

COGENT COMMUNICATIONS GROUP INC

Form S-4/A

January 07, 2002

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As Filed With the Securities and Exchange Commission on January 4, 2002

Registration No. 333-71684

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## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 4

TO

**FORM S-4**

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

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## COGENT COMMUNICATIONS GROUP, INC.

(Exact Name of Registrant as Specified in its Charter)

**Delaware**

(State or Other Jurisdiction of  
Incorporation or Organization)

**4813**

(Primary Standard Industrial  
Classification Code Number)

**52-2337274**

(I.R.S. Employer  
Identification Number)

**David Schaeffer**

**Chief Executive Officer**

**Cogent Communications Group, Inc.**

**1015 31<sup>st</sup> Street NW**

**Washington, D.C. 20007**

**Tel: (202) 295-4200**

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

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**Approximate Date of Commencement of Proposed Sale to the Public:** As soon as practicable after the effectiveness of this Registration Statement and the satisfaction or waiver of all other conditions to the merger of a wholly-owned subsidiary of the Registrant with and into Allied Riser Communications Corporation pursuant to the Agreement and Plan of Merger described in the enclosed proxy statement/prospectus.

If the securities being registered on this form are to be offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. //

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. //

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If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

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**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its Effective Date until the Registrant shall file a further amendment that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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**The information in this proxy statement/prospectus is not complete and may be changed. We may not offer or sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This proxy statement/prospectus is not an offer to sell these securities, and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

January , 2002

Dear Allied Riser Stockholder:

The boards of directors of Allied Riser Communications Corporation and Cogent Communications Group, Inc. have each approved the acquisition by Cogent of Allied Riser and have entered into a merger agreement. Assuming various conditions to the merger agreement are met, Cogent will acquire Allied Riser by merging a Cogent subsidiary with and into Allied Riser, and Allied Riser will be the surviving corporation in the merger. As a result of the merger, Allied Riser will become a wholly owned subsidiary of Cogent. In the merger, stockholders of Allied Riser will receive approximately 0.0321679 shares of common stock of Cogent for each share of common stock of Allied Riser they own. We anticipate that, immediately after we complete the merger, Allied Riser stockholders will own approximately 13.36% of the outstanding common stock of Cogent on a fully diluted basis, subject to certain adjustments.

Your board of directors is giving this proxy statement/prospectus to you to solicit your proxy to vote for adoption of the merger agreement and approval of the merger. A special meeting of the stockholders of Allied Riser to adopt the merger agreement and approve the merger will be held at the offices of Allied Riser located at 1700 Pacific Avenue, Suite 400, Dallas, Texas 75201 on January 31, 2002 at 9:00 a.m. local time. In order to complete the merger, we must obtain the approval of the stockholders of Allied Riser. The merger agreement is described in detail in this document.

Allied Riser common stock is listed on the Nasdaq National Market under the symbol "ARCC," and Cogent is a private company. It is a condition to closing the merger that the shares of Cogent common stock to be received by stockholders of Allied Riser in connection with the merger be quoted or listed on the Nasdaq National Market or a national securities exchange.

The board of directors of Allied Riser unanimously recommends that Allied Riser stockholders vote "FOR" adoption of the merger agreement and approval of the merger.

Your vote is important, regardless of the number of shares you own. If you fail to vote or if you abstain, it will have the same effect as a vote against the merger. Please vote as soon as possible to make sure that your shares are represented at the special meeting. To vote your shares, please complete and return the enclosed proxy card or transmit your voting instructions over the Internet or by telephone in accordance with the procedures set forth in the section entitled "Allied Riser Special Meeting Proxies." You may also cast your vote in person at the special meeting. Please do not send stock certificates at this time.

This is Cogent's prospectus relating to its offer of shares of Cogent common stock to Allied Riser stockholders in the proposed merger, and Allied Riser's proxy statement. Cogent will issue approximately 1,956,250 shares of its common stock to Allied Riser stockholders in connection with the merger. This document provides you with detailed information about the proposed merger. We encourage you to read this entire document carefully. **In particular, see the section entitled "Risk Factors" beginning on page 13 of this document for a discussion of risks**

associated with the merger.

Very truly yours,

Allied Riser Communications Corporation

Cogent Communications Group, Inc.

Gerald K. Dinsmore  
Chairman of the Board of Directors  
Chief Executive Officer and President

David Schaeffer  
Chairman of the Board of Directors  
Chief Executive Officer

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the Cogent Communications Group, Inc. common stock to be issued under this proxy statement/prospectus or determined if this proxy statement/prospectus is accurate or complete. Any representation to the contrary is a criminal offense.**

This proxy statement/prospectus is dated January , 2002, and is first being mailed to Allied Riser stockholders on or about January , 2002.

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**ALLIED RISER COMMUNICATIONS CORPORATION**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON JANUARY 31, 2002**

To the Stockholders of Allied Riser Communications Corporation:

We will hold a special meeting of stockholders of Allied Riser Communications Corporation at the offices of Allied Riser located at 1700 Pacific Avenue, Suite 400, Dallas, Texas 75201, on January 31, 2002, at 9:00 a.m., local time, for the purposes of considering and voting on the following matters, as described in the accompanying proxy statement/prospectus.

1. The adoption of the merger agreement dated as of August 28, 2001, as amended on October 13, 2001, by and among Allied Riser, Cogent Communications Group, Inc., and a wholly owned subsidiary of Cogent, and approval of the merger, pursuant to which the wholly owned subsidiary of Cogent will be merged with and into Allied Riser and all of the outstanding shares of common stock, options, and warrants of Allied Riser will be converted into the right to receive a number of shares of Cogent common stock or options or warrants to purchase Cogent common stock, as applicable, based on the exchange ratio defined in the merger agreement.

2. Any such other business as may properly come before the special meeting or any adjournment thereof.

Holders of record of Allied Riser common stock at the close of business on January 4, 2002 will be entitled to notice of and to vote at the special meeting and any adjournments or postponements thereof.

**Your vote is important. The merger cannot be completed unless the holders of a majority of the outstanding shares of Allied Riser common stock entitled to vote adopt the merger agreement and approve the merger. Even if you plan to attend the special meeting in person, we request that you sign and return the enclosed proxy card and thus ensure that your shares will be represented at the special meeting if you are unable to attend. If you do attend the special meeting and wish to vote in person, you may withdraw your proxy and**

vote in person.

**You should not send stock certificates with your proxies. A transmittal letter for your stock will be sent to you by the exchange agent after the merger.**

By Order of the Board of Directors,

Secretary

Dallas, Texas  
January , 2002

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## SUMMARY

*This brief summary does not contain all of the information that is important to you. To fully understand the merger, you should carefully read this entire document and the other documents to which this document refers. See "Where You Can Find More Information." The pro forma information regarding shares of Cogent common stock throughout this proxy statement/prospectus reflects a ten-for-one reverse stock split that we expect to occur immediately prior to the consummation of the merger. Historical amounts have not been adjusted for the split. Except for references to the merger agreement in "The Merger Opinion of Allied Riser's Financial Advisor" that refer to the merger agreement prior to amendment no. 1, and except where expressly stated to the contrary, all references throughout this proxy statement/prospectus to the merger agreement include amendment no. 1 to the merger agreement, dated as of October 13, 2001.*

### The Companies (Pages 76 and 92)

#### **Cogent Communications Group, Inc.**

1015 31<sup>st</sup> Street, N.W.  
Washington, D.C. 20007  
Telephone: (202) 295-4200

Cogent is a facilities-based Internet service provider providing high-speed Internet access to businesses. Cogent currently has facilities to provide its services in twenty major metropolitan markets across the nation and focuses primarily on providing its services to businesses in large office buildings. Cogent was founded in August 1999 and commenced construction of its network in February 2000. It began to generate limited revenues in April 2001, and through September 2001 generated \$0.7 million in revenues. Cogent's net losses since inception through September 2001 have been \$57.3 million.

For additional information about Cogent and its business, see "Information About Cogent" on page 76.

#### **Allied Riser Communications Corporation**

1700 Pacific Avenue, Suite 400  
Dallas, Texas 75201-4679  
Telephone: (214) 210-3000

Allied Riser is a facilities-based provider of broadband data, video and voice communications services to small- and medium-sized businesses in North America, including Canada. Effective September 21, 2001, Allied Riser suspended its retail services in most of its markets in the United States. Allied Riser is pursuing the provision of in-building wholesale services of its broadband data network.

For additional information about Allied Riser and its business, see "Information About Allied Riser" on page 92 and "Where You Can Find More Information" on page 133.

### The Merger (Page 30)

In the merger, Cogent will acquire Allied Riser by merging a wholly owned subsidiary of Cogent, which we call the merger subsidiary, with and into Allied Riser. As a consequence of the merger Allied Riser will become a wholly owned subsidiary of Cogent.

If you are an Allied Riser stockholder, upon completion of the merger, each of your shares of Allied Riser common stock will be converted into the right to receive approximately 0.0321679 shares of common stock of Cogent. Cogent will not issue fractional shares of its common stock. Instead, any otherwise fractional share will be rounded up to a whole share. The number of shares you will receive reflects a ten-for-one reverse stock split of Cogent that we expect to occur immediately prior to the

consummation of the merger. For a description of the rights of Cogent common stockholders, see "Description of Cogent Capital Stock."

Cogent's common stock is not currently publicly traded, therefore there is no public market to determine its fair market value. In addition, the price at which Cogent's common stock will trade after the merger is unknown. The price at which Allied Riser's common stock has traded since the announcement of the proposed merger in late August 2001 may partially reflect a public valuation of Cogent common stock into which Allied Riser common stock will be converted upon completion of the merger. However, this price is likely to be affected by other factors, including uncertainty in the market over the timing and likelihood of the merger's completion.

We have attached the merger agreement prior to amendment no. 1 as Appendix A to this document and amendment no. 1 to the merger agreement as Appendix B to this document. The merger agreement is incorporated by reference into this proxy statement/prospectus. We urge you to read the merger agreement in its entirety. It is the legal document that governs the merger.

#### **Reasons for the Merger (Pages 35 and 44)**

Cogent and Allied Riser are proposing the merger because it presents an opportunity for us to combine our networks. We expect to become a stronger competitor in our markets as a result of the merger. In addition, each of the Cogent board of directors and the Allied Riser board of directors considered a number of other factors, including potential risks and detriments. See "The Merger Recommendation of the Cogent Board of Directors; Cogent's Reasons for the Merger," "The Merger Recommendation of the Allied Riser Board of Directors; Allied Riser's Reasons for the Merger" and "Risk Factors."

#### **Recommendation to Allied Riser Stockholders (Page 35)**

After careful consideration, the board of directors of Allied Riser unanimously recommends that Allied Riser stockholders vote "FOR" adoption of the merger agreement and approval of the merger. The Allied Riser board of directors believes that the merger agreement is in the best interests of Allied Riser's stockholders. For a more complete description of the recommendation of the Allied Riser board of directors, see the section entitled "The Merger Recommendation of the Allied Riser Board of Directors; Allied Riser's Reasons for the Merger" on page 35.

#### **Allied Riser Special Meeting (Page 27)**

Allied Riser will hold a special meeting on January 31, 2002 at 9:00 a.m., local time, at its offices located at 1700 Pacific Avenue, Suite 400, Dallas, Texas 75201. At the special meeting, Allied Riser will ask its stockholders to consider and vote upon a proposal to adopt the merger agreement and approve the merger and to consider any other matters that may properly come before the special meeting.

You may vote at the Allied Riser special meeting if you owned Allied Riser common stock at the close of business on January 4, 2002. On that date, there were 62,002,249 shares of Allied Riser common stock outstanding and entitled to vote. You may cast one vote for each share of Allied Riser common stock that you owned on that date. In order to adopt the merger agreement and approve the merger, the holders of a majority of the outstanding shares of Allied Riser common stock entitled to vote as of January 4, 2002 must vote in favor of adopting the merger agreement and approving the merger.

Approximately 30% of the outstanding shares of Allied Riser common stock entitled to vote to adopt the merger agreement and approve the merger are held by Allied Riser directors and executive officers and their affiliates. The following affiliates and related parties of Allied Riser holding approximately 26% of the outstanding shares of Allied Riser common stock have agreed to vote to

adopt the merger agreement and to approve the merger: Norwest Venture Partners VII, LP, Telecom Partners II, Telecom Management II, L.L.C., Stephen W. Schovee, William J. Elsner, Crescendo World Fund, LLC, Crescendo Ventures World Fund, LLC, Eagle Venture WF, LLC, Crescendo III, L.P., Crescendo Ventures III, LLC, Crescendo III Executive Fund, L.P., Crescendo Ventures III and Crescendo III GbR, LLC. No other director, officer or affiliate of Allied Riser has indicated an intention to vote either for or against the adoption of the merger agreement and the approval of the merger.

#### **Per Share Market Price Information (Page 74)**

On August 28, 2001, the last trading day before we announced the merger, the closing price for Allied Riser common stock on the Nasdaq National Market was \$0.12. On January 3, 2002, Allied Riser common stock closed at \$0.17 per share.

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The market value of the Cogent common stock that will be issued to Allied Riser stockholders at the completion of the merger will not be known when the Allied Riser stockholders meet to vote on the merger because there is no established trading market for shares of Cogent stock.

Cogent has applied to have the Cogent common stock to be issued in the merger approved for quotation on the Nasdaq National Market or listing on a national securities exchange.

### **Conditions to Completion of the Merger (Page 59)**

To complete the merger, a number of conditions must be satisfied. These include:

Cogent will have completed a ten-for-one reverse stock split of its common stock;

holders of a majority of the Allied Riser common stock outstanding at the special meeting will have voted to adopt the merger agreement and to approve the merger;

the Cogent common stock issuable in the merger will have been authorized for quotation on the Nasdaq National Market or listing on a national securities exchange;

each of the parties will have obtained material consents required in connection with the merger;

each of the parties will have performed in all material respects all agreements and covenants that it must perform under the merger agreement; and

the counsel of Cogent and Allied Riser will have delivered legal opinions stating that the merger will qualify as a reorganization under the Internal Revenue Code.

Either party to the merger agreement can elect to waive a condition to its obligation to complete the merger although that condition has not been satisfied. We cannot be certain when (or if) the conditions to the merger will be satisfied or waived or that the merger will be completed. We do not intend to consummate the merger if the Cogent common stock is not approved for quotation on the NASDAQ National Market System or listed for trading on a national securities exchange. In the event that either party waives any of the other conditions to the merger, we do not intend to amend this proxy statement/prospectus or resolicit proxies to vote in favor of the merger prior to the special meeting except for a waiver of the condition by either party that it receive an opinion of its legal counsel stating that the merger will qualify as a reorganization under the Internal Revenue Code or unless we deem such condition to be material.

### **Termination of the Merger Agreement; Termination Fees (Pages 60 and 61)**

The merger agreement may be terminated and abandoned in certain circumstances. These include:

by the written consent of Cogent and Allied Riser;

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by either Cogent or Allied Riser if:

the merger has not occurred on or prior to December 7, 2001, as extended under certain circumstances to the earlier of January 31, 2002 and the 25<sup>th</sup> day after this proxy statement/prospectus is declared effective;

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Allied Riser's stockholders do not adopt the merger agreement;

the merger is prohibited by law or if any final governmental judgment or order prohibits the merger; or

the other has materially breached any of its representations, warranties, covenants, or agreements contained in the merger agreement;

by Cogent, if Allied Riser or its subsidiaries or any of their directors or officers fails to comply with the "No Solicitation" provisions of the merger agreement, as described in greater detail in "Material Terms of the Merger Agreement;" or

by Allied Riser to enter into another transaction that is financially superior to the merger in response to an unsolicited acquisition proposal, provided that Allied Riser complies with the "No Solicitation" provisions of the merger agreement, as described in greater detail in "Material Terms of the Merger Agreement," and pays a termination fee.

Each of Cogent and Allied Riser has agreed to pay a termination fee of \$5 million to the other party in the event that the merger agreement is terminated under specified circumstances. A \$5 million termination fee is also payable by a party under specified circumstances relating to a breach by it of certain of its obligations under the merger agreement or the failure to obtain its stockholders' approval of the merger.

### **No Appraisal Or Dissenters' Rights (Page 49)**

Under Delaware law, holders of Allied Riser common stock are not entitled to dissenters' or appraisal rights in connection with the merger, which means you do not have any right to an appraisal of the value of your Allied Riser shares. Accordingly, if you vote against the adoption of the merger agreement, and the merger agreement is adopted by the holders of a majority of the Allied Riser common stock, you will become a stockholder of Cogent.

### **Allied Riser Stock Options; Restricted Stock (Page 52)**

Upon completion of the merger, each outstanding Allied Riser stock option will be converted into a stock option to purchase a number of shares of Cogent common stock that is equal to the product of the exchange ratio, multiplied by the number of shares of Allied Riser common stock that would have been obtained upon the exercise of the Allied Riser stock option before the merger, rounded to the nearest whole share. The exercise price per share will be equal to the exercise price per share of Allied Riser common stock subject to an Allied Riser stock option before the conversion divided by the exchange ratio, rounded to the nearest whole cent. At the effective time of the merger each share of Allied Riser common stock subject to a repurchase option, risk of forfeiture, or other condition or restriction will be converted into the same number of shares of Cogent common stock into which shares of unrestricted Allied Riser common stock convert. All shares of Cogent common stock issued in exchange for shares of restricted Allied Riser common stock will retain any such condition or restriction, except to the extent provided otherwise in any agreement between Allied Riser and any holder of shares of restricted Allied Riser common stock.

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### **Waiver and Amendment (Page 62)**

Allied Riser and Cogent may jointly amend the merger agreement, and each of us may waive our right to require the other party to adhere to the terms and conditions of the merger agreement, to the extent legally permissible.

### **Accounting Treatment (Page 47)**

The acquisition will be accounted for as a purchase for financial reporting and accounting purposes, under the newly issued Statement of Financial Accounting Standards ("SFAS") No. 141 "Business Combinations" and SFAS No. 142 "Goodwill and Other Intangible Assets." SFAS No. 141 requires the use of the purchase method of accounting for all business combinations initiated after June 30, 2001. The purchase price will be allocated to Allied Riser's assets and liabilities based upon the fair values of the assets acquired and liabilities assumed by Cogent. Goodwill and intangible assets acquired after June 30, 2001, will be subject immediately to SFAS No. 142, which changes the accounting for goodwill and intangible assets with indefinite lives from an amortization method to an impairment approach. A portion of the purchase price

may be allocated to identifiable intangible assets. Any excess of the cost over the fair values of the net tangible and identifiable intangible assets acquired from Allied Riser will be recorded as goodwill. Goodwill and intangible assets with indefinite lives will not be amortized. Amortization will be required for identifiable intangible assets with finite lives. Any excess of the fair value of net assets acquired over cost, or negative goodwill, is allocated as a pro-rata reduction to all of the acquired assets except financial assets and current assets. Any remaining negative goodwill is recorded as an extraordinary gain. We have included unaudited pro forma financial information in this proxy statement under the caption "Unaudited Condensed Combined Pro Forma Financial Statements." The pro forma adjustments and the resulting unaudited condensed combined pro forma financial statements were prepared based on available information and assumptions and estimates described in notes to the unaudited condensed combined pro forma financial statements. Cogent has not made a final determination of required purchase accounting adjustments, including the allocation of the purchase price to the assets acquired and liabilities assumed, and you should consider the allocation reflected in the unaudited condensed combined pro forma financial statements preliminary.

#### **Material United States Federal Income Tax Considerations (Page 46)**

The merger has been structured so as to qualify as a reorganization under section 368(a) of the Internal Revenue Code. As such, Jones, Day, Reavis & Pogue, counsel to Allied Riser, has opined that holders of Allied Riser common stock will not recognize gain or loss on the exchange of Allied Riser common stock for Cogent common stock pursuant to the merger. However, Allied Riser stockholders should consult their tax advisors for a full understanding of the tax consequences of the merger.

#### **Regulatory Approvals (Page 45)**

Certain subsidiaries of Allied Riser have been granted authorizations to provide telecommunications services by federal and state regulatory agencies, but Allied Riser does not believe these authorizations are required to conduct its business. Allied Riser will seek the approval of the relevant regulatory agencies prior to consummating the merger to the extent required by the merger agreement, and may otherwise seek approval of the relevant regulatory agencies prior to consummating the merger to the extent necessary to maintain these authorizations.

#### **Interests of Certain Persons in the Merger That Are Different From Your Interests (Page 48)**

In considering the recommendation of the Allied Riser board of directors, you should be aware that certain officers and directors of Allied Riser have interests in the merger that are different from, or in addition to, the interests of Allied Riser stockholders generally.

In particular:

Messrs. Dinsmore, Bredeweg and Carper, and Ms. Compton, each an executive officer of Allied Riser, have employment agreements that provide for certain severance payments upon termination of the employee's employment without cause and upon a change in control of Allied Riser. These executive officers of Allied Riser will receive as severance, in lieu of any unpaid lump sum or performance incentive bonus payments, either (1) six months' salary, in each case as contemplated by his or her employment agreement, or (2) an amount to be determined by Mr. Gerald K. Dinsmore, chief executive officer of Allied Riser, or with respect to Mr. Dinsmore, the board of directors of Allied Riser, to be paid from an approximately \$5.2 million retention, severance, and bonus pool established for all employees of Allied Riser. If the above-named executive officers elect to receive the severance payments from the pool, he or she will forfeit any stock options outstanding as of the date of the merger.

All stock options and restricted shares that Allied Riser executive officers and directors were awarded under stock option and restricted share plans prior to the merger will become fully vested in connection with the merger. The stock options will be converted into options to purchase Cogent common stock on the same terms and conditions, as adjusted based on the exchange ratio in the merger agreement, that were applicable to the options issued under Allied Riser's stock incentive plans. The restricted shares will be converted into the right to receive shares of Cogent common stock based on the exchange ratio.

The merger agreement provides for the indemnification of Allied Riser directors and officers after closing as to matters arising before completion of the merger, as well as the provision of directors' and officers' insurance after closing. See "Material Terms of the Merger Agreement Additional Agreements Insurance and Indemnification."

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The members of Allied Riser's board of directors knew about these additional interests, and considered them, among other matters, when they approved the merger agreement and amendment no. 1 to the merger agreement.

### **Risks of the Merger (Page 13)**

In considering whether to adopt the merger agreement and approve the merger, you should consider certain risks of the merger. We urge you to read carefully all of the factors described in "Risk Factors" before voting.

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## **QUESTIONS AND ANSWERS ABOUT THE MERGER**

### **Q: What should I do now?**

A: Please carefully read and consider the information contained in this document. If you are currently an Allied Riser stockholder, please complete, sign, and mail your proxy card in the enclosed postage-prepaid return envelope as soon as possible so that your shares of Allied Riser common stock may be represented at the special meeting. Alternatively, you can simplify your voting by voting your shares via telephone or the Internet. The telephone and Internet voting procedures, which are set forth in this proxy statement/prospectus, are designed to authenticate your identity, allow you to vote your shares, and confirm that your instructions have been properly recorded. If you elect to vote over the Internet, you may incur costs such as telecommunication and Internet access charges. The Internet and telephone voting facilities for stockholders of record will close at 4:00 p.m. Eastern Time on the evening before the special meeting. In order to ensure that your shares are voted, please give your proxy in accordance with the instructions on your proxy card even if you currently plan to attend the special meeting and vote in person. For a more complete description of the voting procedures, see the section entitled "Allied Riser Special Meeting Proxies" on page 27.

### **Q: What if I don't vote?**

A: If you do not submit a proxy or instruct your broker to vote your shares, and you do not vote in person at the special meeting, the effect will be the same as if you voted "AGAINST" the adoption of the merger agreement and approval of the merger.

### **Q: If my shares are held in "street name" by my broker, will my broker vote my shares for me?**

A: Your broker will not be able to vote your shares without instructions from you on how to vote. Therefore, it is important that you follow the directions provided by your broker regarding how to instruct your broker to vote your shares. If you fail to provide your broker with instructions, it will have the same effect as a vote "AGAINST" the adoption of the merger agreement and approval of the merger. If your shares are held in the name of a bank or broker, the availability of telephone and Internet voting will depend on the voting processes of the bank or broker; therefore, you should follow the voting instructions on the form you receive from your bank or broker.

### **Q: Can I change my vote or election after I have delivered my proxy or election?**

A: Yes. You can change your vote at any time before your proxy is voted at the special meeting. You can do this in one of three ways. First, you can revoke your proxy. Second, you can submit a new proxy. If you choose either of these two methods and you are a holder of record, you must submit your notice of revocation or your new proxy to the Secretary of Allied Riser before the special meeting. However, if your shares are held in a street name account at a brokerage firm or bank, you should contact your brokerage firm or bank to change your vote. Third, if you are a holder of record, or if your shares are held in street name and you receive a valid proxy from your broker, you can attend the special meeting and vote in person.

### **Q: Should I send in my Allied Riser stock certificates now?**

A: No. After we complete the merger, an exchange agent on behalf of Cogent will send instructions to Allied Riser stockholders whose shares were converted in the merger. These instructions will explain how to exchange your Allied Riser stock certificates for the appropriate Cogent stock certificates. Cogent stockholders will continue to own their shares of Cogent common stock after the merger and should continue to hold their stock certificates.

### **Q: Who can help answer my questions?**

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A: If you have any questions about the merger or how to submit your proxy, or if you need additional copies of this proxy statement/prospectus or the enclosed proxy cards or voting instructions, you should contact Allied Riser's proxy solicitation agent, Georgeson Shareholder at 1-866-811-4093.

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**SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION OF COGENT**

The annual financial information set forth below has been derived from the audited financial statements of Cogent. The data for the nine-month periods ended September 30, 2001 and 2000 have been derived from the unaudited consolidated financial statements of Cogent. The information should be read in connection with, and is qualified in its entirety by reference to Cogent's financial statements and notes included elsewhere in this proxy statement/prospectus. The interim data reflect all adjustments that, in the opinion of management of Cogent, are necessary to present fairly such information for the interim periods. The results of operations for the nine-month periods are not necessarily indicative of the results expected for a full year or any interim period. Cogent was incorporated on August 9, 1999. Accordingly, no financial information prior to August 9, 1999 is available.

	Years Ended December 31,		(Unaudited) Nine Months Ended September 30,	
	1999	2000	2000	2001

(in thousands, except per share data)

**CONSOLIDATED STATEMENT OF OPERATIONS**

**DATA:**

Service revenue	\$	\$	\$	747
Expenses:				
Cost of network operations		3,040	626	15,473
Selling, general, and administrative	82	10,845	5,010	21,756
Depreciation and amortization		338	85	5,955
Total operating expenses	82	14,223	5,721	43,184
Loss from operations	(82)	(14,223)	(5,721)	(42,437)
Interest income (expense), net		2,328	1,669	(3,191)
Other income		134	83	198
Net income (loss)	(82)	(11,761)	(3,969)	(45,430)
Net (loss) per common share basic and diluted	\$ (0.01)	\$ (0.85)	\$ (0.30)	\$ (3.23)

**CONSOLIDATED BALANCE SHEET DATA**

**(AT PERIOD END):**

Cash and cash equivalents	\$	\$ 65,593	\$ 91,199	\$ 10,528
Working capital	18	52,621	62,766	607
Total assets	25	204,594	185,907	247,768
Preferred stock		115,901	115,901	115,901
Stockholders' equity	18	104,249	111,970	59,418

**OTHER OPERATING DATA:**

EBITDA	\$ (82)	\$ (13,885)	\$ (5,636)	\$ (36,482)
Net cash used in investing activities		(80,989)	(36,745)	(83,897)
Net cash provided by financing activities	75	162,952	136,951	59,123

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As used in the table above, EBITDA consists of net loss excluding net interest, income taxes, depreciation, and amortization. We believe that, because EBITDA is a measure of financial performance, it is useful to investors as an indicator of a company's ability to fund its operations and to service or incur debt. EBITDA is not a measure calculated under accounting principles generally accepted in the United States. Other companies may calculate EBITDA differently. It is not an alternative to operating income as an indicator of our operating performance or an alternative to cash flows from operating activities as a measure of liquidity and investors should consider these measures as well. We do not expect to generate positive EBITDA in the near term. We anticipate that our discretionary use of EBITDA, if any, generated from our operations in the foreseeable future will be restricted by our need to build our infrastructure and expand our business. To the extent that EBITDA is available for these purposes, our requirements for outside financing will be reduced.

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### SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION OF ALLIED RISER

The annual financial information set forth below has been derived from the audited consolidated financial statements of Allied Riser. The data for the nine-month periods ended September 30, 2001 and 2000 have been derived from the unaudited consolidated financial statements of Allied Riser. The information should be read in connection with, and is qualified in its entirety by reference to, Allied Riser's financial statements and the notes included elsewhere in this proxy statement/prospectus and contained in the annual and quarterly reports and other information that Allied Riser has filed with the SEC. The interim data reflect all adjustments that, in the opinion of management of Allied Riser, are necessary to present fairly such information for the interim periods. The results of operations of the nine-month periods are not necessarily indicative of the results expected for a full year or any interim period.

	Year Ended December 31,				(Unaudited) Nine Months Ended September 30,	
	1997	1998	1999	2000	2000	2001
(in thousands, except share and per share amounts)						
<b>CONSOLIDATED STATEMENT OF INCOME</b>						
<b>(LOSS) DATA:</b>						
Network services revenue	\$	\$ 212	\$ 1,422	\$ 10,969	\$ 6,161	\$ 18,547
Value added services revenue			448	3,363	1,572	5,680
<hr/>						
Total revenue		212	1,870	14,332	7,733	24,227
<b>Operating expenses:</b>						
Network operations	80	2,358	8,625	43,965	30,365	57,050
Cost of value added services			128	2,356	1,101	4,013
Selling expense		1,623	10,317	46,967	36,005	19,062
General and administrative expenses	1,348	9,736	38,570	67,173	52,696	36,397
Depreciation and amortization	10	499	5,007	36,155	25,041	32,484
Asset write-down						262,336
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Total operating expenses	1,438	14,216	62,647	196,616	145,208	411,342
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Operating income (loss)	(1,438)	(14,004)	(60,777)	(182,284)	(137,475)	(387,115)
Other income (expense)	(59)	(606)	3,289	8,876	9,165	(4,753)
<hr/>						
Income (loss) before extraordinary items	(1,497)	(14,610)	(57,488)	(173,408)	(128,310)	(391,868)
Accrued dividends on preferred stock		(452)	(6,452)			
<hr/>						
Income (loss) applicable to common stock before extraordinary items	\$ (1,497)	\$ (15,062)	\$ (63,940)	\$ (173,408)	\$ (128,310)	\$ (391,868)
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	Year Ended December 31,				(Unaudited) Nine Months Ended September 30,	
Income (loss) per common share before extraordinary items	\$ (7.45)	\$ (8.09)	\$ (2.15)	\$ (3.18)	\$ (2.38)	\$ (6.59)
Weighted average number of shares outstanding	201,000	1,862,000	29,736,000	54,472,000	53,911,000	59,493,000

CONSOLIDATED BALANCE SHEET DATA:

Cash and cash equivalents	\$ 188	\$ 41,371	\$ 152,564	\$ 29,455	\$ 134,063	\$ 28,482
Short-term investments			162,013	212,107	166,113	86,241
Property and equipment, net	1,250	13,005	46,577	182,442	167,194	33,191
Total assets	1,487	55,572	475,054	589,703	635,625	168,488
Total capital lease obligations and other debt	2,568	2,142	7,728	74,232	53,752	60,425
Convertible notes						