KVH INDUSTRIES INC \DE\
Form DEF 14A
April 30, 2014
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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 þ

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))**

þ 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):

þ 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:

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¨ Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

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KVH Industries, Inc.

Notice of Annual Meeting of Stockholders

to be held on June 11, 2014

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 30, 2014.

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KVH Industries, Inc.

50 Enterprise Center

Middletown, RI 02842

April 30, 2014

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, June 11, 2014, 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 Class III directors to a three-year term;
- consider a non-binding say on pay vote regarding the compensation of our named executive officers; 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 June 11, 2014

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, June 11, 2014, beginning at 11:00 a.m., local time, for the following purposes:

1. To consider and vote upon the election of two Class III directors to a three-year term;

2. To consider a non-binding say on pay vote regarding the compensation of our named executive officers; and

3. 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 Tuesday, April 22, 2014, 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 22, 2014 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 30, 2014

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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Important Notice Regarding the Availability of Proxy Materials

for the Annual Meeting of Stockholders to be Held on June 11, 2014

This proxy statement and our 2013 annual report to stockholders are available on the Internet at www.kvh.com/annual. You can read, print, download and search these materials at that website. The website does not use cookies or other tracking devices to identify visitors.

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.

PROXY STATEMENT

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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 III directors to a three-year term.
Proposal Two:	To consider a non-binding say on pay vote regarding the compensation of our named executive officers.

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 Tuesday, April 22, 2014, 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 15,859,352 shares of our common stock outstanding. 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 individual named on the proxy card (known as a proxy) 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.

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.

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. Abstentions and broker non-votes 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 majority of the votes properly cast at the annual meeting will be necessary to elect each Class III director to a three-year term (proposal one), to approve the advisory vote on the approval of our executive compensation (proposal two) and to approve any other matter to be acted upon at the annual meeting. For more information on majority voting, please see Board of Directors and Committees of the Board Corporate Governance Majority Voting. Proposal Two is a non-binding proposal.

Abstentions and broker non-votes will not be included in calculating the number of votes cast on any proposal. As a result, abstentions and broker non-votes will not have any effect on the outcome of the vote on any proposal.

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;
- if you voted by Internet or telephone, by following the instructions for revocation provided by Internet or telephone; 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 III 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 III directors is expiring.

Our Nominating and Corporate Governance Committee has nominated Robert W.B. Kits van Heyningen and Bruce J. Ryan to serve as Class III directors for a three-year term. Our stockholders last elected Messrs. Robert W.B. Kits van Heyningen and Bruce J. Ryan at our annual meeting of stockholders in May 2011, and their current terms will expire at the 2014 annual meeting.

Proxies will not be voted at the 2014 annual meeting for more than two candidates.

Messrs. Robert W.B. Kits van Heyningen and Bruce J. Ryan have agreed to serve if elected, and we have no reason to believe that they will be unable to serve. If either of them 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.

Our Board recently amended our by-laws to provide for majority voting in uncontested elections for members of the Board of Directors. Accordingly, a majority of the votes properly cast at the annual meeting will be necessary to elect each Class III director to a three-year term. In accordance with our recently adopted director resignation policy, each of Messrs. Robert W.B. Kits van Heyningen and Bruce J. Ryan has submitted his resignation in advance of the annual meeting, and each resignation will only become effective if (a) the candidate fails to receive a majority of the votes properly cast on his re-election and (b) our Board accepts his resignation. For more information about majority voting and our director resignation policy, please see Board of Directors and Committees of the Board Corporate Governance Majority Voting.

Our Board of Directors recommends that you vote FOR the election of Messrs. Robert W.B. Kits van Heyningen and Bruce J. Ryan as our Class III directors.

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PROPOSAL TWO: ADVISORY VOTE ON EXECUTIVE COMPENSATION

Proposal Two is an advisory vote on our executive compensation for 2013.

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act enacted in July 2010, or the Dodd-Frank Act, and Section 14A of the Securities Exchange Act of 1934, as amended, or the Exchange Act, our stockholders are entitled to vote at the annual meeting to approve the compensation of our named executive officers. This proposal is commonly referred to as a say on pay proposal.

At our 2011 annual meeting of stockholders, our stockholders voted in favor of holding future say on pay votes once every three years, and in accordance with the will of our stockholders our board subsequently determined to submit say on pay proposals to our stockholders once every three years. Approximately 100% of the votes cast at the 2011 annual meeting on the non-binding proposal to approve our executive compensation for 2010 were voted in favor of approval. Partially as a result of this overwhelmingly positive stockholder feedback, our Compensation Committee has adopted compensation packages having similar basic structures in subsequent years.

As described in our Compensation Discussion and Analysis, the executive compensation tables and the accompanying narrative disclosure set forth in this proxy statement, we design our executive compensation program to provide an appropriate mix of fixed and variable pay, to balance short-term operational performance with long-term stockholder value, and to encourage executive recruitment and retention. Our 2013 executive compensation program provided for (a) fixed compensation in the form of salaries designed to provide a competitive baseline of compensation, (b) short-term variable compensation in the form of a cash-based incentive compensation program designed to reward achievement of our financial and business goals for 2013 and (c) long-term variable compensation in the form of equity awards designed to reward our executives primarily through increases in the price of our common stock. We believe that our executive compensation program appropriately implemented our pay-for-performance philosophy and gave appropriate incentives to our named executive officers to increase stockholder value.

Highlights of our executive compensation program include the following:

Base Salary. Base salaries of our named executive officers provide fixed compensation to reward individual value that the executive brings to us through experience and past and expected future contributions to our success while factoring in our specific needs and the base salaries of executives with comparable responsibilities at similar organizations. With the assistance of Radford Surveys and Consulting, an Aon Consulting Company, or Radford, the Compensation Committee reviewed the base salaries of our named executive officers against those of a peer group of companies and other survey data. We refer to the peer group data and the survey data collectively as the survey data. For 2013, the base salaries of our named executive officers were at or below the 50^{th} percentile of the survey data, the base salaries of two named executive officers were at the 50^{th} percentile of the survey data, and the base salaries of our three other named executive officers ranged from 3% to 10% below the 50^{th} percentile of the survey data. We believe that aligning the base salaries of our named executive officers with appropriate benchmarks is especially critical to a competitive compensation program, as other elements of our compensation are determined as a percentage of base salary.

Annual Cash-based Incentive Compensation. In 2013, we utilized a cash-based incentive compensation plan that tied executive pay to the achievement of our annual business and financial goals and certain individual performance goals set at the beginning of the year. This incentive program awarded compensation based on the degree to which our actual financial results met the financial goals of our internal business plan and the degree to which the executives met their individual performance goals. In 2013, the Compensation Committee approved two formulas for calculating our cash-based incentive compensation. For named executive officers responsible for sales, 25% of each executive s target incentive compensation was based on the degree of achievement of our corporate performance goals

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and 75% was based on the degree of achievement of budgeted revenue targets. For all other named executive officers, 75% of each executive s target incentive compensation was based on the degree of achievement of our corporate performance goals and 25% was based on the degree of achievement of individual performance goals. The Compensation Committee gave greater weight in the formula to corporate performance (including revenue targets for sales executives) because it wished to align our executives interest with strong corporate performance, accountability for budgeted revenue targets and to promote cooperation among them. The target incentive compensation (as a percentage of base salary) selected for the named executive officers was positioned five percentage points below the percentage of base salary at the 50th percentile of the survey data, with the exception of the two sales executives, which were positioned 25 percentage points below the percentage of base salary at the 50th percentile of the survey data. The corporate performance goal was based on the degree of achievement of our goals for revenue and earnings before interest, taxes, depreciation, amortization and equity-based compensation expenses, or Adjusted EBITDA. The Compensation Committee selected revenue and Adjusted EBITDA as performance measures because it believed that revenue and Adjusted EBITDA are strong operating measurements of how well or poorly we performed from a financial standpoint. In 2013, we did not meet all of our target goals for corporate performance, and the Compensation Committee awarded only 50% of the portion of the named executive officer s incentive compensation based on achievement of our corporate performance goals. Accordingly, cash-based incentive compensation actually awarded to the named executive officers for 2013 performance ranged from approximately 61% to 63% of the respective target compensation for the non-sales executives and were 79% and 94% of the respective target compensation for the two sales executives. The sales executives received a higher percentage of their target cash-based incentive compensation because the formulas for their incentive compensation gave greater weight to revenue targets, where our performance was closer to or over our targets.

Long-Term Equity Incentives. Equity incentives are designed to reward the achievement of long-term growth in the price of our common stock. The equity grants to our named executive officers in 2013 consisted of restricted stock awards, with four year vesting periods designed to encourage the executives to focus on the long-term performance of our stock price. The Compensation Committee believed that granting equity incentives was the best method of motivating the named executive officers to manage our operations in a manner that is consistent with the long-term interests of our stockholders. The fair values of the equity awards granted to the named executive officers in 2013 ranged from approximately 42% below to 16% above the 50th percentile of the survey data.

Total Direct Compensation. The total direct compensation for our CEO and CFO was approximately 21% and 32% below the 50th percentile of the Radford survey data, respectively, and the average total direct compensation for our other named executive officers was approximately 5% below the 50th percentile of the Radford survey data.

Pay Practices. We do not use certain executive pay practices that stockholder advocates consider to be problematic. For example, we do not provide extensive perquisites to our named executive officers, we do not have long-term employment agreements, we do not have guaranteed severance programs, and we do not provide any tax gross-ups. We have no guaranteed salary increases, no guaranteed bonuses and no cash-based incentive compensation programs that are not tied to our performance.

Consultant Independence. Our Compensation Committee s independent consultant is retained directly by the Compensation Committee, provides no other services to us, and has provided the Committee with a written attestation of its independence from management.

The Compensation Discussion and Analysis beginning on page 11 of this proxy statement further describes our compensation program for our named executive officers and the decisions made by the Compensation Committee with respect to 2013.

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Stockholders are being asked to vote on the following resolution:

RESOLVED: That the stockholders of KVH Industries, Inc. hereby approve, on an advisory basis, the compensation of the corporation s named executive officers, as described in the Compensation Discussion and Analysis section, the executive compensation tables and the accompanying narrative disclosure set forth in the corporation s proxy statement for the 2014 annual meeting of stockholders.

Approval of this proposal requires the affirmative vote of the holders of a majority of the votes cast on the proposal at the annual meeting.

As an advisory vote, this proposal is not binding. The outcome of this advisory vote will not determine or overrule any decision by our directors or officers, create or imply any change to the fiduciary duties of our directors or officers or create or imply any additional fiduciary duties for our directors or officers. However, our Compensation Committee and Board of Directors value the opinions expressed by our stockholders in their vote on this proposal and will consider the outcome of the vote when making future compensation decisions for named executive officers.

Our Board of Directors unanimously recommends that you vote FOR the approval of the compensation of our named executive officers, as described in the Compensation Discussion and Analysis section, the executive compensation tables and the accompanying narrative disclosure set forth in this proxy statement.

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DIRECTORS AND EXECUTIVE OFFICERS

Our executive officers and directors are as follows:

Name	Age	Position
Martin A. Kits van Heyningen	55	President, Chief Executive Officer and Chairman of the Board of Directors
Peter A. Rendall	48	Chief Financial Officer
Brent C. Bruun	48	Executive Vice President, Mobile Broadband
Daniel R. Conway	60	Executive Vice President, Guidance and Stabilization
Robert J. Balog	50	Senior Vice President, Engineering
James S. Dodez	55	Senior Vice President, Marketing and Strategic Planning
Felise B. Feingold	45	Vice President, General Counsel and Secretary
Robert W.B. Kits van Heyningen	57	Vice President, Research and Development and Director
Mark S.Ain(1)(2)(3)	71	Director
Stanley K. Honey (1)(3)	59	Director
Bruce J. Ryan (1)(2)(3)	70	Director
Charles R. Trimble (1)(2)(3)	72	Director

(1) Member of the Audit Committee.
(2) Member of the Compensation Committee.
(3) Member of the Nominating and Corporate Governance Committee.

Our executive officers are appointed by, and serve at the discretion of, our Board of Directors. Robert W.B. Kits van Heyningen is the brother of Martin A. Kits van Heyningen. Kathleen Keating, our senior director of creative and customer experience, is the wife of Martin A. Kits van Heyningen. Paula Conway, who served as our program manager until November 2013 and now serves as an engineering program management consultant, is the wife of Daniel R. Conway.

Directors serving a term expiring at the 2014 annual meeting (Class III directors):

Robert W.B. Kits van Heyningen*,* one of our founders, has served as one of our directors since 1982 and as our vice president of research and development since April 1998. From September 2008 to June 2009, he also served as an Adjunct Professor at the University of Rhode Island School of Engineering. From 1982 to April 1998, he served as our vice president of engineering. From 1979 to 1982, Mr. Kits van Heyningen was an associate engineer at the Submarine Signal Division of Raytheon Company and from 1977 to 1984, he served as a consultant to various companies and universities. Mr. Kits van Heyningen received a B.S. in physics from McGill University with a minor in computer science. Our Nominating and Corporate Governance Committee determined that Mr. Kits van Heyningen should serve as a director because of his more than 30 years of industry experience, combined with his extensive background in engineering, as well as his 32 years of experience as a member of our Board of Directors.

Bruce J. Ryan has served as one of our directors, the Chairman of our Audit Committee, and a member of our Compensation Committee since July 2003. He has also been a member of our Nominating and Corporate Governance Committee since February 2004. Mr. Ryan is currently involved in private consulting. From February 1998 to November 2002, he served as executive vice president and chief financial officer of Global Knowledge Network, a provider of information technology and computer software training programs and certifications. From 1994 to 1998, he served as the executive vice president and chief financial officer of Amdahl Corporation, a provider of information technology solutions. Mr. Ryan previously had a 25-year career at Digital Equipment Corporation, where he served in various executive positions, including senior vice president of the financial services, government and professional services business group. He currently serves on the Board of Directors of two private companies and served as a director of UTStarcom, Inc. from April 2008 to December

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2010. He received a B.S. in business administration from Boston College and an M.B.A. from Suffolk University. Our Nominating and Corporate Governance Committee determined that Mr. Ryan should serve as a director because of his more than 10 years of experience as a member of our Board of Directors combined with his experience as a member of the Board of Directors for numerous private and public companies, his familiarity with accounting matters, as well as his executive and management experience serving as executive vice president and chief financial officer of Global Knowledge Network and Amdahl Corporation, both providers of information technology, and his 25 years of experience at Digital Equipment Corporation.

Directors serving a term expiring at the 2015 annual meeting (Class I directors):

Mark S. Ain has served as one of our directors since 1997, the Chairman of our Compensation Committee since 1997, a member of our Audit Committee since 2000 and a member of our Nominating and Corporate Governance Committee since February 2004. He is the Chairman of the Board of Directors of Kronos Incorporated, which he founded in 1977 and served as CEO until 2005. Mr. Ain also serves on the Board of Directors of LTX-Credence Corporation, VeruTEK Technologies, Inc., and various other private companies and charitable organizations. He received a B.S. from the Massachusetts Institute of Technology and an M.B.A. from the University of Rochester. Our Nominating and Corporate Governance Committee determined that Mr. Ain should serve as a director because of his 17 years of experience as a member of our Board of Directors combined with his executive and management experience serving as founder, chief executive officer and Chairman of the Board of Directors of Kronos Incorporated as well as his experience as a member of the Board of Directors of LTX-Credence Corporation and various private companies.

Stanley K. Honey has served as one of our directors since 1997 and a member of our Nominating and Corporate Governance Committee since February 2004. Mr. Honey was a member of the Audit Committee from 1997 to 2003 and was reappointed in February 2011. Mr. Honey has been serving as the Director of Technology for the America s Cup Event Authority since April 2011. From January 2004 through January 2005, Mr. Honey served as the chief scientist of Sportvision Systems, LLC, which he co-founded in November 1997. He served as president and chief technology officer of Sportvision Systems, LLC, from 2000 to January 2004 and as its executive vice president and chief technology officer from 1998 to 2000. From 1993 to 1997, Mr. Honey served as executive vice president of technology for the New Technology Group of News Corporation. From 1989 to 1993, Mr. Honey served as president and chief executive officer of ETAK, Inc., a wholly owned subsidiary of News Corporation. Mr. Honey founded ETAK in 1983 and served as its executive vice president of engineering until News Corporation acquired it in 1989. Mr. Honey received a B.S. from Yale University and an M.S. from Stanford University. Our Nominating and Corporate Governance Committee determined that Mr. Honey should serve as a director because of his 17 years of experience as a member of our Board of Directors as well as his executive and management experience serving in numerous senior level executive positions, his experience as co-founder of Sportvision Systems, LLC and founder of ETAK and his extensive knowledge of our marine customer base and the industry.

Directors serving a term expiring at the 2016 annual meeting (Class II directors):

Martin A. Kits van Heyningen*,* one of our founders, has served as our president and a director since 1982, chief executive officer since 1990, and as our Chairman of the Board of Directors since 2007. From 1980 to 1982, Mr. Kits van Heyningen was employed by the New England Consulting Group, a marketing consulting firm, as a marketing consultant. Mr. Kits van Heyningen received a B.A., cum laude, from Yale University and has been issued six patents. Our Nominating and Corporate Governance Committee determined that Mr. Kits van Heyningen should serve as a director because of his more than 30 years of industry experience as well as his executive leadership and management experience as our founder, president, chief executive officer and Chairman of the Board of Directors.

Charles R. Trimble has served as one of our directors since 1999, a member of our Audit Committee since 2001, a member of our Compensation Committee since 2000 and a member of our Nominating and Corporate

Governance Committee since February 2004. From 1981 to 1998, he served as the president and chief executive officer of Trimble Navigation Limited, a GPS company that he founded in 1978. Previously, he served as the manager of integrated circuit research and development at Hewlett-Packard s Santa Clara Division. Mr. Trimble is an elected member of the National Academy of Engineering, and he has been Chairman of the United States GPS Industry Council since 1996. In addition, Mr. Trimble is a member of the California Institute of Technology (Caltech) Board of Trustees. He received a B.S. in engineering physics, with honors, and an M.S. in electrical engineering from the California Institute of Technology. Our Nominating and Corporate Governance Committee determined that Mr. Trimble should serve as a director because of his 15 years of experience as a member of our Board of Directors combined with his executive leadership and management experience as co-founder, president and chief executive officer of Trimble Navigation Limited as well as his experience as an elected member of the National Academy of Engineering, Chairman of the United States GPS Industry Council and a member of the California Institute of Technology Board of Trustees.

Our executive officers who are not also directors are listed below:

Peter A. Rendall has served as our chief financial officer since October 2012. Before joining us, from July 2011 to June 2012, Mr. Rendall served as consulting chief financial officer for JobSmart Partners, a company that provided IT consulting and contract services for software development teams. Prior to that, from June 2003 to April 2011, he served as chief executive officer of Top Layer Networks, Inc., an information technology security company, where he served as chief financial officer from March 2003 to June 2003. From October 1999 to March 2003, he served as chief financial officer of Elcom International, Inc., a NASDAQ-listed international information technology products and services business. From April 1999 to September 1999, Mr. Rendall was Vice President of Finance of Elcom Services Group, Inc. From July 1996 to March 1999, Mr. Rendall served as Vice President of Finance and Operations of Logica North America, Inc., a subsidiary of Logica, plc, a U.K. publicly held international software integration services company. Mr. Rendall began his career at PricewaterhouseCoopers LLP in London in August 1987, before transferring to its Boston office in June 1995 as a senior manager, a position he held until July 1996. Mr. Rendall holds a B.S. in biochemistry from the University of London and has been a member of the Institute of Chartered Accountants in England and Wales since 1991.

Robert J. Balog has served as our senior vice president of engineering since October 2008. Previously, he served as our vice president of engineering, satellite products from February 2005 to October 2008. From June 2003 to January 2005, Mr. Balog served as president of his own engineering contract services company, Automation Services, Inc., a contract product development and services group specializing in a wide range of automation solutions. From June 2001 to May 2003, Mr. Balog served as vice president of engineering at ADE Corporation. From 1989 to April 2001, Mr. Balog held a number of positions at Speedline Technologies, Inc., a supplier of capital equipment to the electronics assembly industry, including general manager and vice president of research and development. He has served on the Board of Directors of the Surface Mount Equipment Manufacturers Association, serving as Chairman and numerous other positions. Mr. Balog is the recipient of 11 U.S. patents. Mr. Balog holds a B.S. in Computer Science from Purdue University.

Brent C. Bruun has served as our executive vice president of mobile broadband since November 2012. From January 2011 to November 2012, he served as our senior vice president of global sales and business development. He served as our vice president of global sales and business development from July 2008 to December 2010. From January 2008 until joining KVH, Mr. Bruun worked as a private consultant. From January 2007 until January 2008, Mr. Bruun served as senior vice president of strategic initiatives for SES AMERICOM, a satellite operator providing services via its fleet of 16 geosynchronous satellites covering North America. In this position, he concentrated on global mobile broadband opportunities with particular emphasis on the maritime and aeronautical markets. Other positions held at SES AMERICOM included president of Americom s Managed Solutions Division from July 2004 until December 2006 and senior vice president of business development from July 2002 until June 2004. Previously, Mr. Bruun held positions at KPMG LLP and General Electric. Mr. Bruun holds a B.S. in accounting from Alfred University and is a certified public accountant.

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Daniel R. Conway has served as our executive vice president of guidance and stabilization since November 2012. From January 2003 to November 2012, he served as our vice president of business development for military and industrial products. From March 2000 to December 2002, Mr. Conway was the vice president of sales and marketing at BENTHOS Inc., an oceanographic technology company with customers in the marine, oil and gas, government and scientific markets. From 1980 to January 2000, he served in a variety of positions at Anteon (formerly Analysis & Technology), including vice president for new business development and acquisition integration from 1997 to January 2000 and vice president of operations for the Newport, Rhode Island operation from 1991 to 1997. Mr. Conway served for five years as a member of the U.S. Navy nuclear submarine force and was a Commander in the U.S. Naval Reserve (Naval Intelligence) for more than 10 years. He is a graduate of the U.S. Naval Academy with post-graduate studies in nuclear engineering, and he received an M.B.A. from the University of Rhode Island.

James S. Dodez has served as our senior vice president of marketing and strategic planning since March 2013. From March 2007 to February 2013, he served as our vice president of marketing and strategic planning. From October 1998 to March 2007, he served as our vice president of marketing. He served as our vice president of marketing and reseller sales from 1995 to October 1998, and from 1986 to 1995, he served as our marketing director. Before joining us, Mr. Dodez was the marketing director at MagrattenWooley, Inc., an advertising agency, where he managed KVH s account from 1983 to 1986. Mr. Dodez received a B.S. in business with an emphasis in marketing from Miami University.

Felise B. Feingold has served as our vice president and general counsel since August 2007. Before joining us, from January 2004 until July 2007, she held the position of vice president and general counsel for The Jean Coutu Group (PJC) USA, Inc., which operated the Brooks/Eckerd pharmacy chain, comprising more than 1,800 stores. Her other experience includes six years, from September 1998 to December 2004, as an attorney with the international law firm of McDermott, Will & Emery. Ms. Feingold holds a B.A. in government from Cornell University, a J.D. from Hostra University School of Law, and an M.B.A. from Boston University Graduate School of Management.

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COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Compensation Discussion and Analysis

Overview of Executive Compensation Program

Our executive compensation program is overseen and administered by the Compensation Committee of our Board of Directors, which is comprised entirely of independent directors as determined in accordance with various NASDAQ Stock Market, United States Securities and Exchange Commission, or SEC, and Internal Revenue Code rules. None of its members is a current or former employee of ours. It is the goal of the Compensation Committee to create policies and practices that provide total compensation for executive officers that is fair, reasonable and competitive. The Compensation Committee operates under a written charter adopted by our Board.

All principal elements of compensation paid to our executive officers are subject to approval by the Compensation Committee. Specifically, our Board has delegated authority to the Compensation Committee to determine and approve (1) our compensation philosophy, including evaluating risk management and incentives that create risk, (2) annual base salaries, cash-based incentive compensation and equity-based compensation applicable to our executive officers, and (3) equity-based compensation applicable to non-executive employees.

There are no material differences in the compensation policies, objectives or program elements and administration with respect to our named executive officers, except that the compensation for our President, Chief Executive Officer, and Chairman of the Board of Directors (CEO) is determined exclusively by the Compensation Committee, while the compensation of our other named executive officers is determined by the Compensation Committee based on similar criteria, but also takes into account the recommendations of our CEO.

Executive Compensation Philosophy and Objectives

Our executive compensation program is designed to attract, retain and motivate highly qualified executives and align their interests with the interests of our stockholders. The ultimate goal of our executive compensation program is to increase stockholder value by providing executives with appropriate incentives to achieve our business goals. In recent years, our executive compensation program has had three principal elements: annual base salary, annual cash-based incentive compensation, and longer-term equity-based compensation.

Our executive compensation objectives are to:

- offer fair and competitive compensation that attracts and retains superior executive talent;
- directly and substantially link rewards to measurable corporate performance;
- align the interests of executive officers with those of stockholders by providing executive officers with an equity stake in our company;
- optimize the cost to us and value to executives; and
- promote long-term career commitments that support a long-standing internal culture of loyalty and dedication to our interests.

The three principal elements of our executive compensation program seek to provide the following rewards:

Base salaries provide fixed compensation to reward individual value that an executive officer brings to us through experience and past and expected future contributions to our success, while factoring in our specific needs and comparable responsibilities at similar organizations.

Annual cash-based incentive compensation is designed to reward the achievement of our annual business and financial goals and certain individual performance goals set at the beginning of each year.

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This incentive program generally awards compensation based on the degree to which our actual financial results meet the financial goals of our internal business plan and the degree to which the executives meet their individual performance goals.

Equity grants are designed to reward the achievement of long-term growth in our stock price. In 2013, the Board elected to grant shares of restricted stock as the preferable form of equity compensation for our named executive officers to align with the trends among our peer group. Restricted stock awards were granted with no payment of cash consideration. The restricted stock awards vest in four equal annual installments, the first of which vested on March 11, 2014, the first anniversary of the grant date.

For a company of our size, we believe that the use of these executive compensation elements strengthens our ability to attract and retain highly qualified executives. We believe this combination of programs provides an appropriate mix of fixed and variable pay, balances short-term operational performance with long-term stockholder value, and encourages executive recruitment and retention.

Our equity incentive program is a key retention tool and our vehicle for offering long-term incentives. Equity incentives with four-year vesting periods are granted annually to executive officers to attract, motivate and retain these executives. We grant equity incentives to executive officers to encourage executive officers to work with a long-term view in the interest of stockholders and to reward the achievement of long-term growth in our stock price. We believe that granting equity incentives is the best method of motivating the executive officers to perform in a manner that is consistent with the long-term interests of our stockholders.

The Compensation Committee also noted that, at our 2011 annual meeting of stockholders, the stockholders approved the compensation of our named executive officers for 2010 by a favorable vote of approximately 100% of the votes cast. Partially as a result of this overwhelmingly positive stockholder feedback, our Compensation Committee has in subsequent years continued to employ compensation packages having a similar basic structure to the compensation package used in 2010.

Compensation Decision-making Process

Our executives are compensated principally through a combination of base salary, cash-based incentive compensation paid in the first quarter of the following year and an annual equity grant. In addition, we may also grant an initial equity award to new executive officers when they commence employment. From time to time, we may offer a signing or retention bonus to attract a new executive officer.

The base salary and equity award for each executive, together with the overall cash-based incentive compensation plan for all executives, are generally established within the first quarter of each fiscal year at meetings of the Compensation Committee held for this purpose. These meetings generally follow one or more informal presentations or discussions of our financial performance, including achievement of performance targets, for the prior fiscal year. In deciding the compensation to be awarded to the executive officers other than the CEO for the current year and cash-based incentive compensation earned during the prior fiscal year, the Compensation Committee typically receives recommendations from the CEO. The CEO and the members of the Compensation Committee discuss the CEO s recommendations. In deciding the compensation to be awarded to the CEO for the current year and the cash-based incentive compensation earned by the CEO during the prior year, the Compensation Committee typically receives a written self-assessment from the CEO and recommendations from the Chairman of the Compensation Committee. The members of the Compensation Committee then discuss the Chairman s recommendations. The CEO is not present at the time of these deliberations. The Compensation Committee may accept or adjust any recommendations and makes all final compensation decisions.

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Our cash-based incentive compensation program comprises both corporate performance goals and individual performance goals. Under this program, our Compensation Committee approved two formulas for 2013: one formula for named executive officers responsible for sales and one formula for all other named executive officers. For named executive officers responsible for sales, one-fourth of each executive s target incentive compensation was based on the degree of achievement of our corporate performance goals for 2013 and three-fourths was based on the degree of achievement of budgeted revenue targets for 2013. For all other named executive officers, three-fourths of each executive s target incentive compensation was based on the degree of achievement of our corporate performance goals for 2013 and one-fourth was based on the degree of achievement of individual performance goals for 2013. The corporate performance portion of the cash-based incentive compensation program is generally based on a formula approved by the Compensation Committee at the start of each year, but the Compensation Committee has the discretion to award incentive compensation that differs from the formula-based amounts. The individual performance goals for the named executive officers other than the CEO are determined by the CEO, with input from the CFO and each executive at the beginning of the year. The individual performance goals for the CEO are determined by the Compensation Committee, with input from the CEO.

Compensation Consultant

Since 2005, the Compensation Committee has engaged Radford as its independent compensation consultant. The Compensation Committee has engaged Radford to advise on matters related to our executive compensation program and to assist in creating an effective and competitive executive compensation program. A comprehensive Radford study was provided in January 2013 to determine the 2013 recommendations. Neither Radford nor any of its affiliates provided any services to us in 2013 other than Radford s services to the Compensation Committee.

Radford assisted the Compensation Committee by providing comparative market data on compensation practices and programs based on an analysis of executive compensation survey data. Radford also provided guidance on industry best practices. Radford advised the Compensation Committee in (1) determining base salaries for executives, (2) determining the targets for total cash-based incentive compensation as a percentage of base salary, and (3) designing and determining individual equity grants for the 2013 long-term incentive plan for executives.

Radford s recommendations with respect to base salary, cash-based incentive compensation and equity-based compensation were taken into consideration by the Compensation Committee when setting base salaries and making changes to the cash-based incentive compensation and equity-based compensation components of the executive compensation program in 2013.

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Peer Group, Survey Data and Compensation Targets

With the assistance of Radford, the Compensation Committee compared our executive officers compensation to that of a peer group of companies. For 2013, the peer group consisted of 21 public high technology companies which were selected by Radford in 2012 and approved by the Compensation Committee based on their respective businesses, revenues, market capitalization and the number of employees. In addition to the peer group, Radford reviewed data from the Radford Global Technology Survey, which includes approximately 127 high technology companies with revenues of less than $200 million with the median revenue for the group being approximately $107 million as well as the Radford Global Sales Survey, which included approximately 104 companies. The peer group, the Radford Global Technology Survey and the Radford Global Sales Survey data had effective dates of December 2012, November 2012, and November 2012, respectively, and were blended equally, where possible, and then the cash compensation data was increased by a 3.0% annual factor based on the results of Radford s Q4 2012 Trends Report specifically targeting high technology companies to update the previous cash compensation data results to a common effective date of February 1, 2013. The 21 companies included in our peer group were as follows:

AeroVironment
Anadigics
Anaren
Astronics
CalAmp
Communications Systems
Dialogic
Digi
DSP Group
Gloecomm Systems
Intevac
Mercury Computer Systems
Meru Networks
Numerex
PC Tel
Sonus Networks
Sycamore Networks
Symmetricom
Telular
Westell Technologies
Zhone Technologies

Compensation Benchmarking Relative to Market

Radford also provided the Compensation Committee with a comparison of the compensation of our executives to the compensation of executives with similar titles and level of experience at the companies included in the aforementioned peer group. The assessment did not consider executive tenure, skill or performance. The Radford data reviewed by the Compensation Committee included market data taken from the aforementioned peer group and the survey data, which was combined and weighted equally and then gathered at the 25^{th}, 50^{th}, and 75^{th} percentiles for (1) base salaries, (2) bonus, (3) total cash compensation (base salary plus bonus), (4) long-term incentives (number of shares of stock options granted and long-term incentive value of equity-based compensation), (5) stock option equivalents as a percentage of total outstanding shares of the company, and (6) total direct compensation (total cash compensation and long-term incentives).

Historically, the Compensation Committee has generally targeted approximately the median base salary level (50^{th} percentile) of the base salaries of executives in the survey data used by the Compensation Committee as the basis for comparison for that year. Adjustments to median base salary levels were made based on comparisons to the survey data and evaluation of other factors, such as executive tenure, skill and performance relative to expectations for average performance for comparable executives, which are not reflected in the survey data. These factors reflect the value each individual brings to us through experience, education and training, our specific needs, and the individual s past and expected future contributions to our success. Radford advised the Compensation Committee that base salary levels are considered to be competitive if they fall within 10% of the desired market position. For 2013, base salaries for our named executive officers ranged from approximately 3% to 10% below the 50^{th} percentile of the survey data, with the exception of two individuals whose base salaries were at the 50^{th}

percentile of the survey data for their positions.

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We believe that benchmarking and aligning base salaries is especially critical to a competitive compensation program. Other elements of our compensation are affected by changes in base salary. For example, our annual cash-based incentive compensation is targeted and paid out as a percentage of base salary.

Our compensation program allows executives to participate in an annual cash-based incentive compensation program. Historically, the payouts for our executives for achieving the expected level of corporate performance for the year (as a percentage of base salary) have been targeted to pay out at approximately the median (50^{th} percentile) of payouts for executives in the survey data used by the Compensation Committee as the basis for comparison for that year. As a percentage of base salary, targets for cash-based incentive compensation to the named executive officers for 2013 were five percentage points below the percentage of base salary at the 50^{th} percentile of the Radford survey data, with the exception of two sales executives whose targets were positioned 25 percentage points below the percentage of base salary at the 50^{th} percentile of the survey data.

Our compensation program allows executives to receive equity incentive awards under our equity incentive plans. Our primary goal is to create long-term value for stockholders, and accordingly the Compensation Committee believes that equity incentive awards provide an additional incentive to executive officers to work to maximize stockholder value. Typically, as was the case in 2013, all named executive officers other than the CEO and CFO receive the same quantity of equity awards, as their roles and responsibilities have been valued at an equivalent level. The Compensation Committee believed that granting equity incentives in this manner was the best method of motivating our executive team to perform in a manner consistent with the long-term interests of our stockholders. The CEO and CFO typically receive larger equity awards because they have greater responsibility for achieving our long-term goals. The fair values of the equity awards granted to the named executive officers in 2013 ranged from approximately 42% below to 16% above the 50^{th} percentile of the survey data.

Radford advised the Compensation Committee that Radford considers target total direct compensation levels to be competitive if they fall within 30% of the desired market position. When taking into consideration the base salary, annual cash-based incentive compensation and the equity grants made during 2013, the total direct compensation for Martin A. Kits van Heyningen, our CEO and Chairman of the Board, was approximately 21% below the 50^{th} percentile of the Radford survey data, and the total direct compensation for Peter Rendall, our CFO, was approximately 32% below the 50^{th} percentile of the Radford survey data. The average total direct compensation for our other named executive officers was approximately 5% below the 50^{th} percentile of the Radford survey data. The compensation for our CEO and CFO fell below this benchmark primarily because 75% of their cash-based incentive compensation was tied to achievement of our corporate performance goals, which was below the budgeted targets for 2013. Our CFO s compensation for 2013 also fell short of the benchmark because his 2013 equity grant was reduced in light of the substantial equity grant that he received in October 2012 in connection with the commencement of his employment.

Base Salary

The Compensation Committee defines base salary as the annualized regular cash compensation of an employee, excluding cash bonus awards, corporate contributions to employee benefit plans, and other compensation not designated as salary. As described above, base salaries are set for our named executive officers at a meeting of our Compensation Committee which is held for that purpose in the first quarter of the year.

In establishing base salaries for our named executive officers for 2013, the Compensation Committee took into account the value each individual brings to us through experience, education and training, our specific needs, and the individual s past and expected future contributions to our success, as well as our overall corporate performance. For 2013, the average adjustment to salaries for our named executive officers was an increase equal to 5% of base salary for 2012, with the largest increase equal to 10% of base salary for 2012. These adjustments were effective January 1, 2013.

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The following summarizes some of the individual achievements of the CEO considered by the Compensation Committee for his 2013 base salary increase:

Martin Kits van Heyningen, President, Chief Executive Officer and Chairman of the Board

- Delivered record revenues and earnings per share in 2012, leading to a stronger financial position and a significant increase in the price of our common stock in 2012.
- Developed and implemented a clear growth strategy for the company.
- Secured the largest contract in our history and key customer contracts in each target market.
- Achieved significant growth in our mobile broadband airtime revenue.
- Led the development and introduction of new products important to our future competitive position.
- Streamlined and improved our internal operations for better performance.

In light of these factors, Mr. Kits van Heyningen received a 5.1% increase in his base salary for 2013, which brought his base salary to approximately 3% below the 50th percentile of the Radford survey data.

The following summarizes some of the individual achievements of our other named executive officers considered by the CEO in providing recommendations to the Compensation Committee for 2013 base salary increases:

Peter A. Rendall, Chief Financial Officer

- Accomplished a smooth transition in the position from our former, long-term CFO, including attention to our key stockholders.
- Devised a plan to improve our internal financial reporting process.
- Oversaw the successful centralization of billing for our airtime services.
- Ensured our adherence to our budget to exceed our financial goals for the fourth quarter of 2012.

Mr. Rendall s base salary was initially set in October 2012 when he was appointed our CFO and was reviewed again in the first quarter of 2013 contemporaneously with the annual review of salaries for our other named executive officers. In light of these factors, Mr. Rendall received a 1.0% increase in base salary for 2013, which brought his base salary to approximately 9% below the 50th percentile in the Radford survey data.

Brent C. Bruun, Executive Vice President, Mobile Broadband

- Oversaw the successful completion of the C-Band portion of our mini-VSAT network.

- Achieved significant increases in our Mobile Broadband revenue, unit sales and subscriber base.

- Refined and began implementation of sales expansion strategy for regional markets, including new Japanese office.

- Developed and began implementation of additional value-added services for the mini-VSAT broadband network.

- Developed marketing plan to transition competitors customers to our Mobile Broadband products and services.

In light of these factors, Mr. Bruun received a 5.0% increase in base salary for 2013, which brought his base salary to the 50th percentile in the Radford survey data.

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Robert J. Balog, Senior Vice President, Engineering

Managed a variety of new product development efforts, leading to product introductions for the TracPhoneV11, 1750 IMU, IP/ACU Integrated ACU Modem as well as managed spending and scheduling commitments for the mini-VSAT support services and TACNAV product roadmap.

Developed comprehensive product roadmap for TracVision products.

Continued to maintain engineering department spending within budgeted levels.

Continued to improve new product development process, including program estimation efficiency.

Provided overall support for Antenna products research methods for increasing performance.

In light of these factors, Mr. Balog received a 3.5% increase in base salary for 2013, which brought his base salary to the 50th percentile in the Radford survey data.

Daniel R. Conway, Executive Vice President, Guidance and Stabilization

Achieved significant expansion of TACNAV product revenue capturing over $37 million in new contracts and achieving record revenue of $18 million.

Contributed to the successful expansion of KVH s mini-VSAT Broadband service through performance on our 10-year, $42 million U.S. Coast Guard contract, and by expanding satellite hardware sales and airtime service into other U.S. and allied government and military organizations.

Executed on a base of multi-year, multi-million dollar contracts, with record booked backlog of $35 million across several fiscal years.

Positioned KVH for success on four major TACNAV and fiber optic gyro contracts that were awarded in 2012.

In light of these factors, Mr. Conway received a 10% increase in base salary for 2013, which brought his base salary to 10% below the 50th percentile in the Radford survey data.

Annual Cash-based Incentive Compensation

Our management incentive plan is designed to reward our executives for the achievement of annual goals, principally, achievement of corporate financial goals, and, secondarily, achievement of individual goals. It is our philosophy that the executives be rewarded for their performance as a team. We believe this is important to align our executive officers interests with strong corporate performance and to promote cooperation among them. The executives also are rewarded for achieving individual goals set at the beginning of each year.

Formula for Cash-based Incentive Compensation

In March 2013, the Compensation Committee adopted the management incentive plan for 2013. The management incentive plan for 2013 was adopted based on our historical financial performance, planned strategic initiatives and the existing economic environment. Annual cash-based incentive compensation opportunities as a percentage of base salary were targeted at 90% of base salary for the CEO and 50% of base salary for the other named executive officers, with the exception of one individual that was targeted at 40% of base salary. The Compensation Committee approved two formulas for calculating the cash-based incentive compensation with respect to the executives, one formula for the executive responsible for sales and one formula for all other executives. Under the incentive compensation formula for each sales executive for 2013, 75% of the sales executives target incentive compensation was tied to achievement of revenue targets. The threshold for payment was achievement of 85% of the individual s revenue target, in which case 60% of this portion of the bonus would have been earned. The maximum bonus payment for the individual s achievement of revenue

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targets would have been awarded if he had exceeded his individual revenue target by 25%, in which case the payment would have been equal to 200% of this portion of the target bonus. The remaining 25% of the target incentive compensation for each sales executive was tied to corporate performance. Corporate performance was measured by the achievement of our goals for (i) revenue and (ii) earnings before interest, taxes, depreciation, amortization, and equity-based compensation expenses, or Adjusted EBITDA. The threshold for payment of the portion of the bonus for corporate performance for the sales executives was our achievement of 100% of the corporate revenue target and 85% of the Adjusted EBITDA target, and at this level of achievement, 50% of the target bonus for corporate performance would have been earned. If we did not meet either of these thresholds, the payment for the corporate performance portion of the bonus would have been zero. The bonus payment for corporate performance would have been 100% for the sales executives if we had achieved 100% of our targets for both revenue and Adjusted EBITDA. The maximum bonus payment for corporate performance would have been awarded if we had exceeded the targets for revenue and Adjusted EBITDA by 15% and 25%, respectively, in which case the payment would have been 233% of the target bonus for corporate performance.

The Compensation Committee approved a formula for determining the bonus of all other named executive officers based 75% on corporate performance goals and 25% on individual performance goals. The portion of the bonus plan based on achieving corporate performance goals used the same formula described above for the sales executives. The portion of the bonus based on individual performance for such executives was based solely on the discretion of the Compensation Committee.

Incentive Compensation Awarded

The Compensation Committee awarded incentive compensation for fiscal 2013 based on its assessment of the degree of achievement of corporate and individual performance goals for 2013. Although we slightly exceeded the threshold performance targets for payment of the incentive compensation for corporate performance, the Compensation Committee, taking into account the fact that the acquisition of Headland Media Limited (now known as KVH Media Group) contributed to the achievement of corporate performance goals that pre-dated the acquisition, used its discretion and awarded only 50% of the corporate performance portion of the incentive compensation award, which was equal to the amount payable for achieving only the threshold performance targets. For Brent C. Bruun and Daniel R. Conway, our sales executives, the portion of the incentive compensation award based on the degree of achievement of their respective revenue targets was paid on 89% and 109% achievement, respectively. Achievement of individual performance goals for the remaining named executive officers ranged from 95% to 100%. Accordingly, cash-based incentive compensation actually awarded to the named executive officers for 2013 performance ranged from approximately 61% to 63% of the respective target compensation for the non-sales executives and were 79% and 94% of the respective target compensation for the two sales executives. The sales executives received a higher percentage of their target cash-based incentive compensation because the formulas for their incentive compensation gave greater weight to revenue targets, where our performance was closer to or over their targets.

Equity Incentive Program

The equity grant to our CEO in 2013 was based upon the Radford survey data for grants to other chief executive officers, the CEO s prior performance, the value of equity awards previously granted and unvested and the importance of retaining the CEO s services. These factors, as well as the CEO s achievements as listed above in determining his 2013 base salary, were taken into consideration when determining the number of shares covered by the equity grant. The equity grant to our CEO in 2013 constituted the largest portion of his total compensation for that year. The equity grant to our CFO in 2013 was based on guidance provided by Radford and was somewhat reduced in light of the substantial initial grant that he received in October 2012 upon his appointment as our CFO. When granting equity incentives to our other named executive officers, a team approach was utilized. In 2013, consistent with the approach used in recent years, all named executive officers other than the CEO and CFO received the same number of equity awards, as their roles and responsibilities were valued at an equivalent level. The Compensation Committee believed that granting equity incentives in this manner was the best method of motivating our executive team to perform in a manner consistent with the long-term interests of our stockholders. The CEO received a larger award because he has greater responsibility for achieving our long-term goals.

Timing of Equity Grants

We typically grant equity incentives to executives in the first quarter of each fiscal year, usually in conjunction with the annual review of the individual and collective performance of our executive officers.

We grant restricted stock awards or stock options to new hires on a case-by-case basis. In addition, we typically grant restricted stock awards or stock options to certain non-executive employees each year.

Exercise Price and Vesting of Equity Awards

Restricted stock awards are granted with no payment of cash consideration. In 2013, restricted stock awards were granted to our named executive officers to vest in four equal annual installments, the first of which vested on March 11, 2014, the first anniversary of the grant date.

Other Compensation and Perquisites

Our named executive officers are eligible to receive the same health and welfare benefits that are available to other U.S. employees and a contribution to their benefit premium that is the same percentage as provided to other U.S. employees. These benefit programs include health and dental insurance, life insurance, supplemental life insurance, and long-term disability insurance, and certain other benefits. In general, our employees pay between 30% and 34% of the health insurance premium due.

We maintain an Employee Stock Purchase Plan and a tax-qualified 401(k) plan, which provides for broad-based employee participation. Under the 401(k) plan, all of our U.S. employees, including executive officers, are eligible to receive matching contributions from us. We presently match 50% of all employee 401(k) plan contributions up to 4% of salary, with a maximum annual corporate match per employee of $3,000. We do not provide defined benefit pension plans or defined contribution retirement plans to our executives or other U.S. employees other than the 401(k) plan.

We provided automobile and/or housing allowances to four named executive officers in 2013. Martin A. Kits van Heyningen s automobile allowance was $10,580 and Robert J. Balog s was $6,000. Brent C. Bruun received $15,000 in 2013 for automobile and housing allowances. Peter A. Rendall received $12,500 in 2013 for a housing allowance, which ended in October 2013. No other named executive officers received any other perquisites or other personal benefits or property from us during 2013.

Equity Ownership by Executives

We do not currently have a formal stock ownership requirement for executives or any related hedging policies. However, stock ownership by executives is encouraged on a voluntary basis. Each of our executive officers holds both vested and unvested stock options and restricted stock awards to the extent shown in the table entitled Outstanding Equity Awards as of December 31, 2013. The Compensation Committee reviews the vested and unvested stock options and restricted stock awards held by the executives each year.

Tax and Accounting Considerations

Section 162(m) of the Internal Revenue Code limits our ability to deduct annual compensation in excess of $1,000,000 that is paid to each of our CEO and our three most highly paid executive officers (other than the CEO and the CFO), unless that compensation is performance-based within the meaning of Section 162(m) and the regulations promulgated there under. The restricted stock awards that we grant under the 2006 Plan do not qualify as performance-based compensation. We believe that all of our stock options do so qualify and therefore are not subject to the deduction limitation of Section 162(m). The salary and bonuses paid to our executive officers are not exempt from this deduction limit. Accordingly, we may be unable to deduct some of the amounts that may be recognized as ordinary income by our executive officers.

We consider tax deductibility in the design and administration of our executive officer compensation plans and programs. However, we believe that it is in the best interests of our stockholders that we retain flexibility and discretion to make compensation awards, whether or not deductible, when such awards are consistent with our strategic goals.

Rules under generally accepted accounting principles determine the manner in which we account for grants of equity-based compensation to our employees in our consolidated financial statements. Our accounting policies for equity-based compensation are further discussed in note 7 of our audited consolidated financial statements in our Form 10-K for the year ended December 31, 2013, as filed with the SEC on March 17, 2014.

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COMPENSATION COMMITTEE REPORT [1]

The Compensation Committee established by our Board of Directors is currently composed of Messrs. Ain, Ryan and Trimble. Our Board of Directors adopted a charter for the Compensation Committee in April 2004, which was most recently revised in August 2013. Under the charter, the Compensation Committee is responsible for recommending to the Board the compensation philosophy and policies that we should follow, particularly with respect to the compensation of the members of our senior management. The Committee is responsible for reviewing and approving the compensation of our executive officers, including our Chief Executive Officer. In addition, the Board has delegated to the Committee the authority to administer, review and make recommendations with respect to our incentive compensation plans and our equity-based plans.

The Compensation Committee has submitted the following report for inclusion in this proxy statement:

Our Committee has reviewed and discussed with management the Compensation Discussion and Analysis contained in this proxy statement. Based on our Committee s review of, and the discussions with management with respect to the Compensation Discussion and Analysis, our Committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference in our company s annual report on Form 10-K for the fiscal year ended December 31, 2013.

Compensation Committee

Mark S. Ain (Chairman)

Bruce J. Ryan

Charles R. Trimble

(1) The material in this report is not soliciting material, is not deemed filed with the SEC and is not incorporated by reference in any of our filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made on, before, or after the date of this proxy statement and irrespective of any incorporation language in such filing.

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SUMMARY COMPENSATION TABLE

For 2013

The following table provides information concerning the compensation earned by our CEO, our CFO and each of our three most highly compensated executive officers other than the CEO and CFO (collectively, named executive officers) during 2013. In addition, we are providing information regarding the compensation earned by Robert W.B. Kits van Heyningen, who is a director and an immediate family member of Martin A. Kits van Heyningen, our President, Chief Executive Officer and Chairman of the Board of Directors. We are treating Robert W.B. Kits van Heyningen as a named executive officer for purposes of our executive compensation disclosures (other than the Compensation Discussion and Analysis and Proposal Two) in lieu of the information that we would otherwise provide in response to the disclosure requirements for director compensation and related-party transactions.

In 2013, the salary and bonus (including the non-equity incentive plan compensation) of our named executive officers as a percentage of total compensation ranged from 52% to 69%.

Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Stock Awards ($)(2)	Option Awards ($)(3)	Non-Equity Incentive Plan Compensation ($)(4)	All Other Compensation ($)(5)	Total ($)
Martin A. Kits van Heyningen	2013	440,001	1,000	616,950		247,501	13,580	1,319,032
President, Chief Executive Officer and	2012	418,637	1,000		408,196	316,332	13,733	1,157,898
Chairman of the Board of Directors	2011	408,825	1,000	360,000	347,350	72,055	15,882	1,205,112
Peter A. Rendall	2013	252,500	1,000	137,100		77,328	14,844	482,772
Chief Financial Officer	2012	62,500(6)	231(6)		346,235	31,094(6)	4,961	445,021
Brent C. Bruun	2013	250,044	1,000	179,944		99,174	18,000	548,162
Executive Vice President, Mobile	2012	238,137	1,000		122,459	95,493	18,000	475,089
Broadband	2011	231,426	1,000	108,000	104,205	22,911	18,000	485,542
Robert J. Balog	2013	251,897	1,000	179,944		61,715	9,000	503,556
Senior Vice President, Engineering	2012	243,379	1,000		122,459	97,595	9,000	473,433
	2011	236,520	1,000	108,000	104,205	21,760	9,000	480,485
Daniel R. Conway	2013	224,106	1,000	179,944		105,482	3,000	513,532
Executive Vice President, Guidance and Stabilization	2012	203,733	1,000		122,459	142,817	3,000	473,008
Robert W.B. Kits van Heyningen	2013	237,131	1,000	179,944		50,835	3,000	471,910
Vice President, Research and	2012	229,112	1,000		122,459	79,588	3,000	435,159
Development and Director	2011	222,655	1,000	108,000	104,205	18,119	3,000	456,979

(1) Reflects annual holiday bonus earned and paid in 2013, 2012 and 2011.

(2) Amounts shown do not reflect compensation actually received by the named executive officer. Instead, the amounts shown represent the aggregate grant date fair value, computed using the closing price of our common stock on the date of grant in accordance with Accounting Standards Codification 718, *Compensation Stock Compensation* (ASC 718), of restricted stock awards granted during each year, excluding the impact of estimated forfeitures related to service-based vesting conditions. Also included in this amount is the aggregate grant date fair value of performance-based restricted stock awards, which is based on the probable outcome of the performance conditions related to these awards as of the grant date, excluding the impact of estimated forfeitures related to service-based vesting conditions. There were no performance-based restricted stock awards granted during 2013 or 2012. The probable outcome of the 2011 performance-based awards was estimated at 100%, and the awards paid out at 100% of the target, as the performance criterion was determined to have been met by the Compensation Committee. Therefore, stock-based compensation associated with the aggregate grant date fair value of the performance-based awards was recorded in 2011.

(3) Amounts shown do not reflect compensation actually received by the named executive officer. Instead, the amounts shown represent the aggregate grant date fair value, computed using the Black-Scholes option pricing model in accordance with ASC 718, of options granted during each year excluding the impact of estimated forfeitures related to service-based vesting conditions. The assumptions made to determine the value of these awards are set forth in Note 7 of our Consolidated Financial Statements included in our 2013 annual report on Form 10-K, as filed with the SEC on March 17, 2014.

(4) For 2013, the table reflects amounts that were earned under our management incentive plan for 2013 performance and that were determined and paid in March 2014. For 2012, the table reflects amounts that were earned under our management incentive plan for 2012 performance and that were determined and paid in March 2013. For 2011, the table reflects amounts that were earned under our management incentive plan for 2011 performance and that were determined in February 2012 and paid in March 2012.

(5) Reflects the value of 401(k) matching contributions ($3,000 maximum) and auto and housing allowances. See Compensation Discussion and Analysis Other Compensation and Perquisites for more information on these allowances. Named executive officers did not receive any other perquisites, personal benefits or property.

(6) Peter A. Rendall was appointed our CFO on October 1, 2012. His salary, bonus and non-equity incentive plan compensation for 2012 were paid in proportion to his period of service in that year.

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GRANTS OF PLAN-BASED AWARDS

For 2013

The following table provides information regarding grants of plan-based awards made to our named executive officers during 2013.

Name	Grant Date(1)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(2) Threshold ($)	Target ($)	Maximum ($)	All Other Stock Awards: Number of Shares of Stock (#)(3)	Grant Date Fair Value of Stock and Option Awards ($)(4)
Martin A. Kits van Heyningen	3/11/2013		396,001	791,012		
	3/11/2013				45,000	616,950
Peter A. Rendall	3/11/2013		126,250	252,184		
	3/11/2013				10,000	137,100
Brent C. Bruun	3/11/2013		125,022	166,592		
	3/11/2013				13,125	179,944
Robert J. Balog	3/11/2013		125,949	167,826		
	3/11/2013				13,125	179,944
Daniel R. Conway	3/11/2013		112,053	149,311		
	3/11/2013				13,125	179,944
Robert W.B. Kits van Heyningen	3/11/2013		82,996	165,784		
	3/11/2013				13,125	179,944

(1) Reflects the date on which the grants and management incentive plan were approved by the Compensation Committee.

(2) The amounts shown in these columns represent the executives annual incentive opportunity under the management incentive plan, which has both corporate performance goals and individual performance goals. There is no threshold for achievement of individual performance goals; the thresholds for achievement of corporate performance goals and sales performance goals vary by goal. All target and maximum amounts reflect executive achievement of 100% of individual performance goals. See Compensation Discussion and Analysis Annual Cash-based Incentive Compensation for more information regarding this plan.

(3) Represents the grant of restricted stock awards under the 2006 Stock Incentive Plan in 2013, excluding the impact of estimated forfeitures related to service-based vesting conditions. The restricted stock awards were received without payment of cash consideration. The restricted stock awards vest in four equal annual installments. The equity grant to our CFO in 2013 was somewhat reduced in light of the substantial initial grant that he received in October 2012 upon his appointment as our CFO. See Compensation Discussion and Analysis Equity Incentive Program for more information regarding these grants.

(4) Reflects the grant date fair value of restricted stock awards granted to our named executive officers computed using the market price on the date of grant, in accordance with ASC 718, excluding the impact of estimated forfeitures related to service-based vesting conditions. No options were granted to our named executive officers in 2013.

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OUTSTANDING EQUITY AWARDS

As of December 31, 2013

The following table provides information concerning outstanding equity awards held by the named executive officers on December 31, 2013.

	Option Awards				Stock Awards		
Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)(1)	Option Exercise Price ($)	Option Expiration Date(2)	Grant Date of Shares of Stock That Have Not Vested	Number of Shares of Stock That Have Not Vested (#)	Market Value of Shares of Stock That Have Not Vested ($)(3)
Martin A. Kits van Heyningen					3/12/2010[(4)]	8,750	114,013
					8/5/2010[(5)]	3,750	48,863
					2/22/2011[(4)]	12,500	162,875
					3/11/2013[(4)]	45,000	586,350
	25,000	25,000	14.40	2/22/2016			
	21,875	65,625	9.32	2/28/2017			
Peter A. Rendall					3/11/2013[(4)]	10,000	130,300
	12,500	37,500	13.78	10/1/2017			
Brent C. Bruun					3/12/2010[(4)]	2,625	34,204
					8/5/2010[(5)]	1,124	14,646
					2/22/2011[(4)]	3,750	48,863
					3/11/2013[(4)]	13,125	171,019
	7,500	7,500	14.40	2/22/2016			
	6,562	19,688	9.32	2/28/2017			
Robert J. Balog					3/12/2010[(4)]	2,625	34,204
					8/5/2010[(5)]	1,124	14,646
					2/22/2011[(4)]	3,750	48,863
					3/11/2013[(4)]	13,125	171,019
	7,500	7,500	14.40	2/22/2016			
	6,562	19,688	9.32	2/28/2017			
Daniel R. Conway					3/12/2010[(4)]	2,625	34,204
					8/5/2010[(5)]	1,124	14,646
					2/22/2011[(4)]	3,750	48,863
					3/11/2013[(4)]	13,125	171,019
	7,500	7,500	14.40	2/22/2016			
	6,562	19,688	9.32	2/28/2017			
Robert W.B. Kits van Heyningen					3/12/2010[(4)]	2,625	34,204
					8/5/2010[(5)]	1,124	14,646
					2/22/2011[(4)]	3,750	48,863
					3/11/2013[(4)]	13,125	171,019
	7,500	7,500	14.40	2/22/2016			
	6,562	19,688	9.32	2/28/2017			

(1) The options vest and become exercisable in equal installments on the first four anniversaries of the grant date.
(2) Each option was granted five years prior to the option expiration date.
(3) Market value is calculated by multiplying the number of restricted stock awards that have not vested by $13.03, which was the closing price of our common stock on the NASDAQ Global Select Market on December 31, 2013.

(4) The restricted stock awards vest in equal installments on the first four anniversaries of the grant date.
(5) The restricted stock awards vest in four equal annual installments, the first of which vested on March 12, 2011.

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OPTION EXERCISES AND STOCK VESTED DURING 2013

The following table provides information regarding the exercise of stock options and the vesting of restricted stock awards for each of our named executive officers during 2013.

	Option Awards		Stock Awards	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)(1)**	**Number of Shares Acquired on Vesting (#)**	**Value Realized on Vesting ($)(2)**
Martin A. Kits van Heyningen			37,500	511,438
Peter A. Rendall				
Brent C. Bruun	75,000	450,000	11,249	153,418
Robert J. Balog			11,249	153,418
Daniel R. Conway			11,249	153,418
Robert W.B. Kits van Heyningen			11,249	153,418

(1) The value realized equals the difference between the option exercise price and the closing price of our common stock on the NASDAQ Global Select Market on the date of exercise, multiplied by the number of shares for which the option was exercised.

(2) Value realized is calculated by multiplying the number of restricted stock awards vested by the closing price of our common stock on the NASDAQ Global Select Market on the vesting date.

We have no pension plan or nonqualified deferred compensation plan, and accordingly the tables of pension benefits and nonqualified deferred compensation are omitted.

Director Compensation

At the first meeting of the Board of Directors following the annual meeting of stockholders, non-employee directors will automatically receive a restricted stock award of 5,000 shares of our common stock. Each restricted stock award vests in four equal quarterly installments after the date of grant.

In addition, each non-employee director who is appointed to serve on the Audit Committee of our Board of Directors will receive, on the date of his or her initial appointment, a restricted stock award of 5,000 shares of our common stock and an additional restricted stock award of 5,000 shares on each anniversary, so long as he or she continues to serve on our Audit Committee. In accordance with this policy, each of Messrs. Ain, Honey, Ryan and Trimble received a restricted stock award of 5,000 shares of common stock in August 2013, the fair value of which was $66,100 on the date of grant. Each restricted stock award will vest in four equal quarterly installments after the date of grant.

Each newly elected non-employee director will automatically receive on the date of his or her election a restricted stock award of 10,000 shares of our common stock. Each initial grant will vest in four equal quarterly installments after the date of grant. Currently, our non-employee directors are Messrs. Ain, Honey, Ryan and Trimble.

In accordance with the policy regarding automatic grants to non-employee directors, at the first meeting of the Board of Directors after the 2013 annual meeting of stockholders, each of Messrs. Ain, Honey, Ryan and Trimble received a restricted stock award of 5,000 shares of common stock, the fair value of which was $64,050 on the date of grant. Each restricted stock award vests in four equal quarterly installments after the date of grant.

We also paid our non-employee directors a $26,250 annual retainer and $2,625 for each regularly scheduled quarterly Board meeting attended during 2013.

Non-employee direc