

Cogent, Inc.  
Form DEF 14A  
May 02, 2005

## 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:

- |  |   |
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| <input type="checkbox"/> Preliminary Proxy Statement                                   | <input type="checkbox"/> Confidential, for Use of the Commission Only |
| <input checked="" type="checkbox"/> Definitive Proxy Statement                         |   |
| <input type="checkbox"/> Definitive Additional Materials                               | (as permitted by Rule 14a-6(e)(2))                                    |
| <input type="checkbox"/> Soliciting Material Pursuant to §240.14a-11(c) or §240.14a-12 |   |

## Cogent, Inc.

(Name of Registrant as Specified In Its Charter)

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

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1. Title of each class of securities to which transaction applies:

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2. Aggregate number of securities to which transaction applies:

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6. Amount Previously Paid:

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8. Filing Party:

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9. Date Filed:

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**COGENT, INC.**

**209 Fair Oaks Avenue**

**South Pasadena, CA 91030**

**(626) 799-8090**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON JUNE 3, 2005**

**TO THE STOCKHOLDERS OF COGENT, INC.:**

**NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Cogent, Inc., a Delaware corporation (the Company), will be held on June 3, 2005 at 8:30 a.m. Pacific Time at the Company's corporate headquarters, 209 Fair Oaks Avenue, South Pasadena, California 91030 for the following purposes:**

1. To elect four directors to hold office until the Company's 2006 Annual Meeting of Stockholders and until their successors are elected and duly qualified. Our present Board of Directors has nominated and recommends for election the following persons:

Ming Hsieh

John C. Bolger

John P. Stenbit

Kenneth R. Thornton

2. To ratify the selection of Deloitte & Touche LLP as independent auditor of the Company for its fiscal year ending December 31, 2005.

3. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

The foregoing items of business are more fully described in the proxy statement accompanying this Notice.

The Board of Directors has fixed the close of business on April 19, 2005 as the record date for the determination of stockholders entitled to notice of and to vote at this Annual Meeting and at any adjournment or postponement thereof. For ten days prior to the meeting, a complete list of stockholders entitled to vote at the meeting will be available for examination by any stockholder, for any purpose relating to the meeting, during ordinary business hours at our principal offices located at 209 Fair Oaks Avenue, South Pasadena, California.

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Accompanying this Notice is a proxy. **Whether or not you expect to be at our Annual Meeting, please complete, sign and date the enclosed proxy and return it promptly.** If you plan to attend our Annual Meeting and wish to vote your shares personally, you may do so at any time before the proxy is voted.

All stockholders are cordially invited to attend the Annual Meeting.

By Order of the Board of Directors

**Ming Hsieh**  
*President and Chief Executive Officer*

South Pasadena, California

May 6, 2005

**PROXY STATEMENT**  
**FOR ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held June 3, 2005**

**INFORMATION CONCERNING SOLICITATION AND VOTING**

**General**

The enclosed proxy is solicited on behalf of the Board of Directors (the Board of Directors or the Board) of Cogent, Inc., a Delaware corporation (the Company), for use at the Annual Meeting of Stockholders to be held on June 3, 2005, at 8:30 a.m. Pacific Time (the Annual Meeting), or at any adjournment or postponement thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Stockholders. The Annual Meeting will be held at the Company's corporate headquarters, 209 Fair Oaks Avenue, South Pasadena, California 91030. The Company intends to mail this proxy statement and accompanying proxy card on May 6, 2005 to all stockholders entitled to vote at the Annual Meeting.

**Solicitation**

The Company will bear the entire cost of solicitation of proxies, including preparation, assembly, printing and mailing of this proxy statement, the proxy card and any additional information furnished to stockholders. Copies of solicitation materials will be furnished to banks, brokerage houses, fiduciaries and custodians holding in their names shares of the Company's stock beneficially owned by others to forward to such beneficial owners. The Company may reimburse persons representing beneficial owners of the Company's stock for their costs of forwarding solicitation materials to such beneficial owners. Original solicitation of proxies by mail may be supplemented by telephone or personal solicitation by directors, officers or other regular employees of the Company. No additional compensation will be paid to directors, officers or other regular employees for such services.

**Voting Rights and Outstanding Shares**

Only holders of record of shares of our common stock at the close of business on April 19, 2005 (the official record date) will be entitled to notice of and to vote at the Annual Meeting and any adjournment thereof. At the close of business on April 19, 2005 the Company had outstanding and entitled to vote 84,374,684 shares of common stock.

Each holder of record of shares of our common stock on the record date will be entitled to one vote for each share held on all matters to be voted upon at the Annual Meeting.

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A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if at least a majority of the Company's outstanding shares entitled to vote are represented at the meeting, either in person or by proxy. All votes will be tabulated by the inspector of elections appointed for the meeting by the Company's Board of Directors, who will tabulate affirmative and negative votes, abstentions and broker non-votes. Votes for and against, abstentions and broker non-votes will each be counted for determining the presence of a quorum. The effects of broker non-votes and abstentions on the specific items to be brought before the Annual Meeting are discussed under each item.

### **Broker Non-Votes**

A broker non-vote occurs when a broker submits a proxy card with respect to shares of common stock held in a fiduciary capacity (typically referred to as being held in street name), but declines to vote on a particular matter because the broker has not received voting instructions from the beneficial owner. Under the rules that govern brokers who are voting with respect to shares held in street name, brokers have the discretion to vote such

shares on routine matters, but not on non-routine matters. Routine matters include the election of directors, increases in authorized common stock for general corporate purposes and ratification of auditors. Non-routine matters include amendments to stock plans.

#### **Voting and Revocability of Proxies**

All valid proxies received before the Annual Meeting will be exercised. All shares represented by a proxy will be voted, and where a proxy specifies a stockholder's choice with respect to any matter to be acted upon, the shares will be voted in accordance with that specification. If no choice is indicated on the proxy, the shares will be voted in favor of the proposal.

Any person giving a proxy pursuant to this solicitation has the power to revoke it at any time before it is voted. It may be revoked by filing with the Chief Financial Officer of the Company at the Company's principal executive offices located at 209 Fair Oaks Avenue, South Pasadena, California 91030, a written notice of revocation or a duly executed proxy bearing a later date, or it may be revoked by attending the meeting and voting in person. Attendance at the meeting will not, by itself, revoke a proxy.

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**PROPOSAL 1**

**ELECTION OF DIRECTORS**

Our Board of Directors currently consists of four members. The directors are elected at each annual meeting of stockholders and serve until the next annual meeting of stockholders and until their successors have been duly elected and qualified. The nominees for election by the stockholders are Ming Hsieh, John C. Bolger, John P. Stenbit and Kenneth R. Thornton, who are each members of our present Board of Directors.

A plurality of the votes of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote on the election of directors is required to elect directors. If no contrary indication is made, proxies in the accompanying form are to be voted for our Board of Directors nominees or, in the event any of such nominees is not a candidate or is unable to serve as a director at the time of the election (which is not currently expected), for any nominee who shall be designated by our Board of Directors to fill such vacancy.

**Information Regarding Directors**

The information set forth below as to the nominees for director has been furnished to us by the nominees:

**Nominees for Election to the Board of Directors**

<u>Name</u>	<u>Age</u>	<u>Present Position with the Company</u>
Ming Hsieh	49	President, Chief Executive Officer and Chairman of the Board of Directors
John C. Bolger	58	Director
John P. Stenbit	64	Director
Kenneth R. Thornton	63	Director

*Ming Hsieh* has served as our Chief Executive Officer, President and Chairman of the Board of Directors since founding Cogent in 1990. Mr. Hsieh is responsible for our executive management and his responsibilities include long-range planning and corporate growth, as well as developing and implementing company policies, procedures and philosophy. Prior to founding Cogent, Mr. Hsieh founded and was Vice President of AMAX Technology from 1987 to 1990. Prior to that, Mr. Hsieh was a research and development engineer at International Rectifier from 1985 to 1987. Mr. Hsieh received a B.S.E.E. from University of Southern California in 1983 and an M.S.E.E. from University of Southern California in 1984.

*John C. Bolger* has served as a director since March 2004. Mr. Bolger is a retired Vice President of Finance and Administration of Cisco Systems, Inc., a manufacturer of computer networking systems. Mr. Bolger is currently a private investor and has served as a director of Integrated Device Technology, Inc. since 1993, Wind River Systems, Inc. since 2000, Mission West Properties, Inc. since 1998 and Micromuse, Inc. since 2004, all of which are public companies. Mr. Bolger earned a B.A. from the University of Massachusetts and an M.B.A. from Harvard University. He is a Certified Public Accountant.



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*John P. Stenbit* has served as a director since April 2004. Mr. Stenbit participated as a member of Secretary Rumsfeld's staff in conjunction with the transformation of the entire Department of Defense during his two terms of service from September 1973 to April 1977. Mr. Stenbit served as the Assistant Secretary of Defense Networks and Information Integration (NII), previously known as Command, Control, Communications, and Intelligence (C3I), at the Pentagon from August 2001 to March 2004. Mr. Stenbit also worked at TRW, Inc. from September 1968 to August 1973, and from May 1977 to April 2001, most recently as an executive vice president. Mr. Stenbit has chaired advisory committees for the Administrator of the Federal Aviation Administration, as well as served as a member of advisory committees on information security, strategic systems, telecommunications, submarines, and future warfare defense communications. Mr. Stenbit earned a bachelors degree in Engineering in 1961 and masters degree in Electrical Engineering in 1962 from the California Institute of Technology in Pasadena, California and attended the Technische Hogeschool in the Netherlands from 1962 to

1963 and 1965 to 1967. Mr. Stenbit was a Fulbright Fellow from 1962 to 1963 and an Aerospace Corporation Fellow from 1965 to 1967. He is presently a member of the National Academy of Engineering, Tau Beta Pi, and a recipient of Secretary of Defense Medals for both Distinguished and Outstanding Public Service.

*Kenneth R. Thornton* has served as a director since June 2004. Mr. Thornton worked for International Business Machines (IBM) from November 1967 until April 2001 when he retired as General Manager Worldwide Public Sector. Mr. Thornton has served as a director of CyberSource Corporation since April 2001, First Genetic Trust Corporation since December 2002, Hire Networks corporation since November 2001, Infodata Systems since July 2004 and the National Symphony Orchestra since July 2000. In addition, Mr. Thornton has served on the Advisory Board of the U.S. Postal Service since January 1998 and CrossMatch Technologies since November 2003. Mr. Thornton received his B.S. in Business Administration from Barton College in 1964.

#### **Note Regarding Controlled Company Status**

Our company is a controlled company under the Nasdaq Stock Market qualification standards, and therefore we are entitled to exemptions from certain of the Nasdaq Stock Market qualification standards. These requirements are generally intended to increase the likelihood that a Board of Directors will make decisions in the best interests of stockholders. Specifically, we are not required to have a majority of our directors be independent or to have compensation, nominating and corporate governance committees comprised solely of independent directors. We currently do not avail ourselves of the controlled company exemptions. However, we may avail ourselves of the controlled company exemptions in the future.

#### **Board Committees and Meetings**

During the fiscal year ended December 31, 2004, the Board of Directors held two meetings and acted by unanimous written consent two times. The Board of Directors has established three standing committees: an Audit Committee; a Compensation Committee; and a Nominating and Corporate Governance Committee.

The members of our Audit Committee are John C. Bolger, John P. Stenbit and Kenneth R. Thornton. Mr. Bolger is an Audit Committee financial expert, as defined in the rules of the Securities and Exchange Commission ( SEC ), and chair of our Audit Committee. The Audit Committee oversees, reviews and evaluates our financial statements, accounting and financial reporting processes, internal control functions and the audits of our financial statements. The Audit Committee is responsible for the appointment, compensation, retention and oversight of our independent auditors. The Audit Committee was established by the Board of Directors on May 11, 2004 and met twice during the last fiscal year. All members of the Audit Committee are independent (as independence is defined in the Nasdaq Stock Market qualification standards). The Audit Committee acts pursuant to a written charter; a copy is attached as Appendix A to this proxy statement.

The members of our Compensation Committee are John C. Bolger, John P. Stenbit and Kenneth R. Thornton. Mr. Thornton is the chair of our Compensation Committee. The Compensation Committee reviews and makes recommendations to our Board of Directors concerning the compensation and benefits of our executive officers, including the Chief Executive Officer, and directors, oversees the administration of our stock option and employee benefits plans, and reviews general policy relating to compensation and benefits. The Compensation Committee was established by the Board of Directors on May 11, 2004 and met once during the fiscal year ended December 31, 2004. All members of the Compensation Committee are independent (as independence is defined in the Nasdaq Stock Market qualification standards). The Compensation Committee acts pursuant to a written charter.

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The members of our Nominating and Corporate Governance Committee, referred to as the Nominating Committee, are John C. Bolger, John P. Stenbit and Kenneth R. Thornton. Mr. Stenbit is the chair of our Nominating Committee. The Nominating Committee identifies prospective candidates to serve on the Board of Directors, recommends nominees for election to the Board of Directors, develops and recommends Board

member selection criteria, considers committee member qualification, recommends corporate governance principles to the Board of Directors, and provides oversight in the evaluation of the Board of Directors and each committee. The Nominating Committee was established by the Board of Directors on May 11, 2004 and did not meet during the fiscal year ended December 31, 2004. All members of the Nominating Committee are independent (as independence is defined in the Nasdaq Stock Market qualification standards). The Nominating Committee acts pursuant to a written charter.

During the fiscal year ended December 31, 2004, each member of the Board of Directors attended 75% or more of the aggregate number of the meetings of the Board of Directors and of the committees on which he or she served, held during the period for which he was a director or committee member, respectively, except that Mr. Stenbit did not attend 75% or more of the meetings of the Compensation Committee and Audit Committee during the fiscal year ended December 31, 2004.

### **Director Nominations**

The Nominating Committee evaluates and recommends to the Board of Directors director nominees for each election of directors.

In fulfilling its responsibilities, the Nominating Committee considers the following factors:

the appropriate size of the Board of Directors and its committees;

the needs of the Company with respect to the particular talents and experience of its directors;

the knowledge, skills and experience of nominees, including experience in the biometrics industry, business, finance, administration or public service, in light of prevailing business conditions and the knowledge, skills and experience already possessed by other members of the Board of Directors;

experience with accounting rules and practices;

applicable regulatory and securities exchange/association requirements; and

a balance between the benefit of continuity and the desire for a fresh perspective provided by new members.

The Nominating Committee's goal is to assemble a Board of Directors that brings to the Company a variety of perspectives and skills derived from high quality business and professional experience. In doing so, the Nominating Committee also considers candidates with appropriate non-business backgrounds.

Other than the foregoing factors, there are no stated minimum criteria for director nominees. However, the Nominating Committee may also consider such other factors as it may deem are in the best interests of the Company and its stockholders. The Nominating Committee does, however, recognize that under applicable regulatory requirements at least one member of the Board of Directors must, and believes that it is preferable that more than one member of the Board of Directors should, meet the criteria for an audit committee financial expert as defined by

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SEC rules. In addition, although the Company is a Controlled Company under the Nasdaq Stock Market qualification standards and therefore is not required to have a majority of its directors be independent, the Nominating Committee currently believes that it is preferable that at least a majority of the members of the Board of Directors meet the definition of independent director under the Nasdaq Stock Market qualification standards or the qualification standards of any other applicable self regulatory organization. The Nominating Committee also believes it appropriate for the Company's Chief Executive Officer to participate as a member of the Board of Directors.

The Nominating Committee identifies nominees by first evaluating the current members of the Board of Directors willing to continue in service. Current members of the Board of Directors with skills and experience that are relevant to the Company's business and who are willing to continue in service are considered for re-nomination, balancing the value of continuity of service by existing members of the Board of Directors with

that of obtaining a new perspective. If any member of the Board of Directors up for re-election at an upcoming annual meeting of stockholders does not wish to continue in service, the Nominating Committee identifies the desired skills and experience of a new nominee in light of the criteria above. Current members of the Nominating Committee and Board of Directors will be polled for suggestions as to individuals meeting the criteria of the Nominating Committee. Research may also be performed to identify qualified individuals. If the Nominating Committee believes that the Board of Directors requires additional candidates for nomination, the Nominating Committee may explore alternative sources for identifying additional candidates. This may include engaging, as appropriate, a third party search firm to assist in identifying qualified candidates.

The Nominating Committee will evaluate any recommendation for director nominee proposed by a stockholder who (i) has continuously held at least 1% of the outstanding shares of the Company's common stock entitled to vote at the annual meeting of stockholders for at least one year by the date the stockholder makes the recommendation and (ii) undertakes to continue to hold the common stock through the date of the meeting. In order to be evaluated in connection with the Company's established procedures for evaluating potential director nominees, any recommendation for director nominee submitted by a qualifying stockholder must be received by the Company no later than 120 days prior to the anniversary of the date proxy statements were mailed to stockholders in connection with the prior year's annual meeting of stockholders. Any stockholder recommendation for director nominee must be submitted to the Company's Chief Financial Officer in writing at 209 Fair Oaks Avenue, South Pasadena, California 91030 and must contain the following information:

a statement by the stockholder that he/she is the holder of at least 1% of the outstanding shares of the Company's common stock and that the stock has been held for at least a year prior to the date of the submission and that the stockholder will continue to hold the shares through the date of the annual meeting of stockholders;

the candidate's name, age, contact information and current principal occupation or employment;

a description of the candidate's qualifications and business experience during, at a minimum, the last five years, including his/her principal occupation and employment and the name and principal business of any corporation or other organization in which the candidate was employed;

the candidate's resume; and

three (3) references.

The Nominating Committee will evaluate recommendations for director nominees submitted by directors, management or qualifying stockholders in the same manner, using the criteria stated above.

All directors and director nominees will submit a completed form of directors' and officers' questionnaire as part of the nominating process. The process may also include interviews and additional background and reference checks for non-incumbent nominees, at the discretion of the Nominating Committee.

### **Communications with Directors**

The Board of Directors has adopted a Stockholders Communications with Directors Policy. The Stockholders Communications with Directors Policy is available at the Company's website at [www.cogentsystems.com](http://www.cogentsystems.com). Once on our home page, click on Investor Relations, then click on Corporate Governance and then click on Stockholder Communications with Directors Policy. The policy is on this web page.

**Director Attendance at Annual Meetings**

The Board of Directors has adopted a Board Member Attendance at Annual Meetings Policy. This policy may be found at [www.cogentsystems.com](http://www.cogentsystems.com). Once on our home page, click on Investor Relations, then click on Corporate Governance and then click on Board Member Attendance at Annual Meetings Policy. The policy is on this web page.

## **Code of Ethics**

The Board of Directors has adopted a Code of Ethics that applies to all of our employees, officers and directors. The Code of Ethics contains general guidelines for conducting the business of our company consistent with the highest standards of business ethics, and is intended to qualify as a "code of ethics" within the meaning of Section 406 of the Sarbanes-Oxley Act of 2002 and Item 406 of Regulation S-K.

## **Corporate Governance Documents**

Our company's corporate governance documents, including the Audit Committee Charter, Compensation Committee Charter, Nominating and Corporate Governance Committee Charter and Code of Ethics are available, free of charge, on our website at [www.cogentsystems.com](http://www.cogentsystems.com). Please note, however, that the information contained on the website is not incorporated by reference in, or considered part of, this Proxy Statement. We will also provide copies of these documents, free of charge, to any stockholder upon written request to Investor Relations, Cogent, Inc., 209 Fair Oaks Avenue, South Pasadena, California 91030.

## **Board Member Independence**

The Board of Directors has determined that, except for Mr. Hsieh, all of the members of the Board of Directors are "independent" as independence is defined in the Nasdaq Stock Market qualification standards. Mr. Hsieh is not considered independent because he is either currently, or has within the last three years been, employed by the Company. As previously noted, the Company is a "Controlled Company," and therefore is not required to have a majority of directors that are "independent" under the Nasdaq Stock Market qualification standards.

## **Report of the Audit Committee**

The Audit Committee oversees our financial reporting process on behalf of our Board of Directors. Management has the primary responsibility for the financial statements and the reporting process including the systems of internal controls. In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited financial statements in our Annual Report with management, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements.

The Audit Committee reviewed with Deloitte & Touche LLP, who are responsible for expressing an opinion on the conformity of these audited financial statements with generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of our accounting principles and such other matters as are required to be discussed with the Audit Committee under generally accepted auditing standards. In addition, the Audit Committee has discussed with Deloitte & Touche LLP their independence from management and our company, has received from Deloitte & Touche LLP the written disclosures and the letter required by Independence Standards Board Standard No. 1, and has considered the compatibility of non-audit services with the auditors' independence.

The Audit Committee discussed with Deloitte & Touche LLP the overall scope of their audit. The Audit Committee met with Deloitte & Touche LLP, with and without management present, to discuss the results of their examination, their evaluation of our internal controls and the overall quality of our financial reporting.



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In reliance on the reviews and discussions referred to above, the Audit Committee has recommended to our Board of Directors that the audited financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2004 for filing with the Securities and Exchange Commission. The Audit Committee and our Board of Directors also have recommended the ratification of the selection of Deloitte & Touche LLP as our independent auditors for 2005.

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This report of the Audit Committee shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that we specifically incorporate this information by reference, and shall not otherwise be deemed filed under such acts.

The foregoing report has been furnished by the Audit Committee.

John C. Bolger

John P. Stenbit

Kenneth R. Thornton

**OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR EACH NOMINEE LISTED ABOVE.**

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**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information concerning the beneficial ownership of the shares of our common stock as of March 16, 2005, by (i) each person we know to be the beneficial owner of 5% or more of the outstanding shares of our common stock, (ii) each executive officer listed in the Summary Compensation Table, (iii) each of our directors, and (iv) all of our executive officers and directors as a group.

Except in cases where community property laws apply or as indicated in the footnotes to this table, we believe that each stockholder identified in the table possesses sole voting and investment power with respect to all shares of our common stock shown as beneficially owned by such stockholder.

Name or Group of Beneficial Owners	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned(1)
<b>Executive Officers:</b>		
Ming Hsieh(2)	60,633,750	73.4%
Paul Kim(3)	460,155	*
Michael Hollowich(4)	163,750	*
James Jasinski(5)	140,000	*
<b>Directors:</b>		
John C. Bolger(6)	23,000	*
John P. Stenbit(7)	10,000	*
Kenneth R. Thornton	5,000	*
<b>Executive officers and directors as a group (7 persons)(8):</b>	<b>61,435,655</b>	<b>73.6%</b>

\* Represents less than 1%.

- (1) Applicable percentage ownership is based on 82,024,040 shares of our common stock outstanding as of March 16, 2005. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission, based on factors including voting and investment power with respect to shares, subject to the applicable community property laws. Shares of our common stock subject to options or warrants currently exercisable, or exercisable within 60 days after March 16, 2005, are deemed outstanding for the purpose of computing the percentage ownership of the person holding such options or warrants, but are not deemed outstanding for computing the percentage ownership of any other person.
- (2) Includes 3,000,000 shares held by Ming Hsieh as trustee of the Ming Hsieh Annuity Trust No. 1 dated May 11, 2004, 3,000,000 shares held by the spouse of Mr. Hsieh, Fang Liu Hsieh, as trustee of the Fang Liu Hsieh Annuity Trust No. 1 dated May 12, 2004, and 633,750 shares issuable to Fang Liu Hsieh upon the exercise of options that are exercisable within 60 days after March 16, 2005.
- (3) Consists of 460,155 shares issuable upon the exercise of options that are exercisable within 60 days after March 16, 2005.
- (4) Consists of 163,750 shares issuable upon the exercise of options that are exercisable within 60 days after March 16, 2005.
- (5) Consists of 140,000 shares issuable upon the exercise of options that are exercisable within 60 days after March 16, 2005.
- (6) Includes 20,000 shares issuable upon the exercise of options that are exercisable within 60 days after March 16, 2005.
- (7) Consists of 10,000 shares issuable upon the exercise of options that are exercisable within 60 days after March 16, 2005.
- (8) Includes an aggregate of 793,905 shares issuable upon the exercise of options that are exercisable within 60 days after March 16, 2005.

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**EXECUTIVE COMPENSATION AND OTHER INFORMATION**
**Our Executive Officers**

The following table sets forth information as to persons who serve as our executive officers as of March 31, 2005:

<u>Name</u>	<u>Age</u>	<u>Position(s)</u>
Ming Hsieh	49	President, Chief Executive Officer and Chairman of the Board of Directors
Paul Kim	37	Chief Financial Officer
Michael Hollowich	58	Executive Vice President, Operations
James Jasinski	55	Executive Vice President, Federal and State Systems

For information regarding Mr. Hsieh, see Proposal 1 Election of Directors.

*Paul Kim* has served as our Chief Financial Officer since January 2004. Prior to that, Mr. Kim was the Chief Financial Officer of JNI Corporation, a storage area network technology company, from September 2002 until December 2003. From October 1999 to August 2002, Mr. Kim was Vice President, Finance and Corporate Controller of JNI. Prior to joining JNI, he served as Vice President of Finance and Administration for Datafusion Inc., a privately held software development company, from January 1998 until October 1999. From April 1996 to January 1998, Mr. Kim was the Corporate Controller for Interlink Computer Sciences, Inc., a public enterprise software company. From January 1990 to April 1996, Mr. Kim worked for Coopers and Lybrand L.L.P., leaving as an audit manager. Mr. Kim received a B.A. in economics from the University of California at Berkeley in 1989 and is a Certified Public Accountant.

*Michael Hollowich* joined Cogent in February 2001. He currently serves as Executive Vice President, Operations. Mr. Hollowich is responsible for internal operations related to new project management and user support, as well as qualification of new business targets and preparation of proposals. Prior to joining us, Mr. Hollowich served at TRW (Northrup Grumman) from April 1969 to February 2001, where he held senior business development and project management positions including project director for the United Kingdom's National Automated Fingerprint Identification System as well as the project manager for the NASA Spacelab Payload Integration project. While at TRW, Mr. Hollowich worked overseas on projects in the United Kingdom, Germany, Belgium and Denmark. Mr. Hollowich received a B.S. degree from the University of California at Los Angeles in April 1969.

*James Jasinski* joined Cogent in May 2002. He currently serves as Executive Vice President, Federal and State Systems. Mr. Jasinski is responsible for support of existing clients at the federal and state levels, development of new business opportunities, and establishment of new project offices as needed for the management of new contracts. He also manages our Reston, Virginia, Ohio and London offices. Prior to joining us, Mr. Jasinski was a Vice President for DynCorp Systems and Solutions from December 2000 to May 2002. From May 1978 through December 2000, Mr. Jasinski worked at the Federal Bureau of Investigation. Mr. Jasinski received a Juris Doctor degree from Union University, Albany Law School in 1976 and a Bachelor of Arts degree from State University of New York at Buffalo in 1973.

**Summary Compensation Table**

The following table summarizes the compensation paid to or earned by our Chief Executive Officer and our other three most highly compensated executive officers whose total annual salary and bonus during the fiscal year ended December 31, 2004 exceeded \$100,000:

**Summary Compensation Table**

Name and Principal Position	Fiscal Year	Fiscal Year 2004 Annual Compensation		Long-Term Compensation Awards	All Other Compensation(2)
		Salary	Bonus(1)	Number of Securities Underlying Options	
Ming Hsieh, President and Chief Executive Officer	2004	\$ 259,921	\$ 70,000		\$ 9,988
	2003	\$ 170,000	\$ 100,000		\$ 6,000
Paul Kim, Chief Financial Officer(3)	2004	\$ 205,524	\$ 70,000	950,000	\$
Michael Hollowich, Executive Vice President, Operations	2004	\$ 175,556	\$ 70,000	140,000	\$ 7,367
	2003	\$ 164,583	\$ 100,000	100,000	\$ 6,000
James Jasinski, Executive Vice President, Federal and State Systems	2004	\$ 176,000	\$ 70,000	140,000	\$ 7,380
	2003	\$ 165,334	\$ 100,000	120,000	\$ 6,000

(1) Bonuses are paid in the year in which they are earned.

(2) Includes contributions made by us to our 401(k) plan on behalf of such officer.

(3) Mr. Kim became our Chief Financial Officer on January 5, 2004.

**Option Grants in Last Fiscal Year**

The following table sets forth certain information with respect to stock options granted to the individuals named in the Summary Compensation Table during the fiscal year ended December 31, 2004, including the potential realizable value over the ten-year term of the options, based on assumed rates of stock appreciation of 5% and 10%, compounded annually, minus the applicable per share exercise price. These assumed rates of appreciation are mandated by the rules of the Securities and Exchange Commission and do not represent our estimate or projection of our future common stock price. There can be no assurance that any of the values in the table will be achieved. Actual gains, if any, on stock option exercises will be dependent on the future performance of our common stock and overall stock market conditions.

In the fiscal year ended December 31, 2004, we granted options to purchase up to an aggregate of 2,682,000 shares of our common stock to employees, directors and consultants. All options vest within four years. The percentage of total options granted is based upon an aggregate of 2,682,000 options granted during 2004.

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Name	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
	Number of Shares Underlying Options Granted	% of Total Options Granted to Employees In Last Fiscal Year	Exercise Price Per Share	Expiration Date	5%	10%
Ming Hsieh		%	\$		\$	\$
Paul Kim	950,000	35%	\$ 1.00	1/05/2014	\$ 47,684,140	\$ 72,971,660
Michael Hollowich	40,000	1%	\$ 1.00	1/01/2014	\$ 2,007,753	\$ 3,072,491
Michael Hollowich	100,000	4%	\$ 4.50	6/22/2014	\$ 4,795,807	\$ 7,711,020
James Jasinski	40,000	1%	\$ 1.00	1/01/2014	\$ 2,007,753	\$ 3,072,491
James Jasiniski	100,000	4%	\$ 4.50	6/22/2014	\$ 4,795,807	\$ 7,711,020

**Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values**

The following table sets forth for the individuals named in the Summary Compensation Table their option exercises for the fiscal year ended December 31, 2004, and exercisable and unexercisable options held by them as of December 31, 2004.

The Value of Unexercised In-the-Money Options at December 31, 2004 is calculated based on the difference between \$33.00, the closing price of our common stock on the Nasdaq National Market on December 31, 2004, and the exercise price for the shares underlying the option, multiplied by the number of shares issuable upon exercise of the option. These options were granted under our 2000 Stock Option Plan.

Name	Number of Shares Acquired On Exercise	Value Realized	Number of Shares Underlying Unexercised Options At December 31, 2003		Value of Unexercised In-the-Money Options at December 31, 2003	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Ming Hsieh					\$	\$
Paul Kim			237,500	712,500	\$ 7,600,000	\$ 22,800,000
Michael Hollowich			132,500	207,500	\$ 4,308,938	\$ 6,310,063
James Jasinski			102,500	237,500	\$ 3,313,125	\$ 7,278,875

**Equity Compensation Plans Information**

Information about our equity compensation plans at December 31, 2004 that were either approved or not approved by our stockholders was as follows:

Plan Category	Number of Shares to be Issued Upon Exercise of Outstanding Options	Weighted Average Exercise Price of Outstanding Options	Number of Shares Remaining Available for Future Issuance
Equity compensation plans approved by our stockholders(a)	8,631,000	\$ 0.38	6,062,000
Equity compensation plans not approved by our stockholders(b)			

- (a) Includes our 2000 Stock Option Plan, our 2004 Equity Incentive Plan and our 2004 Employee Stock Purchase Plan. However, no future grants may be made under our 2000 Stock Option Plan and the 2004 Employee Stock Purchase Plan was terminated effective April 2005.
- (b) All of our equity compensation plans were approved by our stockholders.

**Compensation of Directors**

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Each of our non-employee directors is paid \$20,000 annually and is reimbursed for reasonable expenses incurred in connection with performance of their duties as directors. Upon their election to our Board of Directors, each of our non-employee directors is granted an initial option to purchase up to 40,000 shares of our common stock at the then fair market value pursuant to the terms of our 2004 Equity Incentive Plan. In addition, each non-employee director is automatically granted an option to purchase up to 10,000 shares of our common stock if he or she remains on the Board of Directors on the date of each annual meeting of stockholders (unless he or she joined our Board of Directors within six months of such meeting). Each non-employee director will also receive cash compensation of \$2,000 for attendance of each Board meeting. Additionally, the chairperson of each of the audit committee and the compensation committee will receive \$2,500 and \$1,500, respectively, and members of the audit committee and compensation committee (not including chairpersons) will receive \$1,500, and \$1,000, respectively, for attendance at each meeting of such committees.



### **Employment Agreements and Change in Control Agreements**

We have an employment agreement with Paul Kim, entered into on January 5, 2004, under which Mr. Kim is entitled to an annual salary of \$208,000, with a one-time initial bonus of \$20,000. On January 5, 2004, Mr. Kim was also granted an option to purchase up to 950,000 shares at an exercise price of \$1.00 per share, with 237,500 shares vesting on April 5, 2004, 178,124 shares vesting on January 5, 2005, and 44,532 shares vesting on each subsequent calendar quarter thereafter. In the event of a change of control, all unvested shares will immediately vest. In the event of termination for cause following a change of control, Mr. Kim may be eligible for severance pay of up to one year of his annual salary.

We have employment agreements with our Executive Vice President, Operations, Michael Hollowich, and our Executive Vice President, Federal and State Systems, James Jasinski. Each of these agreements provides for a fixed base annual salary that is subject to normal periodic review for increases by our Board or directors, and each of these agreements may be terminated at will by either the employee or us.

### **Compensation Committee Interlocks and Insider Participation**

None of the members of the compensation committee is or has ever been one of our officers or employees. No interlocking relationship exists between our Board of Directors or compensation committee and the Board of Directors or compensation committee of any other entity, nor has any interlocking relationship existed in the past. For information concerning transactions between us and Messrs. Bolger, Thornton and Stenbit, or their affiliates, see Certain Relationships and Related Party Transactions.

## **REPORT OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS**

### **ON EXECUTIVE COMPENSATION**

The Compensation Committee is composed of three directors of our Board of Directors, each of whom is a non-employee director within the meaning of Rule 16b-3 under the Exchange Act and an outside director within the meaning of Section 162(m) of the Code. The Compensation Committee is responsible for setting and overseeing the administration of the policies governing annual compensation of the executive officers of our company. The Compensation Committee reviews the performance and compensation levels for executive officers, including the Chief Executive Officer, and sets salary levels.

The Compensation Committee was formed on May 11, 2004. Prior to that time, compensation for the Company's executive officers was determined by the full Board of Directors. Executive compensation for 2004 was determined by Ming Hsieh, who was our sole stockholder until the completion of our initial public offering as well as being our sole director at the beginning of 2004 when executive officer compensation was established.

The Company has an executive compensation philosophy and goals based on attracting, retaining and rewarding experienced and talented executive officers. In addition, the Company believes that executive compensation should be linked to corporate performance and accomplishments that increase stockholder value. As such, the Company's executive compensation policy focuses on aligning the interests of the Company's executive officers with the long-term interests of the Company's stockholders and with the Company's corporate strategies and goals. Total compensation for the Company's executive officers includes base salary and may include performance bonuses, executive perquisites and participation in the Company's qualified and non-qualified employee benefit plans. The Compensation Committee reviews compensation surveys prepared by management of the Company to compare the Company's compensation package with that of similarly-sized technology companies in the Company's geographic area.

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Beginning in 2005, Base salaries of executive officers will be reviewed annually by the Compensation Committee and adjustments will be made based on (i) salary recommendations from our Chief Executive Officer, (ii) individual performance of executive officers for the previous fiscal year, (iii) financial results of the Company for the previous year, (iv) the financial condition of the Company and (v) reports to the Compensation

Committee from the compensation surveys concerning competitive salaries, scope of responsibilities of the officer position and levels paid by similarly-sized high technology companies in the Company's geographic area. The Chief Executive Officer will not make recommendations regarding his own compensation. In addition, in establishing the total compensation package for the Chief Executive Officer, the Compensation Committee pursues the same objectives and policies that apply for the Company's other executive officers.

The amount of the performance bonus paid to an executive officer is dependent upon the Company attaining appropriate established business targets and corporate performance goals. The Compensation Committee believes that this type of bonus program properly aligns the interests of the Company's executive officers with the interests of stockholders. In 2004, performance bonuses were awarded to our Chief Executive Officer, Chief Financial Officer, Executive Vice President, Operations, and Executive Vice President, Federal and State Systems, as a result of the Company attaining its corporate performance goals for that year.

The Company also strongly believes that equity ownership by executive officers provides incentives to build stockholder value and aligns the interests of executive officers with those of the stockholders, and therefore makes periodic grants of stock options. To assist the Company in retaining and motivating key employees, option grants generally vest over a four-year period from the date of grant. See Option Grants in Last Fiscal Year.

Because the Compensation Committee was not established until May 11, 2004, the full Board of Directors (which consisted of Mr. Hsieh as our sole director) approved Mr. Hsieh's salary as President and Chief Executive Officer for the 2004 fiscal year.

Section 162(m) of the Internal Revenue Code generally limits the tax deductions a public corporation may take for compensation paid to its named executive officers to \$1.0 million per executive per year. Stock option and stock appreciation rights granted under the 2004 Equity Incentive Plan are exempt from the Section 162(m) limits until the earlier of (i) a material modification of the 2004 Equity Incentive Plan, (ii) our Annual Meeting of Stockholders to be held in 2008 or (iii) such other date required by 162(m) of the Internal Revenue Code and the rules and regulations promulgated thereunder. The Compensation Committee continually evaluates our executive compensation policies and benefit plans to determine whether additional actions to maintain the tax deductibility of executive compensation are in the best interest of our stockholders.

#### COMPENSATION COMMITTEE

Kenneth R. Thornton

John C. Bolger

John P. Stenbit

**Performance Measurement Comparison**

The following graph illustrates a comparison of the total cumulative stockholder return on our common stock since September 24, 2004, the date of our initial public offering, to two indices: (i) Center for Research in Security Prices ( CRSP ) Total Return Index for the Nasdaq Stock Market and (ii) the Nasdaq Computer and Data Processing Services Index. The graph assumes an initial investment of \$100 on September 24, 2004 and that all dividends have been reinvested. No cash dividends have been declared on our common stock since the date of our initial public offering. The comparisons in the graph are required by the Securities and Exchange Commission and are not intended to forecast or be indicative of possible future performance of our common stock.

**Comparison of Cumulative Total Return on Investment**

Since September 24, 2004

	<b>Cumulative Total Return</b>				
	<b>9/24/04</b>	<b>9/30/04</b>	<b>10/31/04</b>	<b>11/30/04</b>	<b>12/31/04</b>
COGENT, INC.	100.00	101.73	106.72	187.23	184.05
NASDAQ STOCK MARKET (U.S.)	100.00	100.74	100.79	104.12	108.01
NASDAQ COMPUTER & DATA PROCESSING	100.00	103.74	109.82	115.72	119.05

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Since January 1, 2004, there has not been, nor is there currently proposed, any transaction or series of similar transactions to which we were or are a party in which the amount involved exceeds \$60,000 and in which any director, executive officer or beneficial holder of more than 5% of any class of our voting securities or members of such person's immediate family had or will have a direct or indirect material interest other than the transactions described below. All transactions between us and any of our directors, executive officers or related parties are subject to the review of our audit committee.

### Indemnification Agreements

We have entered into indemnification agreements with each of our executive officers and directors containing provisions that may require us to, among other things, indemnify those executive officers and directors against certain liabilities that may arise by reasons of their status or service as executive officers or directors. The agreements also provide for us to advance to the executive officers and directors expenses that they expect to incur as a result of any proceeding against them as to which they could be indemnified. We also intend to execute such agreements with our future executive officers and directors.

### Stock Option Grants

Certain stock option grants to our directors and executive officers are described herein under the captions "Director Compensation" and "Option Grants in Last Fiscal Year."

### Stock Sale Agreement

On December 31, 2003, we entered into a Stock Sale Agreement with Ming Hsieh, our President and Chief Executive Officer, and Archie Yew, our former Vice President-Finance whereby Mr. Yew sold 20,000,040 shares of our common stock to Mr. Hsieh. Mr. Hsieh made an initial payment to Mr. Yew in the amount of \$6,292,150 on January 21, 2004, which was funded by a dividend paid by us to Mr. Hsieh. Mr. Hsieh issued a Promissory Note to Mr. Yew for an aggregate amount equal to (i) \$2,813,778 plus interest on such amount at 6% per annum, plus (ii) an amount equal to Mr. Yew's tax liability on the aggregate payment of \$9,105,928, plus (iii) an additional amount equal to the taxes Mr. Yew is required to pay in connection with our earnings as an S Corporation while Mr. Yew was a stockholder. The amounts described in clauses (i) and (iii) were paid in July 2004 and the amount in clause (ii) was paid in March 2005 by Mr. Hsieh, and the promissory note was cancelled.

Pursuant to the Stock Sale Agreement, we agreed to indemnify, hold harmless and insure Mr. Yew against all losses, liabilities or expenses which he shall incur arising out of his actions taken as an officer, director or employee of ours, provided such actions were in good faith or at the direction of any other officer of ours. Mr. Yew agreed to indemnify and hold harmless, to the extent not covered by insurance, us and our officers, directors and employees against all losses, liabilities or expenses incurred as a result of Mr. Yew's actions as an officer, director or employee, to the extent such actions were outside the scope of his duties or in bad faith.

### Tax Matters Agreement

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On May 12, 2004, we entered into a Tax Matters Agreement with our stockholder, Ming Hsieh. The Tax Matters Agreement was amended in September 2004. Under the amended agreement, we agreed to declare a dividend to Mr. Hsieh in an amount not to exceed \$85.0 million. The amount of the final dividend was \$65.5 million. We also agreed to not file an amended income tax return or change any election or accounting method if such filing or change would increase any tax liability of Mr. Hsieh for any tax period. Mr. Hsieh and we agreed that we would file all appropriate tax returns related to our prior fiscal years as an S Corporation or in connection with the termination of our status as an S Corporation. The amended Tax Matters Agreement also provides for certain allocations of responsibility for taxes for the periods prior to the termination of our status as an S Corporation and after such termination.

We agreed to indemnify and hold harmless Mr. Hsieh for any tax liabilities incurred by him in connection with changes to our taxable income as a result of an increase in or change in character of our taxable income during the period in which we were an S Corporation. Further, we agreed to indemnify Mr. Hsieh for professional fees or other costs reasonably incurred in the course of his defense of his income tax returns for the years in which he was reporting corporate income as a result of the S Corporation election. Our obligation to indemnify Mr. Hsieh is limited to the amount of our actual tax savings in connection with such increases or changes with respect to our taxable income.

Pursuant to the amended Tax Matters Agreement, Mr. Hsieh agreed to indemnify and hold us harmless for any tax liability resulting from our failing to qualify as an S Corporation at the initial election or at any time prior to the termination of our S Corporation status. Mr. Hsieh has also agreed to indemnify us against certain increases in our tax liabilities related to periods prior to the termination of our S Corporation election, but Mr. Hsieh's obligation to indemnify us for these liabilities is limited to the amount of his actual tax savings attributable to the circumstances giving rise to the increase in our tax liability.

### Dividends

During the years ended December 31, 2002, 2003 and 2004, we declared S Corporation dividends of approximately \$1,957,000, \$3,334,000 and \$79,625,000 respectively, of which the amounts indicated below were paid to the following holders of our common stock:

Name of Stockholder	Year Ended December 31,		
	2002	2003	2004
	(in thousands)		
Ming Hsieh	\$ 1,304	\$ 2,222	\$ 68,720
Archie Yew	\$ 653	\$ 1,112	\$ 10,905

**PROPOSAL 2****RATIFICATION OF SELECTION OF INDEPENDENT AUDITORS**

Our consolidated financial statements as of December 31, 2001 and for the years ended December 31, 2000 and 2001 were previously audited by KPMG LLP, certified public accountants. KPMG LLP resigned in January 2004 and the Company engaged Deloitte & Touche LLP in April 2004 to audit our consolidated financial statements as of December 31, 2001, 2002 and 2003 and for the years ended December 31, 2001, 2002 and 2003. Our Board of Directors approved the appointment of Deloitte & Touche LLP as our independent registered public accounting firm in April 2004.

There were no disagreements at any time between KPMG LLP and us on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedures. The audit report of KPMG LLP did not contain any adverse opinion or disclaimer of opinion, nor was it qualified or modified as to uncertainty, audit scope or accounting principles. During the fiscal years ended December 31, 2002 and 2003, and through March 2004, we did not consult Deloitte & Touche with respect to the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our consolidated financial statements, or any other matters or reportable events listed in Items 304(a)(2)(i) and (ii) of Regulation S-K.

The Audit Committee has selected Deloitte & Touche LLP as the Company's independent auditors for the fiscal year ending December 31, 2005 and has further directed that the selection of the independent auditors be submitted for ratification by the stockholders at the Annual Meeting. Representatives of Deloitte & Touche LLP are expected to be present at the Annual Meeting, will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Stockholder ratification of the selection of Deloitte & Touche LLP as the Company's independent auditors is not required by the Company's Bylaws or otherwise. However, the Board of Directors is submitting the selection of Deloitte & Touche LLP to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of different independent auditors at any time during the year if they determine that such a change would be in the best interests of the Company and its stockholders.

As part of its duties, the Audit Committee considers whether the provision of services, other than audit services, during the fiscal year ended December 31, 2004 by Deloitte & Touche LLP, the Company's independent auditor for that period, is compatible with maintaining the auditor's independence. The following table sets forth the aggregate fees billed to us for the fiscal years ended 2003 and 2004 by KPMG LLP and Deloitte & Touche LLP:

	KPMG LLP		Deloitte & Touche LLP	
	2004	2003	2004	2003
Audit Fees(1)	\$ 0	\$ 99,148	Audit Fees(3)	\$ 1,175,876
Audit-Related Fees(2)	0	13,769	Audit-Related Fees(4)	0
Tax Fees	0	0	Tax Fees	0
All Other Fees	0	0	All Other Fees	0

- (1) Consist of fees billed for professional services rendered for the audit of our consolidated annual financial statements and review of the interim consolidated financial statements included in quarterly reports and services that are normally provided by our



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independent registered public accounting firm in connection with statutory and regulatory filings or engagements.

- (2) Audit-Related Fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under Audit Fees. None of these fees or services was pre-approved by our audit committee.
- (3) Audit Fees consist of fees billed for professional services rendered for the audit of our consolidated annual financial statements and review of the interim consolidated financial statements included in quarterly reports, billing for professional services performed in connection with our initial public offering in September 2004 and services that are normally provided by our independent registered public accounting firm in connection with statutory and regulatory filings or engagements.
- (4) Audit-Related Fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under Audit Fees.

Our audit committee's policy is to pre-approve all audit and permissible non-audit services provided by our independent auditors. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services. The independent auditor and management are required to periodically report to the audit committee regarding the extent of services provided by the independent auditor in accordance with this pre-approval.

The affirmative vote of a majority of the votes cast at the meeting, at which a quorum is present, either in person or by proxy, is required to approve this Proposal. If you hold your shares in your own name and abstain from voting on this matter, your abstention will have no effect on the vote. If you hold your shares through a broker and you do not instruct the broker on how to vote on this proposal, your broker will not have authority to vote your shares. Abstentions and broker non-votes will each be counted as present for purposes of determining the presence of a quorum but will not have any effect on the outcome of the proposal.

**OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE RATIFICATION OF THE SELECTION OF DELOITTE & TOUCHE LLP AS OUR INDEPENDENT AUDITOR FOR THE FISCAL YEAR ENDING DECEMBER 31, 2005.**

**SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's executive officers, directors and persons who beneficially own more than 10% of the Company's common stock to file initial reports of ownership and reports of changes in ownership with the SEC. Such persons are required by SEC regulations to furnish Cogent with copies of all Section 16(a) forms filed by such person.

Based solely on the Company's review of such forms furnished to the Company and written representations from such reporting persons, the Company believes that all filing requirements applicable to the Company's executive officers, directors and more than 10% stockholders were complied with for the year ended December 31, 2004.

**STOCKHOLDER PROPOSALS**

Proposals of stockholders intended to be presented at our Annual Meeting of Stockholders to be held in 2006 must be received by us no later than January 6, 2006, which is 120 days prior to the first anniversary of the mailing date of the proxy, in order to be included in our proxy statement and form of proxy relating to that meeting. These proposals must comply with the requirements as to form and substance established by the Securities and Exchange Commission for such proposals in order to be included in the proxy statement. Under our Bylaws, a stockholder who wishes to make a proposal at the 2006 Annual Meeting without including the proposal in our proxy statement and form of proxy relating to that meeting must notify us no later than January 6, 2006 unless the date of the 2006 annual meeting of stockholders is more than 30 days before or after the one-year anniversary of the 2005 annual meeting. If the stockholder fails to give notice by this date, then the persons named as proxies in the proxies solicited by the Board of Directors for the 2006 Annual Meeting may exercise discretionary voting power regarding any such proposal.

**ANNUAL REPORT**

Our Annual Report for the fiscal year ended December 31, 2004 will be mailed to stockholders of record as of April 19, 2005. Our Annual Report does not constitute, and should not be considered, a part of this Proxy.

If any person who was a beneficial owner of our common stock on the Record Date, a copy of our Annual Report on Form 10-K will be furnished without charge upon receipt of a written request identifying the person so requesting a report as a stockholder of our company at such date. Requests should be directed to Cogent, Inc., 209 Fair Oaks Avenue, South Pasadena, California 91030, Attention: Investor Relations.

**OTHER MATTERS**

The Board of Directors knows of no other matters that will be presented for consideration at the Annual Meeting. If any other matters are properly brought before the meeting, it is the intention of the persons named in the accompanying proxy to vote on such matters in accordance with their best judgment.

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All stockholders are urged to complete, sign, date and return the accompanying Proxy Card in the enclosed envelope.

By Order of the Board of Directors

**Ming Hsieh**  
*President and Chief Executive Officer*

May 6, 2005

**COGENT, INC.**

**CHARTER OF THE AUDIT COMMITTEE OF THE  
BOARD OF DIRECTORS**

**Effective as of May 11, 2004**

**I. STATEMENT OF POLICY**

This Charter specifies the scope of the responsibilities of the Audit Committee (the *Committee*) of the Board of Directors (the *Board*) of Cogent, Inc. (the *Company*) and the manner in which those responsibilities shall be performed, including its structure, processes and membership requirements.

The primary purpose of the Committee is to oversee the accounting and financial reporting processes of the Company and the audits of the Company's financial statements. The Committee shall also review the qualifications, independence and performance, and approve the terms of engagement of the Company's independent auditor and prepare any reports required of the Committee under rules of the Securities and Exchange Commission (*SEC*).

The Company shall provide appropriate funding, as determined by the Committee, to permit the Committee to perform its duties under this Charter, to compensate its advisors and to compensate any registered public accounting firm engaged for the purpose of rendering or issuing an audit report or related work or performing other audit, review or attest services for the Company. The Committee, at its discretion, has the authority to initiate special investigations, and hire special legal, accounting or other outside advisors or experts to assist the Committee as it deems necessary to fulfill its duties under this Charter. The Committee may also perform such other activities consistent with this Charter, the Company's Bylaws and governing law, as the Committee or the Board deems necessary or appropriate.

**II. ORGANIZATION AND MEMBERSHIP REQUIREMENTS**

The Committee shall comprise three or more directors selected by the Board, each of whom shall satisfy the independence and experience requirements of The Nasdaq Stock Market. In addition, the Committee shall not include any member who accepts any consulting, advisory, or other compensatory fee, directly or indirectly, from the Company, other than in his or her capacity as a member of the Committee, the Board, or any other committee of the Board.

Each member of the Committee must be able to read and understand fundamental financial statements, including a balance sheet, income statement and cash flow statement. In addition, at least one member shall have past employment experience in finance or accounting, professional certification in accounting, or other comparable experience or background resulting in the individual being financially sophisticated, which may include being or having been a chief executive, chief financial or other senior officer with financial oversight responsibilities.

The members of the Committee shall be appointed by the Board and shall serve until their successors are duly elected and qualified or their earlier resignation or removal. Any member of the Committee may be replaced by the Board. Unless a chairman is elected by the full Board, the members of the Committee may designate a chairman by majority vote of the full Committee membership.

### **III. MEETINGS**

The Committee shall meet as often as it determines, but not less frequently than quarterly. The Committee may form and delegate authority to subcommittees, or to one or more members of the Committee, when

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appropriate. The Committee shall meet with management and the independent auditor in separate executive sessions as appropriate. The Committee shall meet with the independent auditor and management on a quarterly basis to review the Company's financial statements and financial reports. The Committee shall maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board. The Committee will also record summaries of its recommendations to the Board in written form, which will be incorporated as part of the minutes of the Board meeting at which those recommendations are presented.

#### **IV. COMMITTEE AUTHORITY AND RESPONSIBILITIES**

To fulfill its responsibilities and duties, the Committee shall:

##### **A. Oversight of the Company's Independent Auditor**

1. Be directly and solely responsible for the appointment, compensation, retention and oversight of any independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) engaged by the Company for the purpose of preparing or issuing an audit report or related work, with each such auditor reporting directly to the Committee.
2. Periodically review and discuss with the independent auditor (i) the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, and (ii) any formal written statements received from the independent auditor consistent with and in satisfaction of Independence Standards Board Standard No. 1, as amended, including without limitation, descriptions of (a) all relationships between the auditor and the Company, (b) any disclosed relationships or services that may impact the independent auditor's objectivity and independence and (c) whether any of the Company's senior finance personnel were recently employed by the independent auditor.
3. Evaluate annually the qualifications, performance and independence of the independent auditor, including a review of whether the independent auditor's quality-control procedures are adequate and a review and evaluation of the lead partner of the independent auditor, taking into account the opinions of management and the Company's internal auditors, if any, and report to the Board on its conclusions, together with any recommendations for additional action.
4. Consult with the independent auditor to assure the rotation of the lead audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit every five years, consider issues related to the timing of such rotation and the transition to new lead and reviewing partners, and consider whether, in order to assure continuing auditor independence, there should be regular rotation of the audit firm, and report to the Board on its conclusions.
5. Approve in advance the engagement of the independent auditor for all audit services and non-audit services, based on independence, qualifications and, if applicable, performance, and approve the fees and other terms of any such engagement; *provided, however*, that (i) the Committee may establish pre-approval policies and procedures for any engagement to render such services, provided that such policies and procedures (a) are detailed as to particular services, (b) do not involve delegation to management of the Committee's responsibilities hereunder and (c) provide that, at its next scheduled meeting, the Committee is informed as to each such service for which the independent auditor is engaged pursuant to such policies and procedures, and (ii) the Committee may delegate to one or more members of the Committee the authority to grant pre-approvals for such services, provided that (a) the decisions of such member(s) to grant any such pre-approval shall be presented to the Committee at its next scheduled meeting and (b) the Committee has established policies and procedures for such pre-approval of services consistent with the requirements of clauses (i)(a) and (b) above.

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6. Meet with the independent auditor prior to the audit to discuss the planning and staffing of the audit.
  
7. Approve as necessary the termination of the engagement of the independent auditor.

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8. Establish policies for the hiring of employees or former employees of the independent auditor who participated in any capacity in the audit of the Company, taking into account the impact of such policies on auditor independence.

9. Regularly review with the independent auditor any significant difficulties encountered during the course of the audit, any restrictions on the scope of work or access to required information and any significant disagreement among management and the independent auditor in connection with the preparation of the financial statements. Review with the independent auditor any accounting adjustments that were noted or proposed by the auditor but that were passed (as immaterial or otherwise), any management or internal control letter or schedule of unadjusted differences issued, or proposed to be issued, by the auditor to the Company, or any other material written communication provided by the auditor to the Company's management.

10. Review with the independent auditor the critical accounting policies and practices used by the Company, all alternative treatments of financial information within generally accepted accounting principles ( *GAAP* ) that the independent auditor has discussed with management, the ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent auditor.

#### **B. Review of Financial Reporting, Policies and Processes**

1. Review and discuss with management and the independent auditor the Company's annual audited financial statements and any certification, consent, report, opinion or review rendered by the independent auditor, and recommend to the Board whether the audited financial statements should be included in the Company's annual report on Form 10-K.

2. Review and discuss with management and the independent auditor the Company's quarterly financial statements.

3. Review and discuss with management and the independent auditor the Company's disclosure under Management's Discussion and Analysis of Financial Condition and Results of Operations appearing in the Company's periodic reports.

4. Review and discuss earnings press releases and other material financial information provided to securities analysts and rating agencies, including any non-GAAP or adjusted financial information.

5. Review with management and the independent auditor any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.

6. Review with management its assessment of the effectiveness and adequacy of the Company's internal control structure and procedures for financial reporting ( *Internal Controls* ), review annually with the independent auditor the attestation to and report on the assessment made by management, and consider with management, the internal auditors and the independent auditor whether any changes to the Internal Controls are appropriate in light of management's assessment or the independent auditor's attestation.

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7. To the extent that it deems appropriate, review with management its evaluation of the Company's procedures and controls designed to assure that information required to be disclosed in its periodic public reports is recorded, processed, summarized and reported in such reports within the time periods specified by the SEC for the filing of such reports ( *Disclosure Controls* ), and consider whether any changes are appropriate in light of management's evaluation of the effectiveness of such Disclosure Controls.

8. Review and discuss with management and the independent auditor any off-balance sheet transactions or structures and their effect on the Company's financial results and operations, as well as the disclosure regarding such transactions and structures in the Company's public filings.

9. Review with management and the independent auditor the effect of regulatory and accounting initiatives on the financial statements. Review any major issues regarding accounting principles and

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financial statement presentations, including any significant changes in selection of and application of accounting principles. Consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the independent auditor or management.

10. Review any analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including the effects of alternative GAAP methods on the financial statements.

11. Review any special audit steps adopted in light of Internal Controls deficiencies. Review with the independent auditor and management the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented.

### **C. Risk Management, Related Party Transactions, Legal Compliance and Ethics**

1. Review with the chief executive and chief financial officer of the Company any report on significant deficiencies in the design or operation of the Internal Controls that could adversely affect the Company's ability to record, process, summarize or report financial data, any material weaknesses in Internal Controls identified by or to the auditors, and any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's Internal Controls.

2. Review and approve any related-party transactions, after reviewing each such transaction for potential conflicts of interests and improprieties.

3. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. Adopt, as necessary, appropriate remedial measures or actions with respect to such complaints or concerns.

4. To the extent the Board deems appropriate and in consultation with the Nominating and Corporate Governance Committee, consider and present to the Board for adoption a Code of Ethics for the Company's principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions, which meets the requirements of Item 406 of the SEC's Regulation S-K, and provide for and review prompt disclosure to the public of any change in, or waiver of, such Code of Ethics. Review such Code of Ethics periodically and recommend such changes to such Code of Ethics as the Committee shall deem appropriate, and adopt procedures for monitoring and enforcing compliance with such Code of Ethics.

5. Consult with the Nominating and Corporate Governance Committee regarding its consideration of a Code of Business Conduct and Ethics applicable to all employees and directors and required by the rules of The Nasdaq Stock Market, and adopt procedures for monitoring and enforcing compliance with such Code of Business Conduct.

6. As requested by the Board, review and investigate conduct alleged by the Board to be in violation of the Company's Code of Ethics, if one is so adopted, or the Company's Code of Business Conduct and Ethics, and adopt as necessary or appropriate, remedial, disciplinary, or other measures with respect to such conduct.

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7. Discuss with management and the independent auditor any correspondence with regulators or governmental agencies that raise material issues regarding the Company's financial statements or accounting policies.

8. Discuss guidelines and policies to govern the process by which risk assessment and management is undertaken and handled. Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.

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9. Review with the Company's legal counsel and report to the Board on litigation, material government investigations and compliance with applicable legal requirements and the Company's Code of Business Conduct and Ethics.

10. Prepare the report of the Committee required by the rules of the SEC to be included in the Company's annual proxy statement.

11. Regularly report to the Board on the Committee's activities, recommendations and conclusions.

12. Annually review, reassess and amend, as appropriate, the Company's Disclosure Policy.

13. Review and reassess the Charter's adequacy as appropriate.



