

KVH INDUSTRIES INC \DE\
Form PRE 14A
April 12, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

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 under Rule 14a-12

KVH INDUSTRIES, 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):

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KVH Industries, Inc.
Notice of Annual Meeting of Stockholders
to be held on May 26, 2010
and
Proxy Statement

IMPORTANT

Please mark, sign and date your proxy
and promptly return it in the enclosed envelope or
vote your proxy over the Internet or by telephone.

This proxy statement and form of proxy are first being mailed to stockholders on or about April 23, 2010.

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KVH Industries, Inc.

50 Enterprise Center

Middletown, RI 02842-5279

April 23, 2010

Dear Stockholder:

You are cordially invited to attend the annual meeting of stockholders of KVH Industries, Inc. Our meeting will be held at the offices of KVH Industries, Inc., 50 Enterprise Center, Middletown, Rhode Island, on Wednesday, May 26, 2010, beginning at 11:00 a.m. local time.

At this year's annual meeting, stockholders will be asked to take the following actions:

elect two directors;

approve an amendment to our certificate of incorporation to increase the number of authorized shares of common stock;

approve amendments to the KVH Industries, Inc. Amended and Restated 2006 Stock Incentive Plan to increase the number of shares of our common stock issuable under the plan and to make certain other changes to the plan;

approve an amendment to the KVH Industries, Inc. Amended and Restated 1996 Employee Stock Purchase Plan to increase the number of shares of our common stock issuable under the plan;

ratify the appointment of KPMG LLP as our independent registered public accounting firm; and

vote upon any other matters appropriate to the meeting.

We have provided additional information about these items and the annual meeting in the attached notice of annual meeting and proxy statement.

Whether or not you plan to attend the annual meeting, we hope you will vote as soon as possible. You may vote over the Internet, by telephone, or by mailing a completed proxy card. Voting your proxy will ensure your representation at the annual meeting. If you hold your shares indirectly, such as through a brokerage firm or similar institution, you should follow the voting instructions provided by that firm.

I urge you to review the proxy materials carefully and to vote for the proposals described in the proxy statement.

Thank you for your cooperation, continued support, and interest in KVH Industries, Inc. I hope to see you at the annual meeting.

Sincerely,

Martin A. Kits van Heyningen

President, Chief Executive Officer and

Chairman of the Board of Directors

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KVH INDUSTRIES, INC.

Notice of Annual Meeting of Stockholders

to be held on May 26, 2010

KVH Industries, Inc., hereby gives notice that it will hold its annual meeting of stockholders at the offices of KVH Industries, Inc., 50 Enterprise Center, Middletown, Rhode Island, on Wednesday, May 26, 2010, beginning at 11:00 a.m., local time, for the following purposes:

1. To consider and vote upon the election of two Class II directors;
 2. To approve an amendment to our certificate of incorporation to increase the number of authorized shares of common stock from 20,000,000 to 30,000,000;
 3. To approve amendments to the KVH Industries, Inc. Amended and Restated 2006 Stock Incentive Plan to increase the number of shares issuable under the plan by 2,250,000 to 4,250,000 and to make certain other changes to the plan;
 4. To approve an amendment to the KVH Industries, Inc. Amended and Restated 1996 Employee Stock Purchase Plan to increase the number of shares of our common stock issuable under the plan by 50,000 to 600,000;
 5. To ratify the appointment of KPMG LLP as our independent registered public accounting firm; and
 6. To transact such further business as may properly come before the annual meeting or any adjournment of the meeting.
- Our Board of Directors has fixed the close of business on Thursday, April 1, 2010 as the record date for the determination of the stockholders entitled to receive notice of, and to vote at, the annual meeting and any adjournment of the meeting. Only stockholders of record on April 1, 2010 are entitled to receive notice of, and to vote at, the annual meeting or any adjournment of the meeting.

By Order of the Board of Directors,

Felise Feingold
Secretary

Middletown, Rhode Island

April 23, 2010

YOUR VOTE IS IMPORTANT

Please sign and return the enclosed proxy, whether or not you

plan to attend the annual meeting.

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ANNUAL MEETING OF STOCKHOLDERS

Purpose of the annual meeting

At the annual meeting, we will submit the following proposals to our stockholders:

- Proposal One:*** To elect two Class II directors to a three-year term.
- Proposal Two:*** To approve an amendment to our certificate of incorporation to increase the number of authorized shares of common stock from 20,000,000 to 30,000,000.
- Proposal Three:*** To approve amendments to the KVH Industries, Inc. Amended and Restated 2006 Stock Incentive Plan to increase the number of shares of our common stock issuable under the plan by 2,250,000 to 4,250,000 and to make certain other changes to the plan.
- Proposal Four:*** To approve an amendment to the KVH Industries, Inc. Amended and Restated 1996 Employee Stock Purchase Plan to increase the number of shares of our common stock issuable under the plan by 50,000 to 600,000.
- Proposal Five:*** To ratify the appointment of KPMG LLP as our independent registered public accounting firm.

Our Board of Directors does not intend to present to the annual meeting any business other than the proposals described in this proxy statement. Our Board of Directors was not aware, a reasonable time before mailing this proxy statement to stockholders, of any other business that may be properly presented for action at the annual meeting. If any other business should come before the annual meeting, the persons present will have discretionary authority to vote the shares they own or represent by proxy in accordance with their judgment, to the extent authorized by applicable regulations.

Record date

Our Board of Directors has fixed the close of business on Thursday, April 1, 2010, as the record date for the annual meeting. Only stockholders of record as of the close of business on that date are entitled to receive notice of the annual meeting, and to vote at, the annual meeting. At the close of business on the record date, there were 14,966,026 shares of our common stock outstanding, which includes 650,316 shares of restricted stock awards which have been issued and therefore, have voting rights. Each share of common stock outstanding on the record date will be entitled to cast one vote.

Methods of voting

The shares represented by your properly signed proxy card will be voted in accordance with your directions. If you do not specify a choice with respect to a proposal for which our Board of Directors has made a recommendation, the shares covered by your signed proxy card will be voted as recommended in this proxy statement. We encourage you to vote on all matters to be considered.

Voting by mail:

By signing and returning the proxy card in the enclosed envelope, you are enabling the individuals named on the proxy card (known as proxies) to vote your shares at the meeting in the manner you indicate. We encourage you to sign and return the proxy card even if you plan to attend the meeting. In this way, your shares will be voted even if you are unable to attend the meeting. If you received more than one proxy card, it is an indication that your shares are held in multiple accounts. Please sign and return all proxy cards to ensure that all of your shares are voted.

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Voting by telephone:

To vote by telephone, please follow the instructions included on your proxy card. If you vote by telephone, you do not need to complete and mail your proxy card.

Voting on the Internet:

To vote on the Internet, please follow the instructions included on your proxy card. If you vote on the Internet, you do not need to complete and mail your proxy card.

Voting in person at the meeting:

If you plan to attend the meeting and vote in person, we will provide you with a ballot at the meeting. If your shares are registered directly in your name, you are considered the stockholder of record and you have the right to vote in person at the meeting. If your shares are held in the name of your broker or other nominee, you are considered the beneficial owner of the shares held in street name. If you wish to vote shares held in street name at the meeting, you will need to bring with you to the meeting a legal proxy from your broker or other nominee authorizing you to vote your shares.

You can obtain directions to be able to attend the meeting and vote in person at www.kvh.com/annual. None of the information on our website or elsewhere on the Internet forms a part of this proxy statement or is incorporated by reference into this proxy statement.

Quorum requirement

Our by-laws provide that a quorum consists of a majority of the shares of common stock outstanding and entitled to vote at the annual meeting. Shares of common stock represented by a properly signed and returned proxy will be treated as present at the annual meeting for purposes of determining the existence of a quorum at the annual meeting. In general, votes withheld from any nominee for election as director, abstentions, if applicable, and broker non-votes, if applicable, are counted as present or represented for purposes of determining the existence of a quorum at the annual meeting. A non-vote occurs when a broker or nominee holding shares for a beneficial owner returns a proxy but does not vote on a proposal because the broker or nominee does not have discretionary voting power and has not received instructions from the beneficial owner.

Votes required; tabulation of votes

A plurality of the votes properly cast at the annual meeting will be necessary to elect each Class II director to a three-year term. The affirmative vote of the holders of a majority of the shares of common stock outstanding on the record date will be necessary to approve the proposed amendment to our certificate of incorporation. A majority of the votes properly cast at the annual meeting will be necessary to approve the proposed amendments to each of our Amended and Restated 2006 Stock Incentive Plan and our Amended and Restated 1996 Employee Stock Purchase Plan, the proposal to ratify the selection of KPMG LLP as our independent registered public accounting firm and any other matter to be acted upon at the annual meeting.

Abstentions and broker non-votes will not be included in calculating the number of votes cast on any proposal. Abstentions and broker non-votes will not have any effect on the outcome of the vote on the election of any director, the approval of the proposed amendments to our Amended and Restated 2006 Stock Incentive Plan or our Amended and Restated 1996 Employee Stock Purchase Plan or the proposal to ratify the selection of KPMG LLP as our independent registered public accounting firm. Abstentions and broker non-votes will have the same effect as a no vote on the proposal to approve the proposed amendment to our certificate of incorporation. Abstentions and broker non-votes will not have any effect on the outcome of the vote on any other proposal.

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Our transfer agent, Computershare Trust Company, N.A., will separately tabulate the votes on each matter presented to the stockholders at the annual meeting.

Solicitation of proxies

We are soliciting proxies on behalf of our Board of Directors. No compensation will be paid by any person in connection with our solicitation of proxies. We will reimburse brokers, banks and other nominees for the out-of-pocket expenses and other reasonable clerical expenses they incur in obtaining instructions from beneficial owners of our common stock. In addition to our solicitation by mail, our directors, officers and employees may make special solicitations of proxies personally or by telephone, facsimile, courier or e-mail. We expect that the expense of any special solicitation will be nominal. We will pay all expenses incurred in connection with this solicitation.

Revocability of proxy

You may revoke your proxy at any time before it is voted at the meeting. In order to revoke your proxy, you must either:

sign and return another proxy card with a later date;

provide written notice of the revocation of your proxy to our secretary; or

attend the meeting and vote in person.

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PROPOSAL ONE: ELECTION OF DIRECTORS

Proposal One concerns the election of two Class II directors for three-year terms.

Our Board of Directors currently consists of six directors and is divided into three classes. We refer to these classes as Class I, Class II and Class III. The term of one class of directors expires each year at the annual meeting of stockholders. Each director also continues to serve as a director until his or her successor is duly elected and qualified. This year, the term of the Class II directors is expiring.

At present, Charles R. Trimble serves as our only Class II director, and we have three Class III directors. In order to achieve three equal classes of two directors each, our Nominating and Corporate Governance Committee has nominated Charles R. Trimble and Martin A. Kits van Heyningen to serve as Class II directors for a three-year term. Our stockholders elected Mr. Trimble at our annual meeting of stockholders in May 2007, and his current term will expire at the 2010 annual meeting. Our stockholders elected Mr. Kits van Heyningen at our annual meeting of stockholders in May 2008, and his current term will expire at the 2011 annual meeting.

Proxies will not be voted at the 2010 annual meeting for more than two candidates.

Messrs. Trimble and Kits van Heyningen have agreed to serve if elected, and we have no reason to believe that they will be unable to serve. If Mr. Kits van Heyningen is not elected as a Class II director at the annual meeting, he will continue to serve as a Class III director until the expiration of his current term. If either Mr. Trimble or Mr. Kits van Heyningen is unable or declines to serve as a director at the time of the annual meeting, proxies will be voted for another nominee that our Board of Directors will designate at that time.

A plurality of the votes properly cast at the annual meeting will be necessary to elect each Class II director to a three-year term.

Our Board of Directors recommends that you vote FOR the election of Messrs. Charles R. Trimble and Martin A. Kits van Heyningen as our Class II directors.

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**PROPOSAL TWO: AMENDMENT TO OUR CERTIFICATE OF
INCORPORATION TO INCREASE OUR AUTHORIZED COMMON STOCK**

Proposal Two concerns a proposed amendment to our certificate of incorporation to increase the number of authorized shares of common stock from 20,000,000 to 30,000,000.

Our certificate of incorporation, as amended to date, currently authorizes the issuance of up to 20,000,000 shares of common stock and 1,000,000 shares of preferred stock. On February 25, 2010, the Board of Directors unanimously adopted a resolution setting forth a proposed amendment to the certificate of incorporation, subject to stockholder approval, to increase the shares of common stock that are authorized for issuance by 10,000,000 shares, bringing the total number of shares of common stock authorized for issuance to 30,000,000. A copy of the proposed amendment is attached as Appendix A. The Board of Directors has not proposed any other changes to the certificate of incorporation. The additional authorized shares of common stock, if and when issued, would have the same rights and privileges as the shares of common stock previously authorized.

As of April 1, 2010 there were 14,966,026 shares of common stock outstanding, which includes 650,316 shares of restricted stock awards which have been issued and therefore, have voting rights. In addition, there were 835,325 stock option grants outstanding and 293,200 shares available for future issuance under of our equity compensation plans. If our stockholders approve the proposed amendments to the 2006 Plan and the 1996 Employee Stock Purchase Plan, we will reserve an additional 2,300,000 shares for issuance under that plan, which would reduce the number of shares available under our certificate of incorporation that are not reserved for a specific purpose to 1,605,449 shares.

The additional shares of common stock authorized by the proposed amendment to the certificate of incorporation could be issued at the direction of the Board from time to time for any proper corporate purpose, including, without limitation, equity compensation plans, the acquisition of other businesses, the raising of additional capital for use in our business, or a split of or dividend on then outstanding shares. The holders of shares of common stock do not presently have preemptive rights to subscribe for any of our securities, and holders of common stock will not have any such rights to subscribe for the additional common stock proposed to be authorized. We currently do not anticipate that we will seek stockholder approval of any authorization or issuance of additional shares of common stock unless required by applicable laws or exchange rules. Frequently, opportunities arise that require prompt action, and we believe that the delay necessitated for stockholder approval of the authorization or issuance of additional shares could be to the detriment to our stockholders.

The proposed increase in our authorized common stock will not have any effect on the rights of existing stockholders. To the extent that we issue any of the additional authorized shares in the future, the issuance of those shares will have a dilutive effect on the voting power and percentage equity ownership of our existing stockholders and, depending on the price at which the shares are issued, may have a dilutive effect on both the book value and market value of shares owned by our existing stockholders. We have not proposed the increase in the authorized number of shares with the intention of using the additional shares for anti-takeover purposes, although we could theoretically use the additional shares (within the limits imposed by applicable law and exchange rules) to make more difficult or to discourage an attempt to acquire control of KVH because the issuance of such additional shares could be used to dilute the stock ownership or voting rights of a person seeking to obtain control of KVH. We are not presently aware of any attempt, or contemplated attempt, to acquire control of KVH.

Except as described in this proxy statement, there are currently no definitive plans, arrangements, commitments or understandings for the issuance of the additional shares of common stock which are to be authorized.

Except for shares of common stock reserved for issuance pursuant to our existing equity compensation plans, the Board has no current plans to issue additional shares of common stock. However, the Board believes that the benefits of providing it with the flexibility to issue shares without delay for any proper business purpose

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outweigh the possible disadvantages of dilution and discouraging unsolicited business combination proposals, and that it is prudent and in the best interests of stockholders to provide the advantage of greater flexibility which will result from the proposed amendment to the certificate of incorporation.

The affirmative vote of the holders of a majority of the shares of common stock issued and outstanding on the record date will be necessary to approve the proposed amendment to the certificate of incorporation.

Our Board of Directors recommends that you vote FOR the proposed amendment to the certificate of incorporation to increase the number of authorized shares of common stock from 20,000,000 to 30,000,000.

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**PROPOSAL THREE: AMENDMENT OF OUR
AMENDED AND RESTATED 2006 STOCK INCENTIVE PLAN**

Proposal Three concerns the approval of amendments to the KVH Industries, Inc. Amended and Restated 2006 Stock Incentive Plan to increase the number of shares issuable under the plan by 2,250,000 to 4,250,000 and to make certain other changes to the plan.

We are asking our stockholders to approve amendments to the KVH Industries, Inc. Amended and Restated 2006 Stock Incentive Plan, or the 2006 Plan, which were approved by our Board of Directors on April 8, 2010, subject to stockholder approval. The amendments would increase the number of shares reserved for issuance under the 2006 Plan by 2,250,000 to a total of 4,250,000 and would make the following additional changes:

change the portions of the definition of "change of control" relating to either (i) a merger or consolidation of KVH with any other corporation or other entity or (ii) the sale or disposition of all or substantially all of our assets to provide that the "change of control" occurs upon consummation of such a transaction, rather than upon shareholder approval of such a transaction;

add a provision to state expressly that, consistent with our historical practice, shares of common stock tendered to us by a participant to exercise an award or otherwise acquire shares, as well as shares withheld from the exercise of an award or other acquisition of shares to cover the resulting tax liability, are not permitted to be added to the number of shares of common stock available for the grant of awards under the plan.

As of April 1, 2010, 1,960,466 shares of common stock have been issued, were reserved for issuance in connection with outstanding awards, or were cancelled under the 2006 Plan, and only 39,534 shares of common stock remained available for future grants under the 2006 Plan.

To facilitate the approval of proposed amendments to the 2006 Plan, our Board commits to our stockholders that, for fiscal years 2010 through 2012, we will prospectively maintain an average annual equity burn rate that does not exceed 5.15% (i.e., determined as of the end of fiscal year 2012), unless we otherwise receive stockholder approval to exceed that rate. For this purpose, we calculate our annual equity burn rate by dividing the sum of the number of shares of common stock subject to options and stock appreciation rights granted during the year plus twice the number of shares of common stock subject to restricted stock awards, restricted stock units and other full-value stock awards granted during the year by the weighted average number of shares of common stock outstanding during that year. In calculating our equity burn rate, we intend to include the automatic grants of shares of restricted stock to non-employee directors described elsewhere in this proxy statement but exclude awards that we settle in cash rather than shares of common stock, awards issued under any plans that we assume in connection with acquisitions, and issuances under tax-qualified employee stock purchase plans.

If the stockholders do not approve the proposed amendments to the 2006 Plan, our ability to grant any further options or make any further stock-based awards will be significantly curtailed, and our flexibility in granting other types of awards will be significantly limited. This may adversely impact our ability to attract, retain and motivate current and prospective employees.

A majority of the votes properly cast on the proposal at the annual meeting will be necessary to approve the amendments to the 2006 Plan.

Our Board of Directors recommends that you vote FOR the amendments to the KVH Industries, Inc. Amended and Restated 2006 Stock Incentive Plan.

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Description of the KVH Industries, Inc. Amended and Restated 2006 Stock Incentive Plan

The following is a brief summary of the material features of the 2006 Plan, including the amendments being submitted for approval by the stockholders. This summary does not purport to be complete and is qualified in its entirety by reference to the 2006 Plan, as so amended, a copy of which is attached to this proxy statement as Appendix B.

Types of awards

The 2006 Plan provides for the grant of incentive stock options intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended, or the Code, non-statutory stock options, restricted stock awards and other stock-based awards, including the grant of shares based upon certain conditions. We refer to these collectively in this proxy statement as awards.

Stock options. Optionees receive the right to purchase a specified number of shares of common stock at a specified option price and subject to such other terms and conditions as are specified in connection with the option grant. Options must be granted at an exercise price that is at least equal to 100% of the fair market value of the common stock on the date of grant (110% of the fair market value in the case of incentive stock options granted to optionees holding more than, or deemed to hold more than, 10% of the voting power of the company). No option may have a term longer than seven years (five years in the case of incentive stock options granted to optionees holding more than, or deemed to hold more than, 10% of the voting power of the company). The 2006 Plan permits the following forms of payment of the exercise price of options:

by cash or check payable to the order of KVH Industries, Inc.;

delivery to us of shares of common stock held by the optionee having a fair market value equal to the aggregate exercise price of the options being exercised;

a cashless exercise through a broker supported by an irrevocable and unconditional undertaking by such broker to deliver sufficient funds to pay the applicable exercise price;

by reducing the number of option shares otherwise issuable to the optionee upon exercise of the option by a number of shares having a fair market value equal to the aggregate exercise price of the options being exercised; or

any combination of these forms of payment.

Restricted stock and restricted stock unit awards. Restricted stock awards entitle recipients to acquire shares of common stock, subject to our right to repurchase all or part of the shares from the recipient in the event that the conditions specified in the applicable award are not satisfied before the end of the applicable restriction period established for the award. Instead of granting awards for restricted stock, the plan administrator may grant awards entitling the recipient to receive shares of common stock to be delivered at the time the awards vest. The 2006 Plan refers to these awards as restricted stock units.

Other stock-based awards. Under the 2006 Plan, the plan administrator has the right to grant other awards based upon our common stock having such terms and conditions as the plan administrator may determine, including the grant of shares based upon certain conditions. These stock-based awards may be valued in whole or in part on the basis of shares of our common stock or other property, may entitle participants to receive shares of our common stock in the future and may be paid in shares of our common stock or cash.

Eligibility to receive awards

All employees, officers, directors, consultants and advisors of ours and of our present or future parent or subsidiary corporations are eligible to receive awards under the 2006 Plan. We refer to holders of 2006 Plan awards in this proxy statement as participants. Under present law, however, incentive stock options may only be granted to our employees and employees of our parent and subsidiary corporations. As of April 1, 2010, 4 directors and 364 employees were eligible to participate in the 2006 Plan.

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Shares available for issuance

At present, a maximum of 2,000,000 shares of common stock may be issued under the 2006 Plan. If our stockholders approve the proposed amendments to the 2006 Plan, a maximum of 4,250,000 shares of common stock will be issuable under the 2006 Plan. The maximum number of shares with respect to awards that may be granted to any person under the 2006 Plan may not exceed 120,000 shares per calendar year. As of April 7, 2010, the closing price of our common stock on the Nasdaq Global Market was \$13.15 per share.

Each share issued under awards other than options will reduce the number of shares reserved for issuance by two shares (but will reduce the maximum number of shares that may be granted annually to a participant only by one share), and shares issued under options will reduce the shares reserved for issuance on a 1-to-1 basis.

If any award expires or is terminated or surrendered, the unused shares of common stock covered by the award will again be available for grant under the 2006 Plan. Unused shares covered by expired, terminated or surrendered awards other than options increase the shares available for grant under the plan at the ratio of 2-to-1. Unused shares of common stock subject to options will, upon expiration, termination or surrender of the options, increase the shares available for grant under the plan at the ratio of 1-to-1.

If our stockholders approve the proposed amendments to the 2006 Plan, the plan will state expressly that, consistent with our historical practice, shares of common stock tendered to us by a participant to exercise an award or otherwise acquire shares, as well as shares withheld from the exercise of an award or other acquisition of shares to cover any tax liability, are not permitted to be added to the number of shares of common stock available for the grant of awards under the plan.

Automatic director awards

Under a policy adopted by the Compensation Committee in April 2009, each non-employee director will automatically receive under the 2006 Plan, upon his or her initial election to the Board (or, if already a director, upon first being elected as a non-employee director), a restricted stock award with respect to 10,000 shares of common stock and will receive, on the date of the first Board meeting following each annual meeting thereafter, a restricted stock award with respect to an additional 5,000 shares, if then serving as a director. Each award will vest in four equal quarterly installments after the date of the grant.

In addition, under this policy, each non-employee director appointed to serve on the Audit Committee of the Board will automatically receive under the 2006 Plan, upon his or her initial appointment to the Audit Committee, a restricted stock award with respect to 5,000 shares of common stock and will receive, on each anniversary of such appointment, a restricted stock award with respect to an additional 5,000 shares of common stock, as long as such director continues to serve on the Audit Committee. Each award will vest in four equal quarterly installments after the date of grant.

Administration

The 2006 Plan is administered by our Compensation Committee through a delegation of authority by our Board of Directors. The Compensation Committee has the authority to adopt, amend and repeal the administrative rules, guidelines and practices relating to the 2006 Plan and to interpret the provisions of the 2006 Plan. It is our intention that the composition of the Compensation Committee will comply with Section 162(m) of the Code and Rule 16b-3 under the Securities Exchange Act of 1934, as amended.

Subject to any applicable limitations contained in the 2006 Plan, the Compensation Committee selects the recipients of awards and determines:

the number of shares of common stock covered by an award and the dates upon which such award vests and/or becomes exercisable or free of conditions and/or restrictions;

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the exercise price or purchase price of awards (which, for options, may not be less than 100% of fair market value of the common stock on the grant date or 110% of such market value in the case of incentive stock options granted to optionees holding more than, or deemed to hold more than, 10% of the voting power of the company); and

the duration of options (which may not exceed seven years or five years in the case of incentive stock options granted to optionees holding more than, or deemed to hold more than, 10% of the voting power of the company).

Transferability

Incentive stock options may not be transferred other than by will or the laws of inheritance. Non-statutory stock options may only be transferred if the committee so provides. Restricted stock and restricted stock unit awards generally may not be sold, assigned, transferred, pledged or otherwise encumbered by participants, except by will or the laws of inheritance.

Changes in status

If a participant's employment or service terminates by reason of death, the participant's legal representatives may exercise his or her incentive stock option for the number of shares that was vested on the date of death until the earlier of one year following the date of death or the expiration date of the incentive stock option. If a participant's employment or service terminates by reason of disability, the participant may exercise his or her incentive stock option for the number of shares that was vested on the date of termination until the earlier of one year following the date of termination or the expiration date of the incentive stock option.

If a participant's employment or service terminates for cause (as defined in the 2006 Plan), any incentive stock option then held by the participant will immediately terminate.

Any non-statutory stock option granted under the 2006 Plan will contain such terms and conditions with respect to its termination as the Compensation Committee, in its discretion, may from time to time determine.

If a participant's employment or service is interrupted due to an approved leave of absence (whether paid or unpaid) or if a participant is transferred between us and an affiliate, those events will not be deemed a termination of employment.

If a participant's employment or service terminates for a reason other than cause, death, disability, or voluntary termination, unless otherwise determined by our Compensation Committee, any incentive stock option held by such participant may thereafter be exercised, to the same extent exercisable prior to the date of termination, until the earlier of the expiration of the option or 30 days after the date of termination of employment or service.

Adjustments for changes in common stock and other events

Upon the occurrence of any stock split, reverse stock split, stock dividend, recapitalization, combination of shares, reclassification of shares, spin-off or other similar change in our capitalization, each award outstanding under the 2006 Plan, as well as the number and kind of shares reserved for issuance under the 2006 Plan, will be appropriately adjusted by the Compensation Committee to reflect any such event.

In the event of our merger, consolidation, liquidation or dissolution, the Compensation Committee may, as to any outstanding awards, make such substitution or adjustment in the aggregate number of shares reserved for issuance and in the number and purchase price of shares subject to such awards as it may determine, or accelerate, amend or terminate such awards upon such terms and conditions as it shall provide.

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Change of control events

Upon the occurrence of a change of control (as defined in the 2006 Plan):

each holder of an outstanding stock option will be entitled, upon exercise of the option, to receive, in lieu of shares of our common stock, shares of such stock or other securities, cash or property (or consideration based upon shares of such stock or other securities, cash or property) as the holders of shares of our common stock receive in connection with the change of control;

the Compensation Committee may accelerate, fully or in part, the time for exercise of, and waive any or all conditions and restrictions on, each unexercised and unexpired stock option, restricted stock, restricted stock unit or other awards made under the 2006 Plan, effective upon a date prior or subsequent to the effective date of such change of control, as specified by the Compensation Committee; or

each outstanding stock option may be cancelled by the Compensation Committee as of the effective date of any such change of control provided that (a) prior written notice of such cancellation shall be given to each holder of such an option and (b) each holder of such an option shall have the right to exercise such option to the extent that the same is then exercisable or, in full, if the Compensation Committee shall have accelerated the time for exercise of all such unexercised and unexpired options, during the thirty (30) day period preceding the effective date of such change of control.

In addition to the provisions set forth above, the Compensation Committee has the discretion when granting awards under the 2006 Plan to provide for different or additional provisions with respect to the effect of a change of control on any award.

If our stockholders approve the proposed amendments to the 2006 Plan, the portions of the definition of change of control relating to (i) a merger or consolidation of KVH with any other corporation or other entity and (ii) the sale or disposition of all or substantially all of our assets will provide that the change of control occurs upon consummation of such a transaction, rather than upon shareholder approval of such a transaction.

Amendment or termination

The Board of Directors originally adopted the 2006 Plan on February 22, 2006, and our stockholders first approved it on May 24, 2006. No award may be granted under the 2006 Plan after February 22, 2016, the date that is ten years from the date the 2006 Plan was adopted by our Board of Directors, but any awards granted may extend beyond that date. The Board may at any time amend or discontinue the 2006 Plan, and the Compensation Committee may at any time amend or cancel any outstanding award for the purpose of satisfying changes in law or for any other lawful purposes, except that:

no amendment may increase the limitations on the number of shares available for grant under the 2006 Plan without stockholder approval; and

no amendment may amend the limitation on option repricing in the 2006 Plan without stockholder approval.

New plan benefits

Except for the automatic grants of restricted stock awards to non-employee directors described above, the grant of awards under the plan is within the discretion of the plan administrator. Accordingly, we are unable to determine the number of awards that will be received by or allocated to any participant under the 2006 Plan, except as described below.

The following table provides information concerning the benefits that we can determine will be received by:

each executive officer named in the summary compensation table;

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all current executive officers, as a group;

all current directors who are not executive officers, as a group; and

all employees who are not executive officers, as a group.

The information in the following table is limited to the annual automatic grants of restricted stock to non-employee directors.

New Plan Benefits

KVH Industries, Inc. 2006 Stock Incentive Plan

Name and Position	Number of Shares
Martin A. Kits van Heyningen, President, Chief Executive Officer and Chairman of the Board of Directors	
Patrick J. Spratt, Chief Financial Officer	
Robert J. Balog, Senior Vice President, Engineering	
Brent C. Bruun, Vice President, Sales and Business Development	
James S. Dodez, Vice President, Marketing and Strategic Planning	
Robert W.B. Kits van Heyningen, Vice President, Research and Development and Director	
All current executive officers, as a group	
All current directors who are not executive officers, as a group	35,000 ⁽¹⁾
All employees who are not executive officers, as a group	

⁽¹⁾ At the end of 2009, we had four non-employee directors, three of whom served on the Audit Committee of the Board. The amount shown in the table represents the aggregate number of shares of common stock subject to restricted stock awards that will be granted on the date of the first Board meeting following each annual meeting of stockholders to four non-employee directors, assuming we will have four non-employee directors who will be re-elected as directors at the annual meeting or whose term will continue after the annual meeting, plus the aggregate number shares of common stock subject to restricted stock awards that will be granted annually to continuing members of the Audit Committee, assuming we will have three directors who will continue to serve as members of the Audit Committee during the year. The amount shown does not include 10,000 shares of common stock subject to restricted stock awards that will be granted to each non-employee director who joins our Board of Directors in the future or 5,000 shares of common stock subject to restricted stock awards that will be granted to each director who joins the Audit Committee in the future.

Federal income tax consequences of the 2006 Plan

The following tax information is intended only as a brief overview of the current material United States federal income tax laws applicable to the 2006 Plan. The summary does not purport to be a complete description of all federal tax issues, nor does it address any state, local or foreign tax matters. Each option or award recipient should consult his or her own tax advisors concerning the application of various tax laws that might affect his or her particular situation.

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Nonqualified stock options

The holder of a nonqualified stock option recognizes no income for federal income tax purposes on the grant of the option. On the exercise of a nonqualified stock option, the difference between the fair market value of the common stock on the exercise date and the option exercise price is treated as compensation to the holder of the option, taxable as ordinary income in the year of exercise. That fair market value becomes the basis for the underlying shares, which will be used in computing any capital gain or loss upon disposition of the shares. The capital gain or loss will be long-term gain or loss if the holder has held the stock for more than one year after the date of exercise of the option.

Incentive stock options

Except as described below with respect to the alternative minimum tax, the holder of an incentive stock option recognizes no income for federal income tax purposes on either the grant or exercise of the option. If the holder does not dispose of the shares acquired upon exercise of the incentive stock option within two years from the date of the grant of the incentive stock option or within one year after exercise of the incentive stock option, any gain realized by the holder on the subsequent sale of the shares will be treated for federal income tax purposes as long-term capital gain. If the holder sells the shares before the expiration of such two-year and one-year periods, which is considered a disqualifying disposition, the difference between the lesser of the value of the shares at the date of exercise or at the date of sale and the exercise price of the incentive stock option will be treated as compensation to the holder taxable as ordinary income, and the excess gain, if any, will be treated as capital gain, which will be long-term capital gain if the shares were held for more than one year after exercise of the option.

The excess of the fair market value of the common stock over the exercise price at the time of exercise of an incentive stock option will constitute an item of tax preference for purposes of the alternative minimum tax. Taxpayers who incur the alternative minimum tax are allowed a credit which may be carried forward indefinitely to be used as a credit against the taxpayer's regular tax liability in a later year; however, the alternative minimum tax credit cannot reduce the regular tax below the alternative minimum tax for that carryover year.

Restricted stock awards

The recipient of a restricted stock award usually recognizes income only as the shares of restricted stock issued in connection with the award vest. Upon vesting, the recipient will recognize ordinary income equal to the excess, if any, of the fair market value of the vested shares at the time of vesting over any amount paid by the recipient for the vested shares. Upon the subsequent resale of such vested shares, the recipient will recognize capital gain or loss, as the case may be, in an amount equal to the difference between the amount the recipient receives in exchange for the vested shares and the fair market value of the vested shares at the time of vesting. The gain or loss will be long-term capital gain or loss if more than one year has passed.