

**COGENT COMMUNICATIONS HOLDINGS, INC., AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**2. Property and equipment: (Continued)**

Depreciation and amortization expense related to property and equipment and finance leases was \$80.2 million, \$81.2 million and \$75.9 million, for 2019, 2018 and 2017, respectively.

The Company capitalizes the compensation cost of employees directly involved with its construction activities. In 2019, 2018 and 2017, the Company capitalized compensation costs of \$10.7 million, \$10.5 million and \$9.7 million respectively. These amounts are included in system infrastructure costs.

*Exchange agreement*

In 2019, 2018 and 2017 the Company exchanged certain used network equipment and cash consideration for new network equipment. The fair value of the new network equipment received was estimated to be \$3.3 million, \$3.2 million and \$9.1 million resulting in gains of \$1.0 million, \$1.0 million and \$3.9 million respectively. The estimated fair value of the equipment received was based upon the cash consideration price the Company pays for the new network equipment on a standalone basis (Level 3).

*Installment payment agreement*

The Company has entered into an installment payment agreement (“IPA”) with a vendor. Under the IPA the Company may purchase network equipment in exchange for interest free note obligations each with a twenty-four month term. There are no payments under each note obligation for the first six months followed by eighteen equal installment payments for the remaining eighteen month term. As of December 31, 2019 and December 31, 2018, there was \$12.5 million and \$11.2 million, respectively, of note obligations outstanding under the IPA, secured by the related equipment. The Company recorded the assets purchased and the present value of the note obligation utilizing an imputed interest rate. The resulting discounts totaling \$0.4 million and \$0.4 million as of December 31, 2019 and December 31, 2018, respectively, under the note obligations are being amortized over the note term using the effective interest rate method.

**3. Accrued and other liabilities:**

Accrued and other current liabilities consist of the following (in thousands):

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Operating accruals	\$ 23,695	\$ 24,020
Deferred revenue—current portion	4,316	4,504
Payroll and benefits	6,613	7,695
Taxes—non-income based	6,053	4,212
Interest	10,624	11,000
Total	<u>\$ 51,301</u>	<u>\$ 51,431</u>

**4. Long-term debt:**

*Issuance of 2024 Notes*

On June 25, 2019, Group completed an offering of €135.0 million aggregate principal amount of 4.375% senior unsecured notes (“The 2024 Notes”) due on June 30, 2024. The net proceeds from the offering, after deducting offering expenses, were approximately \$152.1 million. The Company expects to use the proceeds for general corporate purposes and/or to repurchase the Company’s common stock or for special or recurring dividends to the Company’s stockholders. The 2024 Notes are guaranteed (the “Guarantees”) on a senior unsecured basis, jointly and severally, by the Company’s material domestic subsidiaries, subject to certain exceptions, and by the Company (collectively, the “Guarantors”). Under certain circumstances, the Guarantors may be released from these Guarantees without the consent of the holders of the 2024 Notes.