, directors, attorneys, agents, employees, successors, and assigns (collectively referred to as the “Company Releasees”) from any and all rights, causes of action, claims or demands, whether express or implied, known or unknown, that arise on or before the date that Executive executes this Waiver and Release, which Executive has or may have against the Company and/or the Company Releasees, including, but not limited to, any rights, causes of action, claims, or demands relating to or arising out of the following:

a. anti-discrimination, anti-harassment, and anti-retaliation laws, such as the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, and Executive Order 11141, which prohibit employment discrimination based on age; Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1866 (42 U.S.C. § 1981), the Equal Pay Act, and Executive Order 11246, which prohibit discrimination based on race, color, national origin, religion, or sex; the Genetic Information Nondiscrimination Act, which prohibits discrimination on the basis of genetic information; the Americans With Disabilities Act and Sections 503 and 504 of the Rehabilitation Act of 1973, which prohibit discrimination based on disability; and any other federal, state, or local laws prohibiting employment or wage discrimination; and

b. other employment laws, such as the Worker Adjustment and Retraining Notification Act, which requires that advance notice be given of certain workforce reductions; the Employee Retirement Income Security Act of 1974, which, among other things, protects employee benefits; the Family and Medical Leave Act, which requires employers to provide leaves of absence under certain circumstances; state laws which regulate wage and hour matters, including all forms of compensation, vacation pay, sick pay, compensatory time, overtime, commissions, bonuses, and meal and break periods; state family, medical, and

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military leave laws, which require employers to provide leaves of absence under certain circumstances; the Sarbanes Oxley Act; and any other federal, state, or local laws relating to employment which—to the extent Employee performed work for the Company in West Virginia—would include, without limitation, the West Virginia Human Rights Act, and—to the extent Employee performed work for the Company in New Jersey—would include, without limitation, the New Jersey Conscientious Employee Protection Act; and

c.

tort, contract, and quasi-contract claims, such as claims for wrongful discharge, physical or personal injury, intentional or negligent infliction of emotional distress, fraud, fraud in the inducement, negligent misrepresentation, defamation, invasion of privacy, interference with contract or with prospective economic advantage, breach of express or implied contract, unjust enrichment, promissory estoppel, breach of covenants of good faith and fair dealing, negligent hiring, negligent supervision, negligent retention, and similar or related claims; and

d.

all remedies of any type, including, but not limited to, damages and injunctive relief, in any action that may be brought on Executive’s behalf against the Company and/or the Company Releasees by any government agency or other entity or person.

Executive understands that Executive is releasing claims about which Executive may not know anything at the time Executive executes this Waiver and Release. Executive acknowledges that it is Executive’s intent to release such unknown claims, even though Executive recognizes that someday Executive might learn new facts relating to Executive’s employment or learn that some or all of the facts Executive currently believes to be true are untrue, and even though Executive might then regret having signed this Waiver and Release. Nevertheless, Executive acknowledges Executive’s awareness of that risk and agrees that this Waiver and Release shall remain effective in all respects in any such case. Executive expressly waives all rights Executive might have under any laws, including, without limitation, the laws set forth in Schedule I to this Waiver and Release, intended to protect Executive from waiving unknown claims.

3. Notwithstanding anything to the contrary in this Waiver and Release, the waiver and release contained herein shall exclude any rights or claims (a) that may arise after the date on which Executive executes this Waiver and Release; (b) that cannot be released under applicable law (such as worker’s compensation and unemployment insurance claims); or (c) for indemnification or directors and officers liability insurance coverage, if any, to which s/he was entitled immediately prior to his or her Date of Termination with regard to his or her service as an officer or director of the Company or any company(ies) controlled by, controlling or under common control with the Company, and any predecessors, successors or assigns to the foregoing (the “UNIT Group”). In addition, the Parties agree that this Waiver and Release shall not adversely affect, alter, or extinguish (i) any vested right that Executive may have with respect to any pension or other retirement benefits to which Executive is or will be entitled by virtue of Executive’s employment with the UNIT Group; (ii) Executive’s rights under the Consolidated Omnibus Budget Reconciliation Act of 1985; or (iii) Executive’s rights under Sections 4 and 5 of the Agreement which are intended to survive termination of employment, and nothing in this Waiver and Release shall prohibit Executive from enforcing such rights. Moreover, nothing in this Waiver and Release shall prevent or preclude Executive from challenging in good faith the validity of this Waiver and Release, nor does it impose any conditions precedent, penalties, or costs for doing so, unless specifically authorized by applicable law.

4. Except to the extent previously disclosed by Executive in writing to the Company, Executive represents and warrants that Executive has (a) filed no claims, lawsuits, charges, grievances, or causes of action of any kind against the Company and/or the Company Releasees and, to the best of Executive’s knowledge, Executive possesses no claims (including Fair Labor Standards Act (“FLSA”) and worker’s compensation claims); (b) received any and all compensation (including overtime compensation), meal periods, and rest periods to which Executive may have been entitled, and Executive is not currently aware of any facts or circumstances constituting a violation by the Company and/or the Company Releasees of the FLSA or other applicable wage, hour, meal period, and/or rest period laws; and (c) not suffered any work-related injury or illness within the twelve (12) months preceding Executive’s execution of this Waiver and Release, and Executive is not currently aware of any facts or circumstances that would give rise to a worker’s compensation claim against the Company and/or the Company Releasees.

5. Executive agrees that Executive will remain reasonably available to the Company as needed to assist in the smooth transition of Executive’s duties to one or more other employees of the Company and without additional

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|  |  |
| --- | --- |
|  | compensation to Executive and to assist in the defense of the Company’s interests in pending or threatened litigation and any other |
|  | administrative and regulatory proceedings which currently exist or which may arise in the future and involve the conduct of the Company’s |
|  | business activities during the period of Executive’s employment with the Company. Executive’s obligations with respect to transition duties |
|  | under this Section 5 shall terminate eight (8) weeks following the Date of Termination; however, Executive’s obligations under this Section 5 |
|  | with respect to the defense of the Company’s interests shall survive the Date of Termination and the termination of this Waiver and Release. |
| 6. | Executive specifically agrees and understands that the existence and terms of this Waiver and Release are strictly CONFIDENTIAL |
|  | and that such confidentiality is a material term of this Waiver and Release. Accordingly, except as required by applicable law or unless |
|  | authorized to do so by the Company in writing, Executive agrees that s/he shall not communicate, display or otherwise reveal any of the |
|  | contents of this Waiver and Release to anyone other than his or her spouse, attorney or financial advisor, provided, however, that they are first |
|  | advised of the confidential nature of this Waiver and Release and Executive obtains their agreement to be bound by the same. The Company |
|  | agrees that Executive may respond to legitimate inquiries regarding his or her employment with the Company by stating that the Parties |
|  | terminated their relationship on an amicable basis and that the Parties have entered into a confidential Waiver and Release that prohibits him or |
|  | her from further discussing the specifics of his or her separation. Nothing contained herein shall be construed to prevent Executive from |
|  | discussing or otherwise advising subsequent employers of the existence of any obligations as set forth in the Agreement or this Waiver and |
|  | Release. Further, nothing contained herein shall be construed to limit or otherwise restrict the UNIT Group’s ability to disclose the terms and |
|  | conditions of this Waiver and Release as may be required by applicable law or business necessity. |
| 7. | In the event that Executive breaches or threatens to breach any provision of this Waiver and Release, s/he agrees that the UNIT |
|  | Group shall be entitled to seek any and all equitable and legal relief provided by law, specifically including immediate and permanent injunctive |
|  | relief. Executive hereby waives any claim that the UNIT Group has an adequate remedy at law. In addition, and to the extent not prohibited by |
|  | law, Executive agrees that the UNIT Group shall be entitled to an award of all costs and attorneys’ fees incurred by the UNIT Group in any |
|  | successful effort to enforce the terms of this Waiver and Release. Executive agrees that the foregoing relief shall not be construed to limit or |
|  | otherwise restrict the UNIT Group’s ability to pursue any other remedy provided by law, including the recovery of any actual, compensatory or |
|  | punitive damages. Moreover, if Executive pursues any claims against any Company Releasee subject to the foregoing Waiver and Release, |
|  | Executive agrees to immediately reimburse the Company for the value of all Severance Benefits received to the fullest extent permitted by law. |
| 8. | The Parties acknowledge that this Waiver and Release is entered into solely for the purpose of ending their employment relationship |
|  | on an amicable basis and shall not be construed as, or used as evidence of, an admission of liability or wrongdoing by either Party and that both |
|  | the UNIT Group and Executive have expressly denied any such liability or wrongdoing. Executive agrees that s/he is eligible for re- |
|  | employment by the UNIT Group only by mutual agreement and consent of the Parties. |
| 9. | Each of the promises and obligations contained in this Waiver and Release shall be binding upon and shall inure to the benefit of the |
|  | heirs, executors, administrators, assigns and successors in interest of each of the Parties. |
| 10. | The Parties agree that each and every paragraph, sentence, clause, term and provision of this Waiver and Release is severable and |
|  | that if any portion of this Waiver and Release should be deemed not enforceable for any reason, such portion shall be stricken and the |
|  | remaining portion(s) thereof should continue to be enforced to the fullest extent permitted by applicable law. |
| 11. | This Waiver and Release shall be interpreted, enforced and governed under the laws of the State of Maryland, without regard to any |
|  | applicable state’s choice of law provisions. |
| 12. | Executive represents and acknowledges that in signing this Waiver and Release s/he does not rely, and has not relied, upon any |
|  | representation or statement made by the UNIT Group or by any of the UNIT Group’s employees, officers, agents, stockholders, directors or |
|  | attorneys with regard to the subject matter, basis or effect of this Waiver and Release other than those specifically contained herein. |

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13. Executive acknowledges that Executive has been given at least forty-five (45) days to consider this Waiver and Release from the date that it was first given to Executive. Executive agrees that changes in the terms of this Waiver and Release, whether material or immaterial, do not restart the running of the forty-five (45)-day consideration period. Executive may accept this Waiver and Release by executing this Waiver and Release within the designated time period, but no sooner than the first day after the Date of Termination. Executive shall have seven (7) days from the date that Executive executes this Waiver and Release to revoke Executive’s acceptance of this Waiver and Release by delivering written notice of revocation within the seven (7)-day period to the following Company contact:

Uniti Group Inc.

2101 Riverfront Drive, Suite A

Little Rock, AR 72202

Attn: Human Resources Department

If Executive does not revoke acceptance, this Waiver and Release will become effective and irrevocable by Executive on the eighth day after Executive has executed it.

14. This Waiver and Release represents the entire agreement between the Parties concerning the subject matter hereof, shall supersede any and all prior agreements which may otherwise exist between them concerning the subject matter hereof (specifically excluding, however, the post-termination obligations contained in the Agreement), and shall not be altered, amended, modified or otherwise changed except by a writing executed by both Parties.

BY SIGNING BELOW, EXECUTIVE ACKNOWLEDGES THAT S/HE HAS READ THIS WAIVER AND RELEASE AND THAT IT INCLUDES A COMPLETE RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS; THAT THE COMPANY HAS ADVISED EXECUTIVE TO CONSULT WITH AN ATTORNEY PRIOR TO SIGNING THIS WAIVER AND RELEASE; THAT S/HE HAS BEEN GIVEN SUFFICIENT TIME TO CONSULT WITH AN ATTORNEY AND CONSIDER THE TERMS OF THIS WAIVER AND RELEASE; THAT S/HE UNDERSTANDS EACH OF ITS TERMS; AND THAT S/HE HAS SIGNED THIS WAIVER AND RELEASE KNOWINGLY AND VOLUNTARILY.

[Signature page follows]

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IN WITNESS WHEREOF, the Parties have themselves signed, or caused a duly authorized agent thereof to sign, this Waiver and Release on their behalf and thereby acknowledge their intent to be bound by its terms and conditions.

UNITI GROUP INC.

Signed:

Print Name:

Date:

EXECUTIVE

Signed:

Name:

Date:

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[Schedule I to Waiver and Release

As emphasized in the Waiver and Release, Executive understands that Executive is releasing claims that Executive may not know about and that Executive expressly waives and relinquishes all rights and benefits which Executive may have under any state or federal statute or common law principle that would otherwise limit the effect of this release to claims known or suspected prior to the date Executive signs this Waiver and Release, including, but not limited to, the effect of protections afforded by the following laws:

1. California Employees. Section 1542 of the Civil Code of the State of California states as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.”

2. Montana Employees. Section 28-1-1602 of the Montana Code Annotated states as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in the creditor’s favor at the time of executing the release, which, if known by the creditor, must have materially affected the creditor’s settlement with the debtor.”

3. North Dakota Employees. Section 9-13-02 of the North Dakota Century Code states as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in the creditor’s favor at the time of executing the release, which if known by the creditor, must have materially affected the creditor’s settlement with the debtor.”

4. South Dakota Employees. Section 20-7-11 of the South Dakota Codified Laws states as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his [or her] favor at the time of executing the release, which if known by him [or her] must have materially affected his [or her] settlement with the debtor.”

Thus, notwithstanding the provisions of Section 1542 of the Civil Code of the State of California, Section 28-1-1602 of the Montana Code Annotated, Section 9-13-02 of the North Dakota Century Code, and Section 20-7-11 of the South Dakota Codified Laws, and for the purpose of implementing a full and complete release and discharge of the Company and the Company Releasees, Employee expressly acknowledges that this release is intended to include in its effect, without limitation, all claims which Employee does not know or suspect to exist in Employee’s favor at the time Employee executes this Agreement, and that this Agreement contemplates the extinguishment of any such claims.]

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**Exhibit 31.1**

**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:
   1. 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;
   2. 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;
   3. 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
   4. 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):
   1. 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
   2. 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: May 5, 2022 By: /s/Kenneth A. Gunderman



**Kenneth A. Gunderman**

**President and Chief Executive Officer**

**Exhibit 31.2**

**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, Paul E. Bullington, 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:
   1. 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;
   2. 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;
   3. 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
   4. 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):
   1. 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
6. 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: May 5, 2022 By: /s/ Paul E. Bullington



**Paul E. Bullington**

**Senior Vice President –Chief Financial Officer**

**and Treasurer**

**Exhibit 32.1**

**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 March 31, 2022 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: May 5, 2022 By: /s/ Kenneth A. Gunderman



**Kenneth A. Gunderman**

**President and Chief Executive Officer**

**Exhibit 32.2**

**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 March 31, 2022 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: May 5, 2022 By: /s/ Paul E. Bullington

**Paul E. Bullington**



**Senior Vice President – Chief Financial Officer**

**and Treasurer**