

COGENT COMMUNICATIONS HOLDINGS, INC.
Form DEF 14A
March 19, 2015

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

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-11 OR §240.14a-12

**COGENT COMMUNICATIONS
HOLDINGS, INC.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if
other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:
-

1015 31st Street, NW
Washington, D.C. 20007
(202) 295-4200

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON April 16, 2015**

The Annual Meeting of Stockholders of Cogent Communications Holdings, Inc., a Delaware corporation (the "Company"), will be held on April 16, 2015, at 9:00 a.m., local time, at the Company's offices at 1015 31st Street, NW, Washington, D.C. 20007, for the following purposes:

1. To elect six directors to hold office until the next annual meeting of stockholders or until their respective successors have been elected or appointed.
2. To vote on the ratification of the selection by the Audit Committee of Ernst & Young LLP as the independent registered public accountants for the Company for the fiscal year ending December 31, 2015.
3. To hold a non-binding advisory vote to approve the amendment to the Bylaws at Article 62 that stipulates that Delaware shall be the forum for shareholder litigation. If this proposal is not approved by stockholders, the board of directors has stated its intention to remove this article from the Bylaws.
4. To hold a non-binding advisory vote to approve the amendment to the Bylaws at Article 63 providing that if the Company prevails in any shareholder litigation its attorney's fees shall be awarded to the Company and otherwise provides that each party bears its own expenses of litigation. If this proposal is not approved by stockholders, the board of directors has stated its intention to remove this article from the Bylaws.
5. To hold a non-binding advisory vote to approve the compensation of Company's named executive officers.
6. To transact such other business as may properly come before the Annual Meeting and any adjournment or postponement thereof.

The foregoing matters are described in more detail in the enclosed Proxy Statement.

The Board of Directors has fixed February 20, 2015 as the record date for determining stockholders entitled to vote at the Annual Meeting of Stockholders.

The Company's Proxy Statement is attached hereto. Financial and other information about the Company is contained in the enclosed 2014 Annual Report to Stockholders for the fiscal year ended December 31, 2014.

You are cordially invited to attend the meeting in person. Your participation in these matters is important, regardless of the number of shares you own. Whether or not you expect to attend in person, we urge you to complete, sign, date and return the enclosed proxy card as promptly as possible in the enclosed envelope. If you choose to attend the meeting you may then vote in person if you so desire, even though you may have executed and returned the proxy. Any stockholder who executes such a proxy may revoke it at any time before it is exercised. A proxy may be revoked at any time before it is exercised by delivering written notice of revocation to the

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Company, Attention: Ried Zulager; by delivering a duly executed proxy bearing a later date to the Company; or by attending the Annual Meeting and voting in person.

By Order of the Board of Directors,

Ried Zulager, Secretary

Washington, D.C.
March 19, 2015

COGENT COMMUNICATIONS HOLDINGS, INC.

**Important Notice Regarding the Availability of Proxy Materials for the
Stockholder Meeting to Be Held at 9:00 a.m., April 16, 2015**

The proxy statement and annual report to stockholders (Form 10-K) are available at:
<http://www.cogentco.com/en/about-cogent/investor-relations/reports>.

The materials available at the website are the proxy statement and annual report to stockholders (Form 10-K).

The annual stockholder meeting will be held at 9:00 a.m. on April 16, 2015 at Cogent's offices at 1015 31st Street, NW, Washington, D.C. 20007. The matters to be covered are noted below:

1. Election of directors;
2. Ratification of appointment of Ernst & Young LLP as independent registered public accountants for the fiscal year ending December 31, 2015;
3. Non-binding advisory vote to approve the amendment to the Bylaws at Article 62 stipulating the forum for certain types of litigation. If this proposal is not approved by stockholders, the board of directors has stated its intention to remove this article from the Bylaws;
4. Non-binding advisory vote to approve the amendment to the Bylaws at Article 63 concerning litigation costs. If this proposal is not approved by stockholders, the board of directors has stated its intention to remove this article from the Bylaws;
5. Non-binding advisory vote to approve the compensation of Company's named executive officers;
6. Other matters as may properly come before the meeting.

The Board of Directors of Cogent recommends voting FOR Proposal 1 Election of Directors, FOR Proposal 2 Ratification of Appointment of Ernst & Young LLP as independent registered public accountants for the fiscal year ending December 31, 2015, FOR Proposal 3 Non-binding vote on the Bylaw amendment for litigation forum, FOR Proposal 4 Non-binding vote on the Bylaw amendment concerning litigation costs, and FOR Proposal 5 Non-binding Approval of Executive Compensation.

You are cordially invited to attend the meeting in person. Your participation in these matters is important, regardless of the number of shares you own. Whether or not you expect to attend in person, we urge you to complete, sign, date and return the enclosed proxy card as promptly as possible in the enclosed envelope. If you choose to attend the meeting you may then vote in person if you so desire, even though you may have executed and returned the proxy. Any stockholder who executes such a proxy may revoke it at any time before it is exercised. A proxy may be revoked at any time before it is exercised by delivering written notice of revocation to the Company, Attention: Ried Zulager; by delivering a duly executed proxy bearing a later date to the Company; or by attending the Annual Meeting and voting in person.

1015 31st Street, NW
Washington, D.C. 20007
(202) 295-4200

PROXY STATEMENT

The Board of Directors of Cogent Communications Holdings, Inc. (the "Company"), a Delaware corporation, is soliciting your proxy on the proxy card enclosed with this Proxy Statement. Your proxy will be voted at the Annual Meeting of Stockholders (the "Annual Meeting") to be held on April 16, 2015, at 9:00 a.m., local time, at the Company's offices at 1015 31st Street, NW, Washington, D.C. 20007, and any adjournment or postponement thereof. This Proxy Statement, the accompanying proxy card and the Company's 2014 Annual Report to Stockholders are first being mailed to stockholders on or about March 19, 2015.

VOTING SECURITIES

Voting Rights and Outstanding Shares

Only stockholders of record on the books of the Company as of 5:00 p.m., February 20, 2015 (the "Record Date"), will be entitled to vote at the Annual Meeting. At the close of business on the Record Date, the outstanding voting securities of the Company consisted of 46,391,534 shares of common stock, par value \$0.001 per share.

Holders of our common stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders. Votes cast by proxy or in person at the Annual Meeting will be tabulated by the Inspector of Elections with the assistance of the Company's transfer agent. The Inspector will also determine whether or not a quorum is present. In general, our Bylaws provide that a quorum consists of a majority of the shares issued and outstanding and entitled to vote, the holders of which are present in person or represented by proxy. Broker non-votes (which occur when a brokerage firm has not received voting instructions from the beneficial owner on a non-routine matter, as defined under applicable rules and as discussed in greater detail below) and abstentions are counted for purposes of determining whether a quorum is present.

Except in very limited circumstances, the affirmative vote of a majority of the shares having voting power present in person or represented by proxy at a duly held meeting at which a quorum is present is required under the Company's Bylaws for approval of proposals presented to stockholders, including Proposals 1, 2, 3, 4 and 5.

Proxies

The shares represented by the proxies received, properly dated and executed and not revoked will be voted at the Annual Meeting in accordance with the instructions of the stockholders. A proxy may be revoked at any time before it is exercised by:

delivering written notice of revocation to the Company, Attention: Ried Zulager;

delivering a duly executed proxy bearing a later date to the Company; or

attending the Annual Meeting and voting in person.

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Any proxy that is returned using the form of proxy enclosed and which is not marked as to a particular item will be voted "FOR" the election of directors, "FOR" the ratification of the selection by

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the Audit Committee of Ernst & Young LLP as independent registered public accountants, "FOR" the non-binding vote on the Bylaw amendment for litigation forum, "FOR" the non-binding vote on the Bylaw amendment concerning litigation costs, and "FOR" the non-binding approval of the compensation of the Company's named executive officers.

Proposals 1, 3, 4 and 5 are matters considered non-routine under applicable rules. A broker or other nominee cannot vote on these non-routine matters without specific voting instructions and therefore there may be broker non-votes on Proposals 1, 3, 4 and 5.

Proposal 2 is a matter considered routine under applicable rules. A broker or other nominee may generally vote on routine matters without specific voting instructions, and therefore no broker non-votes are expected to exist in connection with Proposal 2.

Broker non-votes will not be deemed to have voting power and thus will have no effect on voting. However, abstentions will be treated as present and having voting power, and accordingly will have the effect of a negative vote for purposes of determining the approval of Proposals 1, 2, 3, 4 and 5.

The Company believes that the tabulation procedures to be followed by the Inspector are consistent with the general statutory requirements in Delaware concerning voting of shares and determination of a quorum.

The cost of soliciting proxies will be borne by the Company. In addition, the Company may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation material to such beneficial owners. Proxies may also be solicited by certain of the Company's directors, officers and regular employees, without additional compensation, personally or by telephone or email.

PROPOSAL NO. 1
ELECTION OF DIRECTORS

Six directors are to be elected at the Annual Meeting to serve until their respective successors are elected and qualified. Nominees for election to the Board of Directors shall be approved by a majority of the votes cast by holders of our common stock present in person or by proxy at the Annual Meeting, each share being entitled to one vote.

In the event any nominee is unable or unwilling to serve as a nominee, the proxies may be voted for the balance of those nominees named and for any substitute nominee designated by the present Board or the proxy holders to fill such vacancy, or for the balance of those nominees named without nomination of a substitute, or the Board may be reduced in accordance with the Bylaws of the Company. The Board has no reason to believe that any of the persons named will be unable or unwilling to serve as a nominee or as a director if elected.

Set forth below is certain information concerning the six directors of the Company nominated to be elected at the Annual Meeting:

Dave Schaeffer, age 58, founded our Company in August 1999 and is our Chairman of the Board of Directors, Chief Executive Officer and President. Prior to founding the Company, 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. Mr. Schaeffer has been a director since 1999. Mr. Schaeffer serves as both Chairman and CEO because he is the founder of the Company and has successfully led the Company and the board since the Company was founded. For this reason he has been nominated to continue serving on the Board. Mr. Schaeffer is also a director of CyberArk Software Ltd., (NASDAQ: CYBR) an Israeli company that had an IPO in September of 2014.

Steven D. Brooks, age 63, has served on our Board of Directors since October 2003. Mr. Brooks is a private investor. He was Managing Partner of BCP Capital Management from 1999 to 2009. From 1997 until 1999, Mr. Brooks headed the technology industry mergers and acquisition practice at Donaldson, Lufkin & Jenrette. Previously, Mr. Brooks held a variety of positions in the investment banking and private equity fields, including: Head of Global Technology Banking at Union Bank of Switzerland, Managing Partner of Corporate Finance at Robertson Stephens, founder and Managing Partner of West Coast technology investment banking at Alex Brown & Sons, and Principal at Rainwater, Inc., a private equity firm in Fort Worth, Texas. Mr. Brooks has been nominated to continue serving on the Board because of his extensive experience with firms such as Cogent and with public market activities of such companies. Having been involved with the Company since its early days he also brings extensive historical perspective to the Board.

Timothy Weingarten, age 39, has served on our Board of Directors since October 2003. Mr. Weingarten is the co-founder & CEO of ShopTAP Inc. Prior to founding ShopTAP Inc., he was the Chairman and CEO of Visage Mobile. He is also a former General Partner of Worldview Technology Partners an early stage venture capital fund with over \$1 billion under management. From 1996 to 2000, Mr. Weingarten was a member of the telecom equipment research group at Robertson Stephens and Company. Mr. Weingarten is also a member of the board of directors of ShopTAP Inc., a privately held company. Mr. Weingarten has been nominated to continue serving on the Board because of his extensive knowledge of the U.S. venture capital backed companies making use of the Internet. The Board values this insight since Cogent's future growth depends to a great extent on the uses made of the Internet.

Richard T. Liebhaber, age 79, has served on our Board of Directors since March 2006. Mr. Liebhaber was with IBM from 1954 to 1985, where he held a variety of positions. Subsequently, he served as executive vice president and member of the management committee at MCI

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Communications, and served on the board of directors of MCI from 1992 to 1995. From 1995 to 2001, Mr. Liebhaber served as managing director at Veronis, Suhler & Associates, a New York media merchant banking firm. Mr. Liebhaber has been nominated to continue serving on the Board because of his extensive operational experience with telecommunications companies.

D. Blake Bath, age 52, has served on our Board of Directors since November 2006. He is the Chief Executive Officer of Bay Bridge Capital Management, LLC, an investment firm in Bethesda, MD. From 1996 until 2006, Mr. Bath was Managing Director at Lehman Brothers and, as a senior equity research analyst for Lehman Brothers, was Lehman's lead analyst covering wireline and wireless telecommunications services. Prior to joining Lehman Brothers he was the primary telecommunications analyst at Sanford C. Bernstein from 1992 to 1996. From 1989 to 1992 he was an analyst in the Strategic Planning and Corporate Finance organizations at MCI Communications. Mr. Bath has been nominated to continue serving on the Board because of his wide experience with the telecommunications industry which allows him to contribute a broad perspective to discussions about the Company's future activities and its place in the current competitive landscape.

Marc Montagner, age 53, has served on our Board of Directors since April 2010. He is currently Chief Financial Officer at LightSquared. He had been Executive Vice President of Strategy, Development and Distribution at LightSquared previously. On May 14, 2012, LightSquared filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code. Prior to joining LightSquared in February of 2009, Mr. Montagner was Managing Director and Co-Head of the Global Telecom, Media and Technology Merger and Acquisition Group at Banc of America Securities. Until August of 2006, he was Senior Vice President, Corporate Development and M&A with the Sprint Nextel Corporation. Prior to this, Mr. Montagner had the same responsibilities with Nextel Communications. Prior to 2002, Mr. Montagner was a Managing Director in the Media and Telecom Group at Morgan Stanley. Prior to joining Morgan Stanley, Mr. Montagner worked for France Télécom in New York where he was Head of Corporate Development for North America. Mr. Montagner has been nominated to the Board due to his extensive experience in the telecommunications industry, specifically with respect to operational, financial and strategic matters.

Unless marked otherwise, proxies received will be voted "FOR" the election of each of the nominees named above.

Recommendation of the Board of Directors:

The Board recommends a vote "FOR" the election of all nominees named above.

PROPOSAL NO. 2
RATIFICATION OF APPOINTMENT OF ERNST & YOUNG LLP AS INDEPENDENT REGISTERED
PUBLIC ACCOUNTANTS

The Audit Committee of the Board has appointed Ernst & Young LLP as the Company's independent registered public accountants for the fiscal year ending December 31, 2015. Services provided to the Company and its subsidiaries by Ernst & Young LLP in fiscal years 2013 and 2014 are described under "Relationship with Independent Registered Public Accountants Fees and Services of Ernst & Young LLP," below.

We are asking our stockholders to ratify the selection of Ernst & Young LLP as our independent registered public accountants. Although ratification is not required by our Bylaws or otherwise, the Board is submitting the selection of Ernst & Young LLP to our stockholders for ratification as a matter of good corporate practice.

Representatives of Ernst & Young LLP will be available by telephone at the Annual Meeting to respond to appropriate questions and will have the opportunity to make a statement if they desire to do so.

The affirmative vote of the holders of a majority of shares represented in person or by proxy and entitled to vote on this item will be required for ratification. The Board recommends that stockholders vote "FOR" ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accountants for fiscal year 2015. Unless marked otherwise, proxies received will be voted "FOR" the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accountants for 2015.

In the event stockholders do not ratify the appointment, the appointment may be reconsidered by the Audit Committee and the Board. The Company believes that neither the Audit Committee nor the Board is obliged to make any such reconsideration under Delaware law, the rules of the stock exchange on which it is listed, or the rules promulgated by the Securities and Exchange Commission that frame certain specific obligations of the members of all public company audit committees with respect to the selection of independent registered public accountants. Even if the selection is ratified, the Audit Committee in its discretion may select a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and its stockholders.

Recommendation of the Board of Directors:

The Board recommends a vote "FOR" the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accountants for 2015.

PROPOSAL NO. 3
NON-BINDING VOTE ON THE BYLAW AMENDMENT FOR LITIGATION FORUM

On November 3, 2014, the Board of Directors amended and restated the Bylaws of the Company, effective immediately, to provide that shareholder actions must be filed in Delaware and awards the Company attorney's fees if it prevails and otherwise provides that each party bears its own expenses of litigation, which are new sections 62 and 63 in the Bylaws. The text of Section 62 which stockholders are asked to approve by voting FOR this proposal is printed below, and the complete amended and restated Bylaws are attached hereto as *Appendix A*. The Board of Directors also approved that each new article added to the Bylaws shall be submitted separately to the stockholders for confirmation at the annual meeting. If the stockholders fail to confirm either bylaw change the board intends, absent extraordinary circumstances, to remove from the bylaws the change that was not confirmed.

Section 62. FORUM SELECTION. Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery (the "Chancery Court") of the State of Delaware (or, in the event that the Chancery Court does not have jurisdiction, the federal district court for the District of Delaware or other state courts of the State of Delaware) shall, to the fullest extent permitted by applicable law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by, or other wrongdoing by, any director, officer or employee of the Corporation to the Corporation or the Corporation's stockholders, (iii) any action asserting a claim arising pursuant to any provision of the DGCL or the Corporation's Certificate of Incorporation or these Bylaws (as either may be amended from time to time), (iv) any action to interpret, apply, enforce or determine the validity of the Corporation's Certificate of Incorporation or these Bylaws, or (v) any action asserting a claim against the Corporation or any director, officer or employee of the Corporation governed by the internal affairs doctrine. To the fullest extent permitted by law, any person purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Section 62. If any provision or provisions of this Section 62 shall be held to be invalid, illegal or unenforceable as applied to any person or entity or circumstance for any reason whatsoever, then, to the fullest extent permitted by law, the validity, legality and enforceability of such provisions in any other circumstance and of the remaining provisions of this Section 62 (including, without limitation, each portion of any sentence of this Section 62 containing any such provision held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) and the application of such provision to other persons or entities and circumstances shall not in any way be affected or impaired thereby.

Background and Reasons for the Proposed Amendment

The Board of Directors has carefully considered the proposed bylaw amendment and concluded that requiring certain stockholder disputes to be brought exclusively in the Delaware Chancery Court is in the best interests of our stockholders for the following reasons:

Delaware Chancery Court Expertise in Corporate Affairs The Board of Directors believes that Delaware courts are best suited to address disputes involving the Company, its officers, directors and shareholders, and the interpretation of its charter and bylaws, because the Company is incorporated in Delaware and Delaware law generally applies to such matters. Additionally, the Delaware Chancery Court is widely regarded as the preeminent court for the determination of disputes involving a corporation's internal affairs based on its extensive precedent, experience and focus. The Chancery Court has experienced judges who have a deep understanding of Delaware corporate law and the duties of directors and officers thereunder. This well-developed body of case law would provide stockholders and the Company with more predictability regarding the outcome of stockholder disputes.

Reduced Legal Expenses and Risk of Inconsistent Outcomes By ensuring that particular stockholder disputes are heard in a Delaware court, the Company and its stockholders could avoid costly and duplicative litigation, the risk that Delaware law would be misapplied by a court in another jurisdiction, and the risk of inconsistent outcomes when two similar claims proceed in different courts. Further, Delaware's system of specialized Chancery Courts to adjudicate corporate law questions offers streamlined procedures and processes which help provide prompt resolutions. This accelerated schedule can limit the time, cost and uncertainty of litigation for all parties.

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The Board of Directors recognizes that there are potential burdens and disadvantages to stockholders in connection with the adoption of an exclusive forum amendment. For instance:

Inability to Engage in Forum Shopping A plaintiff may believe that the relevant law or demographic of a potential jury pool of a jurisdiction other than the State of Delaware might be more convenient or favorable to their claims. Adoption of the exclusive forum amendment would prevent a plaintiff from bringing an action in an alternative forum which they perceive to be more favorable to their claims.

Inability to Increase Settlement Value of Claims by Filing in Multiple Jurisdictions Some plaintiffs desire to file legal claims in multiple jurisdictions against the Company and/or its directors, officers and/or employees in order to increase the settlement value of their claims by increasing the Company's costs to defend against multiple claims. Adoption of the exclusive forum amendment would prevent stockholders from pursuing this plan of action.

Certain proxy advisors and institutional holders may not support the adoption of an exclusive forum amendment unless it can be shown that the Company has already suffered material harm as a result of multiple claims in different jurisdictions regarding the same matter. However, the Board of Directors believes that it is more prudent and in the best interests of stockholders to take preventive measures before the Company and the interests of most of its stockholders are materially harmed by the increasing practice of plaintiffs to file claims in multiple jurisdictions.

On balance, the Board of Directors believes that the benefits to the Company and its stockholders of adopting the exclusive forum amendment outweigh the potential burdens and disadvantages of adopting such amendment. As written, the amendment establishes a default forum for litigation while also preserving the ability to consent to an alternative forum if the Board of Directors believes the interests of the Company and its stockholders will be better served by an alternative forum. The Board of Directors believes that the adoption of the exclusion forum amendment is in the best interests of the Company and its stockholders.

Recommendation of the Board of Directors:

The Board recommends a vote "FOR" the non-binding vote on the Bylaw amendment for litigation forum.

PROPOSAL NO. 4 NON-BINDING VOTE ON THE BYLAW AMENDMENT CONCERNING LITIGATION COSTS

On November 3, 2014, the Board of Directors amended and restated the Bylaws of the Company, effective immediately, to provide that shareholder actions must be filed in Delaware and awards the Company attorney's fees if it prevails and otherwise provides that each party bears its own expenses of litigation, which are new sections 62 and 63 in the Bylaws. The text of Section 63 which stockholders are asked to approve by voting FOR this proposal is printed below, and the complete amended and restated Bylaws are attached hereto as *Appendix A*. The Board of Directors also approved that each new article added to the Bylaws shall be submitted separately to the stockholders for confirmation at the annual meeting. If the stockholders fail to confirm either bylaw change the board intends, absent extraordinary circumstances, to remove from the bylaws the change that was not confirmed.

Section 63. LITIGATION COSTS.

(A) To the fullest extent permitted by law, in the event that (i) any stockholder or anyone on their behalf ("Claiming Party") initiates or asserts any claim or counterclaim ("Claim") or joins, offers substantial assistance to, or has a direct financial interest in any Claim against the Corporation and/or any director, officer, employee or affiliate of the Corporation (together, the "Corporation Parties"), and (ii) the Claiming Party (or the third party that received substantial

assistance from the Claiming Party or in whose Claim the Claiming Party had a direct financial interest) does not obtain a judgment on the merits that substantially achieves, in substance and amount, the full remedy sought, then each Claiming Party shall be obligated jointly and severally to reimburse the Corporation Parties the greatest amount permitted by law of all fees, costs and expenses of every kind and description (including but not limited to, all reasonable attorney's fees and other litigation expenses) (collectively, "Litigation Costs") that the Corporation Parties may incur in connection with such Claim.

(B) To the fullest extent permitted by law, in the event that any Claiming Party initiates or asserts any Claim or joins, offers substantial assistance to, or has a direct financial interest in any Claim against any Corporation Parties regarding or based upon the Claiming Party's status as a stockholder in the Corporation or a Corporation Party's conduct or actions relating to the Corporation, then, regardless whether the Claiming Party is successful on its Claim in whole or in part, the Claiming Party will bear its own Litigation Costs, and the Claiming Party and the Claiming Party's attorneys will not seek or recover any Litigation Costs or receive any attorney's fees or expenses as the result of the creation of any common fund or from a corporate benefit purportedly conferred upon the Corporation.

Background and Reasons for the Proposed Amendment

The Board of Directors has carefully considered the proposed bylaw amendment and concluded that requiring a stockholder who brings a stockholder claim against the Company to reimburse the Company for its Litigation Costs under certain circumstances is in the best interests of our stockholders. Shareholder claims are very costly and exert significant settlement pressures on a company. Even a weak stockholder claim requires a company to expend significant amounts of money to defend against or settle the claim. When a stockholder asserts a claim against the Company, the costs the Company incurs are ultimately borne by the stockholders. The adoption of this amendment would discourage stockholders from bringing frivolous claims which lack merit, resulting in an economic benefit for both the Company and its stockholders as a group.

The Board of Directors recognizes that there are potential burdens and disadvantages to stockholders in connection with the adoption of this litigation costs amendment. All stockholder lawsuits inherently involve risk, and it is impossible to confidently predict the outcome of a claim. Although the amendment aims to discourage only frivolous or abusive stockholder claims, stockholders may also be discouraged from bringing meritorious claims against the Company due to the risk of exposure to substantial attorneys' fees.

On balance, the Board of Directors believes that the benefits to the Company and its stockholders of adopting the litigation costs amendment outweigh the potential burdens and disadvantages of adopting such amendment. The Board of Directors believes that the adoption of the litigation costs amendment is in the best interests of the Company and its stockholders.

Recommendation of the Board of Directors:

The Board recommends a vote "FOR" the non-binding vote on the Bylaw amendment concerning litigation costs.

PROPOSAL NO. 5
ADVISORY VOTE ON EXECUTIVE COMPENSATION

In accordance with the requirements of Section 14A of the Securities Exchange Act of 1934, we are asking stockholders to approve the following non-binding advisory resolution at the 2015 Annual Meeting of Stockholders:

RESOLVED that the Company's stockholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the Company's Proxy Statement for the 2015 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the 2014 Summary Compensation Table and the other related tables and disclosure.

In 2011, the Board of Directors recommended that this advisory resolution to approve named executive officer compensation be conducted annually and stockholders voted in favor of this recommendation by a substantial majority. Accordingly, the Board of Directors has determined that it will hold an advisory resolution to approve named executive officer compensation annually until the next vote to determine the frequency of such an advisory vote. Although the stockholder's vote is advisory and non-binding upon our Board of Directors, our Board will take your vote into consideration when making future decisions regarding executive compensation. However, our Board of Directors and the Compensation Committee will retain full responsibility for determining the final compensation of the executive management of the Company.

The affirmative vote of the holders of a majority of shares represented in person or by proxy and entitled to vote on this item will be required for approval.

As described in the Compensation Discussion and Analysis section of this Proxy Statement, the Company's executive compensation is designed to attract, reward and retain the executives of our Company in order to achieve our corporate goals and to align the interests of the executives with the long-term interests of our stockholders.

In 2014 the stockholders did not approve the compensation of the named executive officers. The Board believes that this occurred as a result of recommendations by some organizations that advise stockholders on the votes to be cast at a company's annual meeting, e.g. Institutional Shareholder Services (ISS) which found cause for concern in the size of the restricted stock award made to the CEO in 2012 (no stock award was made in 2013), and the discretionary nature of and the lack of performance criteria used to determine, the CEO's compensation. In response to the stockholder vote the Board eliminated the CEO's salary in 2015 and replaced it with an incentive plan based on attainment of revenue and EBITDA goals (discussed more fully in the Compensation Discussion and Analysis section). As further discussed in the Compensation Discussion and Analysis section of this Proxy Statement, the Board believes the CEO's compensation is reasonable and appropriate for the Company in light of the following factors:

Mr. Schaeffer founded and has successfully led the Company for more than 15 years. He is intimately involved in all aspects of the Company's business and his knowledge of the Company and marketplace in which it operates is unequalled;

The Company's overall compensation program is designed to provide incentives over 2-3 year periods and links a significant portion of our executive's overall compensation to the value of our equity; awards made in 2012 and 2014 reflect the value of two years' worth of grants,

The total compensation of other CEOs and other executives at similar companies in our industry.

The Board believes the Company's overall compensation program is reasonable, effective, and appropriate for its size and nature of the Company.

The Board urges stockholders to carefully read the "Compensation Discussion and Analysis" section of this Proxy Statement, which describes in more detail our executive compensation philosophy, policies and procedures, as well as the Summary Compensation Table and other related compensation tables and the narrative discussion.

Recommendation of the Board of Directors:

The Board recommends a vote "FOR" the resolution set forth above thereby approving the compensation of the named executive officers as described in the Compensation Discussion and Analysis and Summary Compensation and related tables set forth in this Proxy Statement.

THE BOARD OF DIRECTORS AND COMMITTEES

The Board of Directors met seven times during 2014. Each director, during his term as director, attended 100% of the meetings of the Board. Each director, during his term as director, attended 100% of the meetings of the committees of the Board of which he was a member. The independent directors met five times. All of the directors attended the annual meeting of stockholders. During 2014, the Board had a standing Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee.

Mr. Schaeffer serves as CEO and Chairman of the Board of Directors. He is the founder of the Company and owns approximately 7.92% of the Company's stock. His dual role was established 15 years ago when he founded the Company. The Board believes that at the Company's current stage of growth the Board is best served by a chairman who is involved with the Company on a full-time basis and is therefore able to bring great depth of knowledge about the Company to this role. The Board does not have a designated lead independent director.

The Board's role in the Company is to provide general oversight of strategy and operations. As part of its oversight of operations it reviews the performance of the Company and the risks involved in the operations of the Company. The Board and the Audit Committee receive regular reports on the status of the Company's internal controls and each has reviewed key operational risks. The Board's risk oversight role has no effect on its leadership structure as all directors other than Mr. Schaeffer are independent directors and therefore have no conflict that might discourage critical review.

Nominating and Corporate Governance Committee

We established our Nominating and Corporate Governance Committee in April 2005. During all of 2014 the members of this committee were Messrs. Brooks (Chairman) and Montagner, each of whom are independent members of our Board. Our Board has adopted a charter governing the activities of the Nominating and Corporate Governance Committee. The charter of the Nominating and Corporate Governance Committee may be found on the Company's website under the tab "About Cogent; Investor Relations; Corporate Governance" at www.cogentco.com. Pursuant to its charter, the Nominating and Corporate Governance Committee's tasks include assisting the Board of Directors in identifying individuals qualified to become Board members, recommending to the Board director nominees to fill vacancies in the membership of the Board as they occur and, prior to each annual meeting of stockholders, recommending director nominees for election at such meeting.

The Nominating and Corporate Governance Committee seeks diversity in the membership of the Board and the Company. It does not have formal objective criteria for determining the amount of diversity needed or present on the Board. Instead it and the Board seek candidates with a range of experience. Board candidates are considered based upon various criteria, such as skills, knowledge, perspective, broad business judgment and leadership, relevant specific industry or regulatory affairs knowledge, business creativity and vision, experience, and any other factors appropriate in the context of an assessment of the committee's understood needs of the Board at that time. In addition, the Nominating and Corporate Governance Committee considers whether the individual satisfies criteria for independence as may be required by applicable regulations and personal integrity and judgment. Accordingly, the Company seeks to attract and retain highly qualified directors who have sufficient time to attend to their substantial duties and responsibilities to the Company.

The Nominating and Corporate Governance Committee has the sole authority to retain, compensate, and terminate any search firm or firms to be used in connection with the identification, assessment, and/or engagement of directors and director candidates. No such firm has been retained by the Company in the past.

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The Nominating and Corporate Governance Committee considers proposed nominees whose names are submitted to it by stockholders; however, it does not have a formal process for that consideration. The Company has not to date adopted a formal process because it believes that the informal consideration process has been adequate. The committee intends to review periodically whether a more formal policy should be adopted. If a stockholder wishes to suggest a proposed name for committee consideration, the name of that nominee and related personal information should be forwarded to the Nominating and Corporate Governance Committee, in care of the Secretary, at least three months before the next annual meeting to ensure meaningful consideration by the Nominating and Corporate Governance Committee. See also "Stockholder Proposals" for Bylaw requirements for nominations.

The Nominating and Corporate Governance Committee had one (1) formal meeting in 2014. All meetings and activities of the Nominating and Corporate Governance Committee were held in conjunction with a meeting of the full board to accommodate the views of all members of the Board of Directors concerning its membership and constitution.

Stockholder Communication with Board Members

Although the Company has not to date developed formal processes by which stockholders may communicate directly to directors, it believes that the informal process, in which stockholder communications that are received by the Secretary for the Board's attention, or summaries thereof, are then forwarded to the Board has served the Board's and the stockholders' needs. In the past several institutional investors communicated with the Board in this fashion. The investor letters were subsequently addressed by direct communications with representatives of the investors and a member of the Board with responsibility for the topics addressed by the investors, and the full Board was apprised of the conversations. Accordingly, the Board considers that an effective and well established traditional means of receiving communications from stockholders currently exists. In view of Securities and Exchange Commission, or SEC, disclosure requirements relating to this issue, the Nominating and Corporate Governance Committee may consider development of more specific procedures. Until any other procedures are developed and posted on the Company's corporate website at www.cogentco.com, any communications to the Board should be sent to it in care of the Secretary.

Code of Conduct

The Company's Code of Conduct may be found on the Company's website under the tab "About Cogent; Investor Relations; Corporate Governance" at www.cogentco.com.

Board Member Attendance at Annual Meetings

The Company encourages all of its directors to attend the Annual Meeting of Stockholders. All of the directors attended the 2014 Annual Meeting. The Company generally holds a Board meeting coincident with the Annual Meeting to minimize director travel obligations and facilitate their attendance at the Annual Meeting.

Director Independence

Nasdaq Marketplace Rules require that a majority of the Board be independent. No director qualifies as independent unless the Board determines that the director has no direct or indirect relationship with the Company that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In assessing the independence of its members, the Board examined the commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships of each member. The Board's inquiry extended to both direct and indirect relationships with the Company. Based upon both detailed written submissions by its members and discussions

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regarding the facts and circumstances pertaining to each member, considered in the context of applicable Nasdaq Marketplace Rules, the Board has determined that all of the directors nominated for election, other than Mr. Schaeffer, are independent.

Audit Committee

The Audit Committee is established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). During all of 2014 the members of this committee were Messrs. Liebhaber (Chairman), Bath and Montagner, each of whom is independent as the term "independence" is defined in the applicable listing standards of Nasdaq and Rule 10A-3 under the Exchange Act. The Board has determined that each of Messrs. Liebhaber, Bath and Montagner qualifies as a financial expert, as that term is defined in the Exchange Act. The responsibilities of this Audit Committee include:

the appointment, compensation, retention and oversight of our independent registered public accountants;

reviewing with our independent registered public accountants the plans and results of the audit engagement;

pre-approving professional services provided by our independent registered public accountants;

reviewing our critical accounting policies, our Annual and Quarterly reports on Forms 10-K and 10-Q, and our earnings releases;

reviewing the independence of our independent registered public accountants; and

reviewing the adequacy of our internal accounting controls and overseeing our ethics program.

The Audit Committee met six (6) times during 2014. The charter of the Audit Committee may be found under the tab "About Cogent; Investor Relations; Corporate Governance" at www.cogentco.com.

Audit Committee Report

To the Board of Directors:

We have reviewed and discussed with management the Company's audited consolidated financial statements as of and for the year ended December 31, 2014.

We have discussed with the independent registered public accountants, Ernst & Young LLP, the matters required to be discussed with us by the American Institute of Certified Public Accountants, the Securities and Exchange Commission, the Nasdaq Stock Market and the Public Company Accounting Oversight Board, including those required by the Statement on Auditing Standards No. 61, as amended.

We have received and reviewed the letter from Ernst & Young LLP required by the Public Company Accounting Oversight Board, and have discussed with Ernst & Young LLP their independence, including the written disclosures and letter required by Rule 3526 of the Public Company Accounting Oversight Board.

Based on the reviews and discussions referred to above, we recommended to the Board of Directors that the audited consolidated financial statements referred to above be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014 for filing with the Securities and Exchange Commission. The Board of Directors caused the Form 10-K to be so filed.

Audit Committee:

Richard T. Liebhaber
Marc Montagner
D. Blake Bath

Compensation Committee

During 2014 the Compensation Committee consisted of Messrs. Brooks and Weingarten, each of whom is independent as the term "independence" is defined in the applicable listing standards of Nasdaq. By agreement with the board of directors Messrs. Brooks and Weingarten serve as equals on this committee and neither is treated as chairman thereof. The Compensation Committee is responsible in conjunction with the other independent directors for determining compensation for our executive officers and other employees, and administering our compensation programs. The Compensation Committee had two (2) formal meetings in 2014 and acted once by written consent. In 2014 the functions of the Compensation Committee were largely undertaken by the full Board during closed executive session meetings held in conjunction with regularly scheduled in-person meetings of the Board. Salary and equity compensation awards for all of the executive officers and key employees of the Company listed in this proxy statement were considered during these meetings and Mr. Schaeffer was absent from any discussions concerning his compensation. The charter of the Compensation Committee is available under the tab "About Cogent; Investor Relations; Corporate Governance" at www.cogentco.com.

EXECUTIVE OFFICERS AND KEY EMPLOYEES

Set forth below is certain information concerning the executive officers and significant employees of the Company. Biographical information on Mr. Schaeffer is included under "Proposal 1 Election of Directors."

Thaddeus G. Weed, age 53, joined us in 2000 and served as Vice President and Controller until May 2004 when he became our Chief Financial Officer and Treasurer. From 1997 to 1999, Mr. Weed served as Senior Vice President of Finance and Treasurer at Transaction Network Services, Inc. where

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Mr. Weed undertook a broad range of financial management responsibilities. From 1987 to 1997, Mr. Weed was employed at Arthur Andersen LLP where he served as Senior Audit Manager.

Robert N. Beury, Jr., age 61, joined us in 2000 and serves as Chief Legal Officer (Vice President and General Counsel) and Assistant Secretary. Prior to joining us, Mr. Beury served as Deputy General Counsel of Iridium LLC, a mobile satellite service provider, 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.

R. Brad Kummer, age 66, joined us in 2000 and serves as Vice President of Optical Transport Engineering and Chief Technology Officer. Mr. Kummer spent the 25 years prior to joining us 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.

Timothy G. O'Neill, age 59, joined us in 2001 and serves as the Vice President of Field Engineering, Construction and Network Operations. He is responsible for network operation, construction and maintenance. From 1999 to 2001, Mr. O'Neill was employed at @Link Networks, Inc. where he served as Chief Network Officer. While at @Link Networks, Inc., Mr. O'Neill was responsible for engineering, implementing and operating a network for Internet access and layer 2 services.

Bryant Hird "Guy" Banks, age 50, joined us in 2000 and serves as Vice President of Real Estate. Prior to joining us Mr. Banks held positions with various affiliates of Security Capital Group Incorporated, including the positions of Vice President of Land Acquisition and Vice President of Development for CWS Communities Trust.

Henry W. Kilmer, age 46, joined us in 2011 and serves as Vice President of IP Engineering. Prior to joining us, Mr. Kilmer held positions with UUNET (now Verizon), Sprint, Digex/Intermedia and Metromedia Fiber Networks/Abovenet where he was Senior Vice President of Engineering and Operations. Most recently, Mr. Kilmer was President of Terrapin Communications, Inc., a small consulting firm which focused on network consulting and technical strategy development for companies like GPX, Airband, and Switch and Data (now part of Equinix).

Ernest Ortega, age 49, joined us in 2013 and serves as our Vice President of Sales and Chief Revenue Officer. Prior to joining Cogent, Mr. Ortega served as Executive Vice President of Sales and Marketing at XO Communications, where he had previously served as President of Carrier Sales from 2004 until 2011 and as Vice President of national accounts from 1999 until 2003.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview

The Company's 2014 compensation program for named executive officers had three simple components:

Base salary;

Restricted stock grants that vest over time; and

Sales commissions for the Vice President of Sales.

These components generally apply to all of our employees, not just our executive officers. Other than commissions, we did not have any annual incentives for our named executive officers in 2014. The Company uses equity in the form of time-vested restricted stock as significant component of executive's

compensation 96% for the CEO and 70% for other executives (measured over time). The Board believes this compensation structure is in the interests of stockholders as it links a significant portion of the executive's compensation to the Company's fortunes as reflected in its stock price.

Decision Making Process

Our Compensation Committee comprises two members with multiple decades' career experience in managing executive compensation in small and large corporations, both public and private. Additionally, it is the practice of the Committee regularly to discuss compensation matters with the full Board of Directors to draw upon their considerable experience. Each year's ultimate compensation decisions, therefore, reflect the synthesis of the Compensation Committee's, other Board member's and the CEO's experience and views on compensation levels with respect to companies of a similar profile as Cogent. The Compensation Committee and the board this year received input from major stockholders at the annual meeting. In addition, the CEO meets with major stockholders and potential stockholders representing over 300 funds in the course of the year and seeks their input on executive compensation in those meetings.

Given the Company's size, the simplicity of our compensation program and the knowledge and experience of the Compensation Committee, the Board and the CEO regarding compensation practices, we do not think it is cost effective for us to engage an independent compensation consultant.

When setting senior executive compensation, the Compensation Committee evaluates multiple operational and performance metrics which it believes are most appropriate for measuring the success of the senior executives and ultimately increase shareholder value. Among the principal factors evaluated by the Compensation Committee in determining the overall all compensation structure for senior executives, including the biennial grants of restricted stock, are:

Revenue Growth: The Company believes that its superior execution skills offer the potential for greater than industry average growth. Growth performance is a key component of the variable portion of the CEO's compensation.

Capital Efficiency: The Company has since its inception been committed to the efficient use of capital. As it has entered a phase of mature growth, it has sought to manage its balance sheet in a fashion that optimizes leverage and return of capital to shareholders. Our executive officer's successful use of capital markets to accomplish this has been rewarded.

Sales Force Productivity: The Company has recently re-organized its sales management and increased its focus upon major corporate accounts and wholesale partners; productivity per sales representative has notably improved.

Shareholder Communication: The CEO devotes considerable time and energy to participation in investor meetings in order to communicate effectively our strategy and market position.

Industry Leadership: Recently, our executive officers have taken a leadership role in representing our views to the FCC, FTC and other national and international regulatory agencies on the important issue of "net neutrality". We believe our efforts have significantly affected the outcome of this debate and benefitted the Company and the entire industry.

Network Expansion: Our executive officers have continued to increase the Company's addressable market in a capital efficient and prudent manner through the geographic expansion of the network and by adding additional buildings within its existing network footprint.

Operating Margin Expansion: The Company believes that its business model offers our executive officers the ability to continue to improve operating margins. Our executive officers expansion of operating margins is rewarded.

Cash Flow Returned to Investors: The Company seeks to increase its return of cash to investors through dividends and stock purchases and its success in doing so is rewarded.

We believe our grants of restricted stock have aligned the interests of our executives with those of the stockholders and resulted in the above market performance of the Company's stock price as demonstrated below:

The graph below matches the Company's cumulative 5-Year total shareholder return on common stock with the cumulative total returns of the S&P 500 index and the NASDAQ Telecommunications index. The graph tracks the performance of a \$100 investment in our common stock and in each index (with the reinvestment of all dividends) from 12/31/2009 to 12/31/2014.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Cogent Communications Holdings, the S&P 500 Index,
and the NASDAQ Telecommunications Index

*
\$100 invested on 12/31/09 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

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	12/09	12/10	12/11	12/12	12/13	12/14
Cogent Communications Holdings Inc.	\$ 100.00	\$ 143.41	\$ 171.30	\$ 231.98	\$ 424.08	\$ 383.65
S&P 500	100.00	115.06	117.49	136.30	180.44	205.14
NASDAQ Telecommunications Index	100.00	107.95	96.16	100.40	139.11	148.69

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

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The following table shows the change in enterprise value (market capitalization plus debt reduced by cash) from December 31, 2011 to December 31, 2014 compared to the change in the compensation of our CEO during that time. (Because of the biennial nature of our stock awards CEO compensation was calculated using the average of 2011 and 2012 compared to the average of 2013 and 2014.)

Compensation Philosophy

The Company's philosophy is to compensate all of its employees in a manner which reflects the competitive value of their skills and experience in the marketplace, to pay our sales force and sales management substantial cash commissions based upon revenue generated, and to tie senior executive compensation to the value of the Company's common stock through the grant of restricted stock vesting over multi-year periods. The Company believes the success of its philosophy is demonstrated by its record of growth, its stable and capable leadership and its equity appreciation.

2014 Highlights

In 2014, the Board and Compensation Committee made awards of restricted stock to the executive officers and all employees who had been with the Company since January 1, 2013. The awards to named executive officers are detailed in the Summary Compensation Table and other tables below. The number of shares granted to each executive officer was determined by the Board and Compensation Committee. All of the awards vest over three years with the last vesting event for any restricted stock grant to a named executive officer occurring on December 1, 2018.

In addition, the Company follows the following compensation practices:

The Compensation Committee is composed solely of independent directors.

The Company does not offer any ancillary compensation, such as automobiles, club dues, etc.

Restricted stock awards vest over a period of at least three years.

The Company does not provide any tax gross up benefits.

Restricted stock awards do not begin to vest prior to the first anniversary of the grant.

The Company's commission plan for Mr. Ortega (described below) is based on sales revenue generated.

Salary

The general policy of the Compensation Committee and the Board is to grant to executive officers only the same general salary increase granted to all employees each year. Consistent with this policy executive officers received the same 1.5% salary increase as other employees for both 2014 and 2015. From time to time the Compensation Committee reviews the compensation of the Company's CEO and each executive officer and, based on recommendations from the CEO, has in the past given specific executive officers raises based on the officer's increased responsibilities as the Company has grown.

Bonus and Commissions

As discussed above, bonuses have not been a component of the Company's compensation structure for non-sales personnel. Instead, as further discussed below the Company has used only grants of restricted stock to align the interests of executives with those of the stockholders and incent performance.

Due to the importance of his position in driving revenue and therefore stockholder value, the Company's Chief Revenue Officer and Vice President of Global Sales, Ernest Ortega, is paid monthly commissions based on the achievement of the entire sales organization against monthly revenue quotas. Revenue, for purposes of the quota and commission calculation, is the expected revenue from customers that have had the Company's service (Internet access and related services) installed during the relevant period and includes monthly recurring revenue and a portion of non-recurring revenue, such as installation charges. Since revenue growth is key to the Company's performance, the Board thinks it is important to directly link a significant portion of Mr. Ortega's compensation to achieving our monthly revenue targets. His commission is currently determined by his achievement of the revenue goals of the Company as reflected in sales quotas.

Options and Restricted Stock

The Company believes that the greatest alignment of shareholder and executive interests arises from their common ownership of equity. Accordingly, compensation of the Company's senior management is based in large part upon time-vested restricted stock and stock options whose value directly reflects the success of their efforts. The Compensation Committee, often in conjunction with the full Board of Directors, determines the size of awards in the process described above, in light of the executive's responsibilities and comparable compensation levels of similar positions in the industry.

Apart from initial hiring grants, it should be noted that restricted stock awards are made every other year and vest over a three-year period; thus, they may appear comparatively large when compared to the awards of companies which use annual grants. The Company believes less frequent issuance reinforces its focus on longer term objectives.

Over the last three years restricted stock awards have represented 96% of the CEO's total compensation, and 70% of the total compensation for other executive officers (based on grant date value of the stock compared to total compensation).

In the past, Mr. Schaeffer's stock awards have been substantially greater than the awards given to other executive officers, in light of his role as founder of the Company and CEO since inception, as well as his responsibility for hiring our senior management, leading the Company's capital raising activities, and actively managing the Company for its entire history. Accordingly, the Compensation Committee regards him as critical to the future prospects of the Company.

As discussed above, restricted stock awards to named executive officers were made in 2014. The size of such awards was determined by the Board and Compensation Committee and reflective of a two years' worth of value.

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The "burn rate" at which the Company has awarded stock and options to employees, including the named executive officers, in the last three years is set out below. We believe this rate is reasonable and low compared to that of other companies in our industry. The "burn rate" is the sum of stock and option awards granted divided by the number of shares of stock outstanding.