

INNODATA INC
Form DEF 14A
April 18, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

SCHEDULE 14A

(Rule 14a-101)

SCHEDULE 14A INFORMATION

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

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

“Soliciting Material Pursuant to §240.14a-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.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party

4) Date Filed:

Three University Plaza Drive

Hackensack, New Jersey 07601

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD JUNE 7, 2016

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 Drive, Hackensack, New Jersey 07601 at 11:00 A.M. on June 7, 2016, 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, 2016;
- (3) To approve, on an advisory basis, the Company's executive compensation;
- (4) To approve the Company's Rights Agreement;
- (5) To approve amendments to the Innodata Inc. 2013 Stock Plan; and
- (6) To consider and transact such other business as may properly come before the meeting or any adjournments thereof.

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A Proxy Statement, form of Proxy, and the Annual Report to Stockholders of the Company for the year ended December 31, 2015 are enclosed herewith. Only holders of record of Common Stock of the Company at the close of business on April 11, 2016 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 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 Drive, 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 18, 2016

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. Directions to the meeting may be found at www.mapquest.com.

Important Notice Regarding the Availability of Proxy Materials for the

2016 Annual Meeting of Stockholders to be held on June 7, 2016

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 2015 Annual Report are available on the Internet at:
<http://www.innodata.com/proxy>

INNODATA INC.

Three University Plaza Drive

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 Drive, Hackensack, New Jersey 07601 at 11:00 A.M. on June 7, 2016 (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 6, 2016 to all stockholders of record on April 11, 2016 (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. Following the mailing of the Proxy materials, solicitation of Proxies may be made by 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, **for** the approval of the Company's Rights Agreement, and **for** the approval of amendments to the Innodata Inc. 2013 Stock Plan. The current members of the Board of Directors presently hold voting authority for Common Stock representing an aggregate of 1,198,235 votes, or approximately 4.7% 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

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 25,445,071 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, Michael J. Opat, 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 with the exception of Michael J. Opat currently serves as a director of the Company and was elected at the Annual Meeting of Stockholders held on June 5, 2015. 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 55, 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 59, has served as one of the Company's directors since June 2001. He has also been Chairman of the Board of Point.360 (OCTQX: 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. Mr. Bagerdjian has also served as a director of Destiny Media Technologies Inc. (TSXV: DSY.V; OCTQX: DSNY), a provider of services that enable content owners to securely display and distribute their audio and video content digitally through the internet, since January 2015, and as a director

of CarbonOne Technologies Inc. (TSXV: CX) a developer and manufacturer of advanced composite materials, since July 2015. 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 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 66, 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. 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). Ms. Forlenza attended the Harvard Executive Program for Board Governance and Audit in 2015.

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 59, 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 provides investment advisory and financial planning services for endowments, foundations and wealthy families. Mr. Massey 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 (1979), where he has served as a Trustee since 1987. As an Emeritus Trustee he serves on the Trustee and Governance, Finance and Investment committees. Mr. Massey also serves on the investment committees of Hobart and William Smith Colleges 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, 2011, 2012, 2013 and 2014.

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.

Michael J. Opat, age 55, has been nominated to serve as one of the Company's directors effective June 7, 2016. Mr. Opat has been a Commissioner on the Hennepin County (Minnesota) Board of Commissioners since 1993, and was Chair of the Board of the Commissioners from 2001 to 2003 and from 2009 to 2014. Hennepin County is Minnesota's largest county with 1.1 million residents. Mr. Opat represents a County district with more than 160,000 residents in six suburban cities. Mr. Opat has also served on the Board of Sun Country Airlines since April 2012, and has been a member of the corporate advisory board of Alerus Financial Services Company (OTXQX: ALRS) since June 2015. He was employed by Hennepin County Adult Correction Facility as a correctional officer from 1981 to 1989, and as a corrections supervisor from 1990 to 1993. He holds a B.S. degree in Management from the University of Minnesota (1983), and a Masters of Public Policy from Harvard University, John F. Kennedy School of Government (1989).

Key Experience, Attributes and Skills

Mr. Opat has leadership, financial management, budgeting, and communications experience, and provides diversity of background and viewpoint.

Anthea C. Stratigos, age 55, 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 55, 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. From July 2003 through June 2007, Dr. Zelleke was a lecturer at the University of Pennsylvania's Wharton School. 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). 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, Anthea C. Stratigos and Andargachew S. Zelleke are independent directors, and that Michael J. Opat, a nominee for director, will be an independent director. 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 the nominee for director, 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 Independent 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

Stewart R. Massey 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 seven meetings during the year ended December 31, 2015. Each director attended at least 75% of all of the meetings of the Board of Directors held during the period they served as Director, and each director attended at least 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. Serving on the Committee are Ms. Forlenza and Messrs. Bagerdjian and Massey. 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 2015. 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. 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 five times during fiscal 2015. 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 comprised of Mr. Massey, Ms. Forlenza and Dr. Zelleke, none of whom are or were officers or employees of the Company.

Nominating Committee

The Company has a standing Nominating Committee comprised of Dr. Zelleke, Mr. 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, with the exception of Mr. Opat, are directors standing for re-election. Mr. Opat was recommended by a security holder. 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 2015. 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 2015 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 2017 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 who 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 Drive, 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 2015.

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, 2015 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 Standard No. 16 (Communications with Audit Committees). 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.

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, 2015, 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

Stewart R. Massey

Fiscal 2015 and 2014 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, 2015 and December 31, 2014; the reviews of the financial statements included in reports on Form 10-Q for periods within 2015 and 2014; related regulatory filings for periods within 2015 and 2014; and other services. The Audit Committee has determined that the provision of all services is compatible with maintaining the independence of CohnReznick LLP.

	2015 (\$)	2014 (\$)
Audit Fees	372,016	364,721
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, 2016. 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.

Name	Age	Position
Ashok Mishra	61	Executive Vice President and Chief Operating Officer
O'Neil Nalavadi	56	Senior Vice President and Chief Financial Officer

Ashok Mishra has been the Company's Executive Vice President and Chief Operating Officer since January 2007. Prior to 2007 Mr. Mishra 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
- The recommendations of an independent compensation consultant, to the extent compensation consultants are utilized
- Competitive market and peer company data

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
 - On an as-needed basis, the services of an independent compensation consultant

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 the Committee in the review and determination of various compensation matters.

In August 2015 the Committee engaged an independent compensation consultant, Frederic W. Cook & Co., Inc. (“Cook”) to conduct an independent review of the Company’s executive compensation program and non-employee director compensation program, and to analyze how the Company’s executive compensation and non-employee director programs compare to the competitive market. As part of the review a group of 15 publicly-traded peer companies were selected and used for competitive benchmarking. The peer companies were selected by Cook and approved by the Committee. The selected companies are broadly similar to the Company in industry and/or scope of business operations and are within a reasonable size range of the Company. The companies in the peer group were: Cartesian, Inc., Computer Programs & Systems, Inc. CSP Inc., Edgewater Technology Inc., FalconStor Software Inc., The Hackett Group, Inc., Hooper Holmes, Inc., Information Services Group, Inc. Mattersight Corporation, PFSweb Inc., PRGX Global, Streamline Health Solutions, Inc., Sysorex Global Holdings Corp, WidePoint Corporation and Zix Corporation. The Company was positioned below the median of the peer group in terms of revenue for the last fiscal year, EBITDA for the trailing four quarters, and market capitalization.

In March 2016 the Committee engaged Cook to perform modelling and competitive benchmarking with respect to the Company’s 2013 Stock Plan. Cook used the same peer group of companies as set forth above for benchmarking.

Use of Compensation Consultants

As mentioned above, the Committee engaged Frederic W. Cook & Co. as its independent compensation consultant. Cook did not perform any services for the Company other than as directed by the Committee. Cook reports directly to the Committee. Prior to engaging Cook the Committee reviewed the firm's qualifications and assessed its independence from management and any potential conflicts of interest. The Committee retains the authority in its sole discretion to retain Cook, approve Cook's compensation, determine the nature and the scope of its services, evaluate its performance, and terminate its engagement.

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. No executive officer received a base salary increase in calendar year 2015.

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. There were no incentive compensation plans in place for the executive officers in 2015. The Committee determined not to award cash incentives in 2015 and instead focused on incenting performance through stock-based incentives.

Stock-Based Incentives

The Company uses stock option grants as the primary vehicle for employee stock-based incentives. The Company also uses restricted share grants as a form of stock-based incentives. The Committee believes stock-based incentives align the executive officers' interests with those of stockholders in building shareholder value, offer executive officers an incentive for the achievement of superior performance over time, and foster the retention of key management personnel. The number of stock options or restricted shares the Committee awards each executive officer is based on his relative position, responsibilities and performance, including anticipated future performance, potential and responsibilities, and performance over the previous fiscal year, to the extent applicable. The Committee also reviews and considers prior stock-based grants to each executive officer, including the extent to which any prior stock option grants remained unexercised upon expiration due to an underwater stock price at the time of expiration. The size of stock-based grants is not directly related to the Company's performance. In December 2015 the Committee awarded the following stock option grants to the executive officers: 290,000 shares to Mr. Abuhoff, 180,000 shares to Mr. Mishra and 115,000 shares to Mr. Nalavadi. The stock options have a term of ten years from the date of grant and vest in three equal installments on December 31, 2016, December 31, 2017 and December 31, 2018. In determining the size of the grants the Committee considered the data from the peer group competitive analysis discussed in the section entitled "Competitive Benchmarking / Peer Group Analysis", and also took into account that no cash bonuses were paid to the executive officers in 2015. The Committee believes that an increased number of stock-based incentives granted to the executive officers better aligns management interests with those of stockholders by tying an increased percentage of compensation realized by the executive officers to changes in stockholder value over the long term.

Benefits and Perquisites

The Company offers retirement, health, life, and disability benefits, as well as medical and dependent care reimbursement plans to all full-time employees. These plans do not discriminate in scope, terms or operation in favor of executive officers. In addition, in calendar year 2015, the Company (i) reimbursed Mr. Abuhoff \$15,584 for the cost of life and disability insurance premiums, an executive health assessment and related taxes pursuant to his employment agreement; (ii) provided Mr. Mishra benefits totaling \$46,024 consisting of apartment rental, utilities, car rental and security in connection with the Executive's foreign assignment, health insurance, and related fringe benefit taxes; and (iii) provided Mr. Nalavadi, in connection with his relocation to New Jersey, benefits totaling \$36,536 for an apartment rental, utilities, and travel.

Severance and Change-of-Control

The Company uses severance and change-of-control agreements to attract and retain qualified, talented and dedicated executives and to help it remain competitive in the marketplace.

Results of 2015 Advisory Vote on Executive Compensation

At the 2015 Annual Meeting of Stockholders held in June 2015, the Company's stockholders approved the 2014 compensation of the Company's named executive officers by 86% of the votes cast. The Compensation Committee values the stockholder feedback provided through the vote as well as the feedback received through communications with stockholders subsequent to the vote. The Compensation Committee will continue to review the Company's executive compensation programs and consider ways to further align these programs with stockholder interests.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management. Based on such review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

The Members of the Compensation Committee

Stewart R. Massey, Chair

Louise C. Forlenza

Andargachew S. Zelleke

Summary Compensation Table 2015

The following table sets forth information regarding compensation paid or accrued to named executive officers in 2015.

Name and Position	Year	Salary (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Non-Equity Incentive Plan Compensation Declined by the Executive (\$) ⁽¹⁾	All Other Compensation (\$)	Total (\$)
Jack S. Abuhoff							
Chairman, President and Chief Executive Officer	2015	500,000	397,300	(2) -	-	15,584	(3) 912,884
	2014	500,000	339,205	(4) 107,403	107,403	14,678	961,286 (5)
	2013	500,000	448,750	(6) 130,549	-	14,678	1,093,977
Ashok Mishra							
Executive Vice President and Chief Operating Officer	2015	280,000	246,600	(2) -	-	46,024	(7) 572,624
	2014	280,000	274,014(4)	50,122	50,122	52,106	656,242 (5)
	2013	280,000	177,911(6)	80,756	-	56,991	595,658
O'Neil Nalavadi							
Senior Vice President and Chief Financial Officer	2015	280,000	157,550	(2) -	-	36,536	(8) 474,086
	2014	280,000	150,314	(4) 40,097	40,097	31,108	501,519 (5)
	2013	280,000	151,225	(6) 56,205	-	32,006	519,436

⁽¹⁾ Represents the amount of non-equity incentive plan compensation voluntarily declined by each named executive officer.

⁽²⁾ Represents the dollar amount of the aggregate grant date fair value of stock options granted in 2015. The aggregate grant date fair value is the amount the Company expects to expense in its financial statements over the award's vesting schedule. This amount reflects the Company's accounting expense and does not

correspond to the actual value that will be realized by the Executive. For stock options, grant date fair value is calculated using the Black-Scholes option pricing model and is based on the value of the option on the grant date, which was \$1.37 on December 31, 2015. For information on the valuation assumptions, see Note 10 in the Notes to Consolidated Financial Statements filed with the Annual Report on Form 10-K for year-end 2015.

Represents the cost of employer-provided executive life and disability insurance in the amount of \$7,860, \$2,500
(3) for an executive health assessment, and reimbursement for related federal and state income taxes in the amount of \$5,224.

Represents the dollar amount of the aggregate grant date fair value of stock options granted in 2014. The aggregate grant date fair value is the amount the Company expects to expense in its financial statements over the award's vesting schedule. This amount reflects the Company's accounting expense and does not correspond to the actual
(4) value that will be realized by the Executive. For stock options, grant date fair value is calculated using the Black-Scholes option pricing model and is based on the value of the option on the grant date, which was \$1.55 on March 13, 2014 and \$1.33 on April 7, 2014. For information on the valuation assumptions, see Note 10 in the Notes to Consolidated Financial Statements filed with the Annual Report on Form 10-K for year-end 2014.

Includes the amount of non-equity incentive plan compensation voluntarily declined by each named executive officer. After subtracting the amount of non-equity incentive plan compensation declined by each named executive
(5) officer, total compensation for each named executive officer is \$853,883 for Mr. Abuhoff, \$606,120 for Mr. Mishra, and \$461,422 for Mr. Nalavadi.

- Represents the dollar amount of the aggregate grant date fair value of stock options granted in 2013. The aggregate grant date fair value is the amount the Company expects to expense in its financial statements over the award's vesting schedule. This amount reflects the Company's accounting expense and does not correspond to the actual value that will be realized by the Executive. For stock options, grant date fair value is calculated using the Black-Scholes option pricing model and is based on the value of the option on the grant date, which was \$1.89 on March 4, 2013. For information on the valuation assumptions, see Note 8 in the Notes to Consolidated Financial Statements filed with the Annual Report on Form 10-K for year-end 2013.
- (6) Includes \$32,323 for apartment rental, utilities, car rental and security in connection with the executive's foreign assignment, \$6,825 for health insurance, and \$6,876 for related fringe benefit taxes.
- (8) Includes, in connection with the executive's relocation to New Jersey, \$28,200 for apartment rental and \$8,336 for utilities and travel.

GRANTS OF PLAN-BASED AWARDS 2015

The following table summarizes the non-equity incentive plan awards granted to named executive officers in 2015.

Name	Grant Date	All Other Option Awards: Number of Securities Underlying Options (#) ⁽²⁾	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$) ⁽¹⁾
Jack S. Abuhoff	December 31, 2015	290,000	2.85	397,300
Ashok Mishra	December 31, 2015	180,000	2.85	246,600
O'Neil Nalavadi	December 31, 2015	115,000	2.85	157,550

- Represents the dollar amount of the aggregate grant date fair value of stock options granted in 2015. The aggregate grant date fair value is the amount the Company expects to expense in its financial statements over the award's vesting schedule. This amount reflects the Company's accounting expense and does not correspond to the actual value that will be realized by the Executive. For stock options, grant date fair value is calculated using the Black-Scholes option pricing model and is based on the value of the option on the grant date, which was \$1.37 on December 31, 2015. For information on the valuation assumptions, see Note 10 in the Notes to Consolidated Financial Statements filed with the Annual Report on Form 10-K for year-end 2015.
- (1)

Granted on December 31, 2015. The stock options vest and become exercisable in three equal installments on (2) December 31, 2016, December 31, 2017 and December 31, 2018. The stock options have a term of ten years from the date of grant.

Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table

Employment Agreements

Jack S. Abuhoff

On March 25, 2009 the Company and Mr. Jack S. Abuhoff, the President and Chief Executive Officer of the Company, executed an employment Agreement with an effective date of February 1, 2009 (the "Agreement"). The Agreement will continue until terminated by the Company or Mr. Abuhoff.

The Agreement provides for: annual base salary compensation of \$424,350 subject to cost of living adjustments and annual discretionary increases as determined by the Company's Board of Directors; additional cash incentive or bonus compensation for each calendar year determined by the Compensation Committee of the Board of Directors in its discretion and conditioned on the attainment of certain quantitative objectives to be established by the Compensation Committee with a target bonus of not less than 60% of Mr. Abuhoff's base salary for the year; and stock options and/or other equity-based and/or non-equity-based awards and incentives as determined by the Compensation Committee in its sole and absolute discretion. The Agreement also provides for indemnification, insurance and other fringe benefits, and contains confidentiality, non-compete and non-interference provisions.

In the event Mr. Abuhoff is terminated by the Company other than for cause (as defined), death or disability, or Mr. Abuhoff resigns his employment with the Company for good reason (as defined), Mr. Abuhoff is entitled to receive (i) an amount equal to 200% of his (A) base salary and (B) the greater of his most recently declared bonus (as defined) or the average of his three most recently declared bonuses to be paid in substantially equal payments over a period of 24 months; (ii) the continuation of his (and as applicable, his dependents') medical and dental insurance until the earlier of the end of the maximum applicable COBRA coverage period or for the 24 month period immediately following Mr. Abuhoff's termination (and if the COBRA period is shorter than the applicable 24 month period, pay to Mr. Abuhoff an amount equal to the monthly cost charged by the Company for COBRA coverage during the period beginning upon the expiration of the maximum COBRA coverage period and the end of the 24 month continuation period); (iii) the continuation of his life and long-term disability insurance for the 24 month period immediately following Mr. Abuhoff's termination and (iv) the removal of any vesting, transfer, lock-up, performance or other restrictions or requirements on his stock options and other equity-based and non-equity-based awards and incentives. In the event Mr. Abuhoff is terminated by the Company coincident with or following a change-of-control (as defined), Mr. Abuhoff is entitled to receive (i) an amount equal to 300% of his (A) base salary and (B) the greater of his most recently declared bonus (as defined) or the average of his three most recently declared bonuses to be paid in a lump sum payout within 30 days of the date of his termination; (ii) the continuation of his (and as applicable, his dependents') medical and dental insurance until the earlier of the end of the maximum applicable COBRA coverage period or for the 36 month period immediately following Mr. Abuhoff's termination (and if the COBRA period is shorter than the applicable 36 month period, pay to Mr. Abuhoff an amount equal to the monthly cost charged by the Company for COBRA coverage during the period beginning upon the expiration of the maximum COBRA coverage period and the end of the 36 month continuation period); and (iii) the continuation of his life and long-term disability insurance for the 36 month period immediately following Mr. Abuhoff's termination; and (iv) the removal of any vesting, transfer, lock-up, performance or other restrictions or requirements on his stock options and other equity and non-equity-based awards and incentives.

In the event Mr. Abuhoff is a "specified employee" as defined in Section 409A of the Code at the time of his termination of employment, the payments referenced above shall be delayed until the date that is six months and one day following his termination of employment (or, if earlier, the earliest other date as is permitted under Section 409A of the Code). The amount payable on such date shall include all amounts that would have been payable to Mr. Abuhoff prior to that date but for the application of Section 409A and the remaining payments shall be made in substantially equal installments until fully paid. Notwithstanding the foregoing, the six month delay shall not apply to any such payments made (A) during the short term deferral period set forth in Treasury Regulation Section 1.409A-1(b)(4), or (B) after said short term deferral period, payable solely on account of an involuntary separation from service (as defined in Section 409A of the Code) and in an amount less than the Section 409A Severance Exemption Amount.

The Agreement also provides for potential tax gross-up payments in respect of taxes, penalties and/or interest that may be incurred by Mr. Abuhoff under Section 409A of the Code.

Ashok Mishra

On May 18, 2007, the Company and Mr. Ashok Mishra, the Executive Vice President and Chief Operating Officer of the Company, entered into a three year agreement with an effective date of January 1, 2007 whereby the Company agreed to cause one or more of its wholly-owned subsidiaries to offer employment to Mr. Mishra. Mr. Mishra's agreement automatically renews for one year periods unless the Company either provides a notice of non-renewal by June 30 of the then current term or the Company and Mr. Mishra execute a new agreement prior to the end of the then current term. The agreement provides for annual base compensation of \$175,000 per annum, subject to annual reviews for discretionary annual increases; and incentive compensation pursuant to an incentive compensation plan. The agreement also provides for insurance and other fringe benefits, and contains confidentiality, non-compete and non-interference provisions. In the event the Company terminates the agreement without cause, Mr. Mishra is entitled to receive his then base salary for 12 months following the date of termination.

O'Neil Nalavadi

The Company's employment agreement with Mr. O'Neil Nalavadi, the Senior Vice President and Chief Financial Officer of the Company, expired on November 8, 2015. The Agreement contains indemnification, confidentiality, non-compete and non-interference provisions which survive the expiration of the Agreement.

Outstanding Equity Awards at fiscal year-end 2015

The following table summarizes the outstanding equity awards held by each named executive officer at December 31, 2015.

Name	Option Awards Number of Securities Underlying Unexercised Options Exercisable (#)			Option	Option
	Number of Securities Underlying Unexercised Options Unexercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)		Exercise Price (\$)	Expiration Date
Jack S. Abuhoff	175,000	-		2.59	05/01/2018
	137,434	-		3.39	03/03/2020
	-	100,000	(1)	3.39	03/03/2020
	-	255,000	(2)	2.75	04/06/2021
	-	290,000	(3)	2.85	12/30/2025
Total	312,434	645,000			
Ashok Mishra	100,000	-		2.59	05/01/2018
	94,133	-		3.39	03/03/2020
	-	80,000	(4)	3.21	03/12/2021
	-	113,000	(2)	2.75	04/06/2021
	-	180,000	(3)	2.85	12/30/2025
Total	194,133	373,000			
O'Neil Nalavadi	100,000	-		2.59	05/01/2018
	100,000	-		5.62	03/14/2020

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	50,000	-		4.37	03/14/2020
	80,013	-		3.39	03/03/2020
	-	113,000	(2)	2.75	04/06/2021
	-	115,000	(3)	2.85	12/30/2025
Total	330,013	228,000			

(1) The exercise of these stock options is contingent on a minimum market price of \$6.00 per share at the time of exercise.

(2) Granted on April 7, 2014. 100% of the stock options vest and become exercisable on April 7, 2017.

(3) Granted on December 31, 2015. The stock options vest and become exercisable in three equal installments on December 31, 2016, December 31, 2017 and December 31, 2018.

(4) Granted on March 13, 2014. 100% of the stock options vest and become exercisable on March 13, 2017.

Potential Payments Upon Termination or Change-Of-Control

Estimated Termination or Change-of-Control Benefits at Year-End 2015

The following table summarizes the estimated value of payments to each of the named executive officers assuming different termination events occurred at December 31, 2015.

Name	Cash Compensation (\$)	Stock-based Compensation (\$)	Welfare Benefits (\$)	Aggregate Payments (\$)
Jack S. Abuhoff				
Termination for cause	-	-	57,692	57,692
Termination without cause ⁽¹⁾	1,158,635	25,500	⁽²⁾ 141,084	1,325,219
Change-of-Control ⁽³⁾	1,737,952	25,500	⁽²⁾ 182,780	1,946,232
Death	-	-	57,692	57,692
Disability	125,000	-	57,692	182,692
Ashok Mishra				
Termination for cause	-	-	-	-
Termination without cause ⁽¹⁾	280,000	-	-	280,000
Change-of-Control	-	-	-	-
Death	-	-	-	-
Disability	70,000	-	-	70,000
O'Neil Nalavadi				
Termination for cause	-	-	32,307	32,307
Termination without cause	99,355	-	44,020	143,375
Change-of-Control	-	-	-	-
Death	-	-	32,307	32,307
Disability	-	-	32,307	32,307

⁽¹⁾ Includes resignation by the executive with good reason (as described below).

⁽²⁾ No value is included for stock options that vest upon the termination date where the exercise price for the stock option exceeds the closing price on December 31, 2015.

⁽³⁾ Assumes the Company's termination of the executive's employment coincident with or following a change-of-control (as described below).

Payments on Change-of-Control

Pursuant to Mr. Abuhoff's employment agreement, a change-of-control shall be deemed to have occurred as of the earliest of any of the following events:

The closing of a transaction by the Company or any person (other than the Company, any subsidiary of the Company or any employee benefit plan of the Company or of any subsidiary of the Company) (a "Person"), together with all "affiliates" and "associates" (within the meanings of such terms under Rule 12b-2 of the Securities Exchange Act of 1934, as amended) (the "Exchange Act") of such Person, shall be the beneficial owner of thirty percent (30%) or more of the Company's then outstanding voting stock ("Beneficial Ownership");

A change in the constituency of the Board such that, during any period of thirty-six (36) consecutive months, at least a majority of the entire Board shall not consist of Incumbent Directors. For purposes of this Paragraph 5(c)(ii), "Incumbent Directors" shall mean individuals who at the beginning of such thirty-six (36) month period constitute the Board, unless the election or nomination for election by the shareholders of the Company of each such new director was approved by a vote of a majority of the Incumbent Directors;

The closing of a transaction involving the merger, consolidation, share exchange or similar transaction between the Company and any other corporation other than a transaction which results in the Company's voting stock immediately prior to the consummation of such transaction continuing to represent (either by remaining outstanding or by being converted into voting stock of the surviving entity) at least two-thirds (2/3rds) of the combined voting power of the Company's or such surviving entity's outstanding voting stock immediately after such transaction;
The closing of a transaction involving the sale or disposition by the Company (in one transaction or a series of transactions) of all or substantially all of the Company's assets; or
A plan of liquidation or dissolution of the Company goes into effect.

Upon the Company's termination of Mr. Abuhoff's employment coincident or following a change-of-control, Mr. Abuhoff will receive:

300% of his base salary to be paid in a lump sum payout within 30 days of the date of his termination;
300% of the greater of his most recently declared bonus (as defined) or the average of his three most recently declared bonuses to be paid in a lump sum payout within 30 days of the date of his termination;
Continuation of his (and as applicable, his dependents') medical and dental insurance until the earlier of the end of the maximum applicable COBRA coverage period or for the 36 month period immediately following Mr. Abuhoff's termination (and if the COBRA period is shorter than the applicable 36 month period, pay Mr. Abuhoff an amount equal to the monthly cost charged by the Company for COBRA coverage during the period beginning upon the expiration of the maximum COBRA coverage period and the end of the 36 month continuation period);
Continuation of his life and long-term disability insurance for the 36 month period immediately following Mr. Abuhoff's termination;
The removal of any vesting, transfer, lock-up, performance or other restrictions or requirements on his stock options and other equity-based and non-equity-based awards and incentives; and
Payment of up to six weeks' accrued but unused vacation.

Upon the occurrence of a change-of-control without a termination of Mr. Abuhoff's employment, Mr. Abuhoff will receive:

The removal of any vesting, transfer, lock-up, performance or other restrictions or requirements on his stock options and other equity-based and non-equity-based awards and incentives.

Payments on Termination (other than upon Change-of-Control)

Jack S. Abuhoff

Pursuant to Mr. Abuhoff's employment agreement, if Mr. Abuhoff's employment is terminated by the Company other than for cause, death or disability, or Mr. Abuhoff resigns his employment for good reason (including the Company's breach of its material obligations under the Agreement, the Company, without Mr. Abuhoff's prior consent, relocating Mr. Abuhoff's regular office location by more than 50 miles from its present location, the Company assigning duties to Mr. Abuhoff which represent a material diminution of his authorities, duties or responsibilities, or requiring him to report to any person or entity other than the Board of Directors, and the Company does not revoke or reasonably cure any such action within 30 days of receipt of notice from Mr. Abuhoff and Mr. Abuhoff resigns his employment within 30 days thereafter) Mr. Abuhoff will be entitled to (i) 200% of his (A) base salary and (B) the greater of his most recently declared bonus (as defined) or the average of the his three most recently declared bonuses to be paid in substantially equal payments over a period of 24 months; (ii) the continuation of his (and as applicable, his dependents') medical and dental insurance until the earlier of the end of the maximum applicable COBRA coverage period or for the 24 month period immediately following Mr. Abuhoff's termination (and if the COBRA period is shorter than the applicable 24 month period, pay Mr. Abuhoff an amount equal to the monthly cost charged by the Company for COBRA coverage during the period beginning upon the expiration of the maximum COBRA coverage period and the end of the 24 month continuation period); (iii) the continuation of his life and long-term disability insurance for the 24 month period immediately following Mr. Abuhoff's termination; (iv) payment of up to six weeks' accrued but unused vacation and (v) the removal of any vesting, transfer, lock-up, performance or other restrictions or requirements on his stock options and other equity-based and non-equity-based awards and incentives. If Mr. Abuhoff's employment is terminated for death, his estate will receive payment of his base salary through the date of termination, a pro-rated bonus based on his performance of his objectives through the date of termination, and payment of up to six weeks' accrued but unused vacation. If Mr. Abuhoff's employment is terminated for disability he will receive payment of his base salary for a 90 day period following the date of termination, a pro-rated bonus based on active duty with the Company and conditioned on attainment of quantitative objectives, and payment of up to six weeks' accrued but unused vacation. If Mr. Abuhoff's employment is terminated for cause, Mr. Abuhoff will receive his base salary through the date of termination, and payment of up to six weeks' accrued but unused vacation. In return for the benefits described above, Mr. Abuhoff is required to sign a separation agreement and general release, and agreed, for a 12 month period following termination of his employment, not to compete or interfere with the Company, and not to employ or retain the services of an employee of the Company.

In the event Mr. Abuhoff is a “specified employee” as defined in Section 409A of the Code at the time of his termination of employment, the payments referenced above (for both change-of-control and other than upon change-of-control) shall be delayed until the date that is six months and one day following his termination of employment (or, if earlier, the earliest other date as is permitted under Section 409A of the Code). The amount payable on such date shall include all amounts that would have been payable to Mr. Abuhoff prior to that date but for the application of Section 409A and the remaining payments shall be made in substantially equal installments until fully paid. Notwithstanding the foregoing, the six month delay shall not apply to any such payments made (A) during the short term deferral period set forth in Treasury Regulation Section 1.409A-1(b)(4), or (B) after said short term deferral period, payable solely on account of an involuntary separation from service (as defined in Section 409A of the Code) and in an amount less than the Section 409A Severance Exemption Amount. The Agreement also provides for potential tax gross-up payments in respect of taxes, penalties and/or interest that may be incurred by Mr. Abuhoff under Section 409A of the Code.

Ashok Mishra

Pursuant to Mr. Mishra’s agreement, if the agreement is terminated without cause or by Mr. Mishra with good reason (including the Company’s material breach of its obligations, reduction of base salary below the amount set forth in the agreement without Mr. Mishra’s consent, and assignment of duties to Mr. Mishra inconsistent with his position, and the Company does not reasonably cure such event after receipt of written notice from Mr. Mishra that he intends to resign his employment), he will be entitled to his base salary for 12 months following the date of his termination or resignation with good reason, any earned but unpaid incentive compensation, and payment for up to six weeks’ accrued but unused vacation. If the agreement is terminated due to Mr. Mishra’s death, his estate will receive payment of his base salary through the date of termination, any earned but unpaid incentive compensation, and payment for up to six weeks’ accrued but unused vacation. If the agreement is terminated due to Mr. Mishra’s disability he will receive payment of his base salary for a 90 day period following the date of termination, any earned but unpaid incentive compensation, and payment for up to six weeks’ accrued but unused vacation. If this agreement is terminated for cause, Mr. Mishra will receive his base salary through the date of termination, and payment for up to six weeks’ accrued but unused vacation. In return for the benefits described above, Mr. Mishra is required to sign a separation agreement and general release, and agreed not to compete with the Company for a 12 month period following termination of his employment, and not to solicit the customers of the Company or to solicit or employ the services of an employee of the Company for a 24 month period following termination of employment.

O’Neil Nalavadi

Pursuant to Mr. Nalavadi’s employment agreement that expired on November 8, 2015, Mr. Nalavadi is entitled to payment of his base salary and group medical and dental insurance for a period of six months following the date of expiration of the agreement.

QUALIFICATION BY REFERENCE

The matters described in the sections titled "Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table" and "Potential Payments Upon Termination or Change-of-Control" are qualified in their entirety by reference to agreements previously filed by the Company in reports with the Securities and Exchange Commission.

DIRECTOR COMPENSATION FOR 2015

Summary Director Compensation Table

The following table sets forth information regarding compensation paid or accrued to directors in fiscal year ended December 31, 2015 for service as a Director.

Name	Fees Earned or Paid in Cash (\$)	Option Awards (\$) (1); (2)	All Other Compensation (\$)	Total (\$)
Haig S. Bagerdjian ^{(3); (4)}	30,000	50,400	-	80,400
Louise C. Forlenza ^{(3); (5)}	40,000	50,400	-	90,400
Stewart R. Massey ⁽³⁾	42,000	50,400	-	92,400
Anthea C. Stratigos ⁽³⁾	30,000	50,400	-	80,400
Andargachew S. Zelleke	30,000	50,400	-	80,400
	172,000	252,000	-	424,000

Represents the dollar amount of the aggregate grant date fair value of 40,000 stock options granted in 2015. 100% of the stock options vested and became exercisable on December 31, 2015. The aggregate grant date fair value is the amount the Company expects to expense in its financial statements over the award's vesting schedule. This amount reflects the Company's accounting expense and does not correspond to the actual value that will be realized (1) by the Director. For stock options, grant date fair value is calculated using the Black-Scholes option pricing model and is based on the value of the option on the grant date, which was \$1.26 on December 31, 2015. For information on the valuation assumptions, see Note 10 in the Notes to Consolidated Financial Statements filed with the Annual Report on Form 10-K for year-end 2015.

As of December 31, 2015 each of the directors also held stock options to acquire (i) 47,066 shares of common stock (2) that were granted in 2013 and are fully vested; and (ii) 30,000 shares of common stock that were granted in 2014 and become exercisable in 2017.

(3) As of December 31, 2015 Messrs. Bagerdjian and Massey and Mses. Forlenza and Stratigos each also held stock options to acquire 60,000 shares of common stock. These options were granted in 2011 and are fully vested.

(4) As of December 31, 2015 Mr. Bagerdjian also held stock options to acquire 28,000 shares of common stock. The options were granted in prior years and are fully vested.

(5) As of December 31, 2015 Ms. Forlenza also held stock options to acquire 23,232 shares of common stock. The options were granted in prior years and are fully vested.

Narrative Disclosure to Director Compensation Table

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Each non-employee director is compensated at the rate of \$2,500 per month, plus out-of-pocket expenses for each Board of Directors meeting they attend. Employees who are directors receive no compensation for serving on the Board of Directors. The Chair of the Audit Committee receives an additional \$833.34 per month, the Chair of the Compensation Committee receives an additional \$500 per month and the Lead Independent Director receives an additional \$500 per month. Directors do not receive any compensation for serving as a member of a Committee of the Board of Directors.

TRANSACTIONS WITH RELATED PERSONS, PROMOTERS AND CERTAIN CONTROL PERSONS

The Company maintains a written policy and procedures for the review, approval, or ratification of any related party transactions that the Company is required to report under this section of the Proxy Statement. A related party, for purposes of the Company's policy, means any (1) person who is or was (since the beginning of the last fiscal year for which the Company has filed a Form 10-K and Proxy Statement, even if they do not presently serve in that role) an executive officer, director or nominee for election as a director; (2) greater than five percent beneficial owner of the Company's common stock; or (3) immediate family member of any of the foregoing. Immediate family member includes a person's spouse, parents, stepparents, children, stepchildren, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, and brothers- and sisters-in-law and anyone residing in such person's home (other than a tenant or employee).

Under the related party transaction policy, any transaction, arrangement or relationship or series of transactions, arrangements or relationships in which the aggregate amount involved will or may be expected to exceed \$120,000 in any calendar year between the Company and a related party must be approved by the Audit Committee, unless the transaction, arrangement or relationship is pre-approved under the policy.

As set forth in the policy, in the course of its review, approval or ratification of a related party transaction the Audit Committee considers, among other factors it deems appropriate, whether the transaction is on terms no less favorable to the Company than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related party's interest in the transaction.

No director shall participate in any discussion or approval of a related party transaction for which he or she is a related party, except that the director shall provide all material information concerning the transaction to the Audit Committee and, if a member of the Audit Committee, may be counted in determining the presence of a quorum at any meeting at which the transaction is discussed and/or approved.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of March 31, 2016, certain information regarding the beneficial ownership (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) of the Company's Common Stock based upon the most recent information available to the Company for (i) each person known by the Company to own beneficially more than five (5%) percent of the Company's outstanding Common Stock, (ii) each director and nominee for director of the Company, (iii) each of the Company's named executive officers, and (iv) all named executive officers and directors of the Company as a group. Unless otherwise indicated, each stockholder's address is c/o the Company,

Three University Plaza Drive, Hackensack, New Jersey 07601.

Name and Address of Beneficial Owner	Amount and Nature		
	of Beneficial Ownership ⁽¹⁾	Percent of Class	
Directors and Nominees			
Jack S. Abuhoff ⁽²⁾	1,392,629	5.4	%
Haig S. Bagerdjian ⁽³⁾	238,756		*
Louise C. Forlenza ⁽⁴⁾	199,148		*
Stewart R. Massey ⁽⁵⁾	165,066		*
Michael J. Opat ⁽⁶⁾	7,700		*
Anthea C. Stratigos ⁽⁷⁾	147,066		*
Andargachew S. Zelleke ⁽⁸⁾	94,566		*
Named Executive Officers (who are not also directors)			
Ashok Mishra ⁽⁹⁾	228,630		*
O'Neil Nalavadi ⁽¹⁰⁾	361,028	1.4	%
All Executive Officers and Directors as a Group (8 persons) ⁽¹¹⁾	2,826,889	10.5	%
Known Beneficial Holders of More Than 5%			
Perritt Capital Management, Inc. ⁽¹²⁾			
300 South Wacker Drive, Suite 2880	1,336,182	5.3	%
Chicago, Illinois 60606			

* Less than 1%.

Unless otherwise indicated, (i) each person has sole investment and voting power with respect to the shares indicated; and (ii) the shares indicated are currently outstanding shares. For purposes of this table, a person or group of persons is deemed to have "beneficial ownership" of any shares as of a given date which such person has the right to acquire within 60 days after such date. For purposes of computing the percentage of outstanding shares held (1) by each person or group of persons named above on a given date, any security which such person or persons has the right to acquire within 60 days after such date is deemed to be outstanding for the purpose of computing the percentage ownership of such person or persons, but is not deemed to be outstanding for the purpose of computing the percentage ownership of any other person. Subject to the foregoing, the percentages are calculated based on 25,445,071 shares outstanding.

Includes currently exercisable options to purchase 312,434 shares of Common Stock. Excludes 100,000 vested (2) options as the exercise of these options is contingent on a minimum market price of \$6.00 per shares at the time of exercise.

(3) Includes currently exercisable options to purchase 175,066 shares of Common Stock.

(4)

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- Includes indirect ownership of 2,850 shares and currently exercisable options to purchase 170,298 shares of Common Stock.
- (5) Includes indirect ownership of 8,000 shares and currently exercisable options to purchase 147,066 shares of Common Stock.
- (6) Includes indirect ownership of 400 shares. Mr. Opat is a nominee.
- (7) Includes currently exercisable options to purchase 147,066 shares of Common Stock
- (8) Includes indirect ownership of 3,000 shares and currently exercisable options to purchase 87,066 shares of Common Stock.
- (9) Includes currently exercisable options to purchase 194,133 shares of Common Stock.
- (10) Includes currently exercisable options to purchase 330,013 shares of Common Stock.
- (11) Includes currently exercisable options to purchase 1,563,142 shares of Common Stock.
- (12) Based on Form SC 13G filed on February 2, 2016 with the Securities and Exchange Commission. There is shared voting power and dispositive power with respect to 1,205,585 shares, which represent shares beneficially owned by Perritt Funds, Inc.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors, certain of its officers, and any person owning more than ten percent (10%) of the Company's securities to file reports of ownership and changes of ownership with the Securities and Exchange Commission. The Company has procedures in place to assist its directors and officers in preparing and filing these reports on a timely basis. Based solely on a review of the forms filed, upon our records, and upon representations furnished by the Company's officers and directors that no Form 5s were required, the Company believes that during the period from January 1, 2015 through December 31, 2015 all officers and directors complied with Section 16(a) filing requirements.

PROPOSAL 3. APPROVAL OF THE COMPANY'S EXECUTIVE COMPENSATION ON AN ADVISORY BASIS

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") enables stockholders to vote to approve, on an advisory and non-binding basis, the compensation of the Company's named executive officers. Accordingly, you may vote on the following resolution at the 2016 annual meeting:

“RESOLVED, that the compensation paid to the Company's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion is hereby approved.”

The Company's executive compensation program is designed to attract, motivate and retain individuals with the skills required to formulate and drive the Company's strategic direction and achieve annual and long-term performance goals necessary to create shareholder value. Consistent with this philosophy, a significant percentage of the total compensation opportunity for each executive officer is based on measurable financial performance of the Company on an annual basis, and on the performance of the Company's stock on a long-term basis.

The Compensation Discussion and Analysis section of this Proxy Statement as well as the compensation tables and related narrative that follows it provides detailed information on the Company's executive compensation programs and the compensation of the Company's named executive officers.

Although this vote is non-binding, the Board of Directors and the Compensation Committee value the opinion of the stockholders and will consider the outcome of the vote when making future compensation decisions.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE “FOR” THE APPROVAL, ON AN ADVISORY BASIS, OF THE COMPENSATION OF THE COMPANY’S NAMED EXECUTIVE OFFICERS.

PROPOSAL 4. APPROVAL OF THE COMPANY’S RIGHTS AGREEMENT

Background and Reasons for the Rights Agreement

On January 14, 2016, the Board of Directors declared a dividend of one preferred share purchase right (a "Right") for each outstanding share of common stock, par value \$0.01 per share. The dividend was paid on February 1, 2016 to the stockholders of record as of the close of business on February 1, 2016. The Rights are governed by a Rights Agreement dated as of January 14, 2016 (the "Rights Agreement"), that the Company entered into with American Stock Transfer & Trust Company, LLC, as the Rights Agent.

The Rights Agreement was adopted by the Board of Directors to replace a prior rights plan that expired on January 13, 2016. The Rights Agreement is designed to assist the Board of Directors in protecting the Company and its stockholders from takeover tactics that the Board of Directors considers abusive. The Rights Agreement was not adopted in response to any specific takeover proposal. It was adopted to provide the Board of Directors with time to evaluate and respond to any unsolicited attempts to acquire the Company, to encourage anyone seeking control of the Company or to acquire the Company to negotiate with the Company prior to attempting such action, with the goal of protecting the long-term value of the stockholders’ investment in the Company.

Although stockholder approval or ratification of the Rights Agreement is not required by the Company's certificate of incorporation and bylaws or applicable law, the Board of Directors has decided to request stockholder approval of the Rights Agreement as a matter of sound corporate governance. The terms of the Rights Agreement incorporate certain recommendations of Institutional Shareholder Services, a provider of corporate governance solutions. If the stockholders do not approve the Rights Agreement, the Rights Agreement, and any rights issued under the Rights Agreement, will expire immediately following the certification of the voting results of the Meeting. If the stockholders approve the Rights Agreement, the Board of Directors can still terminate the Rights Agreement at any time prior to the Distribution Date (as described below). If the Board of Directors does not otherwise terminate the Stockholder Rights Plan, it will expire under its current terms on January 31, 2019.

A summary of certain terms of the Rights Agreement is set forth below under "Description of Right Agreement". This description is only a summary, is not complete, and is qualified in its entirety by the text of the entire Rights Agreement which is attached to this Proxy Statement as Annex A. If there is a conflict between the summary below and the Rights Agreement, the Rights Agreement will govern.

Description of the Rights Agreement

The Rights

The Board of Directors authorized the issuance of a Right with respect to each outstanding share of common stock on February 1, 2016. The Rights will initially trade with, and will be inseparable from, the common stock.

Until the Distribution Date described below, the Rights will be evidenced only by certificates that represent shares of common stock. New Rights will accompany any new shares of common stock that the Company issues after February 1, 2016 until the Distribution Date described below.

Purchase Price

Each Right will allow its holder to purchase from the Company one one-thousandth of a share of Series C Participating Preferred Stock ("Preferred Stock") for \$14.00 once the Rights become exercisable. This portion of a share of Preferred Stock will give the stockholder approximately the same dividend, voting, and liquidation rights as would one share of common stock. Prior to exercise, the Right does not give its holder any dividend, voting, or liquidation rights as a stockholder of the Company.

Exercisability

The Rights will not be exercisable until:

10 days after the public announcement that a person or group has become an "Acquiring Person" by obtaining beneficial ownership of 20% or more of the Company's outstanding common stock, or, if earlier,

10 business days (or a later date determined by the Board of Directors before any person or group becomes an Acquiring Person) after a person or group begins a tender or exchange offer which, if completed, would result in that person or group becoming an Acquiring Person.

For purposes of the Rights Agreement, beneficial ownership is defined to include the ownership of derivative securities.

The date when the Rights become exercisable is referred to as the "Distribution Date." Until that date, the common stock certificates will also evidence the Rights, and any transfer of shares of common stock will constitute a transfer of Rights. After that date, the Rights will separate from the common stock and be evidenced by Rights certificates that we will mail to all eligible holders of common stock.

Any Rights held by an Acquiring Person are void and may not be exercised.

Consequences of a Person or Group Becoming an Acquiring Person

If a person or group becomes an Acquiring Person, all holders of Rights, except the Acquiring Person, may, for a purchase price of \$14.00, acquire shares of the Company's common stock having a market value of \$28.00 based on the market price of the common stock prior to such person or group becoming an Acquiring Person.

If the Company is later acquired in a merger or similar transaction after the Distribution Date, all holders of Rights, except the Acquiring Person, may, for a purchase price of \$14.00, purchase shares of the acquiring corporation having a market value of \$28.00 based on the market price of the acquiring corporation's stock, prior to such merger.

Preferred Stock Provisions

Each share of Preferred Stock, if issued:

will not be redeemable;

will be junior to any other series of preferred stock we may issue;

will entitle the holder to quarterly dividend payments in an amount equal to 1,000 times the dividend, if any, paid on one share of common stock (so that one one-thousandth of a share of Preferred Stock would entitle the holder to receive a quarterly dividend payment that is the same as any dividend paid on one share of common stock);

will entitle the holder upon liquidation to receive 1,000 times the payment made on one share of common stock (so that one one-thousandth of a share of Preferred Stock would entitle the holder to receive the same payment as is made on one share of common stock);

will entitle the holder, if common stock is exchanged via merger, consolidation or a similar transaction, to a per share payment equal to 1,000 times the payment made on one share of common stock (so that one one-thousandth of a share of Preferred Stock would entitle the holder to receive the same payment as is made on one share of common stock);
and

will have the same voting power as 1,000 shares of common stock (so that one one-thousandth of a share of Preferred Stock would have the same voting rights as one share of common stock).

The value of one one-thousandth of a share of Preferred Stock should approximate the value of one share of common stock.

Expiration

If the Rights Agreement is approved by the stockholders at the Meeting, the Rights will expire on January 31, 2019 or on any earlier date on which the Company redeems or exchanges them, as discussed below. If stockholders do not approve the Rights Agreement it will expire immediately following certification of the vote at the 2016 annual meeting.

Redemption

The Board of Directors may redeem the Rights for \$0.001 per Right at any time prior to the earlier of (i) the close of business on the tenth calendar day following the Shares Acquisition Date, or (ii) the Final Expiration Date. If the Board of Directors redeems any Rights, it must redeem all of the Rights. Once the Rights are redeemed, the only right of the holders of Rights will be to receive the redemption price of \$0.001 per Right, in cash, common stock or other securities, as determined by the Board of Directors.

Exchange

After a person or group becomes an Acquiring Person, but before an Acquiring Person owns 50% or more of the outstanding common stock of the Company, the Board of Directors may extinguish the Rights by exchanging one share of common stock or an equivalent security for each Right (subject to adjustment) other than Rights held by the Acquiring Person.

Qualifying Offer Provision

If the Company receives a “qualifying offer” (that has not been terminated and continues to be a qualifying offer for the period hereinafter described) and the Board of Directors has not redeemed the outstanding Rights, exempted such qualifying offer from the terms of the Rights Agreement or called a special meeting for stockholders to vote on whether to exempt the qualifying offer from the terms of the Rights Agreement within 90 business days following the commencement of such offer, and if, 90 to 120 business days following commencement, the Company receives notice from holders of at least 10% of the Company’s outstanding shares of common stock (excluding shares beneficially owned by the offeror and its affiliates and associates) requesting a special meeting of the Company’s stockholders to vote on a resolution to exempt the qualifying offer, then the Board of Directors must call and hold such a special meeting by the 90th business day following receipt of the stockholder notice (the “Outside Meeting Date”).

If prior to holding a vote on the qualifying offer, the Company enters into an agreement conditioned on the approval by holders of a majority of the Company’s outstanding shares of common stock with respect to a share exchange, merger, consolidation, recapitalization, reorganization, business combination or a similar transaction involving the Company or the direct or indirect acquisition of more than 50% of the Company’s consolidated total assets or earning power, the Outside Meeting Date may be extended by the Board of Directors so that stockholders vote on whether to exempt the qualifying offer at the same time as they vote on such agreement.

If the Board of Directors does not hold a special meeting by the Outside Meeting Date to vote on the exemption of the qualifying offer, the qualifying offer will be deemed exempt from the Rights Agreement 10 business days after the Outside Meeting Date. If the Board of Directors does hold a special meeting and stockholders vote at such meeting in favor of exempting the qualifying offer, the qualifying offer will be deemed exempt from the Rights Agreement 10 business days after the votes are certified as official by the inspector of elections.

A “qualifying offer,” in summary terms, is an offer determined by the Board of Directors to have the following characteristics:

a fully financed all-cash tender offer or an exchange offer offering shares of common stock of the offeror, or a combination thereof, in each such case for all of the Company’s outstanding shares of common stock at the same per share consideration;

an offer that has commenced within the meaning of Rule 14d-2(a) under the Securities Exchange Act of 1934, as amended;

an offer that, within 20 business days after commencement (or within 10 business days after any increase in the offer consideration), does not result in a nationally recognized investment banking firm retained by the Board of Directors rendering an opinion to the Board of Directors that the consideration being offered to the holders of the Company's common stock is either inadequate or unfair;

an offer whose per share offer price and consideration (x) is not less than \$17.00, subject to adjustment as provided in the Rights Agreement, and (y) also represent a reasonable premium over the highest reported market price of the common stock in the 24 months immediately preceding the date on which the offer is commenced; provided that to the extent that an offer includes common stock of the offeror, such per share offer price with respect to such common stock of the offeror will be determined for purposes of the foregoing provision using the lowest reported market price for common stock of the offeror during the five trading days immediately preceding and the five trading days immediately following the date on which the qualifying offer is commenced;

an offer pursuant to which the Company has received an irrevocable, legally binding written commitment of the offeror that the offer will remain open for at least 120 business days and, if a special meeting is duly requested, for at least 10 business days after the date of the special meeting or, if no special meeting is held within 90 business days following receipt of the special meeting request (subject to extension in certain circumstances), for at least 10 business days following such period;

an offer that is conditioned on a minimum of at least two-thirds of the outstanding shares of the Company's common stock not held by the offeror (and its affiliates and associates) being tendered and not withdrawn as of the offer's expiration date;

an offer that is subject only to the minimum tender condition described in the preceding clause and other customary terms and conditions, which conditions shall not include any due diligence, financing, funding or similar conditions;

an offer pursuant to which, subject to certain exceptions, the Company has received an irrevocable written commitment of the offeror that, in addition to the minimum time periods specified above, the offer, if it is otherwise to expire prior thereto, will be extended for at least 20 business days after any increase in the consideration being offered or after any bona fide alternative offer is commenced;

an offer pursuant to which the Company has received an irrevocable written commitment by the offeror to consummate as promptly as practicable upon successful completion of the offer a second-step transaction whereby all of the Company's shares of common stock not tendered into the offer will be acquired at the same consideration per share actually paid pursuant to the offer, subject to stockholders' statutory appraisal rights, if any;

an offer pursuant to which the Company and its stockholders have received an irrevocable written commitment of the offeror that no amendments will be made to the offer to reduce the consideration being offered or to otherwise change the terms of the offer in a way that is adverse to a tendering stockholder;

an offer (other than an offer consisting solely of cash consideration) pursuant to which the Company has received the written representation and certification of the offeror and the written representations and certifications of the offeror's Chief Executive Officer and Chief Financial Officer, acting in such capacities, that (a) all facts about the offeror that would be material to making an investor's decision to accept the offer have been fully and accurately disclosed as of the date of the commencement of the offer, (b) all such new facts will be fully and accurately disclosed on a prompt basis during the entire period during which the offer remains open and (c) all reports required under the Securities Exchange Act of 1934, as amended, will be filed by the offeror in a timely manner during such period; and

if the offer includes the offeror's common stock as all or part of the offered consideration, (A) the non-cash portion of the consideration offered must consist solely of common stock of the offeror, which must be a publicly-owned U.S. corporation, (B) such common stock must be freely tradable and listed or admitted to trading on either the New York Stock Exchange or The NASDAQ Stock Market LLC, (C) no stockholder approval of the issuer of such common stock may be required to issue such common stock, or, if such approval may be required, such approval must have already been obtained, and (D) there must be no beneficial owner of 20% or more of the offeror's common stock outstanding at the time of commencement or at any time during the term of the offer.

Anti-Dilution Provisions

The Rights will have the benefit of certain customary anti-dilution provisions.

Amendments

The terms of the Rights Agreement may be amended by the Board of Directors without the consent of the holders of the Rights. However, after a person or group becomes an Acquiring Person, the Board of Directors may not amend the Rights Agreement in a way that adversely affects holders of the Rights.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE “FOR” THE APPROVAL OF THE RIGHTS AGREEMENT

PROPOSAL 5. APPROVAL OF AMENDMENTS TO THE INNODATA INC. 2013 STOCK PLAN

The Board of Directors has adopted, and recommends that the stockholders approve, the amendments to the Innodata Inc. 2013 Stock Plan (As Amended and Restated June 3, 2014) (the “Plan”), as described in further detail below. The Plan was originally approved by stockholders on June 4, 2013. The Plan was previously amended with the approval of stockholders at the 2014 Annual Meeting held on June 3, 2014. The Plan is the Company's sole equity-based plan.

The Company’s named executive officers and directors have an interest in this proposal as each of them is eligible to receive grants under the Plan.

The primary purpose of the amendments to the Plan (the “2016 Plan Amendments”) is to add 5,500,000 shares to the total number of shares reserved for issuance under the Plan. The Plan permits the grant of stock options, stock appreciation rights, restricted stock, stock units and performance grants. Stockholder approval of the 2016 Plan Amendments is required by Nasdaq rules. If we receive stockholder approval, the 2016 Plan Amendments will become effective June 7, 2016. If we do not receive stockholder approval, the 2016 Plan Amendments will not go into effect, and the Plan will continue in effect in accordance with its existing terms.

The table below sets forth aggregate information regarding the Company’s equity compensation plans in effect as of March 1, 2016:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (c)
Equity compensation plans approved by security holders ⁽¹⁾	4,440,146	\$ 3.00	474,859
Equity compensation plans not approved by security holders	-	-	-
Total	4,440,146	\$ 3.00	474,859

As of March 1, 2016, 474,859 shares were available for issuance (i.e., reserved and not subject to any outstanding awards) under the Plan. If the 2016 Plan Amendments are approved by the Company’s stockholders, a total of 5,974,859 shares will be available for awards made under the Plan as of June 7, 2016 (reduced by awards granted after March 1, 2016 and prior to June 7, 2016, and increased by awards issued under the Plan that expire or terminate unexercised, become unexercisable or are forfeited without the delivery of shares of Stock or other consideration after March 1, 2016 and prior to June 7, 2016). As of March 1, 2016 there were options to purchase 4,440,146 shares of our common stock outstanding under the Plan and the Company’s prior equity-based plans. These options to purchase 4,440,146 shares had a weighted average exercise price of \$3.00 and a weighted average remaining contractual life of 5.64 years. As of March 1, 2016, all of the outstanding options were underwater and there were no other awards outstanding under the Plan.

Burn Rate and Overhang

In setting and recommending to stockholders the number of additional shares to authorize under the Plan, the Compensation Committee considered historical equity awards granted under the Plan, as well as our three-year average burn rate for the preceding three fiscal years as follows:

Year	Stock Options Granted	Stock Awards Granted	Total	Weighted Average Common Shares Outstanding	Burn Rate
2015	785,000	(1) 0	785,000	25,401,000	3.09 %
2014	1,292,000	0	1,292,000	25,232,000	5.12 %
2013	1,014,022	0	1,014,022	24,997,000	4.06 %
Three-Year Average	1,030,341	0	1,030,341		4.09 %

(1) Excludes 470,000 stock options granted by the Compensation Committee on December 31, 2015 but recognized as 2016 grants under U.S. Generally Accepted Accounting Principles.

Our average burn rate for the preceding three fiscal years as set forth in the table above was 4.09%. The burn rate is the ratio of the number of shares underlying awards granted under the Plan during a fiscal year to the number of our weighted average common shares outstanding for the corresponding fiscal year.

We calculate overhang as the sum of the total number of shares subject to equity awards outstanding and the total number of shares available for grant under the Plan (our only equity plan) divided by the sum of the total common stock outstanding, the total number of shares subject to equity awards outstanding and the total number of shares available for grant under the Plan. Our overhang as of March 1, 2016, was 16.4%. If the 2016 Plan Amendments are approved, the additional 5.5 million shares available for issuance would increase the overhang to approximately 29.0%. This percentage is in large part a result of outstanding awards being unexercisable as of March 1, 2016 and for significant periods of time prior to such date due to the exercise price of such awards being higher than the market price for the underlying shares of stock. If the 2016 Plan Amendments are approved by stockholders, we anticipate that the increase in shares will enable us to continue with our existing grant practices for the next three to five years.

The following table shows certain information about the Plan as of March 1, 2016:

Number of shares that will be authorized for future grant after stockholder approval of the Plan (1)	5,974,859
Number of shares relating to outstanding stock options at 3/1/2016	4,440,146
Weighted average remaining term of outstanding options	5.64 years
Weighted average exercise price of outstanding options	\$3.00

(1) Grants of stock-based awards other than options or stock appreciation rights will count against the authorization as 2.0 shares. The authorization will also be reduced by the number of shares granted between March 1, 2016, and the date of stockholder approval at the fungible ratio.

Other principal amendments to the Plan include:

Addition of a provision limiting the aggregate amount of cash plus the grant date fair value of all awards to any non-employee Director during a single calendar year to \$500,000.

Shares withheld, tendered or exchanged by a participant as full or partial payment to the Company of the exercise price of an option or in satisfaction of the minimum tax withholding obligations of a participant with respect to any award will be available under the Plan for issuance.

Addition of a provision allowing substitute awards in certain circumstance in connection with the acquisition of a company by the Company or a subsidiary of the Company. In such event, awards granted or shares issued by the Company in assumption of, or in substitution or exchange for, awards previously granted, or the right or obligation to make future awards, in each case by a company acquired by the Company or any Subsidiary or with which the Company or any Subsidiary combines will not reduce the shares authorized for issuance under the Plan or be added to the shares available for issuance under the plans.

Inclusion of additional performance criterion.

Clarification that no dividend equivalents will be granted or payable in connection with any option or stock appreciation right.

Deletion of the ability of a participant to pay the exercise price of an option with a promissory note secured by a pledge of the shares of stock received upon exercise of the option.

Addition of the ability of a participant to pay the exercise price of an option and the participant's minimum tax withholdings with respect to the exercise with shares of stock otherwise issuable to a participant upon the exercise of the option (a "net exercise").

Deletion of the ability of the plan administrator to pay a performance grant upon the participant's retirement without the attainment of the performance goals.

Clarification that any share withholdings will not exceed the minimum statutory rate or such other rate that will not create an adverse accounting consequence or cost.

Section 162(m) of the Code

The Board of Directors believes that it is in the best interests of the Company and its stockholders to provide for an equity incentive plan under which compensation awards made to the Company's executive officers may be eligible to qualify for deductibility by the Company for federal income tax purposes. Accordingly, the Plan is designed to permit the grant of awards that are intended to qualify as "performance-based compensation" not subject to the \$1,000,000 deductibility cap under Section 162(m) of the Internal Revenue Code of 1986, as amended ("Section 162(m)"), however, there is no guarantee that amounts payable under the Plan will be treated as qualified "performance-based compensation" under Section 162(m). In general, under Section 162(m), for the Company to be able to deduct compensation in excess of \$1,000,000 paid in any one year to the Company's chief executive officer or any of the Company's three other most highly compensated executive officers (other than the Company's chief financial officer), such compensation must qualify as "performance-based." One of the requirements of "performance-based" compensation for purposes of Section 162(m) is that when the Company has discretion in setting performance goals under which compensation may be paid the material terms of the performance goals must be disclosed to and approved by the Company's stockholders at least once every five years. For purposes of Section 162(m), the material terms include (i) the employees eligible to receive compensation; (ii) a description of the business criteria on which the performance goal is based; and (iii) the maximum amount of compensation that can be paid to an employee under the performance goal. With respect to the various types of awards under the Plan, each of these aspects is discussed below, and, as noted above, approval of the Plan itself will constitute approval of each of these aspects for purposes of the approval requirements of Section 162(m).

The Board of Directors recommends that the stockholders approve the 2016 Plan Amendments. The Board of Directors believes that stock based incentives align the interests of the Company's employees with those of stockholders in building stockholder value, offer employees incentives for the achievement of superior performance over time, assists in attracting new employees and fosters the retention of employees.

Additional Information Concerning the Amended Plan

A copy of the Plan, as amended by the 2016 Plan Amendments as proposed herein (the “Amended Plan”), is attached hereto as Annex B. A summary of the material terms of the Amended Plan is provided below, but is qualified in its entirety by reference to the full text of the Amended Plan. As used in the summary below, references to “Plan” shall refer to the Plan as amended by the 2016 Plan Amendments.

Effective Date. The Plan was originally approved by the Innodata Board of Directors on April 4, 2016 and will become effective on the date the Plan is approved by the stockholders of the Company.

Shares Available. As of June 7, 2016 the number of shares of stock that may be delivered, purchased or used for reference purposes (with respect to Stock Appreciation Rights (“SARs”) or Stock Units) with respect to awards granted under the Plan shall be 5,974,859 shares of Common Stock of Innodata (“Stock”), less one (1) share for every one (1) share that was subject to an Option or SAR granted after March 1, 2016 and prior to June 7, 2016 and two (2) shares for every one (1) share that was subject to an Award other than an Option or SAR granted after March 1, 2016 and prior to June 7, 2016 under the Plan. Shares of Stock subject to Options or SARs granted under the Plan shall count against the share reserve as one (1) share for every one (1) share subject to such Option or SAR and shares subject to any other type of Award granted under the Plan shall count against the share reserve as two (2) shares for every one (1) share subject to such Award. If any Award, or portion of an Award, under the Plan (or award under the 2009 Stock Plan, as amended and restated (the “Prior Plan”) expires or terminates unexercised, becomes unexercisable or is forfeited or otherwise terminated, surrendered or canceled as to any shares without the delivery of shares of Stock or other consideration, the shares subject to such Award shall thereafter be available for further Awards under the Plan as provided in below. No further awards shall be made under the Prior Plan on or after the Effective Date of the Plan.

Plan Limits. The maximum number of shares of Stock that may be subject to awards of any combination that may be granted during any fiscal year of the Company to any one individual is 1,000,000 shares (which, for the avoidance of doubt, includes the maximum that could be earned under any performance-based award), subject to adjustment for certain specified changes to the Company's capital structure. The maximum amount of cash that may be paid under the Plan to any one individual during any one fiscal year of the Company is \$2,000,000.

Non-Employee Director Awards. The aggregate amount of cash (including annual retainers and other fees) plus the grant date fair value (computed as of the date of grant in accordance with applicable financial accounting rules) of all Awards granted to any non-employee Director during any single calendar year shall not exceed \$500,000.

Share Counting. Any shares of Stock withheld, tendered or exchanged by a Participant as full or partial payment to the Corporation of the Exercise Price under an Option (or an option under the Prior Plan) and any shares tendered, retained or withheld in satisfaction of a Participant's tax withholding obligations with respect to any Award (or an award under the Prior Plan) shall be available for issuance and added to the number of shares of Stock available for Awards under the Plan as described below. Awards under the Plan (or under the Prior Plan) that may only be settled in cash shall not reduce the number of shares available for Awards under the Plan. Any shares of Stock that again become available for Awards under the Plan pursuant to the preceding sentence or as provided under the header ‘Shares Available’, above shall be added as (i) one (1) share for every one (1) share subject to Options or SARs granted under the Plan or options or stock appreciation rights granted under the Prior Plan, and (ii) as two (2) shares for every one (1) share subject to Awards other than Options or SARs granted under the Plan or awards other than options or stock appreciation rights granted under the Prior Plan.

Eligibility. All directors, officers and other employees and other persons who provide services to the Company or any Related Company (as defined in Section 2.21 of the Plan) are eligible to participate in the Plan.

Administration. The administrator of the Plan will be the Compensation Committee of the Company's Board of Directors unless otherwise designated by the Board of Directors. The Compensation Committee serving as administrator will, among other things, have the authority to: construe the Plan and any award under the Plan; select the directors and officers and others who provide services to the Company to whom awards may be granted and the time or times at which awards will be granted; determine the number of shares of common stock to be covered by or used for reference purposes for any award; determine and modify from time to time the terms, conditions, and restrictions of any award; approve the form of written instrument evidencing any award; accelerate or otherwise change the time or times at which an award becomes vested or when an award may be exercised or becomes payable; waive, or accelerate the lapse, in whole or in part, any restriction or condition with respect to any award; impose limitations on awards; modify, extend or renew outstanding awards, or accept the surrender of outstanding awards and substitute new awards (subject to the restrictions below); delegate, to the extent permitted by applicable law, any portion of its authority under the Plan to any officer or director of the Company, subject to any conditions the Compensation Committee may establish; and make all other determinations deemed necessary or advisable for the administration of the Plan.

Repricing Prohibited. Without prior shareholder approval, the administrator of the Plan is expressly prohibited from (i) lowering the exercise price of any option or SAR after the date of grant; (ii) taking any other action that is treated as a repricing under generally accepted accounting principles; or (iii) canceling an option or SAR at a time when its exercise price (or, with respect to an SAR, the fair market value of the Stock covered by the SAR on the grant date) exceeds the fair market value of the underlying Stock in exchange for any other award, unless the cancellation and exchange occurs in connection with a corporate transaction (as described in Section 10.1 of the Plan).

New Plan Benefits. The Compensation Committee has not yet made any awards out of the additional shares that would be reserved for issuance under the Plan if this proposal is approved by the Company's stockholders. Because the granting of awards is in the sole discretion of the Compensation Committee, the nature and magnitude of future awards under the Plan cannot currently be determined.

Types of Awards. The types of awards that may be made under the Plan are stock options, stock appreciation rights, restricted stock awards, stock units and performance grants. The Compensation Committee will fix the terms of each award, including, to the extent relevant, the following: (1) exercise price for options, base price for stock appreciation rights, purchase price, if any, for restricted stock awards, and performance goals for performance grants, (2) vesting requirements and other conditions to exercise, (3) term and termination, (4) effect, if any, of change of control and (5) method of exercise and of any required payment by the recipient. Additional information concerning the types of awards that may be made is set forth below.

Stock Options. The Compensation Committee may grant options that are qualified as "incentive stock options" under Section 422 of the Internal Revenue Code ("ISOs") and options that are not so qualified ("non-qualified options"). ISOs are subject to certain special limitations, including the following: (1) the exercise price per share may not be less than 100% of the fair market value per share of our Stock on the grant date (110% of such fair market value, if the recipient owns more than 10% of the total combined voting power of all classes of our outstanding shares), (2) the term may not exceed 10 years (5 years, if the recipient owns more than 10% of the total combined voting power of all classes of our outstanding shares), and (3) the recipient must be an employee of our Company. The term for non-qualified options may not exceed 10 years.

Stock Appreciation Rights. A stock appreciation right gives the holder the opportunity to benefit from the appreciation of our Stock over a specified base price determined by the Compensation Committee. The base price may not be less than 100% of the fair market value of the Stock covered by the SAR on the date of grant. Upon exercise of a stock appreciation right, the holder has the right to receive in respect of each share subject thereto a payment equal to the excess, if any, of: (1) the fair market value of a share of our Stock as of the exercise date over (2) the specified base price. At the discretion of the Compensation Committee, any required payment may be made in cash, shares of our Stock, or both. The term of any SAR may not exceed 10 years.

Restricted Stock Awards. A restricted stock award entitles the recipient to acquire shares of our Stock for no consideration or for the consideration specified by the Compensation Committee. The shares will be subject to such vesting periods and other restrictions and conditions as the Compensation Committee determines. Restrictions conditioned on employment and the passage of time shall not fully expire less than three years from the grant date of the restricted stock award except that up to 298,742 shares of Stock may be granted with a restriction of no less than one year. Restrictions conditioned on the achievement of performance goals or other performance conditions shall not expire less than one year from the grant date.

Stock Units. A stock unit is a bookkeeping account to which there is credited the fair market value of a share of our Stock. The value of the account is subsequently adjusted to reflect changes in the fair market value. Upon exercise of a stock unit, the holder is entitled to receive the value of the account. Vesting conditions based on employment and the passage of time shall not fully expire less than three years from the grant date of the stock unit award except that up to 298,742 stock units may be granted with a vesting period of no less than one year. Vesting conditions based on the achievement of performance goals or other performance conditions shall not end less than one year from the grant date.

Performance Grants. A performance grant is an award based on the achievement of performance goals set forth with respect to certain performance criteria. For each performance grant the Compensation Committee will establish the amount of cash or shares of our Stock payable at specified levels of performance, based on the performance goals for each performance criterion. Any performance grant will be made not later than 90 days after the start of the performance period to which such award relates and will be made prior to the completion of 25% of the performance period. Except as set forth in the next sentence, the Compensation Committee may increase, but not decrease, the level of performance needed to achieve any performance goal during the performance period. The administrator may provide, in its discretion, for a performance grant to be payable without regard to the attainment of the performance goals established with respect to the award only in the event of a participant's death or disability, or the occurrence of a Change of Control (as defined in Section 2.5 of the Plan).

Performance Criteria. Performance goals may be based on any one or more of the following performance criteria: cash flow; cash flow from operations; earnings (including, but not limited to, gross earnings, operating earnings, earnings before interest and taxes, earnings before interest, taxes, depreciation and amortization, adjusted earnings before interest, taxes, depreciation and amortization); earnings per share, diluted or basic; earnings per share from continuing operations; net asset turnover; inventory turnover; bookings; backlog; capital expenditures; debt; debt reduction; working capital; return on investment; return on sales; net or gross sales; market share; economic value added; cost of capital; change in assets; expense reduction levels; productivity; delivery performance; safety record; stock price; return on equity; total stockholder return; return on capital; return on assets or net assets; revenue; income or net income; gross income, operating income or net operating income; operating profit or net operating profit; gross margin, operating margin or profit margin; completion of acquisitions, business expansion, product diversification, new or expanded market penetration, and market share. To the extent consistent with Code Section 162(m) and the regulations promulgated thereunder and unless otherwise determined by the administrator at the time the performance goals are established, the administrator will, in applying the performance goals, exclude the adverse effect of any of the following events that occur during a performance period: the impairment of tangible or intangible assets; litigation or claim judgments or settlements; changes in tax law, accounting principles or other such laws or provisions affecting reported results; business combinations, reorganizations and/or restructuring programs that have been approved by the Board; reductions in force and early retirement incentives; and any unusual, infrequent or non-recurring items separately identified in the financial statements and/or notes thereto in accordance with generally accepted accounting principles.

Code Section 162(m). With respect to any restricted stock awards or stock units intended to qualify as "performance-based compensation" under Code Section 162(m), the terms and conditions of such award shall be implemented by the Compensation Committee in a manner designed to preserve such awards as "performance-based compensation."

Modifications. No modification (within the meaning of U.S. Treasury Regulations Section 1.409A-1(b)(5)(v)(B)) may be made with respect to any option or SAR if the modification would result in the option or SAR constituting a deferral of compensation, and no extension (within the meaning of U.S. Treasury Regulations Section 1.409A-1(b)(5)(v)(C)) may be made with respect to any option or SAR if the extension would result in the option or SAR having an additional deferral feature from the date of grant, in each case without the participant's consent.

Certain Corporate Transactions. If certain corporate transactions specified in the Plan occur, the Compensation Committee shall proportionately adjust the Plan and awards as it deems necessary or appropriate to prevent enlargement or dilution of rights, including, without limitation, (1) the number of shares of Stock that can be granted or used for reference purposes pursuant to the Plan and any other limits under the Plan; (2) the number and kind of shares or other securities subject to any then outstanding awards under the Plan; and (3) the exercise price, base price, or purchase price applicable to outstanding awards under the Plan. To the extent outstanding awards are not assumed by or substituted for by the surviving entity or its parent in connection with any merger or consolidation of the Company or any sale or transfer of all or part of the Company's assets or business, or any similar event, the Compensation Committee may cancel the outstanding awards, but not outstanding Stock or restricted Stock awards, and/or accelerate the vesting of the outstanding awards. The Compensation Committee may determine to pay no compensation whatsoever for any canceled awards that are not in-the-money (as defined below) or for any canceled awards to the extent not vested. The Company is required to provide payment in cash or other property for the in-the-money value of the vested portion of awards that are in-the-money and that are canceled as aforesaid. Awards are in-the-money only to the extent of their then realizable market value, without taking into account the potential future increase in the value of the award (whether under Black-Scholes-type formulas or otherwise).

Any adjustment of ISOs shall be made only to the extent not constituting a "modification" within the meaning of Code Section 424(h)(3). Further, with respect to awards intended to qualify as "performance-based compensation" under Code Section 162(m), such adjustments shall be made only to the extent that the Administrator determines that such adjustments may be made without causing the Company to be denied a tax deduction on account of Code Section 162(m). No adjustments of NSOs and SARs shall be made, without the recipient's consent, to the extent such adjustment would result in the NSO or SAR constituting a deferral of compensation (within the meaning of U.S. Treasury Regulations Section 1.409A-1(b)(5)(v)(B) or(C)).

Amendment. The Board of Directors may amend, alter, suspend, discontinue, or terminate the Plan or any portion thereof at any time; provided that no such amendment, alteration, suspension, discontinuation or termination shall be made without shareholder approval if such approval is necessary to comply with any tax or regulatory requirement applicable to the Plan (including as necessary to prevent the Company from being denied a tax deduction on account of Code Section 162(m)); and provided further that any such amendment, alteration, suspension, discontinuance or termination that would impair the rights of any participant or any holder or beneficiary of any award theretofore granted shall not to that extent be effective without the consent of the affected participant, holder or beneficiary. Notwithstanding the foregoing, the Board may unilaterally amend the Plan and outstanding awards without participant consent as it deems necessary or appropriate to ensure compliance with applicable securities laws and provisions of the Code.

Term of Plan. No award may be granted under the Plan after the close of business on the day immediately preceding the tenth anniversary of the original effective date of the Plan (June 4, 2013). However, all awards made prior to such time will remain in effect in accordance with their terms.

Summary of Federal Income Tax Consequences.

Generally, a participant in the Plan will not incur any federal income tax when he receives an award, unless a participant who receives a restricted stock award makes a valid Section 83(b) election with respect to the award. If the participant makes a valid Section 83(b) election, the participant will recognize ordinary income equal to the fair market value of the restricted shares on the date of grant, and generally will not recognize any additional ordinary income at the time the restrictions with respect to the shares lapse.

Upon exercise of a nonstatutory stock option, a participant generally will recognize ordinary income equal to the difference between the fair market value of the stock acquired on the date of the exercise and the exercise price. A participant generally will not recognize any ordinary income upon exercise of an incentive stock option unless the participant is subject to the alternative minimum tax. If the participant holds the stock purchased upon exercise of an incentive stock option until the later of two years after the date of grant or one year after exercise, then any profit or loss realized on the later sale or exchange of the stock relative to the exercise price will be capital gain or loss. If the

participant sells or exchanges the stock prior to the expiration of the holding period, the participant generally will recognize ordinary income equal to the difference between the fair market value of the shares at the time of exercise (or, if less, the amount realized upon the sale or exchange) and the exercise price, and any additional profit will be capital gain. If the amount realized upon the sale or exchange of the shares is less than the exercise price paid, then the participant will generally be entitled to a capital loss.

Unless the participant has made a valid Section 83(b) election, upon vesting of restricted stock, a participant will generally recognize ordinary income equal to the fair market value of the shares, determined at the time of vesting. A participant will generally recognize ordinary income upon payment of stock appreciation rights, restricted stock units and performance grants equal to the cash received or the fair market value of the shares paid under the award determined at the time of payment.

If the participant is an employee then ordinary income recognized by the participant in connection with an award as described above is generally subject to applicable tax withholding by us. We generally are not required to withhold taxes in connection with the exercise or disposition of an incentive stock option.

Assuming that a participant's compensation is otherwise reasonable and that the statutory limitations on compensation deductions (including the limitations under Internal Revenue Code Sections 162(m) and 280G) do not apply, we usually will be entitled to a business expense deduction when and for the amount which a participant recognizes as ordinary income in connection with an incentive award, as described above. We generally do not receive a deduction in connection with the exercise of an incentive stock option unless there is a disqualifying disposition of the shares acquired under the option.

Internal Revenue Code Section 162(m) imposes a \$1,000,000 limit on the amount of the annual compensation deduction allowable to a publicly-held company with respect to its Company's chief executive officer or any of its three other most highly compensated executive officers (other than the Company's chief financial officer) whose compensation is required to be reported to shareholders under the Securities Exchange Act of 1934. An exception to this limit is provided for performance-based compensation if certain requirements are met. The Plan permits awards under the Plan to be granted in a manner that will qualify for this exception from the deduction limit.

The discussion above is subject to the general federal tax doctrines of constructive receipt and economic benefit and to the applicable provisions of Code Section 409A. If at any time a participant is in constructive receipt or receives the economic benefit of an award, the participant may incur federal tax liabilities with respect to the award earlier than the times described above. In addition if at any time the Plan, any award under the Plan or any arrangement required to be aggregated with the Plan or any award under the Plan fails to comply with the applicable requirements of Code Section 409A, all amounts (including earnings) deferred under the Plan or such award for the taxable year and all preceding taxable years by any participant with respect to whom the failure relates are includible in such participant's gross income for the taxable year to the extent not subject to a substantial risk of forfeiture and not previously included in the participant's gross income. These amounts are also subject to an additional income tax equal to 20 percent of the amount required to be included in gross income and interest equal to the underpayment rate specified by the Internal Revenue Service plus one percentage point, imposed on the underpayments that would have occurred had the compensation been includible in income for the taxable year when first deferred, or if later, when not subject to a substantial risk of forfeiture.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" APPROVAL OF THE AMENDMENTS TO THE INNODATA INC. 2013 STOCK PLAN

VOTE REQUIRED

Election of Directors. Directors will be elected at the meeting by a plurality of the votes cast (i.e., the seven nominees receiving the greatest number of votes will be elected as directors).

Ratification of the Appointment of Independent Auditors. The appointment of CohnReznick LLP as independent auditors requires the affirmative vote of a majority of the shares present in person or represented by proxy at the meeting and entitled to vote on the matter.

Approval of the Company's Executive Compensation on an Advisory Basis. The compensation of the named executive officers will be approved, on an advisory basis, if it receives the affirmative vote of a majority of the shares present in person or represented by proxy at the meeting and entitled to vote on the matter. Abstentions will have the same effect as a vote against such approval, whereas broker non-votes and shares not represented at the meeting will not be counted for purposes of determining whether such approval has been received.

Approval of the Company's Rights Agreement. The approval of the Company's Rights Agreement requires the affirmative vote of a majority of the shares present in person or represented by proxy at the meeting and entitled to vote on the matter. Abstentions will have the same effect as a vote against such approval, whereas broker non-votes and shares not represented at the meeting will not be counted for purposes of determining whether such approval has been received.

Approval of Amendments to the Innodata Inc. 2013 Stock Plan. The approval of amendments to the Innodata Inc. 2013 Stock Plan requires the affirmative vote of a majority of the shares present in person or represented by proxy at the meeting and entitled to vote on the matter. Abstentions will have the same effect as a vote against such approval, whereas broker non-votes and shares not represented at the meeting will not be counted for purposes of determining whether such approval has been received.

EXPENSE OF SOLICITATION

The cost of soliciting Proxies, which also includes the preparation, printing and mailing of the Proxy Statement, will be borne by the Company. Solicitation will be made by the Company primarily through the mail, but regular employees of the Company may solicit Proxies personally, by telephone, facsimile or electronic communication. The Company will request brokers and nominees to obtain voting instructions of beneficial owners of the stock registered in their names and will reimburse them for any expenses incurred in connection therewith.

HOUSEHOLDING

We have adopted a procedure approved by the SEC called “householding.” Under this procedure, multiple shareowners who share the same last name and address and do not participate in electronic delivery will receive only one copy of the annual Proxy materials or notice regarding the internet availability of Proxy materials. If the household received a printed set of Proxy materials by mail, each shareowner will receive his or her own Proxy card by mail. We have undertaken householding to reduce our printing costs and postage fees.

If you wish to opt out of householding and continue to receive multiple copies of the Proxy materials or notice regarding the internet availability of Proxy materials at the same address, you may do so at any time prior to thirty days before the mailing of Proxy materials or notice regarding the internet availability of Proxy materials, which typically are mailed in May of each year, by notifying us in writing or by telephone at: Innodata Inc. Investor Relations, 3 University Plaza Drive, Hackensack, New Jersey 07601, (201) 371-8000. You also may request additional copies of the Proxy materials or notice regarding the internet availability of Proxy materials by notifying us in writing or by telephone at the same address or telephone number.

STOCKHOLDER PROPOSALS FOR THE 2017 ANNUAL MEETING

Notice Required to Include Proposals in Our Proxy Statement

We will review for inclusion in next year's proxy statement shareholder proposals received by January 6, 2017. All proposals must meet the requirements set forth in the rules and regulations of the SEC in order to be eligible for inclusion in the proxy statement. Proposals should be sent to Innodata Inc., Three University Plaza Drive, Hackensack, New Jersey 07601, Attention: Corporate Secretary.

Notice Required to Bring Business Before an Annual Meeting

Our by-laws establish an advance notice procedure for stockholders to make nominations of candidates for election as director or to bring other business before an annual meeting. Under these procedures, a stockholder who proposes to nominate a candidate for director or propose other business at the 2017 annual meeting of stockholders, must give us written notice of such nomination or proposal not less than 60 days and not more than 90 days prior to the scheduled date of the meeting (or, if less than 70 days' notice or prior public disclosure of the date of the meeting is given, then not later than the 15th day following the earlier of (i) the date such notice was mailed; or (ii) the day such public disclosure was made). Such notice must provide certain information as specified in our by-laws and must be received at our principal executive offices by the deadline specified above.

ANNUAL REPORT ON FORM 10-K

A copy of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, as filed with the SEC, excluding exhibits, is being mailed to you concurrently herewith. The exhibits to the Annual Report on Form 10-K are available upon payment of charges that approximate our cost of reproduction by written request addressed to Investor Relations, Innodata Inc., 3 University Plaza Drive, Hackensack, New Jersey 07601.

OTHER MATTERS

The Company knows of no items of business that are expected to be presented for consideration at the Meeting which are not enumerated herein. However, if other matters properly come before the Meeting, it is intended that the person named in the accompanying Proxy will vote thereon in accordance with his best judgment.

PLEASE DATE, SIGN AND RETURN THE PROXY CARD AT YOUR EARLIEST CONVENIENCE IN THE ENCLOSED RETURN ENVELOPE. NO POSTAGE IS REQUIRED IF MAILED IN THE UNITED STATES. A PROMPT RETURN OF YOUR PROXY CARD WILL BE APPRECIATED AS IT WILL SAVE THE EXPENSE OF FURTHER MAILINGS.

Hackensack, New Jersey By Order of the Board of Directors
April 18, 2016

/s/ Amy R. Agress

Amy R. Agress
Vice President, General Counsel and Secretary

Annex A

Innodata Inc.

and

American Stock Transfer & Trust Company, LLC, as Rights Agent

dated as of January 14, 2016

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RIGHTS AGREEMENT dated as of January 14, 2016 (the "Agreement"), between Innodata Inc., a Delaware corporation (the "Company"), and AMERICAN STOCK TRANSFER & TRUST COMPANY, LLC, a New York limited liability trust company (the "Rights Agent").

Preamble

On January 14, 2016 (the "Rights Dividend Declaration Date"), the Board of Directors of the Company (the "Board") authorized and declared a dividend distribution of one preferred share purchase right (a "Right") for each share of common stock, par value \$0.01 per share, of the Company (the "Common Stock") outstanding at the Close of Business on February 1, 2016 (the "Record Date"), and has authorized the issuance of one Right (as such number may be hereinafter adjusted pursuant to the terms hereof) with respect to each additional share of Common Stock that shall become outstanding between the Record Date and the earliest of Close of Business on the Distribution Date, the Redemption Date and Close of Business on the Final Expiration Date, each Right representing the right to purchase one one-thousandth of a Preferred Share (as hereinafter defined), or such different amount and/or kind of securities as shall be hereinafter provided.

The parties wish to enter into this Agreement in order to set forth the terms of the Rights. Accordingly, in consideration of the premises and the mutual agreements herein set forth, the parties hereby agree as follows:

Section 1 Definitions. For purposes of this Agreement, the following terms have the following meanings:

(a) "Acquiring Person" shall mean any Person who or which, together with all Affiliates and Associates of such Person, shall be the Beneficial Owner of 20% or more of the shares of Common Stock then outstanding, but shall not include (i) the Company, (ii) any Subsidiary of the Company, (iii) any employee benefit plan of the Company or of any Subsidiary of the Company, (iv) any Person organized, appointed or established by the Company for or pursuant to the terms of any such plan; provided, however, that the foregoing definition shall be subject to the following qualifications:

(i) no Person shall become an "Acquiring Person" as the result of an acquisition of Common Stock by the Company which, by reducing the number of shares outstanding, increases the proportionate number of shares beneficially owned by such Person to 20% or more of the shares of Common Stock of the Company then outstanding; provided, however, that if a Person shall become the Beneficial Owner of 20% or more of the Common Stock of the Company then outstanding by reason of share purchases by the Company and shall, after such share purchases by the Company, become the Beneficial Owner of any additional Common Stock of the Company constituting 1% or more of the Common Stock outstanding as of the Close of Business on the date that such Person first becomes the Beneficial Owner of 20% or more of the Common Stock of the Company, then such Person shall be deemed to be an

"Acquiring Person"; and

(ii) if the Board determines in good faith that a Person who would otherwise be an "Acquiring Person" became such inadvertently (including, without limitation, because (x) such Person was unaware that it beneficially owned a percentage of Common Stock that would otherwise cause such Person to be an "Acquiring Person" or (y) such Person was aware of the extent of its Beneficial ownership of Common Stock but had no actual knowledge of the consequences of such Beneficial ownership under this Agreement) and without any intention of changing or influencing control of the company, and if such person as promptly as practicable divested or divests itself of Beneficial Ownership of a sufficient number of shares of Common Stock so that such Person would no longer be an "Acquiring Person," then such Person shall not be deemed to be or to have become an "Acquiring Person" for any purposes of this Agreement.

(b) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the Exchange Act Regulations, as in effect on the date of this Agreement .

(c) A Person shall be deemed the "Beneficial Owner" of, and shall be deemed to "beneficially own," any securities:

(i) which such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (whether or not in writing) or upon the exercise of conversion rights, exchange rights, other rights, warrants or options, or otherwise; provided, however, that a Person shall not be deemed the "Beneficial Owner" of, or to "beneficially own," (A) securities tendered pursuant to a tender or ex-change offer made by such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for purchase or exchange, or (B) securities issuable upon exercise of Rights;

(ii) which such Person or any of such Person's Affiliates or Associates, directly or indirectly, has "beneficial ownership" of or has the right to vote or dispose of (in each case as determined pursuant to Rule 13d-3 of the Exchange Act Regulations), including pursuant to any agreement, arrangement or understanding, whether or not in writing; provided, however, that a Person shall not be deemed the "Beneficial Owner" of, or to "beneficially own," any security under this subparagraph (ii) as a result of an agreement, arrangement or understanding to vote such security if such agreement, arrangement or understanding: (A) arises solely from a revocable proxy given in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable provisions of the Exchange Act Regulations, and (B) is not also then reportable by such Person on Schedule 13D under the Exchange Act (or any comparable or successor report);

(iii) which are beneficially owned, directly or indirectly, by any other Person (or any Affiliate or Associate thereof) with which such Person (or any of such Person's Affiliates or Associates) has any agreement, arrangement or understanding (whether or not in writing), for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in the proviso to subparagraph (ii) of this paragraph (c)) or disposing of any voting securities of the Company; provided, however, that nothing in this paragraph (c) shall cause a Person engaged in business as an underwriter of securities to be the "Beneficial Owner" of, or to "beneficially own," any securities that such Person acquires, or has the right to acquire, pursuant to customary agreements with the Company and/or between underwriters and selling group members with respect to a bona fide public offering of securities. Notwithstanding anything in the definition of Beneficial Ownership to the contrary, the phrase "then outstanding," when used with reference to a Person's Beneficial Ownership of securities of the Company, shall mean the number of such securities then issued and outstanding together with the number of such securities not then actually issued and outstanding which such Person would be deemed to own beneficially hereunder; or

(iv) that are the subject of a derivative transaction entered into by such Person or any of such Person's Affiliates or Associates, including, for these purposes, any derivative security acquired by such Person or any of such Person's Affiliates or Associates that gives such Person or any of such Person's Affiliates or Associates the economic equivalent of ownership of an amount of securities due to the fact that the value of the derivative security is explicitly determined by reference to the price or value of such securities, or that provides such Person or any of such Person's Affiliates or Associates an opportunity, directly or indirectly, to profit or to share in any profit derived from any change in the value of such securities, in any case without regard to whether (A) such derivative security conveys any voting rights in such securities to such Person or any of such Person's Affiliates or Associates; (B) the derivative security is required to be, or capable of being, settled through delivery of such securities; or (C) such Person or any of such Person's Affiliates or Associates may have entered into other transactions that hedge the economic effect of such derivative security. In determining the number of Common Stock that are Beneficially Owned by virtue of the operation of this Section 1(c)(iv), the subject Person will be deemed to Beneficially Own (without duplication) the notional or other number of Common Stock that, pursuant to the documentation evidencing the derivative security, may be acquired upon the exercise or settlement of the applicable security or as the basis upon which the value or settlement amount of such security, or the opportunity of the holder of such derivative security to profit or share in any profit, is to be calculated, in whole or in part, and in any case (or if no such number of Common Stock is specified in such documentation or otherwise) as determined by the Board in good faith to be the number of Common Stock to which the derivative security relates.

(d) "Business Day" shall mean any day other than a Saturday, Sunday or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

(e) "Close of Business" on any given date shall mean 5:00 P.M., New York City time, on such date; provided, however, that if such date is not a Business Day it shall mean 5:00 P.M., New York City time, on the next succeeding Business Day.

(f) "Common Stock" when used with reference to the Company shall mean the shares of common stock, par value \$0.01 per share, of the Company.

(g) "Common Stock" when used with reference to any Person other than the Company shall mean the capital stock (or equity interest) with the greatest voting power of such other Person or, if such other Person is a Subsidiary of another Person, the Person or Persons which ultimately control such first-mentioned Person.

(h) "Common Stock Equivalents" shall have the meaning set forth in Section 11(a)(iii) hereof.

- (i) "Company" shall have the meaning set forth in the introductory paragraph to this Agreement.

- (j) "Current per Share Market Price" and "current per share market price" shall have the meaning set forth in Section 11(d)(i) hereof.

- (k) "Current Value" shall have the meaning set forth in Section 11(a)(iii) hereof.

- (l) "Definitive Acquisition Agreement" shall mean any agreement entered into by the Company that is conditioned on the approval by the holders of not less than a majority of the outstanding Common Stock of the Company and is with respect to (i) a share exchange, merger, consolidation, recapitalization, reorganization, business combination or similar transaction involving the Company or (ii) the acquisition, directly or indirectly, of assets or earning power aggregating 50% or more of the consolidated assets or earning power of the Company and its Subsidiaries (taken as a whole).

- (m) "Distribution Date" shall have the meaning set forth in Section 3(a) hereof.

- (n) "Equivalent Preferred Shares" shall have the meaning set forth in Section 11(b) hereof.

- (o) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

- (p) "Exchange Act Regulations" shall mean the General Rules and Regulations under the Exchange Act.

(q) "Expiration Date" shall mean the Close of Business on January 31, 2019.

(r) "Final Expiration Date" shall mean the earlier to occur of (A) the Close of Business on the day following the certification of the voting results of the Company's 2016 annual meeting of stockholders, if at such stockholder meeting there was no proposal to approve the Rights Agreement or if a proposal to approve the Rights Agreement did not receive the affirmative vote of the holders of a majority of the Company's Common Stock present in person or represented by proxy, entitled to vote and actually voted on such proposal and (B) the Expiration Date.

(s) "Person" shall mean any individual, firm, corporation, partnership, limited partnership, limited liability partnership, business trust, limited liability company, unincorporated association or other entity, and shall include any successor (by merger or otherwise) of such entity.

(t) "Preferred Shares" shall mean shares of Series C Participating Preferred Stock, par value \$0.01 per share, of the Company having such rights and preferences upon adoption as are set forth in Certificate of Designation filed with the Secretary of State of Delaware on December 30, 2002 and set forth as Exhibit A hereto.

(u) "Purchase Price" shall have the meaning set forth in Section 7(b) hereof.

(v) "Qualifying Offer" shall mean an offer determined by the Board of Directors of the Company to have each of the following characteristics:

(i) a fully financed all-cash tender offer or an exchange offer offering shares of common stock of the offeror, or a combination thereof, in each such case for all of the outstanding Common Stock of the Company at the same per share consideration;

(ii) an offer that has commenced within the meaning of Rule 14d-2(a) under the Exchange Act;

(iii) an offer that, within twenty (20) Business Days after commencement (or within ten (10) Business Days after any increase in the offer consideration), does not result in a nationally recognized investment banking firm retained by the Board rendering an opinion to the Board that the consideration being offered to the holders of the Common Stock of the Company is either inadequate or unfair;

(iv) an offer whose per share offer price and consideration (x) is not less than \$17.00, subject to adjustment as provided in this Agreement, and (y) also represent a reasonable premium over the highest reported market price of the Common Stock of the Company in the immediately preceding 24 months prior to the date on which the offer is commenced; provided that to the extent that an offer incl