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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 17, 2017

Uniti Group Inc.
(Exact name of registrant as specified in its charter)

Maryland	**001-36708**	**46-5230630**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

10802 Executive Center Drive **Benton Building Suite 300** **Little Rock, Arkansas**	**72211**
(Address of principal executive offices)	(Zip Code)

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

Not Applicable
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☐

Item 2.02 Results of Operations and Financial Condition

On April 17, 2017, the Company is providing the following information in a prospectus supplement related to a potential equity offering.

Preliminary First Quarter Results

Set forth below are selected preliminary, unaudited financial results for the three months ended March 31, 2017. We have not yet completed our financial closing process, and the information set out below should be considered preliminary and subject to change. These estimates have been prepared by and are the responsibility of management. Our independent registered public accounting firm has not reviewed our preliminary financial data, and does not express an opinion or any other form of assurance with respect to the preliminary financial data. The below summary of financial data is not a comprehensive statement of our financial results for the three months ended March 31, 2017, and our actual results may differ materially from these estimates due to the completion of our financial closing procedures, final adjustments, review by our auditors and other developments that may arise between now and the time the financial results are finalized.

The following are the selected preliminary, unaudited financial results for the three months ended March 31, 2017, as well as a comparison to our unaudited financial results for the three months ended March 31, 2016.

	Three months ended March 31, 2017		Three months ended March 31, 2016
	Low end of the range(1)	High end of the range(1)	Actual(1)
	(in millions)		
Revenue	$210.0	$212.0	$174.7
Net (loss) income	(22.0)	(18.0)	8.0
Net (loss) income applicable to common shareholders	(23.8)	(19.8)	7.7
Adjusted EBITDA	175.1	178.6	165.7
AFFO per common share	$0.63	$0.66	$0.65

(1) Amounts may not subtotal due to rounding.

For the three months ended March 31, 2017, net loss and net loss applicable to common shareholders includes the impact of approximately $10 million of transaction related costs and a non-cash charge of approximately $11.0 million related to a change in the fair value of contingent consideration liabilities.

The following table presents a reconciliation of the midpoint of our preliminary estimated Adjusted EBITDA and AFFO per common share to the midpoint of our preliminary estimated low end and high end ranges for our net (loss) income, the most directly comparable GAAP measure, for the three months ended March 31, 2017.

Adjusted EBITDA

	Three months ended March 31, 2017	Three months ended March 31, 2016
	Midpoint(1)	Actual(1)
	(in millions)	
Net (loss) income	$(20.0)	$8.0
Depreciation and amortization	101.4	86.3
Interest expense	73.4	66.0
Income tax expense	(0.5)	0.4
EBITDA	154.3	160.9
Stock-based compensation	1.6	0.9

Change in fair value of contingent consideration	11.0	–
Transaction related costs	10.0	3.9
Adjusted EBITDA	$176.9	$165.7

(2) Amounts may not subtotal due to rounding.

AFFO per common share

	Three months ended March 31, 2017 Midpoint(1)	Three months ended March 31, 2016 Actual(1)
Net (loss) income attributable to common shareholders	$(0.14)	$0.05
Real estate depreciation and amortization	0.59	0.57
Participating securities' share in earnings	0.00	0.00
Participating securities' share in FFO	(0.00)	(0.00)
FFO applicable to common shareholders	$0.45	0.62
Transaction related costs	0.06	0.03
NFFO applicable to common shareholders	0.51	0.65
Amortization of deferred financing costs	0.02	0.01
Amortization of debt discount	0.02	0.01
Stock-based compensation	0.01	0.01
Non-real estate depreciation and amortization	0.07	0.01
Straight-line revenue	(0.02)	(0.03)
Change in fair value of contingent consideration	0.07	–
Maintenance capital expenditures	(0.00)	(0.01)
Amortization of discount on convertible preferred stock	0.00	–
Other non-cash (revenue) expense, net	(0.02)	(0.01)
AFFO applicable to common shareholders	$0.65	$0.65

(1) Amounts may not subtotal due to rounding.

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"), Normalized Funds From Operations ("NFFO") 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, NFFO and AFFO are important non-GAAP supplemental measures of operating performance for a real estate investment trust ("REIT").

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

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

We define NFFO, as FFO excluding the impact, which may be recurring in nature, of transaction and integration related costs. We define AFFO as NFFO excluding (i) noncash revenues and expenses such as stock-based compensation expense, amortization of debt and equity discounts, amortization of deferred financing costs, depreciation and amortization of non-real estate assets, straight-line revenues and revenue associated with the amortization of tenant funded capital improvements and (ii) the impact, which may be recurring in nature, of the write-off of unamortized deferred financing fees, additional costs incurred as a result of the early repayment of debt, changes in the fair value of contingent consideration and financial instruments, and similar items less maintenance capital expenditures. We believe that the use of FFO, NFFO 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, NFFO and AFFO to be useful measures for reviewing comparative operating and financial 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. We use FFO, NFFO and AFFO, and their respective per share amounts, as performance measures, and FFO, NFFO and AFFO do not purport to be indicative of cash available to fund our future cash requirements. While FFO, NFFO and AFFO are relevant and widely used measures of operating performance of REITs, they do not represent cash flows from operations or net income as defined by GAAP and should not be considered an alternative to those measures in evaluating our liquidity or operating performance.

Further, our computations of EBITDA, Adjusted EBITDA, FFO, NFFO 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, NFFO and AFFO differently than we do.

The information contained in this Item 2.02 is being "furnished" and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of Section 18 of the Exchange Act. The information in this Item 2.02 shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended, or into any filing or other document pursuant to the Exchange Act, except as otherwise expressly stated in any such filing.

Item 7.01 Regulation FD Disclosure

Uniti has obtained commitments, subject to a number of conditions including execution of definitive documentation, for an increase in the commitments under its revolving credit facility from $500 million to $750 million.

Item 8.01 Other Information

As previously announced, on April 10, 2017, Uniti Group Inc. (the "Company") entered into a definitive agreement to acquire Southern Light, LLC, an Alabama limited liability company ("Southern Light"). The Company is filing this report to present historical audited financial statements of Southern Light as well as certain pro forma financial information relating to the Company's pending acquisition of Southern Light. Accordingly, audited consolidated financial statements of Southern Light and unaudited pro forma condensed combined financial statements giving effect to the pending acquisition of Southern Light are attached as Exhibits 99.1 and 99.2, respectively.

Item 9.01 Financial Statements and Exhibits

(a) Financial statements of businesses acquired.

The audited consolidated financial statements of Southern Light as of December 31, 2016 and 2015 and for each of the two years in the period ended December 31, 2016 are filed as Exhibit 99.1 hereto.

(b) Pro forma financial information.

Uniti Group Inc.'s unaudited pro forma condensed combined financial statements as of and for the year ended December 31, 2016 giving effect to the acquisition of Southern Light and certain other acquisitions consummated since January 1, 2016, and the financing therefor, are filed as Exhibit 99.2 hereto.

(d) The following exhibits are included with this Current Report.

Exhibit Number	Description
23.1	Consent of Independent Registered Public Accounting Firm
99.1	Southern Light, LLC Audited Financial Statements as of December 31, 2016 and 2015and for each of the two years in the period ended December 31, 2016.
99.2	Unaudited Pro Forma Condensed Combined Financial Statements of Uniti Group Inc. as of and for the year ended December 31, 2016.

FORWARD LOOKING STATEMENTS

Certain statements in this Current Report on Form 8-K may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended from time to time. Those forward-looking statements include all statements that are not historical statements of fact and those regarding the registrant's intent, belief or expectations including, without limitation, statements regarding its expectations with respect to the proposed transaction with Southern Light, LLC.

Words such as "anticipate(s)," "expect(s)," "intend(s)," "estimate(s)," "foresee(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 the registrant believes that the assumptions underlying the forward-looking statements are reasonable, it can give no assurance that its expectations will be attained. Factors which could materially alter its expectations with regard to the proposed transaction with Southern Light, LLC, include, among other things, the possibility that the terms of the transaction as described in this Current Report on Form 8-K are modified; the risk that the transaction agreements may be terminated prior to expiration; risks related to satisfying the conditions to the transactions, including timing and possible delays and receipt of regulatory approvals from various governmental entities (including any conditions, limitations or restrictions placed on these approvals) and the risk that one or more governmental entities may deny approval.

The registrant expressly disclaims any obligation to release publicly any updates or revisions to any of the forward looking statements set forth in this Current Report on Form 8-K to reflect any change in its expectations or any change in events, conditions or circumstances on which any statement is based.

SIGNATURE

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 hereunto duly authorized.

Date: April 17, 2017

UNITI GROUP INC.

By: /s/ Daniel L. Heard

Name:	Daniel L. Heard
Title:	Executive Vice President – General Counsel and Secretary

EXHIBIT INDEX

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Exhibit 23.1

Consent of Independent Certified Public Accountants

We have issued our report dated March 18, 2017 with respect to the consolidated financial statements of Southern Light, LLC as of December 31, 2016 and 2015 and for the two year period ended December 31, 2016, included in the Current Report on Form 8-K of Uniti Group Inc. filed on April 17, 2017. We consent to the incorporation by reference of said report in the Registration Statements of Communications Sales & Leasing, Inc. (subsequently renamed “Uniti Group, Inc.”) on Form S-3 (No. 333-212046) and Form S-8 (No. 333-203591).

/s/ Grant Thornton LLP
Raleigh, North Carolina
April 17, 2017

Consolidated Financial Statements

Southern Light, LLC and Affiliate

Years Ended December 31, 2016 and 2015

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Grant Thornton

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Members of
Southern Light, LLC and Affiliate:

We have audited the accompanying consolidated financial statements of **Southern Light, LLC and Affiliate** (the "Company"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, changes in member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Southern Light, LLC and Affiliate as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Raleigh, North Carolina

March 18, 2017

Consolidated balance sheets

December 31	2016	2015
	$	$
Assets		
Current assets		
Cash	73,087	-
Accounts receivable, net of allowance of $320,378 and $1,116,740, respectively	16,090,146	10,396,889
Other current assets	1,030,763	1,109,499
Total current assets	17,193,996	11,506,388
Total property and equipment, net	186,765,418	152,379,772
Other Assets		
Prepaid leases	1,707,155	1,637,349
Deferred loan fees	1,035,553	1,243,690
Inventory	5,564,085	3,114,519
Security deposits and other assets	1,480,829	683,656
Total other assets	9,787,622	6,679,214
Total assets	213,747,036	170,565,374
Liabilities & member's equity		
Current liabilities		
Accounts payable	10,517,545	7,708,762
Accrued expenses and other liabilities	3,272,933	2,767,719
Unearned revenue	5,149,680	2,780,885
Current maturities of long term debt	94,750	-
Current maturities of capital leases	909,147	774,757
Total current liabilities	19,944,055	14,032,123
Long-term liabilities		
Unearned revenue	26,178,029	15,279,484
Long term debt	89,756,813	75,140,893
Long term capital lease obligations	1,859,238	1,551,478
Obligation under interest rate swaps	-	147,477
Total long-term liabilities	117,794,080	92,119,332
Commitments and contingencies		
Member's equity		
Member's equity	75,547,174	64,561,396
Accumulated other comprehensive income (loss)	461,727	(147,477)
Total member's equity	76,008,901	64,413,919
Total liabilities & member's equity	213,747,036	170,565,374

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

Consolidated statements of comprehensive income

December 31	2016	2015
	$	$
Revenues	84,251,308	75,456,847
Operating costs and expenses		
Operating costs (excluding depreciation and amortization)	21,216,082	21,019,990
Selling, general and administrative	21,793,827	18,612,678
Depreciation and amortization expense	23,640,918	20,712,031
Total operating costs and expenses	66,650,827	60,344,699
Operating income	17,600,481	15,112,148
Non-operating income and expenses		
Interest expense (net)	(3,370,246)	(3,372,255)
Other income (net)	535,593	497,604
Total non-operating expenses	(2,834,653)	(2,874,651)
Net income	14,765,828	12,237,497
Other comprehensive income		
Increase in fair value of interest rate swap	609,204	304,395
Comprehensive income	15,375,032	12,541,892

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

Consolidated statements of changes in member's equity

	Member's equity	Accumulated other comprehensive income (loss)	Total member's equity
	$	$	$
Balance, January 1, 2015	54,509,869	(451,872)	54,057,997
Net income	12,237,497	-	12,237,497
Other comprehensive income:			
Increase in fair value of interest rate swap	-	304,395	304,395
Distributions to member	(2,185,970)	-	(2,185,970)
Balance, December 31, 2015	64,561,396	(147,477)	64,413,919
Net income	14,765,828	-	14,765,828
Other comprehensive income:			-
Increase in fair value of interest rate swap	-	609,204	609,204
Distributions to member	(3,780,050)	-	(3,780,050)
Balance, December 31, 2016	75,547,174	461,727	76,008,901

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

Consolidated statements of cash flows

	2016	2015
	$	$
Cash flows from operating activities		
Net income	14,765,828	12,237,497
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	23,640,918	20,712,031
(Gain) loss on disposals and asset sales	236,371	(9,779)
Amortization of deferred loan fees	216,380	172,683
Amortization of unearned revenue	(3,774,973)	(2,669,380)
Additions of unearned revenue	17,042,313	9,669,888
Provision for allowance for doubtful accounts	37,764	133,000
Change in assets and liabilities:		
Accounts receivable	(5,731,021)	(2,912,467)
Other assets	(2,640,993)	(561,821)
Accounts payable	778,933	(1,153,801)
Accrued expenses and other liabilities	505,214	448,542
Net cash provided by operating activities	45,076,734	36,066,393
Cash flows from investing activities		
Capital expenditures	(56,770,677)	(41,199,203)
Prepaid IRU additions	(323,000)	(323,000)
Purchases of security deposits	(104,605)	(34,310)
Repayments of security deposits	69,919	24,800
Proceeds from sale or disposals of assets	118,579	199,623
Net cash used in investing activities	(57,009,784)	(41,332,090)
Cash flows from financing activities		
Proceeds from long term debt	1,895,000	-
Net activity - revolver loan	12,859,107	75,140,893
Payments on long term debt	(43,437)	(68,600,000)
Deferred loan fees	(22,690)	(1,450,972)
Payments on capital leases	(931,645)	(811,964)
Member distributions	(3,780,050)	(2,185,970)
Book overdrafts	2,029,852	2,181,466
Net cash provided by financing activities	12,006,137	4,273,453
Net increase (decrease) in cash	73,087	(992,244)
Cash at beginning of the year	-	992,244
Cash at end of the year	73,087	-

Supplemental disclosures of cash flow information

Non-cash purchases of property and equipment through capital leasing of $1,373,793 and $1,653,640 in 2016 and 2015, respectively
Cash paid for interest of $3,079,926 and $3,261,105 in 2016 and 2015, respectively

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

Notes to consolidated financial statements

1 Nature of Operations

The Company, a wholly owned subsidiary of SLF Holdings, LLC, was organized July 10, 1998 under the laws of the State of Alabama as a limited liability company for the purposes of delivering high bandwidth connectivity and colocation services for its communications intensive customers. The Company's operations to date consist of providing large bandwidth communications solutions to customers in the southeastern United States. The Company constructs, operates, and maintains its own fiber optic infrastructure for the provision of transport services to carrier, government and enterprise customers across the region.

The Company has been certified as a competitive local exchange (CLEC) and interexchange carrier in Alabama, an alternative local exchange (ALEC) and an alternative access vendor (AAV) in Florida, and as a CLEC in Louisiana, Mississippi and Georgia. In this capacity, the Company can purchase and install the necessary switching and transmitting equipment to provide interactive voice and data communication services.

2 Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include all of the Company's accounts and Southern Longleaf Pine, LLC (SLLP) in which it has a controlling interest and is required to be consolidated in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). All significant intercompany accounts and transactions have been eliminated in consolidation.

To determine whether the Company is the primary beneficiary of a variable interest entity and therefore required to consolidate, a qualitative approach is applied to determine whether the Company has a controlling financial interest. A controlling financial interest exists if the Company has both the power to direct the economically significant activities of the entity and the obligation to absorb losses of, or the right to receive benefits from, the entity that could potentially be significant to the entity.

Management Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash on deposit with banks. The Company's cash balances held at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. From time to time the Company has amounts that exceed the FDIC limit.

Book overdrafts occur when checks have been issued but have not been presented to the Company's controlled disbursement bank accounts for payment. Disbursement bank accounts allow the Company to delay funding of issued checks until the checks are presented for payment. Until the issued checks are presented for payment, the book overdrafts are included in accounts payable on the consolidated balance sheet. This activity is included in the financing activities section of the Company's consolidated statements of cash flows.

Accounts Receivable / Allowance for Doubtful Accounts

The Company reports trade receivables net of an allowance for doubtful accounts and generally does not charge interest on its accounts receivable. Management determines the allowance for doubtful accounts based on historical losses and current economic conditions. On a continuing basis management analyzes delinquent receivables; once the receivables are determined to be uncollectible using a combination of contractual terms and historical data, they are written off through a charge against an existing allowance account.

Other Current Assets

Other current assets are comprised of prepaid expenses, prepaid service contracts, and prepaid insurance. At December 31, 2016 and 2015, prepaid expenses were $479,685 and $465,582, respectively.

Inventory

Inventory is carried at a weighted average cost and consists of materials to be used in construction of additions to the fiber optic network and elements of the fiber optic network.

Property and Equipment

The fiber optic transmission network and related equipment are recorded at cost. Employee-related costs that are associated with network construction and service installations are capitalized. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income or expense for the period. The cost of maintenance and repairs is charged to expense as incurred. Depreciation is generally computed using the straight-line method. Estimated useful lives are as follows: fiber optic network, 5-20 years; wireless network, 5 years; office furniture and equipment, 5-7 years; and telecommunication equipment, 5 years.

Deferred Financing Costs

The Company capitalizes costs associated with the issuance of debt and amortizes these costs as additional interest expense over the lives of the debt instruments using the straight line method. The Company has determined that the difference between the effective interest method and straight line method is immaterial to the financial statements. These costs are recorded as deferred loan fees within other assets in the accompanying consolidated balance sheets with amortization recorded within interest expense, net in the accompanying consolidated statements of comprehensive income.

Asset Retirement Obligations

In association with tower space leases, the Company has an obligation to remove its equipment at the conclusion of the lease terms. A liability for the cost of future removal has not been recorded on the consolidated balance sheets, as the projected cost is deemed immaterial to the current consolidated financial statements.

Derivatives

The Company uses derivatives to manage risks related to interest rate movements. Interest rate swap contracts designated and qualifying as cash flow hedges are reported at fair value. The gain or loss on the effective portion of the hedge is included as a component of other comprehensive income. The Company documents its risk management strategy and hedge effectiveness at the inception of and during the term of each hedge. The Company's interest rate risk management strategy is to stabilize cash flow requirements by maintaining interest rate swap contracts to convert variable-rate debt to a fixed rate.

Recognition of Revenue

The Company offers private line services (fixed amounts of capacity on fiber optic transmission lines that use optronics equipment installed by the Company) and long-term service contracts for dark fiber (fiber optic transmission lines utilized without optronics equipment installed by the Company) at fixed cost pricing over multi-year terms. Revenues from these services are recognized ratably over the term of the applicable service period or service contracts with customers, which range from 1 to 20 years. Monthly revenue under recurring agreements related to colocation, internet access, network services and managed services is recognized over the period that service is provided. Installation income is deferred and amortized over the life of its related monthly contract.

Advertising

The Company expenses advertising costs as incurred. Advertising expense amounted to $352,907 and $296,340 for the years ended December 31, 2016 and 2015, respectively.

Patronage Income

The Company receives patronage income from one of its long term debt providers which is paid partially in cash and partially in equity in the lender. Total patronage income was $670,317 and $491,021 in 2016 and 2015, respectively, and is included in other income. Investment balances are reported using the cost method and are included in security deposits and other assets on the consolidated balance sheets in the amounts of $634,004 and
$466,424 in 2016 and 2015, respectively.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. There is a three-tier fair value hierarchy that distinguishes between assumptions based on market data (observable inputs) and the Company's assumptions (unobservable inputs). Fair value measurements are classified under the following hierarchy:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Pricing inputs other than level 1 which are either directly or indirectly observable.
- Level 3: Unobservable pricing inputs developed using the Company's estimates and assumptions, which reflect those that market participants would use in pricing an asset or liability.

The determination of where an asset or liability falls in the hierarchy requires significant judgment. The Company evaluates its hierarchy disclosures each reporting period and, based on various factors, it is possible that an asset or liability may be classified differently from period to period. However, the Company expects that changes in classifications between different levels will be rare.

Limited Liability Company / Income Taxes

The Company has elected to be treated as a partnership for federal and state income tax purposes. Accordingly, no income tax expense has been recorded in these financial statements. All income or losses will be reported on the individual member's income tax returns.

With few exceptions, the Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2012.

As a limited liability company, each member's liability is limited to amounts reflected in their respective member's capital account, notwithstanding any personal guarantees.

Presentation of Certain Taxes

The Company collects various taxes from customers and remits these amounts to applicable taxing authorities. The Company's accounting policy is to exclude these taxes from revenues and cost of sales.

Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers, as subsequently amended, as part of its ongoing efforts to assist in the convergence of U.S. GAAP and International Financial Reporting Standards, the FASB issued a new standard related to revenue recognition. Under the new standard, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new standard will be effective for annual reporting periods beginning after December 15, 2018. The Company is currently evaluating the impact this standard will have on its financial statements.

In February 2016, the FASB issued ASU 2016-02 regarding ASC Topic 842, “Leases,” which amends various aspects of existing lease guidance for leases. ASU 2016-02 requires an entity to recognize assets and liabilities arising from a lease for both financing and operating leases, along with additional qualitative and quantitative disclosures. The main difference between GAAP and the amended standard is the recognition of lease assets and lease liabilities by lessees on the balance sheet for those leases classified as operating leases under previous GAAP. As a result, the Company will have to recognize a liability representing its lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term on the balance sheet. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the impact this standard will have on its financial statements.

Date of Management’s Review

Management has evaluated all events or transactions that occurred after December 31, 2016 through March 18, 2017, the date which the consolidated financial statements were available to be issued.

3 Member’s Equity as Defined by the Operating Agreement

Member’s equity is comprised of two available classes: members, and holders of financial rights. Members and holders of financial rights have the same rights upon sale or dissolution of the limited liability company, namely, to share in the distribution of net assets in proportion to the balances in their capital accounts; however, holders of financial rights have no governance rights in the Company.

No member or holder of financial rights may sell, assign, transfer, mortgage, or pledge his interest in the limited liability company without the prior written consent of all members. As of December 31, 2016 and 2015, members held $75,547,174 and $64,561,396, respectively, of equity in Southern Light, LLC, and there were no holders of financial rights in the Company.

4 Fair Value of Financial Instruments

The Company has certain financial instruments, none of which are held for trading purposes. The Company estimates that the fair value of all financial instruments at December 31, 2016, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

The following table represents the Company's fair value hierarchy for its financial instruments (asset/liability under interest rate swaps) measured at fair value on a recurring basis as of December 31, 2016 and 2015. The interest rate swaps are valued using models which are primarily based on market observable inputs including interest rate curves.

December 31, 2016	Level 1	Level 2	Level 3	Total carrying amount
Derivative instruments				
Interest rate swaps asset*	-	$ 461,727		$ 461,727

December 31, 2015	Level 1	Level 2	Level 3	Total carrying amount
Derivative instruments				
Interest rate swaps liability	-	$ 147,477	-	$ 147,477

* Included in security deposits and other assets on the consolidated balance sheets

5 Property and Equipment

The Company's property and equipment consists of the following:

December 31	2016	2015
	$	$
Fiber optic transmission network	211,237,179	167,440,773
Telecommunications equipment	64,462,775	59,513,380
NOC/Colocation facilities	8,457,459	7,578,990
Software	3,983,345	3,015,889
Buildings	1,068,678	308,147
Trucks and trailers	4,133,015	2,825,542
Land	564,071	185,071
Other furniture & equipment	6,958,121	5,991,131
	300,864,643	246,858,923
Less: accumulated depreciation and amortization	(114,099,225)	(94,479,151)
Total property and equipment, net	186,765,418	152,379,772

Employee-related costs of $8,780,097 and $7,357,116 were capitalized in 2016 and 2015, respectively. No interest was capitalized during the years ended December 31, 2016 and 2015.

6 Long Term Debt

The Company had a credit agreement, with a financial institution, which provided the Company with a Term Loan Facility, two Incremental Term Loan Facilities and a Revolver Loan Facility. The Term Loan Facility dated July 27, 2011 provided for $30,000,000 of senior secured debt with five year amortizing term loans and was amended on April 19, 2013 to provide for a $20,000,000 Incremental Term Loan Facility and again on December 23, 2014 to provide for an additional $20,000,000 Incremental Term Loan Facility. The Term Loans under each facility amortized at 0.25% per quarter (for an aggregate of 1.00% per year). All unpaid balances were to be due at maturity, September 30, 2016.

On December 22, 2015, the Company paid $68,600,000 in order to satisfy the term loan and the Company's credit agreement was amended and restated as a Revolver Loan Facility and a Multi-Draw Term Loan Facility. These loans have been secured by substantially all assets of the Company. The amended and restated Revolver Loan Facility dated as of December 22, 2015 provides for a maximum of $130,000,000 of senior secured revolving debt, which includes a $10,000,000 Swingline subfacility and a $5,000,000 sublimit for the issuance of Letters of Credit. Any loans under the $20,000,000 Multi-Draw Term Loan Facility will be available from the closing date, December 22, 2015, through December 22, 2018. There were no amounts outstanding under the Multi-Draw Term Loan Facility during 2015 or 2016. All outstanding balances under either facility mature at December 22, 2022, with no required principal payment prior to maturity.

As of December 31, 2016 and 2015, the balances outstanding on the Revolver Loan Facility were $88,000,000 and $75,140,893. The balances outstanding on the Multi-Draw Term Loan Facility were $0 at December 31, 3016 and 2015. The Company had a total of $62,000,000 and $74,859,107 of availability under the Revolver Loan Facility and the Multi-Draw Term Loan Facility as of December 31, 2016 and 2015, respectively.

Amounts borrowed under these agreements bear interest at the Company's option of either a defined Base Rate plus a margin or LIBOR plus a margin. At December 31, 2016, the interest rates on the Revolver Loan Facility ranged from 3.04% to 5.38%. At December 31, 2015, the interest rates on the Revolver Loan Facility ranged from 3.04% to 5.13%.

The provisions of the loan and security agreement contain various affirmative, negative, financial and reporting covenants. The Company was in compliance with all loan covenants for all years.

During 2016, the Company's consolidated variable interest entity, SLLP, entered into two five year Term Loans with a financial institution for the purpose of purchasing commercial property to lease to the Company. The loans, for $950,000 and $945,000, carrying a variable interest rate based on one month LIBOR, were dated June 24, 2016 and July 15, 2016, respectively, and are fully guaranteed by the Company. As of December 31, 2016, balances outstanding on each of the loans were $926,250 and $925,313. Unpaid principal balances outstanding for both Term Loans are due at maturity.

Maturities of the SLLP Term Loans as of December 31, 2016 and for each of the remaining five years and thereafter are as follows:

	Amount
Year ending December 31:	**$**
2017	94,750
2018	94,750
2019	94,750
2020	94,750
2021	1,472,563
Thereafter	-
Total	1,851,563

7 Derivative Financial Instruments

As disclosed in Note 6, loan facilities bear interest at a variable rate. To minimize the effect of interest rate changes, the Company had several contracts in place during 2016 and 2015:

Notional amount	Start date	Maturity date	Fixed rate	Underlying
$18,000,000	12/20/2012	7/20/2016	2.0100%	1 Month LIBOR
$6,000,000	12/26/2012	7/27/2015	1.6150%	1 Month LIBOR
$2,000,000	4/22/2016	4/22/2021	1.1900%	1 Month LIBOR
$18,000,000	7/20/2016	7/20/2021	1.2500%	1 Month LIBOR

These agreements effectively changed the interest rate on notional amounts listed above of the loan facilities from a variable rate to a fixed rate. At December 31, 2016, the effective rate for $20,000,000 of the Revolver Loan Facility was fixed at 3.869%. At December 31, 2015, the effective rate for $18,000,000 of the Revolver Loan Facility was fixed at 4.635%. All effective rates listed above in this paragraph include the fixed rates from the notional amounts listed in the table above plus the applicable margin for LIBOR rate loans.

In accordance with FASB Accounting Standards Codification (ASC) 815-10, the Company recognized the interest rate swap derivatives on the consolidated balance sheets at fair value. The derivatives were designated as and met all of the criteria for a cash flow hedge. The contracts are effective in offsetting the interest rate exposure of the forecasted interest rate payments hedged. Therefore, the Company adjusts the interest rate swaps to fair values through other comprehensive income.

The Company anticipates that these contracts will continue to be effective. As of December 31, 2016 and 2015, unrealized net gains/(losses) on the derivative instruments of $461,727 and $(147,477), respectively, were recorded in security deposits and other assets (gains), obligations under interest rate swaps (losses) and changes to these balances in other comprehensive income.

8 Prepaid Network Leases

The Company has entered into multiple "Indefeasible Right of Use" (IRU) agreements for the use of certain fibers and conduit for periods ranging from 10 to 20 years. The Company is amortizing its accumulated investments totaling $4,573,622, ratably over the life of the agreements. The agreements expire at various times ranging from October 2017 through January 2037. Amortization of these leases included in depreciation and amortization expense was $237,043 and $207,435 per year for the years ended December 31, 2016 and 2015, respectively. The remaining unamortized balances included in other current assets and prepaid leases were $1,946,890 and $1,860,933 at December 31, 2016 and 2015, respectively.

Associated with these IRU agreements are certain support and maintenance fees the Company is contractually obligated to pay over the life of the agreements. Minimum future support and maintenance fees to be paid, excluding consumer price index adjusted annual escalators, are as follows as of December 31, 2016:

Year ending December 31:	Amount $
2017	523,939
2018	445,409
2019	440,329
2020	437,348
2021	371,454
Thereafter	1,256,091
Required minimum support and maintenance fees to be paid	3,474,570

9 Capital Lease Obligations

The Company leases telecommunications equipment and software under various capital leases. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over their estimated productive lives. Amortization of assets under capital leases is included in depreciation expense for the year ended December 31, 2016. Property held under capital lease, net of amortization, totaled $3,106,427 at December 31, 2016 and $3,227,960 at December 31, 2015. Interest rates on capitalized leases vary from 3.339% to 4.260%.

Minimum future lease payments under capital leases, including purchase options of $166,686 are as follows at December 31, 2016:

			Amount
Year ending December 31:		**$**	
2017	997,743		
2018	858,510		
2019	771,637		
2020	318,021		
2021	-		
Thereafter	-		
	Total		2,945,911
Less amount representing interest*		(177,526)	
	Present value of minimum lease payments		2,768,385

* Interest amounts are excluded from capital lease obligations presented in the consolidated balance sheets.

10 Commitments under Operating Leases

The Company leases office space and various properties including warehouse space and colocation facilities for use in its operations under long-term real estate operating leases. These leases expire at various times through July 2036 or are under month-to-month agreements. The Company's real estate leases provide for fixed rental payments, generally contain renewal options and certain leases require the Company to reimburse its proportionate share of building, maintenance and operating expenses which includes property taxes and insurance.

The Company also leases tower space for use in its operation under long-term operating leases, usually with an original term ranging from 24 to 60 months. The leases provide for fixed rental payments and generally contain renewal options and escalator clauses.

During 2014, the Company entered into an agreement to lease additional office space which will enable the Company to consolidate much of its professional, sales and administrative staff at one location. The lease anticipates July 1, 2017 as the beginning of the initial fifteen year lease term and provides for two five year renewal options. The lease provides for an initial rent-free period with future minimum payments beginning at $305,500 for 2018 and including an escalator ranging from 1.56% to 1.92% annually through 2032, an aggregate of
$9,623,251 over the initial term of the lease. Rental expense will be recognized on a straight line basis over the term of the lease in accordance with Accounting Standards Codification ("ASC") 840-20-25.

The following is a summary of the future minimum lease payments required under long-term leases at December 31, 2016:

	Amount
Year ending December 31:	**$**
2017	1,122,782
2018	1,087,580
2019	1,009,011
2020	911,907
2021	785,680
Thereafter	7,799,056
Required minimum lease payments	12,716,016

The Company incurred rent expense of $1,564,822 and $1,663,425 for the years ending December 31, 2016 and 2015, respectively.

11 Retirement Plans

Employees of the Company are eligible to participate in the Southern Light, LLC 401(k) Plan (the plan). The plan covers employees who are at least age 21 and have worked one hour. The plan allows both elective (employee) and non-elective (employer) contributions. The plan is Qualified under Code Sec. 401(k) of the Internal Revenue Code and includes discretionary profit sharing contributions.

The Company's contribution to the plan, as determined by the Company's management, is discretionary but cannot exceed certain maximum defined limitations. Contributions to the plan for the years ended December 31, 2016 and 2015 were $486,747 and $415,165, respectively.

12 Concentrations of Credit Risk

The Company is generally limited in establishing its customer base to the geographic area in which its fiber optic network is located.

At various times during the year, the Company's cash in bank balances exceeded federally insured limits.

The Company extends credit to customers based on various contractual terms in the normal course of business. The Company does not generally require collateral on these receivables. Total revenues for the years ended December 31, 2016 and 2015 include sales to two major customers which accounted for more than 10% of the total service revenues of the Company. The revenues and accounts receivable from these customers accounted for the following amounts and percentages in 2016 and 2015:

	Total sales		Accounts receivable	
	2016	2015	2016	2015
	%	%	$	$
Customer 1	34.7	26.4	6,042,181	4,867,905
Customer 2	3.5	13.6	-	74,567

13 Related Party Transactions

The Company transacts business with companies that are related to the member through ownership. At December 31, 2016 and 2015, the Company had accounts receivable of $56,731 and $24,042, respectively, with these related companies.

Revenues from these related companies for the years ended December 31, 2016 and 2015 were:

	2016 $	2015 $
Service Revenues:		
Private Line	197,220	178,019
Colocation	102,147	82,005
Internet	84,432	64,544
Dark Fiber	7,200	6,600
Total Recurring Revenues	390,999	331,168

14 Contingencies

The Company is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability (if any) with respect to these actions will not materially affect the financial position of the Company.

The Company maintains bank letters of credit as required for certain municipal franchise agreements. These letters of credit were issued by financial institutions not associated with the Revolver or Term Loan Facilities described in note 6. At December 31, 2016 and 2015, total letters of credit outstanding were $150,000 and $150,000.

The Company purchases surety bonds in conjunction with the normal operations of constructing and maintaining a fiber optic network. At December 31, 2016 and 2015, the total amounts of surety bonds outstanding were $1,847,865 and $1,882,525.

15 Variable Interest Entities

The Company is the primary beneficiary of a variable interest entity, SLLP, which was founded on December 8, 2015, by SLF Holdings, LLC for the purpose of acquiring real property to lease to the Company. As such, SLLP purchased two commercial properties, one on June 24, 2016 and the other on July 15, 2016, and leased them to the Company as of the purchase dates.

At December 31, 2016, the book values of the assets and liabilities associated with the variable interest entity included in the Company’s consolidated balance sheets were $1,962,173 and $1,851,563, respectively. Assets included $1,874,467 of real property, and liabilities included $1,851,563 of long term debt. The impact of consolidating this variable interest entity on the Company’s consolidated statements of comprehensive income was not significant.

16 Reclassifications

Certain reclassifications have been made to the December 31, 2015 consolidated financial statement presentation to correspond to the current year’s format. Book overdrafts in the consolidated statement of cash flows were reclassified from operating activities to financing activities. Total equity and net income remain unchanged due to these reclassifications.

Uniti Group Inc.'s
Unaudited Pro Forma Combined Financial Data

The following unaudited pro forma consolidated financial statements present Uniti Group Inc.'s ("Uniti" or the "Company") unaudited pro forma combined statement of income for the year ended December 31, 2016, and its unaudited pro forma combined balance sheet as of December 31, 2016. These statements have been derived from (a) the historical financial statements of Uniti as of and for the year ended December 31, 2016, which includes the results of PEG Bandwidth, LLC ("PEG") from the May 2, 2016 acquisition date to December 31, 2016 and the results of Tower Cloud, Inc. ("Tower Cloud") from the August 31, 2016 acquisition date to December 31, 2016; (b) the historical financial statements of PEG for the period from January 1, 2016 to May 1, 2016; (c) the historical financial statements of Tower Cloud for the period from January 1, 2016 to August 31, 2016; and (d) the historical financial statements of Southern Light, LLC ("Southern Light") as of and for the year ended December 31, 2016.

The following unaudited pro forma combined financial statements give effect to the acquisition of Southern Light and the related transactions, including: (i) an assumed issuance of $250 million of senior unsecured debt securities and $450 million of common stock (assumed to be 17.7 million shares of the Company's common stock, $0.0001 par value ("Common Stock"), using an assumed price of $25.41 (the closing share price on the Nasdaq Global Select Market on December 30, 2016) per share) to fund the cash portion of the Southern Light purchase consideration and for other general corporate purposes and (ii) issuance of 2.5 million Operating Partnership units ("OP Units"), exchangeable subject to certain conditions on a 1:1 basis for common stock (or cash equivalent value, at Uniti's election), for purchase consideration to Southern Light equity holders. Additionally, the unaudited pro forma combined financial statements give effect to the 2016 acquisitions of PEG and Tower Cloud and the related transactions, including: (i) revolving credit facility borrowings and related interest expense to fund the cash portion of the purchase consideration, (ii) issuance of 2.9 million shares of Common Stock for purchase consideration and (iii) issuance of 87,500 shares of the Company's 3% Series A Convertible Preferred Stock, liquidation preference $1,000 per share (the "Convertible Preferred Stock"), for purchase consideration in the PEG acquisition. The unaudited pro forma combined statement of income assumes the purchases of Southern Light, PEG and Tower Cloud (the "Acquisitions") occurred on January 1, 2016, and the unaudited pro forma combined balance sheet assumes the Southern Light Acquisition occurred on December 31, 2016.

The pro forma adjustments are based on currently available information and assumptions we believe are reasonable, factually supportable, directly attributable to the Acquisitions, and for the purposes of the pro forma combined financial statements, are expected to have a continuing impact on us. The pro forma financial statements do not reflect other transactions since January 1, 2016, including our issuance of additional debt securities during 2016, the repricings of our term loans or other acquisitions including the completed acquisition of NMS and the pending acquisition of Hunt, for which financial statements and pro forma financial statements are not required.

Our unaudited pro forma combined financial statements were prepared in accordance with Article 11 of Regulation S-X, using the assumptions set forth in the notes to our unaudited pro forma combined financial statements. The following unaudited pro forma combined financial statements are presented for illustrative purposes only and do not purport to reflect the results we may achieve in future periods or the historical results that would have been obtained had the Acquisitions occurred on January 1, 2016 or had the Southern Light Acquisition occurred as of December 31, 2016, as the case may be. Our unaudited pro forma combined financial statements also do not give effect to the potential impact of final purchase accounting adjustments, current financial conditions, any anticipated synergies, operating efficiencies, costs savings, or integration costs that may result from the transactions described above.

Our unaudited pro forma combined financial statements are derived from, and should be read in conjunction with the historical financial statements of Uniti, Southern Light, PEG and Tower Cloud and accompanying notes filed herewith or previously filed with the SEC.

Uniti Group Inc.
Unaudited Pro Forma Balance Sheet
As of December 31, 2016

(Thousands, except par value)	Historical Uniti	Historical Southern Light	Pro Forma Adjustments			Pro Forma Combined
Assets:						
Property, plant and equipment, net	$ 2,670,037	$ 192,330	$ 12,124	(A)	(T)	$ 2,874,490
Cash and cash equivalents	171,754	73	64,927	(C)	(T)	236,754
Accounts receivable, net	15,281	16,090	-			31,371
Goodwill	262,334	-	266,956	(A)		529,290
Intangible assets, net	160,584	-	255,300	(A)		415,884
Straight-line revenue receivable	29,088	-	-			29,088
Other assets	9,674	4,219	(649)	(B)	(T)	13,244
Total Assets	$ 3,318,752	$ 212,711	$ 598,658			$ 4,130,121
Liabilities, Convertible Preferred Stock and Shareholders' Deficit:						
Liabilities:						
Accounts payable, accrued expenses and other liabilities	$ 40,977	$ 13,601	$ -			$ 54,578
Accrued interest payable	27,812	189	(189)	(C)		27,812
Deferred revenue	261,404	31,328	(1,328)	(A)		291,404
Derivative liability	6,102	-	-			6,102
Dividends payable	94,607	-	-			94,607
Deferred income taxes	28,394	-	-			28,394
Capital lease obligations	54,535	2,768	-			57,303
Contingent consideration	98,600	-	-			98,600
Notes and other debt, net	4,028,214	88,816	161,184	(C)	(T)	4,278,214
Total liabilities	4,640,645	136,703	159,667			4,937,015
Convertible Preferred Stock, Series A, $0.0001 par value, 88 shares authorized, issued and outstanding, $87,500 liquidation value	80,552	-	-			80,552
Shareholders' Deficit:						
Preferred stock, $0.0001 par value, 50,000 shares authorized, no shares issued and outstanding	-	-	-			-
Common stock, $0.0001 par value, 500,000 shares authorized, issued and outstanding: 155,157 shares at December 31, 2016	15	-	2	(D)		17
Additional paid-in capital	141,092	-	449,998	(D)		591,090
Member's equity	-	75,547	(75,547)	(D)		-
Accumulated other comprehensive loss	(6,369)	462	(462)	(D)		(6,369)
Distributions in excess of accumulated earnings	(1,537,183)	-	-			(1,537,183)
Total Uniti shareholders' deficit	(1,402,445)	76,009	373,991			(952,446)
Noncontrolling Interests - operating partnership units	-	-	65,000	(D)		65,000
Total shareholders' deficit	(1,402,445)	76,009	438,991			(887,446)
Total Liabilities, Convertible Preferred Stock, and Shareholders' Deficit	$ 3,318,752	$ 212,711	$ 598,658			$ 4,130,121

Uniti Group Inc.
Unaudited Pro Forma Statement of Income
Year Ended December 31, 2016

(Thousands, except per share data)	Historical Uniti	Historical PEG Bandwidth, LLC January 1 - May 1, 2016	Pro Forma PEG Adjustments		Historical Tower Cloud, Inc. January 1 - August 31, 2016	Pro Forma Tower Cloud Adjustments		Historical Southern Light	Pro Forma Southen Light Adjustments		Pro Forma Combined
Revenues:											
Leasing	$ 677,368	$ -	$ -		$ -	$ -		$ -	$ -		$ 677,368
Fiber Infrastructure	70,568	27,302	(73)	(E)	27,701	(56)	(E)	84,251	-		209,693
Consumer CLEC	22,472	-	-		-	-		-	-		22,472
Total revenues	770,408	27,302	(73)		27,701	(56)		84,251	-		909,533
Costs and Expenses:											
Interest expense	275,394	3,250	175	(F)	3,119	487	(N)	3,370	14,541	(Q) (T)	300,336
Depreciation and amortization	375,970	11,113	660	(G)	13,258	3,069	(G)	23,641	9,039	(G) (T)	436,750
General and administrative expense	35,402	6,042	(214)	(H)	5,990	(792)	(H)	21,794	16	(T)	68,238
Operating expenses	49,668	10,246	(11)	(H)	13,462	-		21,216	86	(T)	94,667
Other expenses, net	-	29	-		1,353	-		(536)	662	(B) (T)	1,508
Transaction related costs	33,669	2,820	(14,021)	(I)	1,356	(10,492)	(I)	-	(175)	(I)	13,157
Total costs and expenses	770,103	33,500	(13,411)		38,538	(7,728)		69,485	24,169		914,656
Income (loss) before income taxes	305	(6,198)	13,338		(10,837)	7,672		14,766	(24,169)		(5,123)
Income tax expense (benefit)	517	-	-		-	(1,226)	(O)	-	(3,686)	(O)	(4,395)
Net (loss) income	(212)	(6,198)	13,338		(10,837)	8,898		14,766	(20,483)		(728)
Net loss attributable to noncontrolling interests	-	-	-		-	-		-	(30)	(R)	(30)
Net (loss) income available for shareholders	(212)	(6,198)	13,338		(10,837)	8,898		14,766	(20,453)		(698)
Participating securities' share in earnings	(1,557)	-	-		-	-		-	-		(1,557)
Accretion of preferred units to redemption value	-	(3,677)	3,677	(J)	-	-		-	-		-
Dividends declared on convertible preferred stock	(1,743)	-	(882)	(K)	-	-		-	-		(2,625)
Amortization of discount on convertible preferred stock	(1,985)	-	(891)	(L)	-	-		-	-		(2,876)
Net (loss) income applicable to common shareholders	$ (5,497)	$ (9,875)	$ 15,242		$ (10,837)	$ 8,898		$ 14,766	$ (20,453)		$ (7,756)
(Loss) earnings per common share:											
Basic	$ (0.04)										$ (0.05)
Diluted	$ (0.04)										$ (0.05)
Weighted-average number of common shares outstanding											
Basic	152,473		333	(M)		1,245	(P)		17,710	(S)	171,761
Diluted	152,473		333	(M)		1,245	(P)		17,710	(S)	171,761

Basis of Presentation

Uniti Group Inc. ("Uniti" or the "Company"), formally known as Communications Sales & Leasing, Inc. ("CS&L"), was incorporated in the state of Delaware in February 2014 and reorganized in the state of Maryland on September 4, 2014 as a subsidiary or Windstream Holdings, Inc. ("Windstream Holdings" and together with its consolidated subsidiaries "Windstream"), On April 24, 2015 Uniti was separated and spun-off from Windstream, whereby Windstream contributed certain telecommunications network assets, including fiber and copper networks and other real estate (the "Distribution Systems"), and the Consumer CLEC Business, a small consumer competitive local exchange carrier business, to Uniti in exchange for cash, shares of common stock of Uniti and certain indebtedness of Uniti.

On April 10, 2017, the Company announced that it had entered into a definitive agreement to acquire Southern Light, LLC ("Southern Light"). The acquisition of Southern Light is expected to close in the third quarter of 2017, subject to customary closing conditions including obtaining the necessary regulatory approvals. On May 2, 2016 and August 31, 2016, Uniti completed its previously announced acquisitions of PEG Bandwidth, LLC ("PEG Bandwidth") and Tower Cloud, Inc. ("Tower Cloud"), respectively. As a result of these acquisitions, PEG and Tower Cloud became wholly-owned subsidiaries of Uniti. The unaudited pro forma combined financial statements give effect to the acquisitions of Southern Light, PEG, and Tower Cloud, and the related transactions discussed above.

Consideration Transferred

The acquisitions of Southern Light, PEG and Tower Cloud have been accounted for using the acquisition method of accounting in accordance with Accounting Standards Codification 805, Business Combinations ("ASC 805"), which requires, among other things, that the assets acquired and liabilities assumed be recognized at their fair values, with any excess of the purchase price over the estimated fair values of the identifiable net assets acquired recorded as goodwill. Additionally, ASC 805 establishes that equity issued to effect the acquisition be measured at the closing date of the transaction at the then-current market price.

Southern Light, LLC

The fair value of the consideration transferred is as follows:

(Thousands)		
Cash transferred (1)	$	635,000
Fair value of Uniti OP Units (2)		65,000
Total value of consideration transferred	$	700,000

(1) The cash transferred is expected to be funded through a combination of proceeds from an offering of $250 million of senior unsecured notes and an offering of 17.7 million shares of Uniti common stock at an assumed issue price of $25.41 per share (the closing share price on the Nasdaq Global Select Market on December 30, 2016). To the extent that the Company is unable to complete those offerings, it has financing commitments in place with a syndicate of banks for $635.0 million of senior unsecured bridge debt and the Company would finance the cash transferred with borrowings under the bridge facility.

(2) The fair value was of the OP Units is based on Uniti's closing stock price on December 30, 2016.

Southern Light Preliminary Purchase Price Allocation

The following is a summary of the preliminary estimated fair values of the net assets acquired:

(Thousands)		
Property, plant and equipment	$	204,453
Accounts receivable		16,090
Other assets		3,570
Goodwill		266,956
Intangible assets		255,300
Accounts payable, accrued expenses and other liabilities		(13,601)
Deferred revenue		(30,000)
Capital lease obligations		(2,768)
Total purchase price	$	700,000

The above purchase price allocation is considered preliminary and is subject to revision when the valuation of assets and liabilities are finalized upon receipt of the final valuation report from a third party valuation specialist, and resolution of contractual adjustments, such as working capital adjustments, set forth in the Membership Interest Purchase Agreement, dated April 7, 2017.

PEG Bandwidth, LLC

The fair value of the consideration transferred is as follows:

(Thousands)		
Cash transferred (1)	$	322,498
Fair value of Uniti Series A Convertible Preferred Stock Issued (2)		78,566
Fair value of Uniti common stock issued (3)		23,230
Total value of consideration transferred	$	424,294

(1) The cash transferred was funded through cash on hand and borrowings under Uniti's revolving credit facility.

(2) The liquidation value of our Series A Convertible Preferred Stock is $87.5 million. The fair value was estimated using an income approach framework, including valuing the conversion feature using a Black-Scholes model.

(3) The fair value of the Uniti common stock of $23.2 million was calculated by multiplying the 1 million shares of Uniti common stock issued as purchase consideration, by $23.23, the closing trading price per share of Uniti common stock on April 29, 2016.

PEG Purchase Price Allocation

The following is a summary of the estimated fair values of the net assets acquired:

(Thousands)		
Property, plant and equipment	$	293,030
Cash and cash equivalents		7,003
Accounts receivable		6,584
Other assets		5,161
Goodwill		145,054
Intangible assets		38,000
Accounts payable, accrued expenses and other liabilities		(8,643)
Deferred revenue		(12,700)
Capital lease obligations		(49,195)
Total purchase price	$	424,294

Tower Cloud, Inc.

The fair value of the consideration transferred is as follows:

(Thousands)		
Cash transferred (1)	$	187,749
Fair value of contingent consideration		98,600
Fair value of Uniti common stock issued (2)		58,515
Total value of consideration transferred	$	344,864

(1) The cash transferred was funded through cash on hand and borrowings under Uniti’s revolving credit facility.
(2) Per the merger agreement, 1.9 million shares of Uniti common stock were issued in connection with the Tower Cloud acquisition. The acquisition date fair value of the Uniti common stock was calculated by multiplying 1.9 million shares of Uniti common stock by $31.20, the closing trading price per share of Uniti common stock on August 31, 2016.

Tower Cloud Preliminary Purchase Price Allocation

The following is a summary of the preliminary estimated fair values of the net assets acquired:

(Thousands)		
Property, plant and equipment	$	163,680
Cash and cash equivalents		14,346
Accounts receivable		3,043
Other assets		2,595
Goodwill		117,280
Intangible assets		116,218
Accounts payable, accrued expenses and other liabilities		(16,782)
Deferred revenue		(23,900)
Deferred income taxes		(24,866)
Capital lease obligations		(6,750)
Total purchase price	$	344,864

The above purchase price allocation is considered preliminary and is subject to revision when the valuation of assets and liabilities are finalized upon receipt of the final valuation report from a third party valuation specialist, and resolution of contractual adjustments, such as working capital adjustments, set forth in the merger agreement.

Pro Forma Adjustments

(A) To reflect preliminary purchase accounting adjustments related to the Southern Light acquisition, as noted in the schedule above.

(B) Southern Light received patronage income from one of its long-term debt providers. A portion of this was paid in cash and reflected in other expense, net, and a portion was paid in the equity of the lender, which is reflected in other assets. This adjustment reflects removal of patronage income and related investment.

(C) To reflect the removal of accrued interest associated with Southern Light's debt, and the issuance of debt to fund the cash portion of the Southern Light consideration, offset by the retirement of Southern Light's debt and removal of deferred financing costs, calculated as follows:

(Thousands)		December 31, 2016
Issuance of Unsecured Notes	$	250,000
Remove Southern Light debt		(86,964)
Remove Southern Light debt of VIE (see footnote T)		(1,852)
Net adjustment to Notes and Other Debt, net	$	161,184

The difference in the amount of debt issued and cash consideration paid in partial consideration for Southern Light is reflected as an increase to cash on the balance sheet, calculated as follows:

(Thousands)		
Issuance of Unsecured Notes	$	250,000
Fair value of Uniti common stock issued		450,000
Cash transferred		(635,000)
Remove Southern Light cash and cash equivalents of VIE (see footnote T)		(73)
Increase to cash and cash equivalents	$	64,927

The above calculations do not give effect to the payment of transaction fees and expenses in connection with the transactions described.

(D) To reflect issuance of OP Units as partial consideration for acquisition of Southern Light, and the issuance of an assumed 17.7 million shares of Uniti common stock to partially fund the cash portion of the purchase consideration.

(E) To reflect the adjustment to deferred revenue related to estimated purchase accounting adjustments.

(F) To reflect the adjustment to interest expense related to the draw on the revolving credit facility, offset by removal of interest expense related to PEG's loan from parent, calculated as follows:

(Thousands)		Year Ended December 31, 2016
Revolving credit facility (LIBOR + 2.25%)	$	2,921
Capital lease obligation adjustment		253
Remove PEG interest expense on loan from parent		(2,466)
Remove PEG amortization of deferred financing costs and debt discount		(533)
Net adjustment to interest expense	$	175

For the purposes of the unaudited pro forma combined financial statements, we have assumed LIBOR as the average monthly 1-month LIBOR rate during the pre-acquisition period, which was 0.44%.

(G) To reflect impact on depreciation and amortization of step-up in net assets acquired.

(H) To reflect removal of the acquired company stock-based compensation expense, as all historical stock-based awards were cancelled at closing in accordance with the relevant purchase agreement.

(I) To remove acquisition and transaction costs directly attributable to the acquisition of respective companies.

(J) To remove the impact of the accretion of PEG preferred units to their redemption value, as Uniti acquired 100% of the interests in PEG.

(K) To reflect preferred stock dividends related to the issuance of 87,500 shares of Convertible Preferred Stock, with a liquidation preference of $87.5 million.

(L) To reflect accretion of the estimated fair value of the Convertible Preferred Stock issued in partial consideration for the acquisition of PEG to its liquidation value. The difference is amortized, using the effective interest rate method, over the expected term of the Convertible Preferred Stock, which is estimated at 3 years. Based on the estimated fair value of the Convertible Preferred stock, the accretion was calculated assuming a 3.66% effective interest rate.

(M) To reflect adjustment to weighted-average common shares outstanding as if the 1 million shares of Uniti common stock issued as partial consideration for the acquisition of PEG were outstanding as of January 1, 2016.

(N) To reflect the adjustment to interest expense related to the draw on the revolving credit facility, offset by removal of interest expense related to Tower Cloud's revolving loan agreement, calculated as follow:

(Thousands)	Year Ended December 31, 2016
Revolving credit facility (LIBOR + 2.25%)	$ 2,742
Remove Tower Cloud interest expense on revolving loan agreement	(2,040)
Remove Tower Cloud amortization of deferred financing costs and debt discount	(215)
Net adjustment to interest expense	$ 487

For the purposes of the unaudited pro forma combined financial statements, we have assumed LIBOR as the average monthly 1-month LIBOR rate during the pre-acquisition period, which was 0.45%.

(O) To reflect the estimated deferred taxes and income tax expense. This does not reflect Uniti's effective tax rate, which includes other tax charges or benefits, and does not take into account any historical or possible future tax events that may impact the combined company.

(P) To reflect adjustment to weighted-average common shares outstanding as if the 1.9 million shares of Uniti common stock issued as partial consideration for the acquisition of Tower Cloud were outstanding as of January 1, 2016.

(Q) To reflect the adjustment to interest expense related to the issuance of debt to fund the cash portion of the acquisition cost, offset by removal of interest expense related to Southern Light's debt, calculated as follows:

(Thousands)	Year Ended December 31, 2016
Unsecured Notes (assumed interest rate of 7.125%)	$ 17,813
Remove Southern Light interest expense on revolving loan agreement	(3,036)
Remove Southern Light interest expense of VIE (see footnote T)	(21)
Remove Southern Light amortization of deferred financing costs	(215)
Net adjustment to interest expense	$ 14,541

(R) To reflect net income related to noncontrolling interests associated with the outstanding OP Units issued as partial consideration for the acquisition of Southern Light.

(S) To reflect adjustment of weighted-average common shares outstanding as if the assumed 17.7 million shares of Uniti common stock to be issued in the contemplated equity offering to partially fund the cash portion of the consideration for the acquisition of Southern Light were outstanding as of January 1, 2016.

(T) The 2016 audited financial statements of Southern Light include the consolidation of a Variable Interest Entity (“VIE”), an entity in which Southern Light held a controlling interest. The VIE is not being acquired by Uniti in the Southern Light Acquisition, and therefore the financial statements of Southern Light have been adjusted to give effect to the de-consolidation of the financial impact of the VIE. The impact of de-consolidating the VIE from Southern Light’s financial statements results in the following increase (decrease) to the financial statements:

(Thousands)	December 31, 2016
Property, plant and equipment, net	$ (1,874)
Cash and cash equivalents	(73)
Other assets	(15)
Notes and other debt, net	(1,852)

(Thousands)	Year Ended December 31, 2016
Interest expense	$ (21)
Depreciation and amortization	(21)
General and administrative expense	16
Operating expenses	86
Other expenses, net	(8)
Total cost and expenses	$ 52