

INNODATA INC  
Form PRE 14A  
March 28, 2013

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, DC 20549**

**SCHEDULE 14A**

**(Rule 14a-101)**

**INFORMATION REQUIRED IN**

**PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the Securities**

**Exchange Act of 1934 (Amendment No. )**

Filed by the Registrant  x

Filed by a Party other than the Registrant  "

Check the appropriate box:

x

Preliminary Proxy Statement

.. **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

.. Definitive Proxy Statement

.. Definitive Additional Materials

.. Soliciting Material Pursuant to §240.14a-12

Innodata Inc.  
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

£Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- 1) Title of each class of securities to which transaction applies:
- 2) Aggregate number of securities to which transaction applies:
- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- 4) Proposed maximum aggregate value of transaction:
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.. Fee paid previously with preliminary materials.

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party

4) Date Filed:

Three University Plaza

**Hackensack, New Jersey 07601**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD JUNE 4, 2013**

**To the Stockholders of Innodata Inc.:**

The Annual Meeting of Stockholders of Innodata Inc. (the "Company") will be held at Innodata Inc., Three University Plaza, Hackensack, New Jersey 07601 at 11:00 A.M. on June 4, 2013, for the following purposes:

- (1) To elect seven directors of the Company to hold office until the next Annual Meeting of Stockholders and until their successors have been duly elected and qualified;
- (2) To ratify the selection and appointment by the Company's Board of Directors of CohnReznick LLP, independent registered public accounting firm, as auditors for the Company for the year ending December 31, 2013;
- (3) To approve, on an advisory basis, the Company's executive compensation;
- (4) To approve the Company's Rights Agreement; and
- (5) To consider and transact such other business as may properly come before the meeting or any adjournments thereof.

A Proxy Statement, form of Proxy, and the Annual Report to Stockholders of the Company for the year ended December 31, 2012 are enclosed herewith. Only holders of record of Common Stock of the Company at the close of business on April 8, 2013 will be entitled to notice of, and to vote at, the Annual Meeting and any adjournments thereof. A complete list of the stockholders entitled to vote will be available for inspection by any stockholder during

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the meeting; in addition, the list will be open for examination by any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting at the office of the Secretary of the Company, located at Three University Plaza, Hackensack, New Jersey 07601.

By Order of the Board of Directors

/s/ Amy R. Agress

Amy R. Agress  
Vice President, General Counsel and Secretary  
Hackensack, New Jersey

April [ ], 2013

**All stockholders are cordially invited to attend the Meeting. If you do not expect to be present, please sign and date the enclosed form of Proxy and return it promptly using the enclosed envelope. No postage is required if mailed in the United States. Any person giving a Proxy has the power to revoke it at any time prior to its exercise and if present at the Meeting may withdraw it and vote in person.**

#### **Voting in Person at the Meeting**

**Registered holders can vote in person. Beneficial owners must obtain a proxy from their brokerage firm, bank, or other holder of record and present it to the inspector of elections with their ballot in order to be able to vote shares in person at the meeting. Voting in person will replace any previous votes submitted by Proxy.**

**Attendance at the Meeting is limited to stockholders, their proxies and invited guests of the Company.**

#### **Important Notice Regarding the Availability of Proxy Materials for the**

#### **2013 Annual Meeting of Stockholders to be held on June 4, 2013**

We have elected to provide access to our Proxy materials both by sending you this full set of Proxy materials, including a Proxy card, and by notifying you of the availability of our Proxy materials on the Internet.

**This Proxy Statement and the 2012 Annual Report are available on the Internet at:**

**<http://www.innodata.com/proxy>**

**INNODATA INC.**

**Three University Plaza**

**Hackensack, New Jersey 07601**

**PROXY STATEMENT**

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of Innodata Inc. (the "Company") of Proxies in the form enclosed. Such Proxies will be voted at the Annual Meeting of Stockholders of the Company to be held at Innodata Inc., Three University Plaza, Hackensack, New Jersey 07601 at 11:00 A.M. on June 4, 2013 (the "Meeting") and at any adjournments thereof for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders.

This Proxy Statement and accompanying Proxy are being mailed on or about May 3, 2013 to all stockholders of record on April 8, 2013 (the "Record Date").

Any stockholder giving a Proxy has the power to revoke the same at any time before it is voted. The cost of soliciting Proxies will be borne by the Company. The Company has an arrangement with Eagle Rock Proxy Advisors in connection with the solicitation of Proxies. Following the mailing of the Proxy materials, solicitation of Proxies may be made by Eagle Rock Proxy Advisors, and officers and employees of the Company by mail, telephone, facsimile, electronic communication or personal interview. Properly executed Proxies will be voted in accordance with instructions given by stockholders at the places provided for such purpose in the accompanying Proxy and, as to any other matter properly coming before the Meeting (none of which is presently known to the Board of Directors), in accordance with the judgment of the persons designated as proxies. Unless contrary instructions are given by stockholders, persons named in the Proxy intend to vote the shares represented by such Proxies **for** the election of the seven nominees for director named herein, **for** the selection of CohnReznick LLP as independent auditors, **for** the approval, on an advisory basis, of the Company's executive compensation as disclosed in these materials, and **for** the approval of the Company's Rights Agreement. The current members of the Board of Directors presently hold voting authority for Common Stock representing an aggregate of 2,682,582 votes, or approximately [ ]% of the total number of votes eligible to be cast at the Meeting. The members of the Board of Directors have indicated their intention to vote affirmatively on all of the proposals.

**VOTING SECURITIES**

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Stockholders of record as of the close of business on the Record Date will be entitled to notice of, and to vote at, the Meeting or any adjournments thereof. On the Record Date there were [ ] outstanding shares of common stock, par value \$.01 per share (the "Common Stock"). Each holder of Common Stock is entitled to one vote for each share held by such holder. The presence, in person or by Proxy, of the holders of a majority of the outstanding shares of Common Stock is necessary to constitute a quorum at the Meeting. Proxies submitted which contain abstentions or broker non-votes will be deemed present at the Meeting in determining the presence of a quorum.



## PROPOSAL 1. ELECTION OF DIRECTORS

It is the intention of the persons named in the enclosed form of Proxy, unless such form of Proxy specifies otherwise, to nominate and to vote the shares represented by such Proxy **for** the election as directors of Jack S. Abuhoff, Haig S. Bagerdjian, Louise C. Forlenza, Stewart R. Massey, Todd H. Solomon, Anthea C. Stratigos and Andargachew S. Zelleke to hold office until the next Annual Meeting of Stockholders and until their respective successors shall have been duly elected and qualified. Each of the nominees named below currently serves as a director of the Company and was elected at the Annual Meeting of Stockholders held on June 5, 2012. The Company has no reason to believe that any of the nominees will become unavailable to serve as director for any reason before the Meeting. However, in the event that any of them shall become unavailable, each of the persons designated as proxy reserves the right to substitute another person of his or her choice when voting at the Meeting. Below is the biographical and other information about the nominees. Following each nominee's biographical information, we have provided information concerning the particular experience, qualifications, attributes and/or skills that led the Nominating Committee and the Board of Directors to determine that each nominee should serve as a director.

**Jack S. Abuhoff**, age 52, has been President and Chief Executive Officer of the Company since September 15, 1997, and a director of the Company since its founding in 1988. Mr. Abuhoff has been the Chairman of the Company's Board of Directors since May 2001. From 1995 to 1997 he was Chief Operating Officer of Charles River Corporation, an international systems integration and outsourcing firm. From 1992 to 1994, Mr. Abuhoff was employed by Chadbourne & Parke, LLP, in connection with its joint venture with Goldman Sachs to develop capital projects in China. Mr. Abuhoff is a trustee on the Board of Trustees of the Harvard Law School Association of New Jersey. He practiced international corporate law at White & Case LLP from 1986 to 1992. Mr. Abuhoff holds an A.B. degree in English from Columbia College (1983), and a J.D. degree from Harvard Law School (1986).

### *Key Experience, Attributes and Skills*

Mr. Abuhoff has knowledge of the Company, its clients and the industries the Company serves, both from an historical and a current perspective, as well as leadership and management skills, international experience, and experience in providing outsourced services.

**Haig S. Bagerdjian**, age 56, has served as one of the Company's directors since June 2001. He has also been Chairman of the Board of Point.360 (Nasdaq: PTSX), a provider of video and film asset management services to owners, producers and distributors of entertainment and advertising content, since September 2001, and its President and Chief Executive Officer since October 2002. From 1991 to 2002, Mr. Bagerdjian served in various executive management positions at Syncor International Corporation (Nasdaq: SCOR), a leading provider of radiopharmaceuticals, comprehensive nuclear pharmacy services and medical imaging services, including: Executive Vice President, President and Chief Executive Officer of Syncor Overseas, Ltd., Chairman and Chief Executive Officer of Syncor Pharmaceuticals, Inc., Chief Legal Officer, and Senior Vice President, Business Development. Mr.

Bagerdjian also served as a director of Advanced Machine Vision Corporation (Nasdaq: AMVC) from 1997 until 2001. Mr. Bagerdjian received a B.A. degree in International Relations and Slavic Languages and Literature, and Certificates in Russian Studies, Strategic Defense and National Security, from the University of Southern California (1983), and a J.D. degree from Harvard Law School (1986). He is admitted to the State Bar of California.

*Key Experience, Attributes and Skills*

Mr. Bagerdjian has leadership experience as a Chairman, CEO and President of a public company. He has public company board experience, as well as experience in international operations, mergers and acquisitions, compensation and governance, and provides diversity of background and viewpoint.

**Louise C. Forlenza**, age 63, has served as one of the Company's directors since October 2002. From 1994 to the present, Ms. Forlenza has been providing audit consultancy, management advisory, and tax planning services to a diverse group of corporate clients. From 1987 through 1992, she was the Chief Financial Officer and Chief Operating Officer of Intercontinental Exchange Partners, an international foreign exchange company, and served as a director and as chair of its International Audit Committee. Prior to joining Intercontinental, Ms. Forlenza was Chief Financial Officer of Bierbaum-Martin, a foreign exchange firm. Ms. Forlenza participates actively in various not-for-profit and philanthropic organizations including as benefit chair for Greenwich Hospital and as Director and Treasurer of The Acting Company, a New York City-based promoter of arts and literacy founded in 1972 by actor John Houseman. Ms. Forlenza also serves on the executive, compensation and finance committees of The Acting Company. She is a Certified Public Accountant and served on the faculty of the accounting department of Iona College from 1981 to 1982. Ms. Forlenza received a B.B.A. degree in Accounting from Iona College (1971).

*Key Experience, Attributes and Skills*

Ms. Forlenza satisfies the financial literacy requirements of Nasdaq and has been determined to be an "audit committee financial expert" under the SEC's rules and regulations. A Certified Public Accountant and a former CFO, she has a background in accounting, audit, tax planning and foreign exchange planning, and provides diversity of background and viewpoint.

**Stewart R. Massey**, age 56, has served as one of the Company's directors since March 2009. Mr. Massey co-founded Massey, Quick and Co. LLC in 2004 after a 24-year career on Wall Street. Massey Quick currently oversees in excess of \$3.0 billion in investment assets for endowments, foundations and wealthy families. He joined Morgan Stanley's Private Client Group in 1983 after four years with Dean Witter Reynolds. From 1988 through 1993, he was based in Hong Kong and led Morgan Stanley's private client businesses in Asia, Australia, and Japan. Mr. Massey was Head of Japanese Equity Sales in New York from 1993 through 1996, and returned to Tokyo as Head of Institutional Equity Sales and Global Head of Japanese Equities in 1996. Mr. Massey served as President and CEO of Robert Fleming, Inc. in 1997 and 1998. At Fleming, he had regional responsibility for equity sales and trading, research, capital markets, investment banking, and asset management in the Americas, serving on the Board of Directors and Executive Committee of the parent company in London. Mr. Massey returned to Morgan Stanley in September of 1998 as a Managing Director and Head of Institutional Sales, Marketing, and Product Development for the firm's prime brokerage business. He later served as the senior relationship manager for a number of Morgan Stanley's most prominent institutional global clients. Mr. Massey holds a B.A. degree in History from The College of Wooster (1974), where he has served as a Trustee since 1987. As a member of Wooster's Board of Trustees, he was Chair of the Investment Committee and a member of the Executive Committee for 15 years. Mr. Massey serves on the investment committees of Hobart and William Smith Colleges, The Visiting Nurse Association of Somerset Hills and St. Mary's Abbey Delbarton. Mr. Massey was honored as one of the top 100 independent investment advisors in America by Barron's Magazine in 2010 and 2011.

*Key Experience, Attributes and Skills*

Mr. Massey has leadership experience as a CEO and a senior executive officer. He has financial management expertise, as well as compensation, mergers and acquisitions, investment advisory, board, governance and international experience, and provides diversity of background and viewpoint.

**Todd H. Solomon**, age 51, has served as one of the Company's directors since October 2008. Since founding Innodata in 1988, Mr. Solomon served as a director and officer of the company at various times through 2005. He is a private investor, investment manager and venture capitalist and divides his time between Las Vegas, Bangkok, Thailand and Bali, Indonesia. Mr. Solomon holds an A.B. degree in History and Physics from Columbia College (1986).

*Key Experience, Attributes and Skills*

As former CEO of the Company, Mr. Solomon has leadership experience, international operations experience, and knowledge about the industries the Company serves. In addition, he brings investment, foreign exchange and compensation experience, as well as financial expertise.

**Anthea C. Stratigos**, age 52, has served as one of the Company's directors since March 2009. Ms. Stratigos is co-founder and CEO of Outsell, Inc. (founded in 1994), a leading research and advisory firm that focuses exclusively on the information and publishing industries, providing analysis and recommendations for high-level executives regarding markets, trends, benchmarks and best practices. She is Outsell's primary spokesperson, and chairs Outsell's Leadership Council, a member-service for CEOs and senior executives of publishing and information-provider firms. Ms. Stratigos holds a B.S. degree in Communication from Stanford University (1983) and graduated from the Executive Marketing Program at Harvard University (1992).

*Key Experience, Attributes and Skills*

As CEO and founder of Outsell, Ms. Stratigos brings significant current knowledge about the direction and needs of the information and publishing industries, the Company's primary market, leadership, marketing and entrepreneurial skills, and provides diversity of background and viewpoint.

**Andargachew S. Zelleke**, age 52, has served as one of the Company's directors since June 2012. In July 2011 Dr. Zelleke was appointed the MBA Class of 1962 Senior Lecturer of Business Administration at the Harvard Business School, and presently serves in that role. From July 2007 through June 2011, he was a lecturer in public policy at the Harvard Kennedy School, serving for two of those years as Co-Director of the Harvard Kennedy School's Center for Public Leadership. Since July 2008, Dr. Zelleke has served as founding Faculty Chair of the Harvard Kennedy School's Latino Leadership Initiative. From July 2003 through June 2007, Dr. Zelleke was a lecturer at the University of Pennsylvania's Wharton School, where he twice won the Whitney Award for teaching excellence and where he led the development of, and taught in, an executive education program for newly appointed members of public company boards of directors. While a member of the Wharton faculty, Dr. Zelleke was Project Director and a Steering Committee member of the American Academy of Arts and Sciences' Corporate Responsibility initiative, and coeditor of its 2005 book *Restoring Trust in American Business* (MIT Press); this initiative focused on the responsibilities of various "gatekeepers" — regulators, corporate directors, auditors, business lawyers, investment bankers, and business journalists — in promoting responsible corporate conduct. Dr. Zelleke has written several articles on corporate governance and op-eds on topics in leadership, corporate governance and foreign affairs. He has served as a consultant to leading law firms in relation to three major business litigations and is formerly a business lawyer who practiced law for six years at two large international law firms. Dr. Zelleke received an A.B. in Government from Harvard College (1983) and a J.D. degree from Harvard Law School (1986). He also received an A.M. in Sociology (2000) and a Ph.D. in Organizational Behavior (2003), both from Harvard University. Dr. Zelleke is a member of the State Bar of New

York and the Council on Foreign Relations.

*Key Experience, Attributes and Skills*

Dr. Zelleke has expertise in corporate governance and negotiation as well as experience in corporate law, organizational strategy and leadership development, and provides diversity of background and experience.

There are no family relationships between or among any nominees for director of the Company. Directors are elected to serve until the next annual meeting of stockholders and until their successors are elected and qualified.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE “FOR” THE ELECTION OF THE DIRECTOR NOMINEES.**

## CORPORATE GOVERNANCE MATTERS

### Director Independence

The Board of Directors has determined that Haig S. Bagerdjian, Louise C. Forlenza, Stewart R. Massey, Todd H. Solomon, Anthea C. Stratigos and Andargachew S. Zelleke are independent directors. The independent directors comprise a majority of the Board. The only director who is not independent is Jack S. Abuhoff, the Company's Chairman, President and Chief Executive Officer ("CEO"). The Company defines independence as meeting the requirements to be considered as an independent director as set forth in the Nasdaq Marketplace Rule 5605(a)(2). To assist in determining director independence, the Board of Directors also considers any business relationship with any independent director, including any business entity with which any independent director is affiliated, to determine if there is any material relationship that would impair a director's independence. In making its determination, the Board of Directors reviewed information provided by each of the directors and information gathered by the Company.

### Board Leadership Structure

#### *Chairman of the Board and Chief Executive Officer Positions*

The Board of Directors believes that having a combined Chairman of the Board/Chief Executive Officer, independent directors with strong leadership and management experience, an independent director serving as the lead director and Board of Directors committees being comprised solely of independent directors, provides an effective and efficient leadership structure that is appropriate for the Company at the present time. The Chairman/CEO has primary responsibility for managing the business. Combining the leadership role avoids duplication of efforts while strengthening the Chairman/CEO's ability to provide insight and direction on important strategic initiatives to both management and the independent directors.

#### *Lead Independent Director*

Todd H. Solomon currently serves as the Company's Lead Independent Director. The principal responsibilities of the Lead Independent Director are to:

- Schedule and preside over executive sessions of the independent directors;
  - Preside over Board of Directors meetings in the absence of the Chairman;
  - Provide input to the Chairman in the preparation of agendas for Board of Directors meetings; and
- Enhance the effective functioning of the independent directors by facilitating communications and collaboration between and among them.

## The Board's Role in Risk Oversight

The Board of Directors believes that the goal of risk oversight is to identify and assess risks which may affect the Company's ability to fulfill its business objectives and to formulate plans to mitigate potential effects. The Board of Directors administers its oversight function directly, through both its Audit and Compensation Committees, and through executive management of the Company, as follows:

- Through Board of Directors discussion on general business strategy and risks that could drive tactical and strategic decisions in the near and long term;
- Through the Audit Committee with respect to financial risks and risks that may affect the financial situation of the Company;
- Through the Compensation Committee with respect to risks associated with executive compensation plans and arrangements;
- Through executive management of the Company with respect to risks which may arise in the ordinary course of business, such as operational, managerial, business, legal, regulatory and reputational risks; and



Through the CEO, in the CEO's combined role as Chairman, via updates to the Board of Directors during Board of Directors meetings with respect to potential material risks identified by executive management, as is deemed appropriate based on the circumstances.

The Board of Directors believes the various roles of the board committees and executive management in risk oversight described above complement the Board of Directors' leadership structure described above, including the combination of the Chairman of the Board and Chief Executive Officer positions.

#### Meetings of the Board of Directors

The Board of Directors meets throughout the year on a set schedule. The Board of Directors also holds special meetings and acts by unanimous written consent from time to time as appropriate. The Board of Directors held nine meetings during the year ended December 31, 2012. Each director attended at least (i) 75% of all of the meetings of the Board of Directors held during the period they served as Director; and (ii) 75% of the meetings of all committees on which he or she served. The Company does not have a policy requiring incumbent directors and director nominees to attend the Company's annual meeting of stockholders. Two directors attended last year's annual meeting.

The Board of Directors meets in executive sessions without management, as needed, immediately prior or during its regularly scheduled meetings. The Board of Directors also schedules executive sessions during the year for the independent directors only.

#### Committees of the Board of Directors

##### Audit Committee

The Company has a separately designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Audit Committee operates under a written charter adopted by the Board of Directors. A copy of the charter is available on our website at [www.innodata.com](http://www.innodata.com). Serving on the Committee are Ms. Forlenza and Messrs. Bagerdjian and Solomon. The Board of Directors has determined that it has an audit committee financial expert serving on the audit committee: Ms. Forlenza. The functions of the Audit Committee are, among other things, to make recommendations concerning the selection each year of independent auditors of the Company, to assist the Board of Directors in fulfilling its oversight responsibilities relating to the quality and integrity of the Company's financial reports and financial reporting processes and systems of internal controls, to consider whether the Company's principal accountant's provision of non-audit services is compatible with maintaining the principal accountant's independence and to determine through discussions with the independent auditors whether any instructions or limitations have been placed upon them in connection with the scope of their audit. To carry out its responsibilities, the Audit Committee met four times during fiscal 2012. The Company defines independence as

meeting the standards to be considered as an independent director as set forth in the Nasdaq Marketplace Rule 5605(a)(2), and the Board of Directors has determined that all the members of the Audit Committee are "independent" as defined in the Nasdaq Marketplace Rule 5605(c)(2)(A).

#### Compensation Committee

The Company has a standing Compensation Committee comprised of Mr. Massey, Ms. Forlenza and Dr. Zelleke. The Compensation Committee operates under a written charter adopted by the Board of Directors. A copy of the charter is available on our website at [www.innodata.com](http://www.innodata.com). The function of the Compensation Committee is to discharge the responsibilities of the Board of Directors regarding executive and director compensation, including determining and approving the compensation packages of the Company's executive officers, including its Chief Executive Officer. The Compensation Committee also reviews and approves stock option grants to non-executive officer employees. The Chief Executive Officer recommends to the Compensation Committee proposed compensation for the executive officers other than the Chief Executive Officer. The Compensation Committee engages the services of an independent compensation consultant on an as-needed basis to provide market data and advice regarding executive compensation and proposed compensation programs and amounts. To carry out its responsibilities, the Compensation Committee met six times during fiscal 2012. The Company defines independence as meeting the standards to be considered as an independent director as set forth in the Nasdaq Marketplace Rule 5605(a)(2), and the Board of Directors has determined that all the members of the Compensation Committee are "independent" as defined in the Nasdaq Marketplace Rule 5605(a)(2).

*Compensation Committee Interlocks and Insider Participation.* The Compensation Committee is currently comprised of Mr. Massey, Ms. Forlenza and Dr. Zelleke, none of whom are or were officers or employees of the Company. Mr. Solomon was a member of the Compensation Committee through August 1, 2012. Mr. Solomon was formerly an officer of the Company serving as its President and Chief Executive Officer until September 1997.

#### Nominating Committee

The Company has a standing Nominating Committee comprised of Messrs. Solomon and Bagerdjian and Ms. Forlenza. The Company does not have a Nominating Committee charter. The primary responsibilities of the Nominating Committee include assisting the Board of Directors in identifying and evaluating qualified candidates to serve as directors; recommending to the Board of Directors candidates for election or re-election to the Board of Directors or to fill vacancies on the Board of Directors; and assisting in attracting qualified candidates to serve on the Board of Directors. Director nominees are selected by Board of Director resolution. All of the nominees recommended for election to the Board of Directors at the Meeting are directors standing for re-election. Although the Nominating Committee does not have a formal policy with respect to the consideration of diversity, when considering director candidates the Nominating Committee seeks individuals with backgrounds and qualities that, when combined with those of the Company's existing directors, provide a blend of skills and experience that will further enhance the Board of Directors' effectiveness at the time the consideration is made. When considering potential director candidates, the Nominating Committee considers the candidate's character, judgment, diversity, skills, including financial literacy, and experience in the context of the needs of the Company and the Board of Directors. The Nominating Committee has not established any minimum qualifications for director candidates. To carry out its responsibilities, the Nominating Committee met one time during fiscal 2012. The Company defines independence as meeting the standards to be considered as an independent director as set forth in the Nasdaq Marketplace Rule 5605(a)(2), and the Board of Directors has determined that all the members of the Nominating Committee are "independent" as defined in the Nasdaq Marketplace Rule 5605(a)(2). In 2012 the Company did not pay any fees to any third party to assist in identifying or evaluating potential nominees.

The Company's by-laws include a procedure whereby its stockholders can nominate director candidates, as more fully described below under "Stockholder Proposals for the 2014 Annual Meeting." The Board of Directors will consider director candidates recommended by the Company's stockholders in a similar manner as those recommended by members of management or other directors, provided the stockholder submitting such nomination has complied with the procedures set forth in the Company's by-laws. To date, the Company has not received any recommended nominees from any non-management stockholder or group of stockholders that beneficially owns five percent or more of its voting stock.

#### Stockholder Communications with the Board of Directors

Generally, stockholders who have questions or concerns regarding the Company should contact our Investor Relations department at 201-371-8000. However, stockholders may communicate with the Board of Directors by sending a letter to: Board of Directors of Innodata Inc., c/o Corporate Secretary, 3 University Plaza, Hackensack, New Jersey

07601. Any communications must contain a clear notation indicating that it is a "Stockholder—Board Communication" or a "Stockholder—Director Communication" and must identify the author as a stockholder. The office of the Corporate Secretary will receive the correspondence and forward appropriate correspondence to the Chairman of the Board or to any individual director or directors to whom the communication is directed. The Company reserves the right not to forward to the Board of Directors any communication that is hostile, threatening, illegal, does not reasonably relate to the Company or its business, or is otherwise inappropriate. The office of the Corporate Secretary has authority to discard or disregard any inappropriate communication or to take any other action that it deems to be appropriate with respect to any inappropriate communications.

## REPORT OF THE AUDIT COMMITTEE

The following report of the Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates this Report by reference therein.

The responsibilities of the Audit Committee, which are set forth in the Audit Committee Charter, include providing oversight to the Company's financial reporting process through periodic meetings with the Company's independent auditors and management to review accounting, auditing, internal controls and financial reporting matters. The Audit Committee is also responsible for the appointment, compensation and oversight of the Company's independent auditors. The management of the Company is responsible for the preparation and integrity of the financial reporting information and related systems of internal controls. The Audit Committee, in carrying out its role, relies on the Company's senior management, including senior financial management, and its independent auditors.

The Audit Committee has implemented procedures to ensure that during the course of each fiscal year it devotes the attention that it deems necessary or appropriate to each of the matters assigned to it under the Audit Committee's charter. To carry out its responsibilities, the Audit Committee met four times during fiscal 2012.

The primary purpose of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities relating to the quality and integrity of the Company's financial reports and financial reporting processes and systems of internal controls. Management of the Company has primary responsibility for the Company's financial statements and the overall reporting process, including maintenance of the Company's system of internal controls. The Company retains independent auditors who are responsible for conducting independent audits of the Company's financial statements and internal control over financial reporting, in accordance with standards of the Public Company Accounting Oversight Board (United States), and issuing reports thereon.

The Audit Committee has reviewed and discussed the Company's consolidated audited financial statements as of and for the year ended December 31, 2012 with management and the independent auditors. The Audit Committee has discussed with the independent auditors the matters required to be discussed under standards established by the Public Company Accounting Oversight Board (United States), including those matters set forth in Statement on Auditing Standards No. 61 (Communication with Audit Committees), as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T. The independent auditors have provided to the Audit Committee the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditor's communication with the Audit Committee concerning independence, and the Audit Committee has discussed with the auditors their independence from the Company. The Audit Committee has concluded that the independent auditors are independent from the Company and its management.

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On the basis of the foregoing reviews and discussions, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2012, for filing with the Securities and Exchange Commission. The Audit Committee has also recommended, subject to stockholder approval, the selection of the Company's independent auditors.

The Members of the Audit Committee

Louise C. Forlenza, Chair

Haig S. Bagerdjian

Todd H. Solomon

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Fiscal 2012 and 2011 Accounting Firm Fee Summary

Set forth below is certain information concerning fees billed to the Company by CohnReznick LLP in respect of professional services rendered to the Company for the audit of the annual financial statements for the years ended December 31, 2012 and December 31, 2011; the reviews of the financial statements included in reports on Form 10-Q for periods within 2012 and 2011; related regulatory filings for periods within 2012 and 2011; and other services. The Audit Committee has determined that the provision of all services is compatible with maintaining the independence of CohnReznick LLP.

	2012 (\$)	2011 (\$)
Audit Fees	388,139	378,182
Audit-Related Fees	-	-
Tax Fees	-	-
All Other Fees	-	-

Audit fees consist of fees for the audit of the Company’s financial statements and internal control over financial reporting under Section 404 of the Sarbanes Oxley Act, the review of the interim financial statements included in the Company’s quarterly reports on Form 10-Q and other professional services provided in connection with statutory and regulatory filings or engagements.

Audit-related fees consist of fees for assurance and related services that are reasonably related to the performance of the audit and the review of the Company’s financial statements and which are not reported under “Audit Fees”. These services relate to consultations concerning financial accounting and reporting standards and are not required by statute or regulation.

Audit Committee Pre-Approval Policy

All audit, audit-related services, tax services and other services provided by CohnReznick LLP must be pre-approved by the Audit Committee. The Audit Committee may delegate to its Chair the authority to pre-approve otherwise permissible non-audit services, provided that any decision made pursuant to such delegation must be presented to the full Audit Committee for informational purposes at its next scheduled meeting.

**PROPOSAL 2. RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS**

Subject to approval by the stockholders, the Board of Directors has appointed CohnReznick LLP as the independent auditors to audit the financial statements of the Company for the fiscal year ending December 31, 2013. CohnReznick LLP has served as the Company's auditors since September 2008. A representative of CohnReznick LLP is expected to be present at the Meeting and will have the opportunity to make a statement if he desires to do so. A representative of CohnReznick LLP is also expected to be available to respond to appropriate questions at the meeting.

In the event that the stockholders fail to ratify this appointment, other independent auditors will be considered upon recommendation of the Audit Committee. Even if this appointment is ratified, our Board of Directors, in its discretion, may direct the appointment of a new independent accounting firm at any time during the year, if the Board believes that such a change would be in the best interest of the Company and its stockholders.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE “FOR” RATIFICATION OF THE APPOINTMENT OF COHNREZNICK LLP AS INDEPENDENT AUDITORS.**



## EXECUTIVE OFFICERS

Set forth below is information concerning the Executive Officers who are not directors.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Ashok Mishra	58	Executive Vice President and Chief Operating Officer
O'Neil Nalavadi	53	Senior Vice President and Chief Financial Officer

**Ashok Mishra** has been the Company's Executive Vice President and Chief Operating Officer since January 2007. Mr. Mishra has held senior level positions with the Company and its subsidiaries for more than nine years. Mr. Mishra has served as Senior Vice President since May 2004, after serving as Vice President, Project Delivery from October 2001 through April 2004. Prior thereto, Mr. Mishra served as Assistant Vice President, Project Delivery from November 2000 to September 2001, and as General Manager and Head of the Facility of the Company's India operations from 1997 to October 2000. Mr. Mishra holds a Bachelor of Technology degree in Mechanical Engineering from Pantnagar University (1976). He also has Component Manufacturing Technical Training from Alcatel France (1985) and completed a condensed MBA course from Indian Institute of Management Bangalore (1995).

**O'Neil Nalavadi** has been the Company's Senior Vice President and Chief Financial Officer since November 2009. Prior to joining the Company, Mr. Nalavadi was the Chief Financial Officer and a Director of R Systems International Ltd from January 2000 and January 2001, respectively. R Systems is a provider of outsourced software product development and business process outsourcing services. Prior to R Systems, Mr. Nalavadi served as a Senior Vice President at UB Group, a \$5 billion diversified conglomerate from 1984 to 1997 and served as Chief Financial Officer of UB Group's outsourced IT services company from August 1997 to January 2000. Mr. Nalavadi was awarded a Bachelor of Commerce and Economics degree from the University of Mumbai (1980) and qualified as a Chartered Accountant with National Honor Roll (1981).

The Company's Executive Officers are elected by, and serve at, the discretion of our Board of Directors. There are no family relationships between or among any of the Company's Executive Officers.

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

## **Overview**

This compensation discussion and analysis describes and analyzes the material elements of compensation awarded, earned by, or paid to each of our Executive Officers who served as Named Executive Officers during the last completed fiscal year. This compensation discussion and analysis focuses on the information contained in the following tables and related footnotes and narrative for primarily the last completed fiscal year. However, we also describe compensation actions taken before or after the last completed fiscal year to the extent it enhances the understanding of our executive compensation disclosure for such completed fiscal year.

## **Executive Compensation Objectives and Philosophy**

The Compensation Committee of the Board of Directors is responsible for overseeing and administering our executive compensation program and for establishing our executive compensation philosophy. The objectives of our compensation program are to:

- Attract, motivate and retain qualified, talented and dedicated executives
- Motivate executives to achieve business and financial objectives that will enhance stockholder value
- Align the interests of our executives with the long term interests of stockholders through stock-based incentives
- Maintain a strong link between pay and performance by placing a significant portion of the executive's total pay at risk

The Committee applies these objectives in selecting the specific elements of compensation. The Committee also reviews and considers:

- Company performance, both separately and in relation to similar companies
- The individual executive's performance, experience and scope of responsibilities
- Historical compensation levels and stock option awards at the Company
  - Internal equity among executive officers
  - The recommendations of management

### **Executive Officer Compensation Processes**

The Committee uses the following processes, procedures and resources to help it perform its responsibilities:

Executive sessions without management present to discuss various compensation matters, including the compensation of our CEO

- A periodic review of executive compensation and benefit programs for reasonableness and cost effectiveness
  - The recommendations of the CEO on compensation for the other executive officers
- The services of an independent compensation consultant, who advises the Committee on an as-needed basis

### **Competitive Benchmarking / Peer Group Analysis**

Although the Company has no policy regarding the retention of independent consultants to conduct competitive benchmarking and/or a peer group analysis, it has, from time to time, engaged such consultants to assist in the review and determination of various executive compensation matters. No independent consultant was engaged by the Company or the Committee in calendar year 2012 with regard to executive compensation matters.

### **Components of the Executive Compensation Program**

The primary elements of the Company's Executive Compensation Program are:

- Base salary
- Performance-based cash incentives
- Stock-based incentives
- Benefits and perquisites
- Severance and change-of-control compensation

The Committee does not use a pre-set formula to allocate a percentage of total compensation to each compensation component, and the percentage of total compensation allocated to each compensation component varies among the executive officers. Instead, the Committee relies on the processes and factors described in this discussion and analysis and takes into account the current and historical compensation components, and amount of each component, for each executive officer.

## Base Salary

The base salaries of our executive officers are designed to attract and retain a high performing and dedicated leadership team. The Committee reviews the performance evaluations and salary recommendations provided to the Committee by the CEO for each executive officer other than himself. Increases to the CEO's base salary are determined by the Committee without a recommendation by Company management. Adjustments to base salary are determined based on the individual's responsibility level, performance, contribution and length of service, after considering the Company's financial performance, as well as any requirements set forth in the executive officer's employment agreement. In March 2012 the Committee increased the annual base salaries of the executive officers effective April 1, 2012 as set forth below. The amount of the base salary increase was based in large part on the Company's financial performance in calendar year 2011.

Name	Base Salary Prior to Increase (\$)	April 2012 Base Salary (\$)	Amount of Increase (\$)	Percent Increase (%)
Jack S. Abuhoff	431,140	500,000	68,860	15.9
Ashok Mishra	231,000	280,000	49,000	21.2
O'Neil Nalavadi	265,000	280,000	15,000	5.66

## Performance-Based Cash Incentives

Performance-based cash incentives provide the Company with a means of rewarding performance based upon the attainment of corporate financial goals, individual goals, and individual accomplishments and contributions to the Company. The Committee reviews Company financial performance, individual performance, accomplishments and contributions, as well as recommendations provided to the Committee by the CEO for each executive officer other than the CEO. Cash incentives may be paid pursuant to an incentive compensation plan or as cash bonuses. In 2012, incentive compensation awards for the executive officers were made pursuant to an incentive compensation plan.

The incentive compensation plan awards in 2012 were based on the extent to which the Company achieved performance measures set by the Committee for 2012. The performance measures for each of the executive officers for 2012 were revenues, gross margin, earnings before interest and tax on core business ("EBIT"), and personal contributions to the Company's strategic objectives ("Personal Contr