



News

R E L E A S E

FOR IMMEDIATE RELEASE

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**COGENT DIDN'T BUILD A DATA CENTER EMPIRE —
THEY DEPLOYED ONE STOLEN FROM FNSI. NOW,
COGENT'S FORMER CIO CONFIRMS IT.**

**MEANWHILE, CEO DAVE SCHAEFFER IS QUIETLY UNLOADING
TENS OF MILLIONS IN STOCK AS THE RISK OF NASDAQ
DELISTING INTENSIFIES.**

WASHINGTON, D.C. — June 17, 2025 — In a major escalation of the federal whistleblower case against Cogent Communications (NASDAQ: CCOI), David Koch has released new evidence revealing that Cogent never engineered its celebrated data center model. Instead, it deployed an already-profitable architecture built by Fiber Network Solutions, Inc. (FNSI) — a company Cogent quietly acquired through fraud and whose true origin Cogent concealed for more than twenty years.

THE RELEASE INCLUDES:

- Verified excerpts from a March 13, 2024 [recorded call](#) in which Kyle Bacon — Cogent's former CIO — admits that CEO Dave Schaeffer instructed him to implement FNSI's fraudulently acquired data center model;
- Background confirming that before joining Cogent, Bacon was David Koch's partner and served as FNSI's Vice President and COO — and that he played a central role in the fraudulent acquisition that transferred FNSI to Cogent and unlawfully stripped Koch of 1.2 million shares during a period of life-threatening medical incapacitation;
- A timestamped [2001 brochure from FNSI](#), archived by the [Internet Archive](#), proving FNSI's infrastructure was fully operational and serving clients long before Cogent acquired the bankrupt remnants of PSINet in April 2002;
- A comprehensive timeline dismantling the false narrative that Cogent invented colocation or developed its data center platform from scratch.

DAVE SCHAEFFER ORDERED THE DEPLOYMENT OF FNSI'S
PROFITABLE DATA CENTER MODEL

According to Kyle Bacon, former FNSI COO and later Cogent's first CIO, Cogent CEO Dave Schaeffer acknowledged the strength of the FNSI-built infrastructure, telling Bacon: *"The five colocation centers I bought from you are profitable."*

Schaeffer then instructed Bacon to apply that same model to three failing PSINet data centers, which at the time were hemorrhaging over \$150,000 per month.

Bacon followed orders — and the transformation was swift.

“Nine months later, they were all profitable,” Bacon stated.

That moment marked the quiet but foundational appropriation of FNSI's architecture. From that point forward, Cogent's rise was not driven by internal innovation but by the concealed deployment of a model developed by FNSI under David Koch's leadership — a model stripped of attribution and repackaged as Cogent's own.

In a publicly [released recording](#) dated March 13, 2024, Kyle Bacon confirms the origin of Cogent's data center playbook — and it's not Cogent's.

- “Cogent didn't have a product to sell for these data centers that they bought from PSI.” — *Kyle Bacon*
- “I took our model. I took our data center model from FNSI — from FiberNet — packaged it up, made a nice presentation for the sales team so they could all understand it, and I said, ‘Go sell the shit out of this,’ because no one else is doing it.” — *Kyle Bacon*
- “That's what put me on Dave Schaeffer's and Cogent's radar. Because I took his turd and turned it to gold. I didn't build anything new. I just took what we had at Fibernet...” — *Kyle Bacon*

These admissions directly implicate Cogent CEO Dave Schaeffer in the deliberate misappropriation of a competitor's infrastructure. They also confirm that Kyle

Bacon acted as the deployment conduit, executing Schaeffer's directive under false pretenses. [The recorded call with Koch](#) constitutes firsthand, unimpeachable testimony that FNSI's architecture was stolen through a concealed and fraudulent acquisition.

THE BLUEPRINT: THE ARCHIVED FNSI BROCHURE

A [2001 FNSI brochure](#) — preserved on [web.archive.org](#) — provides a definitive snapshot of the company's website as it appeared on February 10, 2003, just weeks before Cogent's fraudulent acquisition closed on February 26, 2003.

Published and copyrighted a year before Cogent's April 2002 acquisition of PSINet's distressed assets, the brochure details a fully deployed, client-ready data center model with operational facilities throughout the Midwest — all integrated into FNSI's Tier One national Internet backbone.

The terminology, diagrams, and architectural layout presented in the brochure directly mirror what Cogent would later claim as its own proprietary innovation. [View the archived brochure.](#)

Cogent watched the PSINet data centers it acquired in April 2002 hemorrhage more than a 1.5 million dollars in losses over a ten-month stretch — spanning three full quarters of sustained red ink.

With losses mounting at approximately \$150,000 per month across three PSINet sites, FNSI — with its profitable, fully operational and profitable data centers — became an irresistible target for Dave Schaeffer.

The [2001 FNSI brochure](#) — recently uncovered as a 22-year-old archive via [web.archive.org](#) and now available on the [Evidence Page](#) of the [whistleblower site](#) — offered Schaeffer the turnkey solution he urgently needed: a profitable colocation model already proven in the field. The fact that it became available only because FNSI's founder was incapacitated during a life-threatening medical crisis makes the timing all the more damning.

This [archived brochure](#) independently corroborates [Bacon's recorded admissions](#) and dismantles the long-standing corporate myth that Cogent built its data center infrastructure from the ground up.

THE PSINET SHELL GAME

Despite corporate mythmaking, Cogent's April 2002 acquisition of PSINet brought in failing infrastructure — not breakthrough innovation. What followed was the covert deployment of FNSI's proven model, deliberately stripped of all attribution.

What investors heralded as visionary strategy by Cogent and CEO Dave Schaeffer was, in reality, a deceptive substitution: a fraudulent misrepresentation that repackaged a fully functioning and profitable colocation model built by Fiber Network Solutions under its founder, David Koch. That model was quietly taken—while Koch was medically incapacitated—and falsely presented as Cogent's original creation.

WHAT SCHAEFFER KNEW — AND DIRECTED

[Bacon's recorded testimony](#) confirms that Dave Schaeffer was not a passive beneficiary of this scheme — he was its architect. His involvement included:

- Misappropriating the infrastructure of a competitor acquired through a [concealed and fraudulent transaction](#);
- Systematically concealing the true origin of Cogent's core network architecture;
- Knowingly repeating false and misleading claims to investors and analysts over a twenty-year span.

For more than two decades, Cogent presented its colocation model as a homegrown innovation — a central pillar of its investor pitch and public identity — without ever disclosing that it was lifted wholesale from Fiber Network Solutions, Inc.

This wasn't ignorance. It was intent. And it shatters any claim to plausible deniability.

What occurred was not a legitimate corporate acquisition, but a calculated financial fraud carried out by individuals inside FNSI and Cogent — designed to extract value for insiders while bypassing lawful shareholder entitlements.

While he was incapacitated due to severe illness, under activities that demonstrate clear legal, ethical, and criminal misconduct, Koch was forcibly and unlawfully divested of control of his company, along with his 1.2 million shares.

FNSI was an eight-year-old Tier One Internet backbone — a mature, revenue-generating enterprise producing eight figures annually. In the late 1990s and early 2000s, technology companies were frequently valued using revenue multiples ranging from 20x to 100x, based on growth rates, profitability, and acquisition trends. FNSI had been profitable for years and received consecutive

unqualified audit opinions from KPMG. Based on these industry benchmarks, its estimated valuation fell between \$200 million and \$1 billion.

But in early 2003, instead of a standard equity transaction, the deal was camouflaged as an “asset sale” — a structure that nullified Koch’s 1.2 million shares and funneled value through a network of undisclosed and deliberately concealed mechanisms, including [Exhibit 2.5](#), stripped of all schedules and buried in Cogent’s S-1 SEC registration as a “miscellaneous asset purchase.”

Combine the hidden [Exhibit 2.5](#) with the authorship of Koch’s proxy given to Kyle Bacon because he was too ill to attend board or shareholder meetings. These are the bookends of a fraud. According to recently discovered forensic evidence, that proxy was authored by [William J. Kelly, Jr.](#), an attorney Koch fired for cause two years prior.

The proxy and the concealed Exhibit 2.5 form the bookends of a calculated fraud: one conferring false authority, the other burying its paper trail. Together, they demonstrate both the intent to commit fraud and the conscious effort to conceal it.

“At the time, I trusted Kyle, States Koch. “I was too sick to even consider if I was concerned whether he would vote my shares in my best interest and not engage in any kind of self-dealing.”

The assumption of the [conspirator’s](#) was simple: Koch wouldn’t survive long enough to uncover what had been done.

INSIDER SALES AND A CEO UNDER PRESSURE

[Multiple whistleblower disclosures](#) were sent to Cogent's leadership, and acknowledged received on March 14, 17, 18, and 19, 2025. On April 15, 2025, [Nasdaq Market Watch](#) was alerted to Cogent's multiple regulatory infringements.

Formal memoranda was sent to Cogent's Board of Directors on [April 5](#) – also citing the [April 5th News Release](#), and a second [memorandum on April 17](#). On April 18, 2025, [formal notice](#) was provided to the Board of Directors at Wilmington Trust (indenture trustee for the \$174.4 million IPv4 securitization) and a [memorandum](#) sent to the Board of directors at [M&T Bank](#). A [memorandum](#) was issued to Cogent's Board of Directors on June 11, 2025 also citing a [News Release](#) dated June 11, 2025.

Cloudflare forensic logs confirm that Cogent's corporate IP (66.28.3.2 – ASN 174) accessed and downloaded key evidentiary materials from the whistleblower website on March 11 and March 14, 2025, confirming the company's full awareness that Koch had discovered and documented the underlying fraud.

Following these notices, all of which are forensically verified delivered, Cogent CEO [Dave Schaeffer](#) proceeded to sell 966,500 shares of Cogent stock, generating \$47,450,777 in proceeds. These transactions occurred amid escalating legal scrutiny and mounting exposure to federal enforcement.



KEY INSIDER SALES BY SCHAEFFER SINCE HE RECEIVED THE FIRST MARCH 14, 2025 WHISTLEBLOWER NOTICE:

DATE	SHARES SOLD	PROCEEDS
• March 14, 2025	52,500	\$ 3,585,299
• May 12, 2025	11,372	\$ 569,206
• May 13, 2025	42,628	\$ 2,147,884
• May 14, 2025	30,000	\$ 1,519,146
• May 15, 2025	40,000	\$ 2,013,036
• May 16, 2025	15,000	\$ 764,934
• May 20, 2025	15,000	\$ 748,448
• May 21, 2025	40,000	\$ 1,871,449
• May 22, 2025	25,000	\$ 1,155,270
• May 23, 2025	25,000	\$ 1,171,818
• May 27, 2025	20,000	\$ 972,722
• May 28, 2025	20,000	\$ 948,174
• May 29, 2025	25,000	\$ 1,171,845
• May 30, 2025	25,000	\$ 1,146,675
• June 2, 2025	65,000	\$ 3,011,142
• June 3, 2025	65,000	\$ 3,052,840
• June 4, 2025	75,000	\$ 3,581,235
• June 5, 2025	75,000	\$ 3,546,266
• June 6, 2025	80,000	\$ 3,821,229
• June 9, 2025	55,000	\$ 2,674,901
• June 10, 2025	55,000	\$ 2,677,042
• June 11, 2025	55,000	\$ 2,667,840
• <u>June 12, 2025</u>	<u>55,000</u>	<u>\$ 2,632,376</u>

Total: 966,500 shares sold for \$47,450,777 *

* Sales are documented via [EDGAR filings](#) 06/15/2025.

These sales came after formal notices were delivered to Cogent's CEO, executive leadership, the Chief Legal Officer, the Board of Directors, the Nasdaq, and federal regulators. If found to be reactive or part of an effort to evade liability, the transactions could expose Schaeffer and

Cogent to SEC enforcement, asset seizure, or emergency injunctive relief.

These sales did not occur in a vacuum. They began only after whistleblower notices, legal memoranda, and formal demands were delivered to Cogent, its board of directors, financial institutions, and regulators.

As federal exposure mounted, Schaeffer—a CEO with two decades of undisclosed liability tied to the stolen FNSI model—responded not with transparency, but with continued concealment of schedules referenced in SEC filings—an unindexed miscellaneous asset purchase, [Exhibit 2.5](#) and rapid liquidation. This sudden \$47.5 million selloff strongly suggests a preemptive attempt to extract personal wealth before potential injunctions, asset freezes, delisting from the Nasdaq Stock Market, and SEC enforcement actions can be executed.

The whistleblower disclosures don't just expose misconduct — they detonate the central foundational fiction holding Cogent's empire together. And now, with Schaeffer unloading \$47.5 million in stock, that fiction is crumbling under the weight of evidence.

LEGAL IMPLICATIONS: THIS IS NOW A FEDERAL MATTER

Every insider sale, false filing, and act of concealment traces back to a single, central act of fraud: the theft of Fiber Network Solutions' infrastructure.

The statute of limitations has now been reset dozens of times since December 2023, and predicate offenses — including obstruction of justice, securities fraud, and money laundering — are under federal scrutiny.

“The people who handed my company to Cogent thought I’d never wake up, never fight back, never prove what they did,” said Koch. “That miscalculation will go down as the most reckless mistake of their lives. I’m still here — and I brought receipts.”

Chris Myers, former Vice President of Administration at FNSI and a second victim of the 2003 acquisition, said: “I would have been happy with a small house, a garden, and a dog.”

Koch added, “That quote speaks volumes. What was taken wasn’t just financial — it was generational. This never had to escalate. But when truth is buried for decades, the consequences eventually surface.”

With this release, federal investigators now have:

- [A timestamped, public record](#) of FNSI’s data center model
- A [recorded admission](#) from Cogent’s former CIO Kyle Bacon
- A pattern of financial activity consistent with concealment

THE TWENTY-ONE MILLION DOLLAR QUESTION

Why have the schedules from an unindexed, miscellaneous asset purchase agreement — [Exhibit 2.5](#) — suddenly become so sensitive that Cogent’s legal counsel, executive team, and entire Board of Directors are now knowingly committing RICO predicate acts just to keep them hidden, even as their CEO quietly cashes out?

This is not corporate posturing. It is a federal investigation into corporate racketeering.



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PAGE 12 OF 12 - FOR IMMEDIATE RELEASE — JUNE 17, 2025

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