

1015 31st Street, NW
Washington, DC 20007
Tel: 202-295-4200
Fax: 202-338-8798

Robert N. Beury, Jr.
Vice President and General Counsel
Direct Dial: 202-295-4254
Email: rbeury@cogentco.com

January 7, 2002

VIA OVERNIGHT DELIVERY

Kentucky Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

RECEIVED

JAN 10 2002

PUBLIC SERVICE
COMMISSION

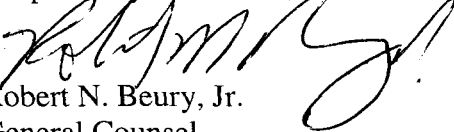
Re: Notification of the Transfer of Control of Allied Riser of Kentucky, Inc., to Cogent Communications Group, Inc.

To Whom It May Concern:

Enclosed on behalf of Allied Riser of Kentucky, Inc., ("Allied Riser") and Cogent Communications Group, Inc. ("Cogent") (collectively "Parties"), are an original and four (4) copy of the above-referenced Notice. Please note that the Applicants are seeking confidential treatment of certain financial information and have filed these documents under seal.

Please date stamp the extra copy of this filing and return it in the self-addressed envelope provided. If you have any questions, please do not hesitate to contact Robert Beury at (202) 295-4254.

Respectfully Submitted,


Robert N. Beury, Jr.
General Counsel
Cogent Communications Group, Inc.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF KENTUCKY**

VIA FIRST CLASS MAIL DELIVERY

Kentucky Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

Re: Notification of the Transfer of Control of Allied Riser of Kentucky,
Inc., to Cogent Communications Group, Inc.

To Whom It May Concern:

On behalf of Allied Riser of Kentucky, Inc., ("Allied Riser") and Cogent Communications Group, Inc. ("Cogent") (collectively, the "Parties"), this letter is to advise the Commonwealth of Kentucky's Public Service Commission ("Commission") of the proposed transfer of control of Allied Riser to Cogent. This transaction is the result of an Agreement and Plan of Merger (the "Merger Agreement") by Cogent and Allied Riser, pursuant to which Cogent will acquire control of Allied Riser. This letter is intended to satisfy the notification requirement pursuant to Administrative Case 370 of the Public Service Commission.

Upon review of the Kentucky statutes and Commission rules, it is the Parties' understanding that prior Commission approval is not required for the transaction described herein. In the event the Commission determines that approval of the transaction is required, however, the remainder of this letter should serve as a request for expedited approval.

The proposed transfer of control will serve the public interest by providing greater competition in the telecommunications markets. Allied Riser's proposed services will address the needs of business users in Kentucky for high-quality Internet access services and other services. Accordingly, Commission approval of the instant Application will foster competition in the intrastate telecommunications market and generate significant benefits to Kentucky telecommunications users, including competitively-priced, high-quality services as well as increased reliability of the supply of communications services.

In support hereof, Applicants submit the following information:

I. THE PARTIES

A. ALLIED RISER

Allied Riser is incorporated in the State of Delaware, with its principal offices located at 1700 Pacific Avenue, Suite 400, Dallas, Texas 75201. Allied Riser's I.R.S. Employer ID number is 75-2841247. Copies of its Certificate of Authority to do business in Kentucky are attached hereto as Exhibit 1. On June 18, 1999, this Commission granted Allied Riser authority to operate as a facilities-based provider and reseller of all forms of telecommunications services in Kentucky. A copy of the letter granting Allied Riser its current authority is attached hereto as Exhibit 2. Allied Riser has not commenced providing any telecommunications services in Kentucky and currently has no customers.

B. ALLIED RISER COMMUNICATIONS CORPORATION

Allied Riser's parent company is Allied Riser Communications Corporation ("Allied Riser Corp."). Allied Riser Corp. is incorporated in the State of Delaware, with its principal offices located at 1700 Pacific Avenue, Suite 400, Dallas, Texas 75201. Allied Riser Corp. does not provide any services to any customers in Kentucky.

C. COGENT

Cogent is a provider of high-speed Internet access to businesses, application service providers, and Internet service providers. Cogent is incorporated in the State of Delaware, with principal offices located at 1015 31st Street NW, Washington, D.C. 20007. Cogent's I.R.S. employer ID number is 52-2337274. Cogent is currently providing Internet access services to commercial customers in Kentucky.

D. DESIGNATED CONTACTS

Correspondence or communications pertaining to this Application and subsequent legal and regulatory matters should be directed to Applicants' attorneys of record:

Cogent

Robert N. Beury, Jr., Esq.
General Counsel
Cogent Communications Group, Inc.
1015 31st Street NW
Washington, D.C. 20007
Telephone: (202) 295-4200
Fax: (703) 997-8709

Allied Riser

Michael Carper, Esq.
President
Allied Riser of Kentucky, Inc.
1700 Pacific Avenue, Suite 400
Dallas, Texas 75201-4679
Telephone: (214) 210-3000
Fax: (214) 210-3009

with a copy to:

Warren G. Lavey, Esq.
Skadden, Arps, Slate, Meagher & Flom (Illinois)
333 W. Wacker Drive
Chicago, Illinois 60606
Telephone: (312) 407-0700
Fax: (312) 407-8515

II. REQUEST FOR APPROVAL OF TRANSFER OF CONTROL

A. DESCRIPTION OF TRANSACTION

The Applicants have determined that they can improve their operational efficiency and competitive position through the transfer of control described herein. Pursuant to the Merger Agreement between Cogent and Allied Riser Corp. ("Agreement"), a wholly-owned subsidiary of Cogent will merge with and into Allied Riser Corp., leaving Allied Riser Corp. a wholly-owned subsidiary of Cogent. Thus, Allied Riser will be a wholly-owned indirect subsidiary of Cogent. Allied Riser will continue to operate in Kentucky, and will continue to provide services and pay any applicable regulatory fees.

Through Cogent, Allied Riser's managerial, technical and financial ability to provide the intrastate telecommunications services pursuant to the authorization requested herein will be greatly enhanced. The senior management of Cogent has extensive experience in the telecommunications field. A description of the backgrounds of Cogent's management team is attached hereto as Exhibit 3. Cogent also has access to the financing and capital necessary to conduct the telecommunications operations of the combined entity. In support of this Notice, the Parties attach hereto as Exhibit 4 a copy of Cogent's most recent financial statements for the period ending December 31, 2000.

Cogent is currently not providing voice telephony and similar telecommunications services in any jurisdiction, but does provide Internet access and operate as an Internet Service Provider. Applicants have not been denied authority in any jurisdiction.

B. PUBLIC INTEREST CONSIDERATIONS

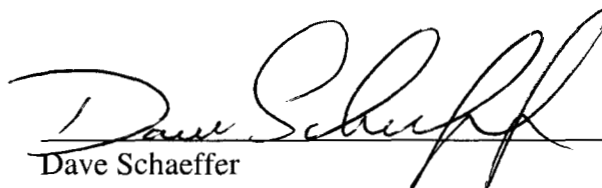
Consummation of the transaction serves the public interest by promoting competition among providers of local and interexchange telecommunications services. The merger will result in an entity better equipped to accelerate its growth as a facilities-based competitive telecommunications service provider by combining the telecommunications expertise and resources of Cogent with those of Allied Riser. The resulting corporate structure and improved financial condition are expected to enhance significantly Allied Riser's operational flexibility and efficiency, as well as

its long term financial viability. These enhancements will directly benefit Kentucky's customers. The merger, therefore, will ensure the continued provision of advanced telecommunications services to the public and should promote competition in the Kentucky telecommunications service market.

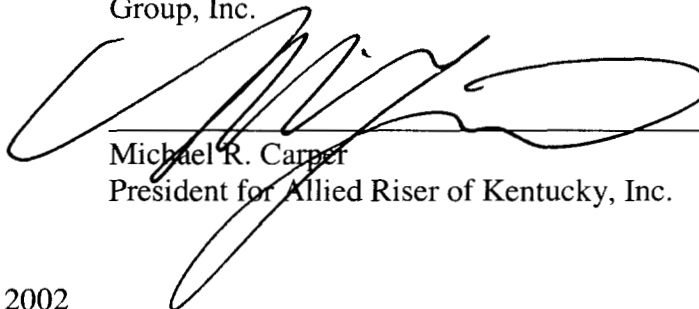
III. CONCLUSION

WHEREFORE, for the reasons stated herein, Applicants respectfully request that the Commission accept this Notice of a Transfer of Control and grant all other relief as necessary and appropriate to effectuate the transactions described herein.

Respectfully Submitted,



Dave Schaeffer
Chief Executive Officer of Cogent Communications
Group, Inc.



Michael R. Carper
President for Allied Riser of Kentucky, Inc.

Dated: January 7, 2002

EXHIBITS

Business Certificate	-	Exhibit 1
CPCN	-	Exhibit 2
Management Biographies	-	Exhibit 3
Financial Statements	-	Exhibit 4
Verification		

EXHIBIT 1

Allied Riser's Certificate of Incorporation and Authority to do Business

FILED

870
COMMONWEALTH OF KENTUCKY
JOHN Y. BROWN III
SECRETARY OF STATE

SEP 21 1 43 PM '99

GUY R. ZEIGLER
O.F.C.C.

BY JS D.C.



RECEIVED & FILED
50.00
99 SEP 21 PM 12:49

JOHN Y. BROWN III
SECRETARY OF STATE
COMM. OF KENTUCKY

APPLICATION FOR CERTIFICATE OF AUTHORITY

Pursuant to the provisions of KRS Chapter 271B, 273 or 274, the undersigned hereby applies for authority to transact business in Kentucky on behalf of the corporation named below and for that purpose submits the following statements:

1. The corporation is a business corporation (KRS 271B). a nonprofit corporation (KRS 273).
 a professional service corporation (KRS 274).

2. The name of the corporation is ALLIED RISER OF KENTUCKY, INC.

3. The name of the corporation to be used in Kentucky is ALLIED RISER OF KENTUCKY, INC.
(if "real name" is unavailable for use)

4. DELAWARE is the state or country under whose law the corporation is incorporated.

5. 9 September 1999 is the date of incorporation and the period of duration is perpetual

6. The street address of the corporation's principal office is 1700 PACIFIC AVE. #400, DALLAS, TX 75201

7. The street address of the corporation's registered office in Kentucky is 421 West Main Street, Frankfort, Kentucky 40601

and the name of the registered agent at that office is Corporation Service Company d/b/a CSC-Lawyers Incorporating Service Company

8. The names and usual business addresses of the corporation's current officers and directors are as follows:

President See attached officers/directors rider

Vice President _____

Secretary _____

Treasurer _____

Directors See attached officers/directors rider

(Attach a continuation sheet, if necessary)

9. If a professional service corporation, all the individual shareholders, not less than one half of the directors, and all of the officers other than the secretary and treasurer are licensed in one or more states or territories of the United States or District of Columbia to render a professional service described in the statement of purposes of the corporation.

10. A certificate of existence duly authenticated by the Secretary of State accompanies this application.

11. This application will be effective upon filing, unless a delayed effective date and/or time is specified: N/A
(Delayed effective date and/or time)

Ried Zulager
Signature
RIED ZULAGER, SECRETARY
Type or Print Name & Title

Date: 14 September, 19 99

Corporation Service Company d/b/a
CSC-Lawyers Incorporating Service Company
Type or print name of registered agent

consent to serve as the registered agent on behalf of the corporation.

By: Carol K Dolor
Signature of Registered Agent
Carol K Dolor, Assistant Vice President
Type or Print Name & Title

871

ALLIED RISER OF KENTUCKY, INC.

OFFICERS AND DIRECTORS

Officers

Michael R. Carper	President
Todd C. Doshier	Vice President
Charles Yeargain	Vice President and Treasurer
Ried Zulager	Secretary

Directors

Michael R. Carper
Todd C. Doshier
Charles Yeargain

The Mailing address for all Officers and Directors is:

1700 Pacific Avenue, Suite 400
Dallas, TX 75201

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "ALLIED RISER OF KENTUCKY, INC." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE TWENTIETH DAY OF SEPTEMBER, A.D. 1999.

AND I DO HEREBY FURTHER CERTIFY THAT THE SAID "ALLIED RISER OF KENTUCKY, INC." WAS INCORPORATED ON THE NINTH DAY OF SEPTEMBER, A.D. 1999.

AND I DO HEREBY FURTHER CERTIFY THAT THE AFORESAID CORPORATION IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE NOT HAVING BEEN CANCELLED OR DISSOLVED SO FAR AS THE RECORDS OF THIS OFFICE SHOW AND IS DULY AUTHORIZED TO TRANSACT BUSINESS.

STATE OF KENTUCKY, COUNTY OF FRANKLIN, SCT.
I, GUY R. ZEIGLER, CLERK OF SAID COUNTY, HEREBY CERTIFY
THAT THE FOREGOING INSTRUMENT HAS BEEN DULY RECORDED
BOOK 46 PAGE 870 IN MY SAID OFFICE
GUY R. ZEIGLER, CLERK BY *J. Smith* 9-21-99 D.C.



Edward J. Freel

Edward J. Freel, Secretary of State

3095149 8300

991391807

AUTHENTICATION: 9978045

DATE: 09-20-99

State of Delaware
Office of the Secretary of State PAGE 1

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF INCORPORATION OF "ALLIED RISER OF KENTUCKY, INC.", FILED IN THIS OFFICE ON THE NINTH DAY OF SEPTEMBER, A.D. 1999, AT 9 O'CLOCK A.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.



A handwritten signature in cursive script, reading "Edward J. Freel".

Edward J. Freel, Secretary of State

3095149 8100

991379330

AUTHENTICATION: 9967694

DATE: 09-14-99

CERTIFICATE OF INCORPORATION
OF
ALLIED RISER OF KENTUCKY, INC.
A STOCK CORPORATION

I, Ried R. Zulager, for the purpose of incorporating and organizing a corporation under the General Corporation Law of the State of Delaware, do hereby certify as follows:

FIRST: The name of the corporation (the "Corporation") is **ALLIED RISER OF KENTUCKY, INC.**

SECOND: The address of the Corporation's registered office in the State of Delaware is 1013 Centre Road, Wilmington, Delaware 19805, in the city of Wilmington, County of New Castle, Delaware. The name of the Corporation's registered agent at such address is Corporation Service Company

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH: The total number of shares which the Corporation shall have authority to issue is one thousand (1,000) shares of Common Stock, with a par value of a penny (\$0.01) per share.

FIFTH: Elections of directors need not be by written ballot except and to the extent provided in the by-laws of the Corporation.

SIXTH: To the full extent permitted by the General Corporation Law of the State of Delaware or any other applicable laws presently or hereafter in effect, no director of the Corporation shall be personally liable to the Corporation or its stockholders for or with respect to any acts or omissions in the performance of his or her duties as a director of the Corporation.

Any repeal or modification of this Article Sixth shall not adversely affect any right or protection of a director of the Corporation existing immediately prior to such repeal or modification.

SEVENTH: Each person who is or was or had agreed to become a director or officer of the Corporation, or each such person who is or was serving or who had agreed to serve at the request of the Board of Directors or an officer of the Corporation as an employee or agent of the Corporation or as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise (including the heirs, executors, administrators or estate of such person), shall be indemnified by the Corporation to the full extent permitted by the General Corporation Law of the State of Delaware or any other applicable laws as presently or hereafter in effect. Without limiting the generality or the effect of the foregoing, the Corporation may enter into one or more agreements with any person which provide for indemnification greater or different than that provided in this Article Seventh. Any repeal or modification of this

Article Seventh shall not adversely affect any right or protection existing hereunder immediately prior to such repeal or modification.

EIGHTH: In Furtherance and not in limitation of the rights, powers, privileges, and discretionary authority granted or conferred by the General Corporation Law of the State of Delaware or other statutes or laws of the state of Delaware, the Board of Directors is expressly authorized to make, alter, amend or repeal the by-laws of the Corporation, without any action on the part of the stockholders, but the stockholders may make additional by-laws and may alter, amend or repeal any by-law whether adopted by them or otherwise. The Corporation may in its by-laws confer powers upon its Board of Directors in addition to the foregoing and in addition to the powers and authorities expressly conferred upon the Board of Directors by applicable law.

NINTH: The Corporation reserves the right at any time and from time to time to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, and other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted, in the manner now or hereafter prescribed herein or by applicable law; and all rights, preferences and privileges of whatsoever nature conferred upon stockholders, directors or any other persons whomsoever by and pursuant to this Certificate of Incorporation in its present form or as hereafter amended are granted subject to this reservation.

TENTH: The name and mailing address of the sole incorporator is Ried R. Zulager, Allied Riser Communications Corporation, 1700 Pacific Avenue, Suite 400, Dallas, TX 75201.

ELEVENTH: The names and mailing addresses of the persons who are to serve as directors of the Corporation until the first annual meeting of stockholders or until their successors are elected and qualified are as follows:

<u>NAME</u>	<u>MAILING ADDRESS</u>
Michael R. Carper	1700 Pacific Avenue, Suite 400, Dallas, TX 75201
Charles W. Yeargain	1700 Pacific Avenue, Suite 400, Dallas, TX 75201

IN WITNESS WHEREOF, I Ried R. Zulager, being the sole incorporator hereinabove named, do hereby execute this Certificate of Incorporation this 9th day of September, 1999.


Ried R. Zulager, Sole Incorporator

EXHIBIT 2

Letter Granting Allied Riser a Certificate of Public Convenience and Necessity

RECEIVED

OCT 23 2000

PUBLIC SERVICE
COMMISSION



Allied Riser of Kentucky, Inc.
1700 Pacific Avenue, Suite 400
Dallas, Texas 75201

October 18, 2000

Mr. Thomas Dorman
Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

Dear Mr. Dorman:

Pursuant to Administrative Case No. 370, Exemptions for Providers of Local Exchange Service Other Than Incumbent Local Exchange Carriers, Order dated January 8, 1998, ("Order"), Allied Riser of Kentucky, Inc. ("Company") respectfully submits an original and four (4) copies of its notice of intent to provide competitive local exchange services in Kentucky. Company will commence providing service no sooner than 30 days after the date its tariff is approved by the Commission.

Pursuant to the Order, Company submits the following information:

1. Name and address of Company:

Allied Riser of Kentucky, Inc.
1700 Pacific Ave., Suite 400
Dallas, Texas 75201

2. Company's articles of incorporation are attached hereto as Exhibit 1.



issues: 3. Contact information for customer complaints and regulatory

Allied Riser of Kentucky, Inc.
Attn: Mr. Ried Zulager
1700 Pacific Ave., Suite 400
Dallas, Texas 75201
(214) 210-3000
(214) 210-3001 (facsimile)

4. A notarized statement by an officer of Company that it has not provided or collected for intrastate service in Kentucky prior to filing this notice is attached hereto as Exhibit 2.

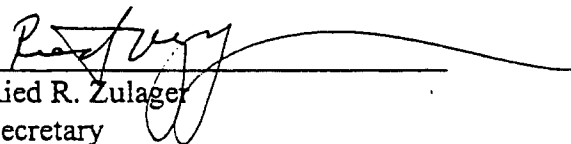
5. Company does not seek to provide operator assisted services to traffic aggregators as defined in Administrative Case No. 330.

6. Company's proposed tariff is attached hereto as Exhibit 3.

Please return a file-stamped copy of this notice to the address on the enclosed, postage prepaid envelope. If you have any questions or wish to discuss this matter, please contact Mr. Michael Allen at (312) 407-0890. Thank you.

Sincerely,

ALLIED RISER OF KENTUCKY, INC.

By: 
Ried R. Zulager
Secretary

CERTIFICATE OF INCORPORATION
OF
ALLIED RISER OF KENTUCKY, INC.
A STOCK CORPORATION

I, Ried R. Zulager, for the purpose of incorporating and organizing a corporation under the General Corporation Law of the State of Delaware, do hereby certify as follows:

FIRST: The name of the corporation (the "Corporation") is **ALLIED RISER OF KENTUCKY, INC.**

SECOND: The address of the Corporation's registered office in the State of Delaware is 1013 Centre Road, Wilmington, Delaware 19805, in the city of Wilmington, County of New Castle, Delaware. The name of the Corporation's registered agent at such address is Corporation Service Company

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH: The total number of shares which the Corporation shall have authority to issue is one thousand (1,000) shares of Common Stock, with a par value of a penny (\$0.01) per share.

FIFTH: Elections of directors need not be by written ballot except and to the extent provided in the by-laws of the Corporation.

SIXTH: To the full extent permitted by the General Corporation Law of the State of Delaware or any other applicable laws presently or hereafter in effect, no director of the Corporation shall be personally liable to the Corporation or its stockholders for or with respect to any acts or omissions in the performance of his or her duties as a director of the Corporation.

Any repeal or modification of this Article Sixth shall not adversely affect any right or protection of a director of the Corporation existing immediately prior to such repeal or modification.

SEVENTH: Each person who is or was or had agreed to become a director or officer of the Corporation, or each such person who is or was serving or who had agreed to serve at the request of the Board of Directors or an officer of the Corporation as an employee or agent of the Corporation or as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise (including the heirs, executors, administrators or estate of such person), shall be indemnified by the Corporation to the full extent permitted by the General Corporation Law of the State of Delaware or any other applicable laws as presently or hereafter in effect. Without limiting the generality or the effect of the foregoing, the Corporation may enter into one or more agreements with any person which provide for indemnification greater or different than that provided in this Article Seventh. Any repeal or modification of this

Article Seventh shall not adversely affect any right or protection existing hereunder immediately prior to such repeal or modification.

EIGHTH: In Furtherance and not in limitation of the rights, powers, privileges, and discretionary authority granted or conferred by the General Corporation Law of the State of Delaware or other statutes or laws of the state of Delaware, the Board of Directors is expressly authorized to make, alter, amend or repeal the by-laws of the Corporation, without any action on the part of the stockholders, but the stockholders may make additional by-laws and may alter, amend or repeal any by-law whether adopted by them or otherwise. The Corporation may in its by-laws confer powers upon its Board of Directors in addition to the foregoing and in addition to the powers and authorities expressly conferred upon the Board of Directors by applicable law.

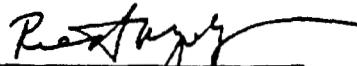
NINTH: The Corporation reserves the right at any time and from time to time to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, and other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted, in the manner now or hereafter prescribed herein or by applicable law; and all rights, preferences and privileges of whatsoever nature conferred upon stockholders, directors or any other persons whomsoever by and pursuant to this Certificate of Incorporation in its present form or as hereafter amended are granted subject to this reservation.

TENTH: The name and mailing address of the sole incorporator is Ried R. Zulager, Allied Riser Communications Corporation, 1700 Pacific Avenue, Suite 400, Dallas, TX 75201.

ELEVENTH: The names and mailing addresses of the persons who are to serve as directors of the Corporation until the first annual meeting of stockholders or until their successors are elected and qualified are as follows:

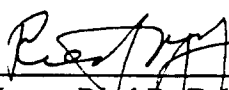
<u>NAME</u>	<u>MAILING ADDRESS</u>
Michael R. Carper	1700 Pacific Avenue, Suite 400, Dallas, TX 75201
Charles W. Yeargain	1700 Pacific Avenue, Suite 400, Dallas, TX 75201

IN WITNESS WHEREOF, I Ried R. Zulager, being the sole incorporator hereinabove named, do hereby execute this Certificate of Incorporation this 9th day of September, 1999.


Ried R. Zulager, Sole Incorporator

The undersigned hereby certifies that Allied Riser of Kentucky, Inc.
has not provided or collected for intrastate telephone service in Kentucky prior to
filing its notice of intent to provide competitive local exchange services in Kentucky.

ALLIED RISER OF KENTUCKY, INC.

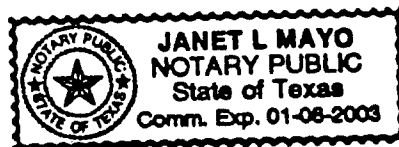

Name: Ried R. Zulager
Title: Secretary

STATE OF TEXAS

COUNTY OF DALLAS

Subscribed and sworn to before me this 18th day of October, A.D., 2000.


Notary Public



Allied Riser of Kentucky, Inc.

Kentucky Tariff No. 1
Original Title Page

PROPOSED
TARIFF OF
ALLIED RISER OF KENTUCKY, INC.

Regulations and schedule of charges applicable to telecommunications services provided by Allied Riser of Kentucky, Inc. between various locations within the State of Kentucky.

Issue Date: _____

Effective Date: _____

Todd C. Doshier
Chief Financial Officer
Allied Riser of Kentucky, Inc.
1700 Pacific Avenue, Suite 400
Dallas, TX 75204

TABLE OF CONTENTS

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Issue Date: _____

Effective Date: _____

Todd C. Doshier
Chief Financial Officer
Allied Riser of Kentucky, Inc.
1700 Pacific Avenue, Suite 400
Dallas, TX 75204

CHECK SHEET

The pages of this tariff are effective as of the date shown at the bottom of this page.

<u>Page No.</u>	<u>Revision</u>
Title	Original
1-30	Original

Issue Date: _____

Effective Date: _____

Todd C. Doshier
Chief Financial Officer
Allied Riser of Kentucky, Inc.
1700 Pacific Avenue, Suite 400
Dallas, TX 75204

CONCURRING, CONNECTING, OTHER
PARTICIPATING CARRIERS

Concurring Carriers

NONE

Connecting Carriers

NONE

Other Participating Carriers

NONE

Issue Date: _____

Effective Date: _____

Todd C. Doshier
Chief Financial Officer
Allied Riser of Kentucky, Inc.
1700 Pacific Avenue, Suite 400
Dallas, TX 75204

EXPLANATION OF SYMBOLS

When changes are made in any tariff sheet, a revised sheet will be issued canceling the tariff sheet affected. Changes will be identified on the revised page(s) through the use of the following symbols.

- C - To signify changed regulation
- D - To signify discontinued rate or regulation
- I - To signify increased rate
- M - To signify matter relocated from one page to another without change
- N - To signify new rate, regulation, or text
- R - To signify reduced rate
- S - To signify reissued matter
- T - To signify a change in text but no change in rate or regulation

Issue Date: _____

Effective Date: _____

Todd C. Doshier
Chief Financial Officer
Allied Riser of Kentucky, Inc.
1700 Pacific Avenue, Suite 400
Dallas, TX 75204

APPLICATION OF TARIFF

This tariff applies to interexchange and local telecommunications services furnished by Allied Riser of Kentucky, Inc. (Carrier) between various locations within the State of Kentucky in accordance with the conditions set forth herein.

Issue Date: _____

Effective Date: _____

Todd C. Doshier
Chief Financial Officer
Allied Riser of Kentucky, Inc.
1700 Pacific Avenue, Suite 400
Dallas, TX 75204

A. DEFINITION OF TERMS

Access Code

A sequence of numbers that, when dialed, connects a caller to an interexchange carrier that is associated with that sequence.

Affiliate

Any entity (including any natural person or entity such as a corporation or partnership) controlling, under the control of or under common control with another entity.

Application for Service

A standard order form which includes all pertinent billing, technical, administrative, and other descriptive information which will enable Carrier to provide telecommunications service to a Customer.

Authorized User

An individual, firm, corporation, or other entity authorized by the Customer to utilize communications services provided by Carrier.

Carrier Recognized Holidays

The following days are recognized as holidays for billing purposes: New Year's Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day, except as otherwise specified herein.

Credit Application

A standard form which is used by Carrier to assess a Customer's credit worthiness prior to Carrier's arranging the installation of any facilities or the provision of any Services to a Customer.

Issue Date: _____

Effective Date: _____

Todd C. Doshier
Chief Financial Officer
Allied Riser of Kentucky, Inc.
1700 Pacific Avenue, Suite 400
Dallas, TX 75204

Customer

An individual, firm, corporation, agency, or other entity which orders service and is responsible for the payment of charges and compliance with the tariff provisions set forth herein.

Dedicated Access Arrangement

An arrangement whereby the facilities used between the Customer's premises and the Carrier point of presence are directly linked. Such arrangements may involve interconnection facilities provided by the Customer, another carrier, or a local access provider.

Interconnection Facilities

Circuits and/or dedicated access arrangements provided by the Customer or a third party supplier to interconnect the Customer with Carrier's service. The Customer shall have sole responsibility for the ordering, installation, maintenance, and payment of such facilities.

Local Access Provider

A local exchange carrier or other entity which furnishes inter-connection facilities between the Customer's premises and Carrier's point of presence in a LATA.

Minimum Service Period

The minimum period of time during which Customer is obligated to pay for services provided by Carrier.

Point of Presence

The Carrier's physical presence in a local calling area or LATA which is used for the purpose of transmitting telephone calls.

Presubscription

A service arrangement whereby the Customer authorizes the local telephone company to route all interLATA calls to Carrier.

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Dallas, TX 75204

Service

Service consists of the furnishing of transmission capabilities to Customers and Authorized Users for the placement and/or receipt of interexchange and local telephone calls, subject to the availability of the necessary facilities and equipment to provide the transmission and the provisions of this tariff.

Service Date

The date on which Customer begins to utilize the Service or the date on which Service is made available for use by the Customer or its authorized users, whichever is sooner.

Special Promotional Offering

Special discounts and/or other modifications to Carrier's standard service offerings which may be offered, from time to time, to Customers using a particular service. Special promotional offerings may be limited to certain dates, times, and locations.

B. RULES AND REGULATIONS

1. Undertaking Of Carrier

(a) The furnishing of the Service under the terms of this tariff will be provided by Carrier alone, or in conjunction with services of other carriers. Service is available 24 hours per day, 7 days per week for the transmission of interexchange and local telephone calls.

(b) Carrier, when acting at the Customer's request and as its authorized agent, will make reasonable efforts to arrange for presubscription, interconnection, and other service requirements.

(c) Carrier will comply with Minimum Telephone Service Standards. Service will not commence until an approved interconnection agreement has been filed with the Public Service Commission of Kentucky.

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2. Limitations

(a) Carrier reserves the right to refuse or discontinue furnishing services when necessitated by conditions beyond its control. Such conditions include, but are not limited to, a Customer's having call volume or calling patterns that results, or may result, in network blockage or other service degradation which adversely affects service or other customers of Carrier.

(b) Service may be discontinued without notice to a Customer by blocking traffic to certain cities or exchanges, or by blocking calls using certain access codes or authorization codes, when Carrier deems it necessary to take such action to prevent unlawful use of its services. Service will be restored as soon as it can be provided without undue risk, and will, upon request by the Customer affected, assign a new authorization code to replace the one that has been deactivated.

(c) Carrier does not undertake to transmit messages, but offers the use of its facilities when available, and will not be liable for errors in transmission or for failure to establish connections.

(d) A Customer shall not use any service mark or trademark of Carrier or refer to Carrier in connection with any product, equipment, promotion, or publication of the Customer without the prior written consent and approval of Carrier.

(e) The Customer shall not use nor permit others to use the service in a manner that could interfere with services provided to others, that could harm the facilities of Carrier or others, or that is not consistent with any applicable law or regulation.

(f) The provision of service will not create a partnership or joint venture between Carrier and the Customer nor result in joint service offerings to their respective authorized users.

(g) Neither the Services provided pursuant to this tariff, nor the Customer's obligations hereunder, may be assigned or otherwise transferred without the prior written consent of Carrier.

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3. Terms And Conditions

(a) Service is provided on a monthly basis, twenty-four (24) hours per day as described herein. For the purpose of computing charges in this tariff, a month is considered to have thirty (30) days.

(b) Customers may order Services under this tariff by contacting an authorized Carrier representative and executing Carrier's Application for Service and, at Carrier's sole discretion, a Credit Application.

(c) Customer shall at all times comply with all applicable federal, state, and local statutes, ordinances, regulations, and orders of any commission or other governmental body. Customer is responsible for taking all the necessary legal steps for interconnecting their terminal equipment or communications systems with Carrier facilities or services and shall secure all licenses, permits, rights-of-way, and other arrangements necessary for such interconnection.

(d) Except as otherwise provided in this tariff, Service is provided and billed on the basis of one (1) month, beginning on the Service Date and continuing until the expiration of the Minimum Service Period, or until Service is otherwise cancelled. Customer shall accept and pay for Service for the Minimum Service Period. Upon expiration of the Minimum Service Period, Service shall be automatically extended on a month-to-month basis until Service is terminated in writing by the Customer on not less than thirty (30) day's written notice to Carrier.

(e) The Customer agrees to operate Carrier-provided equipment in accordance with the instructions of Carrier or its authorized agent. Failure to do so will void any Company liability for interruption of service and may cause the Customer to be responsible for damages to equipment pursuant to this tariff.

(f) Customer agrees to return all Carrier-provided equipment to Carrier within five (5) days of termination of service in connection with which the equipment was used. Equipment shall be in the same condition as when delivered to the Customer, normal wear and tear only excepted. Customer shall reimburse Carrier, upon demand, for any costs incurred by Carrier due to Customer's failure to comply with this provision.

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(g) Carrier reserves the right of entrance for its employees, agents, or contractors to the premises of the Customer, at any reasonable hour for the purpose of installing, inspecting, repairing, or upon termination of service removing Carrier's equipment. The Customer shall be responsible for making any necessary arrangements for Carrier's entrance to the Customer's premises.

(h) The remedies set forth herein shall not be exclusive and Carrier at all times shall be entitled to all rights available to it under either law or equity.

(i) Except as otherwise provided herein, or as specified in writing by the party entitled to receive Service, notices from Carrier may be given orally or in writing to the person(s) whose names appear on the executed Application for Service.

4. Liability

(a) Carrier shall not be liable to Customer or any other person, firm, entity, for any failure to perform its obligations under this tariff due to any cause or causes beyond its reasonable control.

(b) CARRIER MAKES NO WARRANTIES OR REPRESENTATIONS, EXPRESS OR IMPLIED EITHER IN FACT OR BY OPERATION OF LAW, STATUTORY OR OTHERWISE, INCLUDING WARRANTIES OR MERCHANTABILITY AND FITNESS FOR A PARTICULAR USE, EXCEPT AS EXPRESSLY SET FORTH HEREIN OR IN ANY APPLICABLE SERVICE LEVEL AGREEMENT. Carrier is not liable for any act or omission of the Customer, authorized user, or any other carrier furnishing a portion of the service. Except for Service Credits expressly set forth herein or in any applicable Service Level Agreement, in no event shall Carrier or any of its Affiliates be liable for claim or loss, expense or damage (including indirect, special or consequential damage) for any interruption, delay, error, omission, addition, or defect in any Service, facility or transmission of any person or entity furnishing any portion of the Service, facilities, or equipment associated with the service or for damages caused by services, facilities, or equipment furnished by such person or entity.

(c) Carrier shall be indemnified and held harmless by Customers against any claim or loss, expense or damage (including indirect, special or consequential damage) for defamation, libel, slander, invasion of privacy, infringement of a copyright or patent, unauthorized use of any trademark, trade name or service mark, unfair competition,

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interference with or misappropriation or violation of any contract, proprietary right, or any other injury to any person, property, or entity arising out of the material, data, information, or other content revealed to, used, or transmitted by Carrier.

(d) Carrier shall not be liable for any defacement of or damages to the premises of a Customer or authorized user resulting from the furnishing of Service which is not the direct result of Carrier's negligence.

(e) Carrier is not liable for any defacement of or damage to the premises of a Customer resulting from the furnishing of services or the attachment of instruments, apparatus, and associated wiring furnished by Carrier on such Customer's premises or by the installation or removal thereof, when such defacement or damage is not the direct result of Carrier's negligence.

(f) Carrier does not guarantee or make any express warranty with respect to any equipment provided by it where such equipment is used in locations containing an atmosphere which is explosive, prone to fire, dangerous or otherwise unsuitable for such equipment. Customers and authorized users indemnify and hold Carrier harmless from any and all loss, claims, demands, suits or other action, or any liability whatsoever, whether suffered, made, instituted, or asserted by any party or persons, for any personal injury to or death of any person or persons, and for any loss, damage, or destruction of any property, whether owned by the Customer, authorized user, or others, caused or claimed to have been caused directly or indirectly by the installation, operation, failure to operate, maintenance, removal, presence, condition, location, or use of such equipment so used.

(g) In no event shall Carrier be liable to Customer, its customers or any of their Affiliates for any loss, damage, expense (including loss of profit or revenue or for any incidental, consequential, indirect, punitive or similar or additional damages) incurred or suffered as a result of incorrect or defective transmissions, or any direct or indirect consequences thereof, while using the Service, performance, non-performance, termination, breach, or other action or inaction, on the part of Carrier, under this tariff, even if Customer advises Carrier of the foreseeability, possibility, likelihood, probability or certainty of such loss or damage.

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(h) Customer shall indemnify and hold harmless Carrier, its directors, officers, employees, and agents, successors, and assigns, from all damages, costs, expenses and liabilities, including all attorneys' fees and disbursements, sustained by Carrier in any action commenced by any third party and arising in connection with the Customer's performance of its obligations and duties under this tariff; and the Customer shall indemnify and hold Carrier harmless from and against any and all claims arising from or relating to Carrier's provision of facilities or Service to Customer under this tariff.

(i) Carrier's liability for damages arising out of any additions, omissions, interruptions, delays, mistakes, errors, or defects in the transmission occurring in the course of furnishing the Service or facilities shall in no event exceed an amount that is equivalent to the proportionate charge for the period of service during which the fault in transmission occurs, which amount shall be the Service Credit.

(j) In no event shall Carrier be liable to Customer, its Customers or any of their affiliates under this tariff for damages to Interconnection Facilities of Customer or a supplier to Customer resulting from the furnishing of Service, including the installation and removal of equipment and associated wiring.

(k) In no event shall Carrier be liable to Customer, its customers or any of their Affiliates for any act or omission of any other entity furnishing a portion of the Service, facilities or equipment associated with the Service or for damages caused by services, facilities or equipment furnished by such entity.

(l) Carrier shall be entitled to take, and shall have no liability whatsoever for, any action as deemed necessary or appropriate by Carrier to bring the Service or its practices into conformity with any rules, regulations, orders, decisions, or directives of the Federal Communications Commission or other governmental agency, and Customer shall cooperate fully with Carrier and take all actions as may be requested by Carrier to comply with any such rules, regulations, orders, decisions or directives.

5. Cancellation Of Service By A Customer

(a) A Customer may discontinue service, either in part or in its entirety, upon written notice to Carrier, provided that the Customer has fulfilled all Minimum Service Period obligations.

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6. Use Of Service

(a) Carrier's services may not be used for the unlawful or unauthorized provision of telecommunications services.

(b) Service furnished by Carrier may be used for one or more of the following:

(i) for the transmission of communications by the Customer;

(ii) for the transmission of communications by an Authorized User; or

(iii) for the transmission of communications to or from a customer of another common carrier, which has subscribed to Carrier's communications services.

(c) The Customer shall not use or permit others to use the Service in a manner that could impede or interfere with the Service provided to others, that could harm the facilities of Carrier or others, or that is inconsistent with any applicable law or regulations.

(d) No person, firm, corporation, agency, Customer, authorized user or other entity shall resell nor permit others to resell Carrier's Service without the prior written consent of Carrier.

7. Payment Arrangements

(a) The Customer is responsible for payment of all charges for services furnished to authorized users. This responsibility is not changed by virtue of any use, misuse, or abuse of the Customer's service or Customer-provided equipment or facilities by third parties, including, without limitation, the Customer's employees or the public.

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(b) Customer's bill is payable within 14 days after the date of the postmark on the envelope containing Carrier's bill. Amounts not paid after such date will be considered past due. A late payment charge of one and one-half percent (1.50%) will be applied to charges not paid by their due date. The late payment charge will not be applied to previous late payment charges that have been assessed, but have not been paid, but will apply to the accumulated services for which the customer is in arrears. Late payment charges will be applied without discrimination.

(c) Usage charges are billed after each usage cycle. In the event that Carrier's usage recording system fails or is otherwise unavailable for all or part of any billing period, Carrier, with the aide of the Customer, shall be entitled to make a reasonable estimate of Customer's usage of Service in the period in question for billing purposes.

(d) Non-recurring charges are payable when the service for which they are specified has been ordered. If an entity other than Carrier (e.g., a government entity, another carrier or supplier) imposes charges on the Service or on Carrier in connection with a Service, those costs will also be charged to and paid by the Customer.

(e) All stated charges in this tariff are computed by Carrier exclusive of any federal, state, local, use, excise, gross receipts, sales or privilege taxes, duties, fees or similar liabilities. Such taxes, fees, etc. shall be paid by the Customer.

(f) When payment for services is made by check or draft and is returned to Carrier for any reason, including but not limited to insufficient funds, a maximum charge of Twenty Five and No/100 Dollars (\$25.00) (unless a lower fee has been prescribed by law in which event a charge equal to such lower fee) may be made by Carrier for each item returned by the banking institution on which it is written. At the option of Carrier, this charge may be waived because of extenuating circumstances (i.e., bank error).

(g) If a check, draft, or other payment instrument remitted by a Customer or Authorized User is dishonored more than once during a twelve (12) month period, Carrier may refuse acceptance of further such payment methods and place the debtor on a cash basis. Under a cash basis, Carrier may require payment in the form of U.S. currency, money orders, or an instrument that is guaranteed or issued by a third party that is acceptable to Carrier.

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8. Change In Service Arrangement

(a) When a change in service arrangement involves the use of facilities or services furnished by Carrier, installation charges do not apply to the facilities or services continued in use. The Minimum Service Period for the facilities or services continued in use is determined by the date of the initial acceptance thereof.

9. Restoration Of Service

(a) The use and restoration of service provided in emergency situations shall be in accordance with Part 64, Subpart D of the Federal Communications Commission's Rules and Regulations, which specifies the priority system for such activities.

10. Inspection

(a) Carrier, or its authorized agents, may, upon reasonable notice, make such tests and inspections as may be necessary to determine that the premises are in compliance with the terms and conditions of this tariff, and with installation, operational, or maintenance specifications of Carrier. Carrier may interrupt the service at any time, without penalty to Carrier, due to a departure from any such requirements.

11. Disconnection of Service Other Than Toll Service

(a) For purposes of this section, all regulated telephone services provided by Carrier, except toll service (if any), shall be defined as local service.

(b) Carrier may disconnect its customer's local service for nonpayment of charges incurred for local service. Such disconnection must be conducted pursuant to all applicable minimum telephone service standards. All practices of Carrier, pertaining either to the provision of its own toll service, if any, or as a duly-authorized agent for another toll service provider shall also conform to the minimum telephone service standards.

(c) Carrier is prohibited from disconnecting any customer's local service for nonpayment of charges incurred by the customer for toll service.

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(d) Partial payments by a customer to Carrier will be apportioned by Carrier to Carrier's regulated local service charges first before being applied by Carrier to any toll charges and will be apportioned to regulated telephone service charges first before being applied to charges for nonregulated services.

12. Disconnection of Toll Service (Generally)

(a) In addition to enforcing, on its own behalf, Carrier's own billing, credit/deposit, and disconnection policies with respect to all regulated telephone services provided by Carrier itself, Carrier is not precluded from entering into formal contracts with other toll service providers which would authorize Carrier as a formal contractual agent of such other toll service providers for purposes of enforcing the billing, credit/deposit, and disconnection policies of such other toll service provider.

(b) Unless and until it has entered into a formal contract specifically authorizing it to do so, Carrier is not permitted to enforce the billing, credit/deposit, and disconnection policies of any toll service provider other than Carrier.

(c) When Carrier disconnects toll service for nonpayment of toll debt, whether owed to Carrier or to some other provider of toll service, the method of toll disconnection which Carrier utilizes:

(i) must not function as a vehicle by which the (nonpaying) toll subscriber is denied access, through presubscription, to any other toll service provider besides the one whose provision of toll service has precipitated the toll disconnection;

(ii) must be available from Carrier, by tariff, on a nondiscriminatory basis to all toll service providers; and

(iii) may consist of either a dePICing mechanism or else a selective toll blocking service.

(d) Neither purchase of the toll service provider's accounts receivable by Carrier, nor a requirement that Carrier shall be the billing and collection agent for the toll service provider, shall be established as a necessary precondition imposed by Carrier in connection with its tariffed disconnection services offered on a nondiscriminatory basis to all toll providers.

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13. Testing And Adjustments

(a) Upon reasonable notice, the facilities, equipment, and/or services provided by Carrier shall be made available to Carrier for such tests and adjustments as may be necessary to maintain them in satisfactory condition; no interruption allowance will be granted for the time during which such tests and adjustments are made.

14. Interconnection With Other Carriers

(a) Service furnished by Carrier may be connected with services or facilities of another participating carrier or a Authorized User. Such interconnection may be made at a Carrier terminal or entrance facility, at a terminal of another carrier, or at the premises of a Customer or an Authorized User. Service furnished by Carrier is not part of a joint undertaking with such other carriers.

(b) Any special interface equipment or facilities necessary to achieve compatibility between the facilities of Carrier and other carriers shall be provided at the Customer's expense. Upon written request and acting as his authorized agent, Carrier will use its best efforts to make the necessary arrangements for such interconnection.

(c) Service furnished by Carrier may be interconnected with the facilities or services of another carrier under the terms and conditions of tariffs applicable to such connections.

(d) Carrier may order interconnection facilities and/or initiate the presubscription process on behalf of a Customer if the Customer furnishes Carrier with a letter of agency. The Customer's use of such interconnection facilities shall conform to the regulations, terms, and conditions under which the carrier provides such access. The Customer shall bear the ultimate responsibility for all aspects of the local interconnection facility including, but not limited to, ordering, testing, installation, maintenance, use, and payment of such facilities.

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C. SERVICE DESCRIPTIONS

1. General Description Of Service

(a) The Service enables Customers to place local telephone calls within the State of Kentucky.

(b) Service is provided on a full-time monthly basis and is available in locations subject to the availability of facilities and/or equipment. Carrier reserves the right to refuse to provide Service where facilities or equipment are not available or economically feasible.

(c) Total monthly charges for use of Carrier's facilities are based upon the total time the Customer utilizes such facilities, unless otherwise specified herein. Intercity usage charges, as well as other charges, discounts, and/or features, are applicable to each individual service option.

(d) Rates and charges for Service vary depending upon the option selected by the Customer. Certain Service offerings may involve one or more of the following: a monthly recurring charge, a minimum monthly charge for usage, charges for installation, special features, and/or charges for administrative or physical changes to a Service. At additional cost, certain Service options offer a Customer the ability to identify individual users and allocate the cost of the Service through the use of accounting codes.

(e) Nothing herein, or in any other provision of this tariff, or in any marketing materials issued by Carrier shall give any person, including existing and prospective Customers, or their transferees or assignees, any ownership interest or proprietary right in any given telephone number.

2. Description of Charges

(a) Usage Charges

Usage charges vary depending upon a combination of factors including; the time of day a call is placed, the distance between the calling and the called parties, and the duration of the call. Calls beginning in one rate period and ending in another will be billed at the rate applicable to each portion of the call.

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Chargeable time begins when Carrier receives signaling to detect that the network connection between the calling party and the called party has been established. Chargeable time ends when either party "hangs up" thereby releasing the network connection. Unless otherwise specified, calls are measured and billed for an initial period of thirty (30) seconds and timed in six (6) second increments for usage over thirty (30) seconds; fractional minutes of use are rounded up to the next six (6) second increment.

(b) Monthly Recurring Charges

Monthly recurring charges are fixed fees applicable to certain service offerings set forth herein. Such charges vary depending upon the physical requirements of the Customer, and the characteristics of the service arrangement utilized by the Customer. Monthly recurring charges for dedicated access arrangements may include an amount charged by a local access provider. Customers may elect to be billed directly for local access facilities.

(c) Volume Discounts

Customers whose total monthly usage equals or exceed a minimum level may be eligible for a volume discount. The amount of the discount is generally based upon the Customer's total monthly usage charges for all services. The Customer's Minimum Service Period may also affect the amount of the discount. Volume discounts are not applicable to monthly recurring charges, installation charges, fees for special features and functions, administrative or physical change charges, or minimum monthly usage charges.

(d) Term Discounts

Customers whose Minimum Service Period equals or exceed one month may be eligible for discounted rates as described herein. The Customer's Minimum Monthly Usage charge and traffic volume may affect the amount of the discount. Volume discounts are not applicable to monthly recurring charges, installation charges, fees for special features and functions, administrative or physical change charges, or minimum monthly usage charges.

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(e) Monthly Usage Commitment and Minimum Monthly Usage Charges

Customers may be required to commit to a level of usage in order to receive discounted rates and charges, referred to as Monthly Usage Commitment. In such instances, the customer is billed a Minimum Monthly Usage Charge for the service. This amount of this charge varies depending upon the option selected by the Customer. Unless otherwise specified, minimum usage charges are billed in advance and are not subject to volume or time-of-day discounts.

(f) Installation Charges

Installation charges are applicable to certain service options requiring the physical connection of lines, ports, equipment, or other facilities. Such charges may also be assessed for changes in the service arrangement for the addition or adjustment to lines, ports, equipment, or other facility necessary to provide the service required by the Customer.

3. Service Promotions

(a) Carrier may from time to time engage in special promotions of limited duration of its service offerings designed to attract new customers or to increase existing customer awareness of a particular tariff offering. Waiver of any charges other than a nonrecurring charge shall be limited to 90 calendar days on a per customer basis during a 12-month period.

D. SERVICE OFFERINGS AND RATES

The following section sets forth the rates and charges for telecommunications services provided by Carrier.

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1. DS-1 Service

DS-1 Service allows Customers to utilize Carrier's high capacity 1.544 Mbps circuits capable of transmitting multiple streams of information (subject to capacity limitations).

	<u>Rate Per Month</u>
DS-1 (month to month)	\$536 per termination
Mileage Charge (fixed)	\$84.00
Mileage Charge (per mile)	\$50.00
Installation fee per circuit (one time)	\$1800.00

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EXHIBIT 3

Management of Cogent Following the Merger and Other Information

Following the merger, the directors, executive officers, and other key employees of Cogent and their ages as of October 10, 2001 will be as follows:

Name	Age	Title
David Schaeffer	45	Chairman and Chief Executive Officer
William Currer	53	President and Chief Operating Officer
H. Helen Lee	29	Chief Financial Officer and Director
Robert Beury	48	General Counsel
Barry Morris	42	Vice President of Sales
Scott Stewart	38	Vice President of Real Estate
Bradley Kummer	53	Chief Technology Officer and Vice President of Optical Transport
Neale D'Rozario	40	Chief Information Officer
Timothy O'Neill	45	Vice President of Engineering Construction
Mark Schleifer	32	Vice President of IP Engineering
Thaddeus Weed	40	Vice President, Controller
Edward Glassmeyer	60	Director
Erel Margalit	40	Director
James Wei	34	Director

We have listed below biographical information for each person who is expected to be a director, executive officer, or key employee following the merger.

David Schaeffer founded Cogent in August 1999, and is the Chairman and Chief Executive Officer. Prior to founding Cogent, Mr. Schaeffer was the founder of Pathnet, Inc., a broadband telecommunications provider, where he served as Chief

Executive Officer from 1995 until 1997, and as Chairman from 1997 until 1999. On April 2, 2001, Pathnet, Inc. filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code.

William Curren joined Cogent in June 2000 as President and Chief Operating Officer. From 1991 to 1999, Mr. Curren served as Group President, Communication Systems for Andrew Corp., a wireless communications infrastructure technology company.

H. Helen Lee, the Company's Chief Financial Officer and a director, joined Cogent in November 2000. Prior to joining Cogent, Ms. Lee worked in the LBO group of the Audax Group, a private equity firm in Boston, MA in 2000. From 1997 to 1998 Ms. Lee worked at Pathnet Inc., directing financing and corporate development activities. From 1995 to 1997, Ms. Lee worked in the Telecom M&A/Advisory Group at J.P. Morgan, where she participated in merger and acquisition transactions and advised on equity and high-yield offerings.

Robert Beury joined Cogent in September 2000 as General Counsel. Prior to joining Cogent, Mr. Beury served as Deputy General Counsel of Iridium LLC from 1994 to 2000. From 1987 to 1994, Mr. Beury was General Counsel of Virginia's Center for Innovative Technology, a non-profit corporation set up to develop the high-tech industry in Virginia.

Barry Morris joined Cogent in April 2000 as Vice President of Sales. Mr. Morris has over 19 years of experience in the sale and complex integration of large data communication networks. From 1997 to 2000, Mr. Morris served as Senior Director of Sales for Nortel Networks where he managed a staff of pre- and post-sales engineers, account executives, and regional managers, and performed marketing and sales consulting duties. Preceding its acquisition by Nortel, Mr. Morris served as the Vice President of Sales for Bay Networks from 1994 to 1997 and as District Sales Manager for Synoptics prior to its acquisition by Bay Networks.

Scott Stewart joined Cogent in May 2000 as the Vice President of Real Estate. He is responsible for leading a team of professionals to build Cogent's nationwide network of multi-tenant office buildings. From 1999 to 2000, Mr. Stewart was a Vice President at Carlyle Realty, a division of the Carlyle Group, a multi-national private equity group based in Washington, D.C. From 1995 to 1999, Mr. Stewart directed the east-coast development program for Homestead Village, an extended stay hotel company and subsidiary of Security Capital Group. While there, Mr. Stewart was responsible for leading a team of 25 development professionals in the construction of 72 hotels in 18 cities. From 1993 to 1995, Mr. Stewart was the President and Founder of Potomac Land and Development Company, a Washington,

D.C. metropolitan area real estate investment and consulting firm. From 1991 to 1993, Mr. Stewart was a Vice President and managed the Real Estate Owned properties of a Virginia based bank. Prior to then, Mr. Stewart served as a residential community developer in suburban Washington, D.C.

Bradley Kummer joined Cogent in February 2000 as Vice President and Chief Technology Officer. Mr. Kummer spent the 25 years prior to joining Cogent at Lucent Technologies (formerly Bell Laboratories), where he served in a variety of research and development and business development roles relating to optical fibers and systems. In his most recent work at Lucent, he was responsible for optical fiber systems engineering for long haul and metropolitan dense wavelength division multiplexing systems.

Neale D'Rozario joined Cogent in July 2000, and currently serves as Chief Information Officer. He is responsible for the Network Operations Center and Corporate Technology. From 1996 to 2000, Mr. D'Rozario was the Chief Information Officer for SunTrust Bank's investment banking division. While at SunTrust, Mr. D'Rozario was responsible for technology supporting equity and debt capital raising and trading activities. From 1991 to 1996, D'Rozario was the Global Managing Director of Technology for Barclays Bank, BZW Debt Capital Markets. There he was responsible for software development and third party package integration network infrastructure. From 1986 to 1991, Mr. D'Rozario served as the Information Systems Manager at Salomon Brothers, Inc.

Timothy O'Neill joined Cogent in January 2001 as the Vice President of Engineering Construction. He is responsible for the network build-out and provisioning. From 1999 to 2001, Mr. O'Neill was employed at @Link Networks where he served as Chief Network Officer. While at @Link, Mr. O'Neill was responsible for engineering, implementing, and operation an integrated communications network. From 1998 to 1999, Mr. O'Neill was the Vice President of National Operations for NEXTLINK. His responsibilities included the NOC, network assurance, central office construction, provisioning, and engineering. Mr. O'Neill has also held senior management positions with Time Warner Communications and Internet Communications from 1994 to 1998.

Mark Schleifer joined Cogent in October 2000, and currently serves as Vice President of IP Engineering. From 1994 to 2000, Mr. Schleifer served as Senior Director, Network Engineering at DIGEX/Intermedia, a provider of high-end managed Web and application hosting services. At DIGEX/Intermedia, Mr. Schleifer managed the Network Engineering group, Capacity Planning group, and Research and Development group. He was responsible for all technical aspects of customer turn-up, network troubleshooting, field installations, and new equipment testing for the

leased line business. Mr. Schleifer also coordinated peering and backbone circuit deployment to maintain network throughput and availability.

Thaddeus Weed joined Cogent in February 2000 as Controller. From 1997 to 1999, Mr. Weed served as Senior Vice President of Finance and Treasurer at Transaction Network Services where Mr. Weed undertook a broad range of financial management responsibilities. These responsibilities included financial planning, forecasting, budgeting, financial modeling, acquisition, and international expansion strategies and pro-forma analyses. In 1999, he negotiated and completed the sale of Transaction Network Services to PSINet. From 1987 to 1997, Mr. Weed was employed at Arthur Andersen, where he served as Senior Audit Manager, consuming on due diligence and operational improvement issues and performing audits of public and private entities.

Edward Glassmeyer has served on Cogent's board of directors since 2000. Mr. Glassmeyer was with Citicorp Venture Capital from 1968 to 1970, and The Sprout Capital Group where he was Managing Partner from 1971 to 1974. In 1973, he became a founding director of the National Venture Capital Association (NVCA). In 1978, he co-founded Oak Investment Partners, a venture capital firm. Since July 1996, he has been an Overseer of The Tuck School at Dartmouth College. Mr. Glassmeyer serves on the board of directors of a number of Oak portfolio companies supplying network equipment and services, including Apogee Networks, Movaz, Telica, and Tellium.

Erel Margalit has served on Cogent's board of directors since 2000. Mr. Margalit has been Managing General Partner of Jerusalem Pacific Ventures since August 1997. He was a general partner of Jerusalem Pacific Ventures from December 1993 to August 1997. From 1990 to 1993, Mr. Margalit was Director of Business Development of the City of Jerusalem. Mr. Margalit is a director of Paradigm Geophysical Ltd., Bridgewave Communications, Inc., CyOptics, Inc. First Access, Ltd., InLight Communications, Inc., KereniX, Inc., SANGate Systems, Inc., and Teleknowledge Group, Inc.

James Wei has served on Cogent's board of directors since 2000. He has been a general partner at Worldview Technology Partners, a venture capital firm, since April 1996. Prior to that, Mr. Wei was a Fund Manager at JAFCO Co., Ltd., a venture capital firm, from October 1991 through April 1996. Mr. Wei currently also serves on the boards of directors for Caly Networks, CommVerge Solutions, Edge2Net, iWorld Networking, Movaz Networks, Tensilica, 3ParData, Triton Network Systems, and Wellspring Solutions. He is also a General Partner of Meritech Capital Partners, a late stage venture capital fund with \$1.8 billion under management.

EXHIBIT 4

Financial Statements

(FILED UNDER SEAL)

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Cogent Communications Group, Inc., and Subsidiaries:

We have audited the accompanying consolidated balance sheets of Cogent Communications Group, Inc. (a Delaware corporation), and Subsidiaries (together the Company) as of December 31, 1999 and 2000, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the period from inception (August 9, 1999) to December 31, 1999, and for the year ended December 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cogent Communications Group, Inc., and Subsidiaries as of December 31, 1999 and 2000, and the results of their operations and their cash flows for the period from inception (August 9, 1999) to December 31, 1999, and for the year ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

Vienna, Virginia
March 15, 2001

COGENT COMMUNICATIONS GROUP, INC., AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 1999 AND 2000

	1999	2000
Assets		
Current assets:		
Cash and cash equivalents	\$ 343	\$ 65,593,324
Prepaid expenses and other current assets	25,000	3,281,060
Total current assets	25,343	68,874,384
Property and equipment:		
Property and equipment	—	128,843,820
Accumulated depreciation and amortization	—	(338,008)
Total property and equipment	—	128,505,812
Other assets	—	7,213,457
Total assets	\$ 25,343	\$204,593,653
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ —	\$ 2,600,528
Accrued liabilities	7,633	2,954,665
Capital lease obligations	—	10,697,395
Total current liabilities	7,633	16,252,588
Cisco credit facility	—	67,239,085
Deferred equipment discount	—	16,853,400
Total liabilities	7,633	100,345,073
Commitments and contingencies:		
Stockholders' equity:		
Convertible preferred stock, Series A, \$0.001 par value; 26,000,000 shares authorized, issued, and outstanding in 2000; none in 1999; liquidation preference of \$27,882,357	—	25,891,957
Convertible preferred stock, Series B, \$0.001 par value; 20,000,000 shares authorized; 19,809,783 shares issued and outstanding in 2000; none in 1999; liquidation preference of \$93,693,925	—	90,009,445
Common stock, \$0.001 par value; 49,500,000 and 70,000,000 shares authorized; 13,600,000 and 14,006,977 shares issued and outstanding . . .	13,600	14,007
Additional paid-in capital	86,400	176,179
Accumulated deficit	(82,290)	(11,843,008)
Total stockholders' equity	17,710	104,248,580
Total liabilities and stockholders' equity	\$ 25,343	\$204,593,653

The accompanying notes are an integral part of these consolidated balance sheets.

COGENT COMMUNICATIONS GROUP, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE PERIOD FROM INCEPTION (AUGUST 9, 1999) TO
DECEMBER 31, 1999, AND FOR THE YEAR ENDED DECEMBER 31, 2000

	1999	2000
Operating expenses:		
Network operations	\$ —	\$ 3,040,100
Selling, general, and administrative	82,290	10,844,425
Depreciation and amortization	—	338,008
	82,290	14,222,533
Total operating expenses	82,290	14,222,533
Operating loss	(82,290)	(14,222,533)
Interest income	—	3,432,532
Interest expense	—	(1,104,696)
Other income	—	133,979
	\$ (82,290)	\$(11,760,718)
Net loss	\$ (82,290)	\$(11,760,718)
Basic and diluted net loss per common share	\$(0.01)	\$(0.85)
Weighted-average common shares (basic and diluted)	13,600,000	13,823,598

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

COGENT COMMUNICATIONS GROUP, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE PERIOD FROM INCEPTION (AUGUST 9, 1999) TO
DECEMBER 31, 1999 AND FOR THE YEAR ENDED TO DECEMBER 31, 2000

	Common stock		Additional paid-in capital	Convertible preferred stock—Series A		Convertible preferred stock—Series B		Accumulated deficit	Total stockholders' equity
	Shares	Amount		Shares	Amount	Shares	Amount		
Balance, August 9, 1999 (date of inception)	—	\$ —	\$ —	—	\$ —	—	\$ —	\$ —	—
Issuance of common stock . .	13,600,000	13,600	86,400	—	—	—	—	—	100,000
Net loss	—	—	—	—	—	—	—	(82,290)	(82,290)
Balance, December 31, 1999	<u>13,600,000</u>	<u>13,600</u>	<u>86,400</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(82,290)</u>	<u>17,710</u>
Issuances of common stock pursuant to exercises of stock options	406,977	407	89,779	—	—	—	—	—	90,186
Issuance of Series A convertible preferred stock, net	—	—	—	26,000,000	25,891,957	—	—	—	25,891,957
Issuance of Series B convertible preferred stock, net	—	—	—	—	—	19,809,783	90,009,445	—	90,009,445
Net loss	—	—	—	—	—	—	—	(11,760,718)	(11,760,718)
Balance, December 31, 2000	<u>14,006,977</u>	<u>\$14,007</u>	<u>\$176,179</u>	<u>26,000,000</u>	<u>\$25,891,957</u>	<u>19,809,783</u>	<u>\$90,009,445</u>	<u>\$(11,843,008)</u>	<u>\$104,248,580</u>

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

COGENT COMMUNICATIONS GROUP, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD FROM INCEPTION (AUGUST 9, 1999) TO DECEMBER 31, 1999,
AND FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>1999</u>	<u>2000</u>
Cash flows from operating activities:		
Net loss	\$(82,290)	\$(11,760,718)
Adjustments to reconcile net loss to net cash used in operating activities —		
Depreciation and amortization	—	338,008
Changes in assets and liabilities:		
Prepaid expenses and other current assets	—	(3,281,060)
Other assets	—	(7,213,457)
Accounts payable and accrued liabilities	7,633	5,547,560
Net cash used in operating activities	<u>(74,657)</u>	<u>(16,369,667)</u>
Cash flows from investing activities:		
Purchases of property and equipment	—	(80,988,863)
Cash flows from financing activities:		
Borrowings under Cisco credit facility	—	67,239,085
Collection of note from stockholder	—	25,000
Proceeds from issuance of common stock	75,000	—
Proceeds from option exercises	—	90,186
Repayment of capital lease obligations	—	(37,157,562)
Deferred equipment discount	—	16,853,400
Issuances of preferred stock, net of issuance costs	—	115,901,402
Net cash provided by financing activities	<u>75,000</u>	<u>162,951,511</u>
Net increase in cash and cash equivalents	343	65,592,981
Cash and cash equivalents, beginning of period	—	343
Cash and cash equivalents, end of period	<u>\$ 343</u>	<u>\$ 65,593,324</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ —	\$ 1,736,341
Cash paid for income taxes	—	—
Noncash financing activities —		
Capital lease obligations incurred	—	47,854,957

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

COGENT COMMUNICATIONS GROUP, INC., AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 2000

1. Description of the business and summary of significant accounting policies:

Description of business

Cogent Communications, Inc. (Cogent), was formed on August 9, 1999 (inception) as a Delaware corporation and is located in Washington, D.C. Cogent is a facilities-based Internet Services Provider (ISP), providing Internet access to multi-tenant office buildings in 11 major metropolitan areas in the United States. In 2001, Cogent formed Cogent Communications Group, Inc., (the Company), a Delaware corporation. Effective on March 14, 2001, Cogent's stockholders exchanged their outstanding common and preferred shares for an equal number of shares of the Company, and Cogent became a wholly owned subsidiary of the Company. All of Cogent's options for shares of common stock were also converted to options of the Company. The common and preferred shares of the Company include rights and privileges identical to the common and preferred shares of Cogent. This was a tax-free exchange that will be accounted for by the Company at Cogent's historical cost. Accordingly, the accompanying financial statements as of and for the periods ended December 31, 2000 and 1999, reflect the historical operating results and assets and liabilities of Cogent.

The Company's high-speed Internet access service is delivered to the Company's customers over a nationwide fiber-optic network. The Company's network is dedicated solely to Internet Protocol data traffic. The Company's network includes 30-year indefeasible rights of use (IRUs) to a nationwide fiber-optic intercity network of 12,484 route miles (24,968 fiber miles) of dark fiber from Williams Communications, Inc. (Williams). These IRUs are configured in two rings that connect certain major metropolitan markets in the United States. In order to extend the Company's national backbone into local markets, the Company has entered into a leased fiber agreement with Metromedia Fiber Network Services, Inc. (MFN), to obtain intracity fiber under 25-year IRUs.

The Company's primary activities to date have included recruiting employees, obtaining financing, branding and marketing its products, obtaining customer orders and building access rights, and designing and constructing its fiber-optic network and facilities.

Segments

The Company's chief operating decision maker evaluates performance based upon underlying information of the Company as a whole. There are no additional reporting segments.

Development stage status, business risk, and liquidity

Until February 2001, when the Company began providing service to customers, the Company was in the development stage.

The Company operates in the rapidly evolving Internet services industry, which is subject to intense competition and rapid technological change, among other factors. The successful execution of the Company's business plan is dependent upon the availability of and access to network capacity, the availability and performance of the Company's network equipment, the availability of additional capital, the Company's ability to successfully market its products and services, and the Company's ability to manage its growth. Although management believes that the Company will successfully mitigate these risks, management cannot give assurances that it will be able to do so or that the Company will ever operate profitably.

In February 2000, the Company obtained \$26 million in venture-backed funding through the issuance of Series A preferred stock. In March 2000, the Company secured a \$280 million credit facility

from Cisco Systems Capital Corporation (Cisco Capital). In June 2000, the Company raised an additional \$90 million in venture-backed funding through the issuance of Series B preferred stock. In January 2001, the credit facility with Cisco Capital was amended and increased to \$310 million. Substantial time may pass before significant revenues are realized, and additional funds will be required to implement the Company's business plan. Management expects that the proceeds from the issuance of preferred stock and the availability under the Cisco credit facility will be sufficient to fund the Company's operations for 2001.

Principles of consolidation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Revenue recognition

The Company recognizes service revenue in the month in which the service is provided. All expenses related to services provided are expensed as incurred. Cash received in advance of revenue earned is recorded as deferred revenue and is recognized over the service period or, in the case of installation fees, the estimated customer life.

Network operations

Network operations include costs associated with service delivery, network management, and customer support. This includes the costs of personnel and related operating expenses associated with these activities, network facilities costs, fiber maintenance fees, leased circuit costs, and access fees paid to office building owners.

Financial instruments

The Company considers all highly liquid investments with an original maturity of three months or less at purchase to be cash equivalents. The Company determines the appropriate classification of its investments at the time of purchase and reevaluates such designation at each balance sheet date. At December 31, 2000, the Company's marketable securities consisted of money market accounts and commercial paper, all with original maturities of three months or less.

In the ordinary course of business with its vendors, the Company is party to letters of credit totaling \$900,000 as of December 31, 2000. No claims have been made against these financial instruments. Management does not expect any losses from the resolution of these financial instruments and is of the opinion that the fair value is zero since performance is not likely to be required.

At December 31, 1999 and 2000, the carrying amount of cash and cash equivalents approximated fair value because of the short maturity of these instruments. The interest rate on the Company's Cisco credit facility resets on a quarterly basis; accordingly, as of December 31, 2000, the fair value of the Company's long-term debt approximated the carrying amount.

Credit risk

The Company's assets that are exposed to credit risk consist of its cash equivalents. The Company places its cash equivalents in instruments that meet high-quality credit standards as specified in the Company's investment policy guidelines.

Property and equipment

Property and equipment are recorded at cost and depreciated once deployed using the straight-line method over the estimated useful lives of the assets. The direct costs incurred prior to an asset being ready for service are reflected as construction in progress. Interest is capitalized during the construction period based upon the rates applicable to borrowings outstanding during the period. Construction in progress includes costs incurred under the construction contract, interest, and the salaries and benefits of employees directly involved with the construction activities. Expenditures for maintenance and repairs are expensed as incurred. The assets and liabilities under capital leases are recorded at the lesser of the present value of the aggregate future minimum lease payments or the fair value of the assets under lease. Leasehold improvements include costs associated with building improvements.

Long-lived assets, include property and equipment, goodwill and identifiable intangible assets to be held and used, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount should be addressed. Impairment is determined by comparing the carrying value to the estimated undiscounted future cash flows expected to result from the use of the assets and their eventual dispositions. The Company considers expected cash flows and estimated future operating results, trends and other available information in assessing whether the carrying value of the assets is impaired. In the event an impairment exists, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the asset, which is generally determined using quoted market prices or valuation techniques such as the discounted present value of expected future cash flows, appraisals, or other pricing models as appropriate. The Company believes that no such impairment existed as of December 31, 1999 and 2000.

The Company's estimates of anticipated net revenues, the remaining estimated lives of tangible and intangible assets, or both, could be reduced significantly in the future due to changes in technology, regulation, available financing, or competition. As a result, the carrying amount of long-lived assets could be reduced materially in the future.

Depreciation and amortization periods are as follows:

Type of asset	Depreciation or amortization period
Indefeasible rights of use (IRUs)	Shorter of useful life or IRU lease agreement; generally 20 years, beginning when the IRU is ready for use
Network equipment	Five to seven years
Leasehold improvements	Shorter of lease term or useful life; generally 10 to 15 years
Software	Five years
Office and other equipment	Three to five years
System infrastructure	Ten years

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comprehensive Income

During the periods presented, the Company has not had any transactions that are required to be reported in comprehensive income.

Income taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." Under SFAS No. 109, deferred tax assets or liabilities are computed based upon the differences between financial statement and income tax bases of assets and liabilities using the enacted marginal tax rate. Deferred income tax expense or benefits are based upon the changes in the assets or liability from period to period.

Stock-based compensation

The Company accounts for its stock option plan in accordance with the provisions of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. As such, compensation expense related to fixed employee stock options is recorded only if on the date of grant the fair value of the underlying stock exceeds the exercise price. The Company has adopted the disclosure only requirements of SFAS No. 123, "Accounting for Stock-Based Compensation," which allows entities to continue to apply the provisions of APB Opinion No. 25 for transactions with employees and to provide pro forma net income disclosures as if the fair value based method of accounting, or minimum value method for private companies, described in SFAS No. 123 had been applied to employee stock option grants.

Basic and Diluted Net Loss Per Common Share

Basic net loss per common share is based on the weighted-average number of shares of common stock outstanding during each period. Diluted net loss per common share is based on the weighted-average number of shares of common stock outstanding during each period, adjusted for the effect of common stock equivalents arising from the assumed exercise of stock options, warrants and the conversion of preferred stock, if dilutive. Common stock equivalents have been excluded from the net loss per share calculation because their effect would be anti-dilutive.

The following is a calculation of the numerators and the denominators of the basic and diluted loss per common share computations.

	<u>1999</u>	<u>2000</u>
Net loss	\$ (82,290)	\$(11,760,718)
Weighted-average shares of common stock outstanding	13,600,000	13,823,598
Basic and diluted net loss per common share	\$(0.01)	\$(0.85)

For the year ended December 31, 2000 and the period from inception to December 31, 1999, options to purchase 6,892,950 and 469,500 shares of common stock at weighted average exercise prices of \$0.97 and \$0.01 per share, respectively, are not included in the computation of diluted earnings per share as they are anti-dilutive. For the year ended December 31, 2000, 45,809,783 shares of preferred stock, which were convertible into 45,809,783 shares of common stock, were not included in the computation of diluted earnings per share as a result of their anti-dilutive effect.

2. Property and equipment:

Property and equipment consisted of the following:

	December 31,	
	1999	2000
Owned assets:		
Network equipment	\$ —	\$ 67,389,954
Software	—	1,971,431
Office and other equipment	—	1,554,593
Leasehold improvements	—	64,047
Construction in progress	—	10,008,838
	—	80,988,863
Less — Accumulated depreciation and amortization	—	(324,428)
	—	80,664,435
Assets under capital leases:		
IRUs	—	47,854,957
Less — Accumulated depreciation and amortization	—	(13,580)
	—	47,841,377
Property and equipment, net	\$ —	\$ 128,505,812

Capitalized interest

In 2000, the Company capitalized \$2,963,303 of interest that is included in construction in progress.

Indefeasible rights of use agreement

In April 2000, the Company entered into a dark fiber IRU contract with Williams for 12,484 fiber miles of fiber-optic cable at a cost of approximately \$27.5 million. The Company paid approximately \$20.6 million in 2000 and will pay approximately \$6.9 million toward this IRU in 2001. In June 2000, the Company exercised its option to lease an additional 12,484 route miles for approximately \$22.5 million. In 2000, the Company paid approximately \$18.0 million toward this IRU (the Second IRU) and will pay an additional \$4.5 million in 2001. These IRUs are for an initial 20-year period with, under certain conditions, two renewal terms of five years each. Under this agreement, Williams also provides co-location services and maintenance on both fibers for monthly fees.

3. Long-term debt:

In March 2000, the Company entered into a \$280 million credit facility (the Facility) with Cisco Capital. In March 2001, the Facility was increased to \$310 million. The Facility is divided into two categories of borrowings. Under the first category, up to \$238 million is available to finance purchases of Cisco network equipment, software, and related services from either Cisco or a reseller or distributor of Cisco products (Equipment Loans). The second category provides up to \$72 million of funding available for working capital and general corporate purposes (Working Capital Loans). Working Capital Loans are limited to 35 percent of outstanding Equipment Loans. Borrowings under the Facility are available for up to five years.

The Facility requires compliance with certain subjective (i.e., material adverse change clauses) and financial covenants, among other conditions and restrictions, and required the payment of a 2 percent commitment fee (\$6.2 million) that the Company has paid. The commitment fee is recorded in other assets in the accompanying consolidated balance sheet and is being amortized to interest expense over

a period of eight years. The Facility also includes a 1.0 percent per annum unused facility fee, payable quarterly. Borrowings may be prepaid at any time without penalty and are subject to mandatory prepayment based upon excess cash flow or upon the receipt of a specified amount from the sale of the Company's securities, each as defined. Repayments are made quarterly with repayment periods ranging from four to six years. Borrowings accrue interest at the three-month LIBOR rate, established at the beginning of each calendar quarter, plus a margin of 4.5 percent per annum. The margin is dependent upon the Company's leverage ratio, as defined, and may be reduced down to as low as 1.5 percent. Interest is payable quarterly. Borrowings are secured by a pledge of all of the Company's assets. The Facility provides for the issuance of warrants to Cisco Capital to purchase the Company's common stock in connection with Working Capital Loans. The warrants enable Cisco Capital to acquire 30,937.5 shares of the Company's common stock for each \$1.0 million of Working Capital Loans made. The exercise price of the warrants is based upon the most recent significant equity transaction, as defined in the Facility. The Company has not utilized the Working Capital Loan availability under the Facility.

As of December 31, 2000, the Company had violated certain debt covenants related to minimum customers and revenues. In March 2001, the Company obtained an amendment to the credit facility and the Company was in compliance with the amended agreement. The Company is subject to similar covenants in the future.

The Company began entering into Equipment Loans in August 2000. At December 31, 2000, there was \$67.2 million of Equipment Loans outstanding accruing interest at 11.16 percent. The weighted-average interest rate for the period from August 2000 to December 31, 2000, was approximately 11.20 percent. Borrowings under these Equipment Loans are to be repaid beginning in March 2002 and ending in March 2008. Subsequent to year-end, and through March 15, 2001, the Company borrowed an additional \$4.9 million of Equipment Loans to finance additional equipment purchases.

Maturities of borrowings under the Facility are as follows:

<u>For the year ending December 31</u>	
2002	\$ 5,031,973
2003	6,711,954
2004	6,732,874
2005	11,772,817
Thereafter	36,989,467
	<u>\$67,239,085</u>

4. Deferred equipment discount:

In June 2000, the Company amended its product purchase agreement with Cisco (see Note 6). In connection with the amendment, Cisco agreed to pay the Company a total of \$22.5 million, with \$16.9 million paid in 2000 and \$5.6 million to be paid in 2001. These payments are recorded as a deferred equipment discount and will be amortized as a reduction to depreciation expense over a seven-year period as the related equipment is placed in service.

5. **Income taxes:**

The net deferred tax asset comprised the following:

	December 31	
	1999	2000
Net operating loss carryforwards	\$ —	\$3,888,649
Depreciation	—	(190,544)
Start-up expenditures	33,393	760,070
Accrued liabilities	—	344,236
Valuation allowance	(33,393)	(4,802,411)
Net deferred tax asset	<u>\$ —</u>	<u>\$ —</u>

Due to the uncertainty surrounding the realization of its net deferred tax asset, the Company has recorded a valuation allowance for the full amount of its net deferred tax asset. Should the Company achieve profitability, its deferred tax assets may be available to offset future income tax liabilities. The federal and state net operating loss carryforwards of \$9.6 million expire in 2019 and 2020. For federal and state tax purposes, the Company's net operating loss carryforwards could be subject to certain limitations on annual utilization if certain changes in ownership were to occur as defined by federal and state tax laws.

The following is a reconciliation of the Federal statutory income tax rate to the effective rate reported in the financial statements.

	1999	2000
Federal income tax (benefit) at statutory rates	(34.0)%	(34.0)%
State income tax (benefit) at statutory rates, net of Federal benefit	(6.6)	(6.6)
Increase in valuation allowance	40.6	40.6
Effective income tax rate	—%	—%

6. **Commitments and contingencies:**

Fiber lease agreements

In February 2000, the Company entered into an agreement with MFN to lease fiber-optic cable for its intracity fiber-optic rings and to provide the Company access for providing its service to certain multi-tenant office buildings. Each product order includes a lease of an intracity fiber-optic ring for a period of up to 25 years and access to certain specified buildings for monthly payments. The agreement provides for a minimum commitment of 2,500 leased fiber miles and 500 connected buildings within five years from the effective date. In the event of early termination of the lease agreement, a termination charge would be assessed. The termination charge declines from \$23 million in Year 1 to \$7.7 million if the agreement is terminated in Years 6-20. Under the agreements, MFN also provides installation, maintenance, restoration, and network monitoring services at no additional cost. Through March 15, 2001, the Company has submitted orders to MFN for approximately 2,425 fiber miles and 256 buildings. Each lease of an intracity fiber-optic ring will be treated as a capital lease and recorded

once the Company has accepted the related fiber route. The future minimum commitment, including building access fees, under this agreement is as follows:

<u>For the year ending December 31</u>	
2001	\$ 588,000
2002	588,000
2003	588,000
2004	588,000
2005	3,588,000
Thereafter	<u>73,950,000</u>
Total	<u>\$79,890,000</u>

Equipment purchase commitment

In March 2000, the Company entered into a five-year commitment to purchase from Cisco, minimum annual amounts of equipment, professional services, and software. In June 2000, the agreement was amended to increase the Company's previous commitment to purchase \$150.1 million over four years to a commitment to purchase \$212.2 million over five years. As of December 31, 2000, the Company had purchased approximately \$67.2 million toward this commitment, and approximately \$44 million of purchase orders are outstanding. The annual commitment, as amended, is as follows:

<u>Year</u>	<u>Amount</u>
Year 1	\$ 71,100,000
Year 2	44,000,000
Year 3	48,400,000
Year 4	34,900,000
Year 5	<u>13,800,000</u>
Total	<u>\$212,200,000</u>

Operating leases and license agreements

The Company leases office space, network equipment sites, and facilities under operating leases. The Company also enters into building access agreements with the landlords of its targeted multi-tenant office buildings. Future minimum annual commitments under these arrangements are as follows:

<u>Year ending December 31</u>	
2001	\$ 4,671,844
2002	4,725,913
2003	4,625,166
2004	4,622,581
2005	4,488,872
Thereafter	<u>24,065,304</u>
	<u>\$47,199,680</u>

Rent expense was \$722,602 in 2000. There was no rent expense in 1999.

Connectivity and transit agreements

In order to provide its service, the Company connects its customers and the buildings it serves to its national fiber-optic backbone and for its transit service to the Internet. The Company has secured

contracts that range from monthly charges to 36-month terms to provide this connectivity and to provide its service while certain segments of its fiber-optic backbone are under construction. The Company also pays Williams a monthly fee per route mile over a minimum of 20 years for the maintenance of its two national backbone fibers.

Future minimum obligations as of December 31, 2000, related to these arrangements are as follows:

<u>Year ending December 31</u>	
2001	\$ 7,021,358
2002	5,306,098
2003	4,848,525
2004	3,576,993
2005	3,648,532
Thereafter	<u>64,357,504</u>
	<u>\$88,759,010</u>

Trademark

In October 2000, the Company was notified that the use of the trade name Cogent Communications may conflict with pre-existing trademark rights. Management believes that this issue will be resolved without a material effect on the Company's financial position or results of operations.

Commercial paper investment

The Company has a \$600,000 investment in a commercial paper issue of Pacific Gas and Electric Company (PG&E). When purchased in November 2000, this investment met the Company's investment guidelines. Subsequent to December 31, 2000, the borrowings of PG&E have been downgraded by rating agencies, and the investment no longer meets the Company's investment criteria. The current market price of this commercial paper investment was approximately \$480,000 at March 15, 2001.

7. Stockholders' equity:

The Company has authorized 70,000,000 shares of \$0.001 par value common stock, 26,000,000 shares of Series A Participating Convertible Preferred Stock (Series A), and 20,000,000 shares of Series B Participating Convertible Preferred Stock (Series B). The Company has reserved 46,000,000 shares of its common stock for the conversion of the Series A and Series B preferred stock, 9,900,000 shares of its common stock for issuance under its Equity Incentive Plan, and 2,227,500 shares of its common stock for the issuance of warrants under the Facility.

In February 2000, the Company authorized and issued 26,000,000 shares of Series A preferred stock for \$26 million. The Series A contains voting rights at one vote per share equal to the number of shares of common stock into which the Series A shares can be converted. The Series A is senior to the common stock and includes a stated liquidation preference of the original purchase price of \$1.00 per share plus interest at the three-month LIBOR rate plus a stated percentage. Each share of Series A is convertible, at any time, at the option of the holder into shares of common stock at the rate of one share of common stock for each share of Series A, subject to adjustment, and automatically converts under certain conditions, as defined in the Series A stock purchase agreement.

In July 2000, the Company issued 19,809,783 shares of Series B preferred stock for approximately \$90 million. The Series B contains voting rights at one vote per share equal to the number of shares of common stock into which the Series B shares can be converted. The Series B is senior to the common stock and includes a stated liquidation preference of the original purchase price of \$4.55 per share plus

interest at the three-month LIBOR rate plus a stated percentage. Each share of Series B is convertible, at any time, at the option of the holder into shares of common stock at the rate of one share of common stock for each share of Series B, subject to adjustment, and automatically converts under certain conditions, as defined in the Series B stock purchase agreement.

Under a liquidation, after the liquidation preferences of the Series A and Series B noted above have been satisfied, all remaining assets of the Company are distributed ratably to all holders of preferred stock, as if converted to common stock, and to all holders of common stock. These distributions are made until the aggregate distribution to the Series A is \$3.00 per share and the Series B is \$9.10 per share, at which time all preferred shares are considered redeemed and are canceled.

8. Stock option plan:

In 1999, the Company adopted its Equity Incentive Plan (the Plan) for granting of options to employees, directors, and consultants. Options granted under the Plan may be designated as incentive or nonqualified at the discretion of the Plan administrator. Stock options granted under the Plan generally vest over a four-year period and have a term of ten years. Stock options exercised, granted, and canceled during the period from inception (August 9, 1999) to December 31, 2000, were as follows:

	Number of options	Weighted-average exercise price
Outstanding at inception (August 9, 1999)	—	\$ —
Granted	469,500	0.01
Exercised	—	—
Cancellations	—	—
Outstanding at December 31, 1999	469,500	0.01
Granted	6,323,550	1.00
Exercised	(406,977)	0.22
Cancellations	506,877	0.83
Outstanding at December 31, 2000	<u>6,892,950</u>	<u>\$0.97</u>

Options exercisable as of December 31, 1999, were 234,750 with a weighted-average exercise price of \$0.01. The weighted-average remaining contractual life of the outstanding options at December 31, 1999, was approximately 9.7 years. Options exercisable as of December 31, 2000, were 369,458 with a weighted-average exercise price of \$0.75. The weighted-average remaining contractual life of the outstanding options at December 31, 2000, was approximately 9.5 years.

Pro forma information regarding net loss required by SFAS No.123 has been determined as if the Company had accounted for its stock options under the minimum value method and results in a pro forma net loss of \$11,953,354 for 2000 and \$83,387 for 1999. The weighted-average per share grant date fair value of options granted was \$0.40 in 2000 and \$0.005 in 1999. The fair value of these options was estimated at the date of grant using the minimum value method with the following weighted-average assumptions for the year ended December 31, 2000—an average risk-free rate of 5.25 percent, a dividend yield of 0 percent, and an expected life of 10 years, and for the year ended December 31, 1999—an average risk-free rate of 6.5 percent, a dividend yield of 0 percent, and an expected life of 10 years.

9. Related party:

The Company's headquarters is located in an office building owned by a partnership in which the Company's chief executive officer is the general partner. The Company was not charged for the use of this office space in 1999. The Company paid \$333,366 in rent to this entity in 2000. In January 2000, the Company collected a \$25,000 note receivable from its stockholder related to the stockholders' 1999 purchase of common shares.

COGENT COMMUNICATIONS GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
(IN THOUSANDS, EXCEPT SHARE DATA)

As of
September 30, 2001
(Unaudited)

ASSETS

Current assets:	
Cash and cash equivalents	\$ 10,528
Accounts receivable, net	823
Prepaid expenses and other current assets	<u>2,320</u>
Total current assets	<u>13,671</u>
Property and Equipment:	
Property and equipment	220,840
Accumulated depreciation and amortization	<u>(6,735)</u>
Total property and equipment	<u>214,105</u>
Other Assets:	
Deposits and other assets	2,133
Deferred financing costs — Cisco credit facility	6,119
Intangible assets	<u>11,740</u>
Total other assets	19,992
Total assets	<u><u>\$247,768</u></u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:	
Accounts payable	5,524
Accrued liabilities	2,725
Accrued interest	3,081
Capital leases — current portion	<u>1,734</u>
Total current liabilities	13,064
Cisco credit facility — equipment loans	107,625
Cisco credit facility — working capital loan	28,990
Capital leases, net of current portion	17,756
Deferred equipment discount	<u>20,915</u>
Total liabilities	<u>188,350</u>
Commitments and contingencies:	
Stockholders' Equity:	
Convertible preferred stock, Series A, \$0.001 par value; 26,000,000 shares authorized; issued and outstanding; liquidation preference of \$28,154	25,892
Convertible preferred stock, Series B, \$0.001 par value; 20,000,000 shares authorized; 19,809,783 shares issued and outstanding; liquidation preference of \$95,735	90,009
Common stock, \$0.001 par value; 70,000,000 shares authorized; 14,086,142 shares issued and outstanding	14
Additional paid-in capital	194
Stock purchase warrants	583
Accumulated deficit	<u>(57,274)</u>
Total stockholders' equity	<u>59,418</u>
Total liabilities and stockholders' equity	<u><u>\$247,768</u></u>

The accompanying notes are an integral part of this condensed consolidated balance sheet.

COGENT COMMUNICATIONS GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	<u>Nine Months Ended September 30, 2000 (unaudited)</u>	<u>Nine Months Ended September 30, 2001 (unaudited)</u>
Revenues		
Service revenue	\$ —	\$ 747
Operating expenses:		
Network operations	626	15,473
Selling, general, and administrative	5,010	21,756
Depreciation and amortization	85	5,955
Total operating expenses	<u>5,721</u>	<u>43,184</u>
Operating income (loss)	(5,721)	(42,437)
Interest income	2,103	1,565
Interest expense	(434)	(4,756)
Other income	83	198
Net income (loss)	<u>\$ (3,969)</u>	<u>\$ (45,430)</u>
Basic and diluted net loss per common share	<u>\$(0.30)</u>	<u>\$(3.23)</u>
Weighted-average common shares (basic and diluted)	<u>13,913,416</u>	<u>14,047,813</u>

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

COGENT COMMUNICATIONS GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	Nine Months Ended September 30, 2000 (unaudited)	Nine Months Ended September 30, 2001 (unaudited)
Cash flows from operating activities:		
Net loss	\$ (3,969)	\$(45,430)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	85	5,955
Changes in assets and liabilities	<u>(5,123)</u>	<u>9,184</u>
Net cash used in operating activities	<u>(9,007)</u>	<u>(30,291)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(36,745)	(72,157)
Purchase of NetRail assets	<u>—</u>	<u>(11,740)</u>
Net cash used in investing activities	<u>(36,745)</u>	<u>(83,897)</u>
Cash flows from financing activities:		
Repayment of capital lease obligations	(19,974)	(10,268)
Collection of note from stockholder	25	—
Proceeds from credit facility — equipment loans	31,992	40,386
Proceeds from credit facility — working capital loan	—	28,990
Proceeds from option exercises	19	15
Deferred equipment discount	8,988	—
Issuances of preferred stock, net of issuance costs	<u>115,901</u>	<u>—</u>
Net cash provided by financing activities	<u>136,951</u>	<u>59,123</u>
Net increase (decrease) in cash and cash equivalents	91,199	(55,065)
Cash and cash equivalents — beginning of period	<u>—</u>	<u>65,593</u>
Cash and cash equivalents — end of period	<u>\$ 91,199</u>	<u>\$ 10,528</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$ —	\$ 6,669
Cash paid for income taxes	<u>—</u>	<u>—</u>
Non-Cash Financing Activities —		
Capital lease obligations incurred	\$ 47,854	\$ 18,955
Issuance of warrants in connection with borrowings on working capital credit facility	<u>—</u>	<u>583</u>

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

COGENT COMMUNICATIONS GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2001
(UNAUDITED)

1. Description of the Business and Summary of Significant Accounting Policies:

Description of Business

Cogent Communications, Inc. ("Cogent") was formed on August 9, 1999, as a Delaware corporation and is located in Washington, D.C. Cogent is a facilities-based Internet Services Provider ("ISP"), providing Internet access to multi-tenanted office buildings in approximately 20 major metropolitan areas in the United States. In 2001, Cogent formed Cogent Communications Group, Inc., (the "Company"), a Delaware corporation. Effective on March 14, 2001, Cogent's stockholders exchanged all of their outstanding common and preferred shares for an equal number of shares of the Company, and Cogent became a wholly owned subsidiary of the Company. The common and preferred shares of the Company include rights and privileges identical to the common and preferred shares of Cogent. This was a tax-free exchange that was accounted for by the Company at Cogent's historical cost. All of Cogent's options for shares of common stock were also converted to options of the Company.

The Company's high-speed Internet access service is delivered to the Company's customers over a nationwide fiber-optic network. The Company's network is dedicated solely to Internet Protocol data traffic. The Company's network includes 30-year indefeasible rights of use ("IRU's") to a nationwide fiber-optic intercity network of approximately 12,500 route miles (25,000 fiber miles) of dark fiber from Williams Communications, Inc. ("Williams"). These IRU's are configured in two rings that connect many of the major metropolitan markets in the United States. In order to extend the Company's national backbone into local markets, the Company has entered into leased fiber agreements for intra-city dark fiber with Metromedia Fiber Network Services, Inc. ("MFN") and other providers. These agreements are primarily under 25 year IRU's.

The Company's primary activities to date have included recruiting employees, obtaining financing, branding and marketing its products, obtaining customer orders and building access rights, and designing and constructing its fiber-optic network and facilities.

Acquisitions

Allied Riser Communications Corporation

In August 2001, the Company entered into an agreement to merge with Allied Riser Communications Corporation ("ARCC"). Under the terms of the merger agreement as amended in October 2001, the Company is expected to issue approximately 13.36% of its common stock, on a fully diluted basis, to the existing ARCC stockholders. The merger is subject to the approval of the stockholders of both companies, the registration of the Company's common stock to be issued in the merger, the approval for trading of the Company's shares on the NASDAQ or a national securities exchange, and other conditions.

NetRail Inc.

On September 6, 2001, the Company paid approximately \$12 million for major assets of NetRail, Inc. (NetRail) a Tier-1 Internet service provider, in a sale conducted under Chapter 11 of the United States Bankruptcy Code. Tier-1 service providers purchase Internet capacity from the major communications carriers and resell it to smaller service providers and other entities. The purchased

assets included certain customer contracts and the related accounts receivable, network equipment; and settlement-free peering arrangements with other Tier-1 Internet service providers.

The acquisition of the assets of NetRail, Inc. was recorded in the accompanying September 30, 2001 financial statements under the purchase method of accounting. Substantially all of the purchase price was allocated to the settlement-free peering agreements acquired from NetRail, Inc., which had an estimated fair value of \$11.5 million. These contracts are being amortized over their average estimated contractual life of 3 years. The remainder of the purchase price was allocated to other current and noncurrent assets. The purchase price allocation for these acquisitions is preliminary and further refinements may be made. The operating results related to the acquired assets of NetRail, Inc. have been included in the consolidated statements of operations from the date of acquisition. If the acquisition had taken place at the beginning of 2000 the unaudited pro forma combined results of the Company for the nine months ended September 30, 2000 and 2001 would have been as follows.

	Nine Months Ended September 30, 2000	Nine Months Ended September 30, 2001
Revenue	\$ 630	\$ 2,405
Net Loss	(7,849)	(48,392)
Net loss per diluted share	\$ (0.56)	(3.44)

In management's opinion, these unaudited pro forma amounts are not necessarily indicative of what the actual results of the combined results of operations might have been if the NetRail, Inc. asset acquisition had been effective at the beginning of 2000.

Business Risk and Liquidity

The Company operates in the rapidly evolving Internet services industry, which is subject to intense competition and rapid technological change, among other factors. The successful execution of the Company's business plan is dependent upon the availability of and access to network capacity, the availability and performance of the Company's network equipment, the availability of additional capital, the Company's ability to successfully market its products and services, and the Company's ability to manage its growth. Although management believes that the Company will successfully mitigate these risks, management cannot give assurances that it will be able to do so or that the Company will ever operate profitably.

The Company has obtained \$178 million in venture-backed funding through the issuance of preferred stock. The Company has secured a \$409 million credit facility (the "Facility") from Cisco Systems Capital Corporation ("Cisco Capital"). Substantial time may pass before significant revenues are realized, and additional funds may be required to implement the Company's business plan. However, management expects that the proceeds from the issuance of preferred stock and the availability under the Facility will be sufficient to fund the Company's current business plan through fiscal 2002.

Basis of Presentation

The unaudited condensed consolidated financial statements included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, the consolidated financial statements reflect all normal recurring adjustments that the Company considers necessary for the fair presentation of the results of operations for the interim periods covered, and of the financial position of the Company at the date of the interim consolidated balance sheet. Certain information and footnote disclosures normally included in the annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations. The operating results for interim periods are not necessarily indicative of the operating results for the

entire year. While, the Company believes that the disclosures made are adequate to not make the information misleading, these condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes of Cogent as of December 31, 2000, included in this registration statement.

Segments

The Company's chief operating decision maker evaluates performance based upon underlying information of the Company as a whole. There are no additional reporting segments.

Comprehensive Income

Statement of Financial Accounting Standard ("SFAS") No. 130, "Reporting of Comprehensive Income" requires "comprehensive income" and the components of "other comprehensive income" to be reported in the financial statements and/or notes thereto. Since the Company does not have any components of "other comprehensive income", reported net loss is the same as "comprehensive loss" for the periods presented.

Stock-Based Compensation

The Company accounts for its stock option plan in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations. As such, compensation expense related to fixed employee stock options is recorded only if, on the date of grant, the fair value of the underlying stock exceeded the exercise price. The Company has adopted the disclosure only requirements of SFAS No. 123, "Accounting for Stock-Based Compensation", which allows entities to continue to apply the provisions of APB Opinion No. 25 for transactions with employees and provide pro-forma net income disclosures as if the fair-value based method of accounting, or minimum value method for private companies, described in SFAS No. 123 had been applied to employee stock option grants.

Basic and Diluted Net Loss Per Share

Net income (loss) per share is presented in accordance with the provisions of SFAS No.128 "Earnings per Share". SFAS No. 128 requires a presentation of basic EPS and diluted EPS. Basic EPS excludes dilution for common stock equivalents and is computed by dividing income or loss available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock and resulted in the issuance of common stock.

The following is a calculation of the numerators and the denominators of the basic and diluted loss per common share computations (in thousands except share and per share data). All of the Company's common stock equivalents have been excluded from the net loss per share calculation because their effect would be anti-dilutive.

	<u>Nine Months Ended September 30, 2000</u>	<u>Nine Months Ended September 30, 2001</u>
Net loss	\$ (3,969)	\$ (45,430)
Weighted-average shares of common shares outstanding	13,913,416	14,047,813
Basic and diluted net loss per common share	\$(0.30)	\$(3.23)

For the nine-months ended September 30, 2000 and 2001 options to purchase 4,185,991 and 6,121,481 shares of common stock at weighted-average exercise prices of \$0.82 and \$1.05 per share, respectively, are not included in the computation of diluted earnings per share as they are anti-dilutive.

As of September 30, 2000 and 2001, 45,809,783 shares of preferred stock, which were convertible into 45,809,783 shares of common stock, were not included in the computation of diluted earnings per share as a result of their anti-dilutive effect. As of September 30, 2001, warrants exercisable for 866,250 shares of common stock were not included in the computation of diluted earnings per share as a result of their anti-dilutive effect.

Recent Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 addresses financial accounting and reporting for business combinations. All business combinations in the scope of this Statement will be accounted for using the purchase method of accounting. The provisions of SFAS No. 141 apply to all business combinations initiated after June 30, 2001, and business combinations accounted for by the purchase method for which the date of acquisition is July 1, 2001, or later. SFAS No. 142 addresses financial accounting and reporting for acquired goodwill and other intangible assets. Under this Statement, goodwill will no longer be amortized but will be tested for impairment at least annually at the reporting unit level. Goodwill will be tested for impairment on an interim basis if an event occurs or circumstances change that would more-likely-than-not reduce the fair value of a reporting unit below its carrying value. Intangible assets which remain subject to amortization will be reviewed for impairment in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." The provisions of SFAS No. 142 are required to be applied starting with fiscal years beginning after December 15, 2001. The proposed merger transaction with ARCC, if consummated, will be accounted for in accordance with SFAS No. 141 and No. 142. The NetRail transaction was accounted for in accordance with SFAS No. 141 and No. 142.

2. Indefeasible Right of Use Agreement

In April 2000, the Company entered into a dark fiber IRU contract with Williams for approximately 12,500 route miles (25,000 fiber miles) of dark fiber at a cost of approximately \$27.5 million. Under this agreement, the Company paid \$11.0 million in April 2000, \$9.6 million in October 2000, and \$5.5 million in April 2001 and \$1.4 million in October 2001. In June 2000, the Company exercised its right to lease an additional 12,500 route miles (the "Second IRU") for approximately \$22.5 million. Under the Second IRU agreement the Company paid \$9.0 million in June 2000, \$9.0 million in December 2000, and \$4.5 million in June 2001. These IRU's are for initial 20-year periods, with, under certain conditions, two renewal terms of five years each. Under these agreements, Williams also provides co-location services and maintenance on both fibers for additional monthly fees. The Company's \$22.5 million cost of the Second IRU is offset by \$22.5 million of payments from Cisco Systems, Inc. (See Note 4). Under these arrangements, Cisco paid the Company \$21.4 million through June 2001 and will pay an additional \$1.1 million to the Company in December 2001.

3. Long Term Debt

In March 2000, Cogent entered into a \$280 million credit facility (the "Facility") with Cisco Systems Capital Corporation. In March 2001, the Facility was increased to \$310 million. In October 2001, Cogent entered into a new agreement for \$409 million. In connection with the October 2001 agreement, the Company issued Cisco Capital warrants for an additional 6.2 million shares of its common stock and incurred a \$2.0 million closing fee. The warrants are exercisable for eight years from the grant date at an exercise prices of \$3.04 and \$1.25 per share. The October 2001 agreement matures on December 31, 2008.

This credit facility supercedes and replaces the existing \$310 million credit facility between Cisco Capital and Cogent. Borrowings under the credit facility will become available in increments subject to Cogent's satisfaction of certain operational and financial covenants over time. Borrowings under the credit facility for the purchase of products and working capital will be available until December 31, 2004.

The Facility requires compliance with certain financial, subjective, and operational covenants, among other conditions and restrictions. During the nine-months ended September 30, 2001, Cogent violated certain debt covenants. However, Cogent is in compliance with the October 2001 agreement. Borrowings may be prepaid at any time without penalty and are subject to mandatory prepayment based upon excess cash flow or upon the receipt of a specified amount from the sale of the Company's securities, each as defined. Principal payments begin in March 2005. The Facility is classified on the accompanying September 30, 2001 balance sheet in accordance with the October 2001 agreement. Borrowings accrue interest at the three-month LIBOR rate, established at the beginning of each calendar quarter, plus a stated margin. The margin is dependent upon the Company's leverage ratio, as defined, and may be reduced. Interest payments are deferred and begin in March 2006. Borrowings are secured by a pledge of all of Cogent's assets and common stock. The Facility includes restrictions on Cogent's ability to transfer assets to the Company, except for certain operating liabilities. The Company has guaranteed Cogent's obligations under the Facility.

Warrants to purchase the Company's common stock were issued in connection with Working Capital Loans under the March 2001 agreement. The warrant exercise price was based upon the most recent significant equity transaction, as defined in the Facility. In June 2001, the Company borrowed \$29.0 million of Working Capital Loans. This borrowing resulted in granting Cisco Capital warrants for 866,250 shares of common stock. The warrants have an exercise price of \$3.04, and are exercisable for eight years. These warrants have been valued at \$583,000 using the Black-Scholes method of valuation and are recorded as deferred financing costs and stock purchase warrants in the accompanying September 30, 2001 balance sheet. The debt discount will be amortized to interest expense over the term of the Facility.

The weighted average interest rate on all borrowings for the nine-month period ending September 30, 2001, was approximately 9.5% and 11.2% for the nine-month period ended September 30, 2000.

4. Deferred Equipment Discount

In June 2000, the Company amended its product purchase agreement with Cisco (See Note 6). In connection with the amendment, Cisco agreed to pay the Company a total of \$22.5 million, with \$16.9 million paid in 2000 and \$5.6 million to be paid in 2001. The final payment of \$1.1 million is due in December 2001. These payments are recorded as a deferred equipment discount and will be amortized as a reduction to depreciation expense over a seven-year period as the related equipment is placed in service.

5. Income taxes

The Company has approximately \$55.0 million of net operating loss carryforwards available to offset future taxable income, if any, through 2021. Due to the uncertainty surrounding the realization of this deferred tax asset, the Company has recorded a valuation allowance for the full amount of its net deferred tax asset. Should the Company achieve profitability, the net operating loss carryforward and the Company's other deferred tax assets may be available to offset future income tax liabilities. For federal and state tax purposes, the Company's net operating loss carryforwards could be subject to certain limitations on annual utilization if certain changes in ownership were to occur, as defined by federal and state tax laws.

The following is a reconciliation of the normal expected statutory Federal income tax rate to the effective rate reported in the financial statements.

	<u>September 30, 2000</u>	<u>September 30, 2001</u>
Federal income tax (benefit) at statutory rates	(34.0)%	(34.0)%
State income tax (benefit) at statutory rates, net of Federal benefit	(6.6)	(6.6)
Increase in valuation allowance	40.6	40.6
Effective income tax rate	—%	—%

6. Commitments and Contingencies:

Fiber Lease Agreements

In February 2000, the Company entered into an agreement with MFN to lease fiber-optic cable for its intra-city fiber-optic rings and to provide the Company access to provide its service to certain multi-tenant office buildings. Each product order includes a lease of an intra-city fiber-optic ring for a period of up to 25 years and access to certain specified buildings in exchange for monthly payments. The agreement provides for a minimum commitment of 2,500 leased fiber miles and 500 connected buildings within five years from the effective date and penalties for early termination. Under the agreement, MFN also provides installation, maintenance, restoration, and network monitoring services for no additional cost. Each lease of an intra-city fiber-optic ring is treated as a capital lease and recorded once the Company has accepted the related fiber route.

Equipment Purchase Commitment

In March 2000, the Company entered into a five-year commitment to purchase from Cisco, minimum annual amounts of equipment, professional services, and software. In June 2000, the agreement was amended to increase the Company's previous commitment to purchase \$150.1 million over four years to a commitment to purchase \$212.2 million over five years. In October 2001, the commitment was amended to increase the Company's previous commitment to purchase \$270 million until December 2004. As of September 30, 2001, the Company has purchased approximately \$107.6 million towards this commitment.

Trademark

In October 2000, the Company was notified that the use of the trade name Cogent Communications may conflict with pre-existing trademark rights. Management believes that this issue will be resolved without a material effect on the Company's financial position or results of operations.

7. Stockholders' Equity.

The Company has authorized 211,000,000 shares of \$0.001 par value common stock, 26,000,000 shares of Series A Convertible Preferred Stock (Series A), and 20,000,000 shares of Series B Convertible Preferred Stock (Series B) and 52,137,643 shares of Series C Participating Convertible Preferred Stock (Series C).

In February 2000, the Company authorized and issued 26,000,000 shares of Series A preferred stock for \$26 million. The Series A contains voting rights at one vote per share equal to the number of shares of common stock into which the Series B shares can be converted.

In July 2000, the Company issued 19,809,783 shares of Series B preferred stock for approximately \$90 million. The Series B contains voting rights at one vote per share equal to the number of shares of common stock into which the Series B shares can be converted.

In October 2001, the Company issued 49,773,401 shares of Series C preferred stock for approximately \$62 million. The Series C contains voting rights at one vote per share equal to the number of shares into which the Series C can be converted.

Upon any liquidation of Cogent, holders of Cogent's Series A, B, and C preferred stock are entitled to receive certain preferences to holders of Cogent common stock. In the event of a liquidation, before holders of common stock receive any distribution, holders of Series A, B, and C preferred stock will receive payments particular to each series as set forth in the certificate of incorporation.

Holders of Series C preferred stock shall be entitled to receive, when and as declared by the board of directors, cash dividends at a rate of 8% of the original Series C preferred stock purchase price per annum on each outstanding share of Series C preferred stock. Any partial payment will be made ratably among the holders of Series C preferred stock. Except for acquisitions of common stock by Cogent pursuant to agreements which permit the company to repurchase such shares at cost upon termination of services to the company or acquisitions of common stock in exercise of Cogent's right of first refusal to repurchase such shares, Cogent may not declare any dividends or make any other distribution on any other Cogent stock, called junior stock, until all dividends on the Series C preferred stock have been paid. If dividends are paid on any junior stock, Cogent shall pay an additional dividend on all outstanding shares of Series C preferred stock in an amount equal per share (on an as-if-converted to common stock basis) to the amount paid or set aside for each share of junior stock.

Shares of preferred stock may be converted to common stock at any time. In order to determine the number of shares of common stock received in the conversion, the number of shares of preferred stock held by the converting holder is multiplied by the conversion rate applicable to those shares as calculated pursuant to the certificate of incorporation. All shares of preferred stock will automatically be converted into common stock upon the election of 66.66% of the outstanding shares of preferred stock or immediately upon the closing of a firmly underwritten public offering in which the aggregate pre-money valuation of Cogent is at least \$500,000,000 and in which the gross cash proceeds are at least \$50,000,000.

If Cogent engages in a stock split or reverse stock split, the applicable conversion prices will be proportionately decreased or increased, as the case may be. If Cogent declares a common stock dividend or distribution, the conversion prices shall be adjusted by multiplying them by the quotient equal to the total number of shares of common stock issued and outstanding immediately prior to the issuance divided by the total number of shares of common stock issued and outstanding immediately prior to the issuance plus the number of shares of common stock issuable in payment of the dividend or distribution. If Cogent declares a dividend payable in securities of the corporation other than common stock, the common stock is changed to a different type of stock, or if there is a capital reorganization, holders of preferred stock shall be entitled, upon conversion of their preferred stock, to receive an amount of securities or property equivalent to what they would have received if they had converted their preferred stock to common stock on the date of the dividend, reclassification, recapitalization, or capital reorganization.

If Cogent issues or sells additional shares of common stock for a price which is less than the then-effective Series A applicable conversion price in the case of Series A preferred stock, the Series B applicable conversion price in the case of Series B preferred stock, or the Series C applicable conversion price in the case of Series C preferred stock, then the conversion prices shall be reduced to prices calculated as prescribed by the certificate of incorporation.

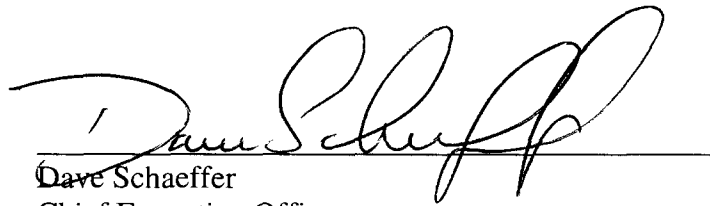
8. Related Party

The Company's headquarters is located in an office building owned by an entity controlled by the Company's Chief Executive Officer. The Company paid \$200,000 and \$353,000 in rent to this entity for the nine months ended September 30, 2000 and September 30, 2001, respectively. In January 2000, the Company collected a \$25,000 note receivable from its stockholder related to the stockholder's 1999 purchase of common shares.

AFFIDAVIT

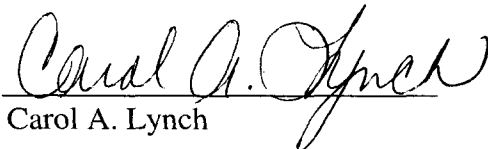
Commonwealth of Virginia)
)
County of Arlington)

I, Dave Schaeffer, being duly sworn, declare that I am the Chief Executive Officer of Cogent Communications Group, Inc. ("Cogent"); that I am authorized to make this affidavit on behalf of Cogent, the co-applicant in the subject proceeding; that I have read the foregoing Application and Financial Statement contained within this Application; and that the same is true and correct to the best of my knowledge, information, and belief.



Dave Schaeffer
Chief Executive Officer
Cogent Communications Group, Inc.

Subscribed and sworn to me, Carol A. Lynch, notary public of the Commonwealth of Virginia, this 7th day of January, 2002.

Notary Public 

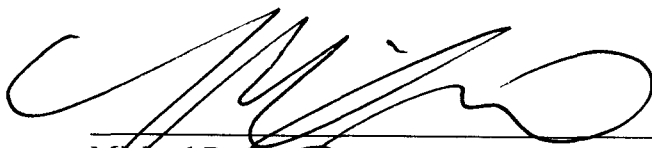
Carol A. Lynch

My Commission expires on August 31, 2004

VERIFICATION

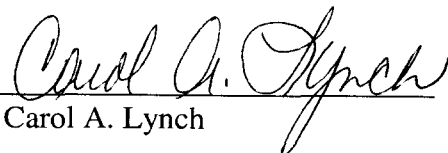
Commonwealth of Virginia)
)
County of Arlington)

I, Michael R. Carper, being duly sworn, declare that I am the President of Allied Riser of Kentucky, Inc. ("Allied Riser"); that I am authorized to make this verification on behalf of Allied Riser, the applicant in the subject proceeding; that I have read the foregoing Application and exhibits; and that the same are true and correct to the best of my knowledge, information, and belief.



Michael R. Carper
President of Allied Riser of Kentucky, Inc.

Subscribed and sworn to me, Carol A. Lynch, notary public of the Commonwealth of Virginia, this 7th day of January, 2002.

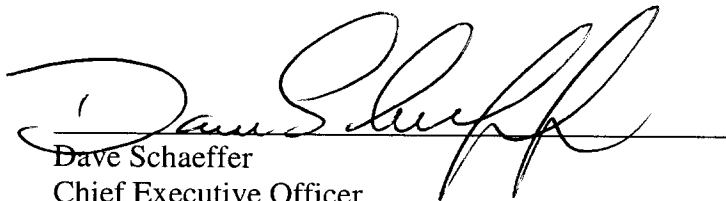
Notary Public 
Carol A. Lynch

My Commission expires on August 31, 2004

VERIFICATION

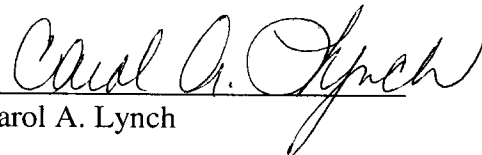
Commonwealth of Virginia)
)
County of Arlington)

I, Dave Schaeffer, being duly sworn, declare that I am the Chief Executive Officer of Cogent Communications Group, Inc. ("Cogent"); that I am authorized to make this verification on behalf of Cogent, the co-applicant in the subject proceeding; that I have read the foregoing Application and exhibits; and that the same are true and correct to the best of my knowledge, information, and belief.



Dave Schaeffer
Chief Executive Officer
Cogent Communications Group, Inc.

Subscribed and sworn to me, Carol A. Lynch, notary public of the Commonwealth of Virginia, this 7th day of January, 2002.

Notary Public 
Carol A. Lynch

My Commission expires on August 31, 2004