

Hidden Grand Jury DOJ and SEC Investigations Into Innodata Revealed

- Buried in INOD's just-released Q3 2024 report is a disclosure that **it has been subpoenaed by a grand jury in a DOJ investigation. The subpoena was received August 7, 2024**, the day before INOD released Q2 earnings, **at which time the investigation was undisclosed.**
- We believe that **the concerns go beyond the February 15, 2024 Wolfpack report that brought on a class-action suit and an SEC investigation.** The involvement of DOJ suggests potentially criminal conduct and validates our September allegations of potential fraud.
- **INOD did not disclose this information for more than seven months** and made no mention of the investigations on the earnings call last night. Given that sort of conduct, can investors trust INOD? **We believe, at best, INOD numbers cannot be relied upon, and, at worst, you can't rely on anything they say.** The first letter from the SEC (Division of Enforcement) was received on March 25, 2024, and a subsequent subpoena from the SEC arrived on September 23, 2024.
- **When a company fails to disclose investigations multiple times and puts out numbers that appear good, investors have to question why the information was hidden.**
- **The SEC is currently focused on curbing "AI washing," and INOD looks very guilty of this.**

Last night after market closing, INOD released its 10Q SEC filing of quarterly financials. The report contained the following commentary (with emphasis added):

Subsequently *[to the filing of a securities class action]*, **on March 25, 2024**, the Company received a letter from the staff of the Securities and Exchange Commission, Division of Enforcement (the "SEC"), requesting the Company preserve certain documents and data; **on August 7, 2024 the Company received a grand jury subpoena from the U.S. Department of Justice ("DOJ")** requesting the Company to produce certain documents; and **on September 23, 2024 the Company received a subpoena from the SEC** requesting certain information. The Company believes that

the SEC and DOJ requests are related to the conduct alleged in the Securities Class Action, and is cooperating with these investigations. The Company is unable to predict when these matters will be resolved or what further action, if any, the SEC or DOJ may take in connection with it.

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This issue was NOT noted in INOD's quarterly press release or on yesterday's earnings call.

Even this morning, Craig Hallum celebrates INOD's numbers: *"Wow!, Geez, Holy Cow, Holy Smokes and Zowie!"* The analyst clearly missed the disclosure buried in the 10Q, Lucky J Capital did not. Regarding these investigations, we say *"Wow!, Geez, Holy Cow, Holy Smokes and Zowie!"*

Shortly after the [February 15, 2024 Wolfpack report](#), a class-action suit was filed alleging that INOD is engaging in "AI washing." The SEC back on March 18 [disclosed](#) that AI washing may violate securities laws. [Bloomberg reported](#) on the SEC's concern in June. The SEC investigation commenced shortly after the Wolfpack report.

The [INOD 100](#) reports that the class action alleges "false and misleading statements regarding the Company's artificial intelligence ("AI") technology and services":

On February 21, 2024, David D'Agostino filed a putative class action captioned D'Agostino v. Innodata Inc., et al., in the United States District Court for the District of New Jersey against the Company and certain of its current and former officers (the "Securities Class Action"). On October 30, 2024 the presiding judge in the Securities Class Action appointed a lead plaintiff and approved the lead plaintiff's choice of counsel. The Securities Class Action complaint asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder, and it alleges, among other things, that the defendants made false and misleading statements regarding the Company's artificial intelligence ("AI") technology and services. The plaintiff seeks unspecified damages, fees, interest, and costs. The Company intends to defend itself vigorously, but the Company cannot predict the outcome of the action at this time and can give no assurance that the asserted claims will not have a material adverse effect on its financial position or results of operations.

INOD has spoken frequently of massive contracts from a "Mag 7" tech company that we identified as Meta. [On September 23, 2024, we wrote](#) that senior employees at Meta in charge of AI don't even know of Innodata as a service provider. After extensive interviews with former employees of Innodata and "Mag 7" companies that [INOD](#) reputedly serves, we said that we think INOD is massively exaggerating its "commitments."

INOD received the original request on March 25, 2024 and has disclosed nothing despite two quarters of reports and calls. If a company acts like that, can you trust anything they say?

As disclosed in our earlier report, J Capital may have a beneficial short position in INOD at any time before or after publication and could benefit from a decline in price.

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