UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended: March 31, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 0-28082

KVH Industries, Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**05-0420589**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification Number)*

50 Enterprise Center, Middletown, RI 02842
(Address of Principal Executive Offices) (Zip Code)
(401) 847-3327
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on which Registered
Common Stock, par value $0.01 per share	KVHI	The NASDAQ Stock Market LLC (NASDAQ Global Select Market)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Date	Class	Outstanding shares
May 6, 2022	Common Stock, par value $0.01 per share	18,894,247

KVH INDUSTRIES, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

KVH INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	March 31, 2022	December 31, 2021
ASSETS	(unaudited)	
Current assets:		
Cash and cash equivalents	$ 8,036	$ 11,376
Marketable securities	8,649	13,147
Accounts receivable, net of allowance for doubtful accounts of $1,374 and $1,636 as of March 31, 2022 and December 31, 2021, respectively	34,286	33,648
Inventories, net	25,665	24,640
Prepaid expenses and other current assets	4,251	3,789
Current contract assets	1,264	1,230
Total current assets	82,151	87,830
Property and equipment, net	60,601	60,114
Intangible assets, net	1,083	1,287
Goodwill	6,509	6,570
Right of use assets	2,441	3,055
Other non-current assets	6,120	6,778
Non-current contract assets	3,126	3,104
Deferred income tax asset	56	56
Total assets	**$ 162,087**	**$ 168,794**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 10,910	$ 11,265
Accrued compensation and employee-related expenses	5,935	7,053
Accrued other	6,552	7,892
Accrued product warranty costs	1,286	1,179
Contract liabilities	4,596	3,989
Current operating lease liability	1,571	1,912
Liability for uncertain tax positions	608	592
Total current liabilities	31,458	33,882
Other long-term liabilities	8	30
Long-term operating lease liability	941	1,224
Long-term contract liabilities	4,435	4,466
Deferred income tax liability	210	215
Total liabilities	**$ 37,052**	**$ 39,817**
Commitments and contingencies (Notes 2, 10, 12, and 17)		
Stockholders' equity:		
Preferred stock, $0.01 par value. Authorized 1,000,000 shares; none issued	—	—
Common stock, $0.01 par value. Authorized 30,000,000 shares; 20,327,966 and 20,342,695 shares issued at March 31, 2022 and December 31, 2021, respectively; and 18,895,272 and 18,910,001 shares outstanding at March 31, 2022 and December 31, 2021, respectively	203	203
Additional paid-in capital	157,142	156,199
Accumulated deficit	(16,857)	(12,165)
Accumulated other comprehensive loss	(3,602)	(3,409)
	136,886	140,828
Less: treasury stock at cost, common stock, 1,432,694 shares as of March 31, 2022 and December 31, 2021	(11,851)	(11,851)
Total stockholders' equity	**125,035**	**128,977**
Total liabilities and stockholders' equity	**$ 162,087**	**$ 168,794**

See accompanying Notes to Unaudited Consolidated Financial Statements.

KVH INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except earnings per share amounts, unaudited)

	Three Months Ended March 31,	
	2022	**2021**
Sales:		
Product	$ 14,370	$ 18,432
Service	26,724	23,860
Net sales	41,094	42,292
Costs and expenses:		
Costs of product sales	10,729	11,220
Costs of service sales	14,992	15,423
Research and development	4,649	4,567
Sales, marketing and support	8,357	7,546
General and administrative	7,075	7,143
Total costs and expenses	45,802	45,899
Loss from operations	(4,708)	(3,607)
Interest income	208	233
Interest expense	1	18
Other income (expense), net	138	(789)
Loss before income tax expense (benefit)	(4,363)	(4,181)
Income tax expense (benefit)	329	(153)
Net loss	**$ (4,692)**	**$ (4,028)**
Net loss per common share		
Basic	**$ (0.25)**	**$ (0.22)**
Diluted	**$ (0.25)**	**$ (0.22)**
Weighted average number of common shares outstanding:		
Basic	**18,449**	**17,938**
Diluted	**18,449**	**17,938**

See accompanying Notes to Unaudited Consolidated Financial Statements.

KVH INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands, unaudited)

	Three Months Ended March 31,	
	2022	**2021**
Net loss	$ (4,692)	$ (4,028)
Other comprehensive (loss) income, net of tax:		
Foreign currency translation adjustment	(193)	223
Other comprehensive (loss) income, net of tax[1]	(193)	223
Total comprehensive loss	$ (4,885)	$ (3,805)

(1) Tax impact was nominal for all periods.

See accompanying Notes to Unaudited Consolidated Financial Statements.

KVH INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock		Total Stockholders' Equity
	Shares	Amount				Shares	Amount	
Balance at December 31, 2021	**20,343**	**$ 203**	**$ 156,199**	**$ (12,165)**	**$ (3,409)**	**(1,433)**	**$ (11,851)**	**$ 128,977**
Net loss	—	—	—	(4,692)	—	—	—	(4,692)
Other comprehensive loss	—	—	—	—	(193)	—	—	(193)
Stock-based compensation	—	—	881	—	—	—	—	881
Issuance of common stock under employee stock purchase plan	22	—	193	—	—	—	—	193
Exercise of stock options and issuance of restricted stock awards, net of forfeitures	(37)	—	—	—	—	—	—	—
Taxes accrued for net share settlement of options	—	—	(131)	—	—	—	—	(131)
Balance at March 31, 2022	**20,328**	**$ 203**	**$ 157,142**	**$ (16,857)**	**$ (3,602)**	**(1,433)**	**$ (11,851)**	**$ 125,035**

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock		Total Stockholders' Equity
	Shares	Amount				Shares	Amount	
Balance at December 31, 2020	**19,863**	**$ 199**	**$ 149,170**	**$ (2,402)**	**$ (3,232)**	**(1,433)**	**$ (11,851)**	**$ 131,884**
Net loss	—	—	—	(4,028)	—	—	—	(4,028)
Other comprehensive income	—	—	—	—	223	—	—	223
Stock-based compensation	—	—	932	—	—	—	—	932
Exercise of stock options and issuance of restricted stock awards, net of forfeitures	302	3	1,555	—	—	—	—	1,558
Balance at March 31, 2021	**20,165**	**$ 202**	**$ 151,657**	**$ (6,430)**	**$ (3,009)**	**(1,433)**	**$ (11,851)**	**$ 130,569**

See accompanying Notes to Unaudited Consolidated Financial Statements.

KVH INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands, unaudited)

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Cash flows from operating activities:		
Net loss	$ (4,692)	$ (4,028)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Provision for doubtful accounts	120	130
Depreciation and amortization	3,567	3,350
Deferred income taxes	(5)	—
Loss on disposals of fixed assets	151	452
Compensation expense related to stock-based awards and employee stock purchase plan	881	932
Unrealized currency translation (gain) loss	(50)	195
Changes in operating assets and liabilities:		
Accounts receivable	(792)	3,537
Inventories	(1,026)	1,901
Prepaid expenses, other current assets, and current contract assets	(520)	(739)
Other non-current assets and non-current contract assets	626	930
Accounts payable	(7)	(3,219)
Contract liabilities and long-term contract liabilities	604	(613)
Accrued compensation, product warranty and other	(2,370)	2,169
Other long-term liabilities	—	1
Net cash (used in) provided by operating activities	**$ (3,513)**	**$ 4,998**
Cash flows from investing activities:		
Capital expenditures	(4,372)	(5,164)
Cash paid for acquisition of intangible asset	(14)	(16)
Proceeds from sale of fixed assets	—	100
Purchases of marketable securities	(1)	(2)
Maturities and sales of marketable securities	4,500	—
Net cash provided by (used in) investing activities	**$ 113**	**$ (5,082)**
Cash flows from financing activities:		
Proceeds from stock options exercised and employee stock purchase plan	183	1,566
Payment of finance lease	(66)	(96)
Net cash provided by financing activities	**$ 117**	**$ 1,470**
Effect of exchange rate changes on cash and cash equivalents	(57)	5
Net (decrease) increase in cash and cash equivalents	**(3,340)**	**1,391**
Cash and cash equivalents at beginning of period	**11,376**	**12,578**
Cash and cash equivalents at end of period	**$ 8,036**	**$ 13,969**
Supplemental disclosure of non-cash investing and financing activities:		
Changes in accrued other and accounts payable related to property and equipment additions	$ 46	$ 175
Taxes accrued for net share settlement of options	$ 131	$ —

See accompanying Notes to Unaudited Consolidated Financial Statements.

(1) Description of Business

KVH Industries, Inc. (together with its subsidiaries, the Company or KVH) designs, develops, manufactures and markets mobile connectivity products and services for the marine and land markets, and inertial navigation products for both the commercial and defense markets. KVH's reporting segments are as follows:

- the mobile connectivity segment and
- the inertial navigation segment.

KVH's mobile connectivity products enable customers to receive voice and Internet services, and live digital television via satellite services in marine vessels, recreational vehicles, buses and automobiles. KVH sells its mobile connectivity products through an extensive international network of dealers and distributors. KVH also sells and leases products to service providers and directly to end users.

KVH's mobile connectivity service sales represent primarily sales earned from satellite voice and Internet airtime services. KVH provides, for monthly fixed and usage fees, satellite connectivity services, including broadband Internet, data and Voice over Internet Protocol (VoIP) services, to its TracPhone V-series customers. AgilePlans, a mini-VSAT Broadband service offering, is a monthly subscription model providing global connectivity to commercial maritime customers, including hardware, installation, broadband Internet, VoIP, entertainment and training content and global support for a monthly fee with no minimum commitment. KVH offers AgilePlans customers a variety of airtime data plans with varying data speeds and fixed data usage levels with overage charges per megabyte, which is similar to the plans that the Company offers to its other customers. The Company recognizes the monthly subscription fee as service revenue over the service delivery period. The Company retains ownership of the hardware that it provides to AgilePlans customers, who must return the hardware to KVH if they decide to terminate the service. Because KVH does not sell the hardware under AgilePlans, the Company does not recognize any product revenue when the hardware is deployed to an AgilePlans customer. KVH records the cost of the hardware used by AgilePlans customers as revenue-generating assets and depreciates the cost over an estimated useful life of five years. Since the Company is retaining ownership of the hardware, it does not accrue any warranty costs for AgilePlans hardware; however, any maintenance costs on the hardware are expensed in the period these costs are incurred.

Mobile connectivity service sales also include the distribution of commercially licensed entertainment, including news, sports, music, and movies to commercial and leisure customers in the maritime, hotel, and retail markets through the KVH Media Group. KVH also earns monthly usage fees from third-party satellite connectivity services, including voice, data and Internet services, provided to its Inmarsat and Iridium customers who choose to activate their subscriptions with KVH. Mobile connectivity service sales also include engineering services provided under development contracts, sales from product repairs, and extended warranty sales.

KVH's inertial navigation products offer precision fiber optic gyro (FOG)-based systems that enable platform and optical stabilization, navigation, pointing and guidance. KVH's inertial navigation products also include tactical navigation systems that provide uninterrupted access to navigation and pointing information in a variety of military vehicles, including tactical trucks and light armored vehicles. KVH's inertial navigation products are sold directly to U.S. and foreign governments and government contractors, as well as through an international network of authorized independent sales representatives. In addition, KVH's inertial navigation technology is used in numerous commercial products, such as navigation and positioning systems for various applications including autonomous platforms, precision mapping, dynamic surveying, train location control and track geometry measurement systems, industrial robotics and optical stabilization.

KVH's inertial navigation service sales include product repairs, engineering services provided under development contracts and extended warranty sales.

(2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated interim financial statements of KVH Industries, Inc. and its wholly owned subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States of America. The Company has evaluated all subsequent events through the date of this filing. All significant intercompany accounts and transactions have been eliminated in consolidation.

The consolidated interim financial statements have not been audited by the Company’s independent registered public accounting firm and include all adjustments (consisting of only normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial condition, results of operations, and cash flows for the periods presented. These consolidated interim financial statements do not include all disclosures associated with annual financial statements and accordingly should be read in conjunction with the Company’s consolidated financial statements and related notes included in the Company’s annual report on Form 10-K for the year ended December 31, 2021 filed on March 11, 2022 with the Securities and Exchange Commission. The results for the three months ended March 31, 2022 are not necessarily indicative of operating results for the remainder of the year.

Significant Estimates and Assumptions and Other Significant Non-Recurring Transactions

The preparation of interim financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the interim financial statements and the reported amounts of sales and expenses during the reporting periods. As described in the Company’s annual report on Form 10-K, the estimates and assumptions used by management affect the Company’s revenue recognition, valuation of accounts receivable, valuation of inventory, expected future cash flows including growth rates, discount rates, terminal values and other assumptions and estimates used to evaluate the recoverability of long-lived assets and goodwill, estimated fair values of long-lived assets, including goodwill, amortization methods and periods, certain accrued expenses and other related charges, stock-based compensation, contingent liabilities, forfeitures and key valuation assumptions for its share-based awards, estimated fulfillment costs for warranty obligations, tax reserves and recoverability of the Company’s net deferred tax assets and related valuation allowance, and the valuation of right-of-use assets and lease liabilities.

Although the Company regularly assesses these estimates, actual results could differ materially from these estimates. Changes in estimates are recorded in the period in which they become known. The Company bases its estimates on historical experience and various other assumptions that it believes to be reasonable under the circumstances.

On March 7, 2022, the Company announced that its President and Chief Executive Officer, Martin Kits van Heyningen, was retiring from his executive and Board roles after more than 40 years of service and assuming a consulting position with the Company. Brent C. Bruun, its Chief Operating Officer, has been appointed as our interim President and Chief Executive Officer. For the three months ended March 31, 2022, the Company accrued approximately $539 in consulting fess associated with a maximum of 50 hours of transition services through March 2023, which will be paid to Mr. Kits van Heyningen over the next 12 months. The associated expense is included in general and administrative expenses in the accompanying consolidated statements of operations. In addition, the Company agreed to a separation payment of $201, which was inclusive of any amount which he may have otherwise earned under the executive bonus plan for 2021. This amount is still accrued as of March 31, 2022. There were also modifications to Mr. Kits van Heyningen's stock option and restricted stock awards. Please see Note 5 for further discussion.

In March 2022, the Company also restructured its operations to reduce costs and better pursue a more focused strategy. The Company reduced its workforce by approximately 10% and expects reduced expenses from these actions beginning in the second quarter of 2022. For the three months ended March 31, 2022, the Company incurred $1,392 in severance and health insurance costs and $327 in legal and advisory fees, of which $913 was paid as of March 31, 2022. The combined expense of $1,719 was included in the financial statement line items of the accompanying consolidated statements of operations as follows: costs of product sales of $16, costs of service sales of $55, research and development of $387, sales, marketing and support of $797, and general and administrative expenses of $464. We expect to incur an additional $467 in severance payments for employees which have a severance date of June 30, 2022. There were also modifications to impacted employee's stock option and restricted stock awards. Please see Note 5 for further discussion.

(3) Accounting Standards Issued and Not Yet Adopted

ASC Update No. 2016-13, ASC Update No. 2018-19, ASC Update No. 2019-04, ASC Update No. 2019-05, ASC Update No. 2019-10, ASC Update No. 2019-11, ASC Update No. 2020-02, and ASC Update No. 2022-02

In June 2016, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Codification (ASC) Update No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The purpose of Update No. 2016-13 is to replace the incurred loss impairment methodology for financial assets measured at amortized cost with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information, including forecasted information, to develop credit loss estimates.

In November 2018, the FASB issued ASC Update No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*. This update introduced an expected credit loss methodology for the impairment of financial assets measured at amortized cost. The amendment also clarifies that receivables arising from operating leases are not within the scope of Subtopic 326-20. Instead, impairment of receivables arising from operating leases should be accounted for in accordance with Topic 842, Leases.

In May 2019, the FASB issued ASC Update No. 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, *Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*. This update introduced clarifications of the Board's intent with respect to accrued interest, the transfer between classifications or categories for loans and debt securities, recoveries, reinsurance recoverables, projects of interest rate environments for variable-rate financial instruments, costs to sell when foreclosure is probable, consideration of expected prepayments when determining the effective interest rate, vintage disclosures, and extension and renewal options.

In May 2019, the FASB issued ASC Update No. 2019-05, *Financial Instruments—Credit Losses (Topic 326): Targeted Transition Relief*. The amendments in the update ease the transition for entities adopting ASC Update 2016-13 and increase the comparability of financial statement information. With the exception of held-to-maturity debt securities, the amendments allow entities to irrevocably elect to apply the fair value option to financial instruments that were previously recorded at amortized cost basis within the scope of Subtopic 326-20, *Financial Instruments—Credit Losses—Measured at Amortized Cost*.

In November 2019, the FASB issued ASC Update No. 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates.* The amendments in this update change some effective dates for certain new accounting standards including those pertaining to Topic 326 discussed above, for certain types of entities.

In November 2019, the FASB issued ASC Update No. 2019-11, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses (Topic 326).* The update is effective for entities that have adopted ASU 2016-13. The purpose of Update No. 2019-11 is to clarify the scope of the recovery guidance to purchased financial assets with credit deterioration.

In February 2020, the FASB issued ASC Update No. 2020-02, *Financial Instruments – Credit Losses (Topic 326) and Leases (Topic 842).* The purpose of Update No. 2020-02 is to clarify the scope and interpretation of the standard.

In March 2022, the FASB issued ASC update 2022-02, *Financial Instruments – Credit Losses (Topic 326) – Troubled Debt Restructurings and Vintage Disclosures*. The vintage disclosure portion of this guidance is applicable to the Company, which requires that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investment in leases within the scope of Subtopic 326-20. Gross write-off information must included the amortized cost basis of financing receivables by credit-quality indicator and class of financing receivable by year of origination.

As a smaller reporting company the effective date for Topic 326 will be the fiscal year beginning after December 15, 2022. The adoption of Update Nos. 2016-13, 2018-19, 2019-04, 2019-05, 2019-10, 2019-11, 2020-20 and 2022-02 is not expected to have a material impact on the Company's financial position or results of operations.

There are no other recent accounting pronouncements issued by the FASB that the Company expects would have a material impact on the Company's financial statements.

(4) Marketable Securities

Marketable securities as of March 31, 2022 and December 31, 2021 consisted of the following:

March 31, 2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money market mutual funds	$ 8,649	$ —	$ —	$ 8,649
Total marketable securities designated as available-for-sale	$ 8,649	$ —	$ —	$ 8,649

December 31, 2021	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money market mutual funds	$ 13,147	$ —	$ —	$ 13,147
Total marketable securities designated as available-for-sale	$ 13,147	$ —	$ —	$ 13,147

Interest income from marketable securities was $1 and $2 during the three months ended March 31, 2022 and 2021, respectively.

(5) Stockholder's Equity

(a) Stock Equity and Incentive Plan

The Company recognizes stock-based compensation in accordance with the provisions of ASC Topic 718, *Compensation-Stock Compensation*. Stock-based compensation expense was $859 and $924, excluding $22 and $8 of compensation charges related to our Amended and Restated 1996 Employee Stock Purchase Plan, or the ESPP, for the three months ended March 31, 2022 and 2021, respectively. As of March 31, 2022, there was $2,713 of total unrecognized compensation expense related to stock options, which is expected to be recognized over a weighted-average period of 2.12 years. As of March 31, 2022, there was $2,756 of total unrecognized compensation expense related to restricted stock awards, which is expected to be recognized over a weighted-average period of 1.99 years.

Stock Options

During the three months ended March 31, 2022, upon the net exercise of 230 stock options, the Company issued 23 shares of common stock, 14 shares were surrendered to the Company to satisfy minimum tax withholding obligations, and 193 shares were cancelled. Additionally, during the three months ended March 31, 2022, no stock options were granted and 170 stock options expired, were canceled or were forfeited. During the three months ended March 31, 2021, 496 stock options were granted. The Company has estimated the fair value of each option grant on the date of grant using the Black-Scholes option-pricing model. The weighted average assumptions utilized to determine the fair value of options granted during the three months ended March 31, 2021 are as follows:

	Three Months Ended March 31, 2021
Risk-free interest rate	0.92 %
Expected volatility	44.98 %
Expected life (in years)	4.28
Dividend yield	0 %

During the three months ended March 31, 2022, there were accelerated vesting and extended exercised term modifications of stock options as it related to the retirement of Mr. Kits van Heyningen, which resulted in a reduction of approximately $85 in compensation cost. During the three months ended March 31, 2022, there were accelerated vesting term modifications of stock options for employees terminated as part of the Company's restructuring, which resulted in a reduction of approximately $81 in compensation cost.

As of March 31, 2022, there were 1,727 options outstanding with a weighted average exercise price of $10.23 per share and 771 options exercisable with a weighted average exercise price of $10.36 per share.

Restricted Stock

During the three months ended March 31, 2022, no shares of restricted stock were granted and 60 shares of restricted stock were forfeited. Additionally, during the three months ended March 31, 2022, 68 shares of restricted stock vested, of which no shares of common stock were surrendered to the Company as payment by employees in lieu of cash to satisfy minimum tax withholding obligations in connection with the vesting of restricted stock.

As of March 31, 2022, there were 362 shares of restricted stock outstanding that were still subject to service-based vesting conditions. During the three months ended March 31, 2022, there were accelerated vesting term modifications of restricted stock as it related to the retirement of Mr. Kits van Heyningen, which resulted in an acceleration in compensation expense of approximately $186. During the three months ended March 31, 2022, there were accelerated vesting term modifications of restricted stock for employees terminated as part of the Company's restructuring, which resulted in an acceleration in compensation expense of approximately $57.

As of March 31, 2022, the Company had no unvested outstanding options and no outstanding shares of restricted stock that were subject to performance-based or market-based vesting conditions.

(b) Employee Stock Purchase Plan

The Company's ESPP affords eligible employees the right to purchase common stock, via payroll deductions, through various offering periods at a purchase price equal to 85% of the fair market value of the common stock on the first or last day of the offering period, whichever is lower. During the three months ended March 31, 2022 and 2021, 22 and 0 shares were issued under the ESPP plan, respectively. The Company recorded compensation charges related to the ESPP of $22 and $8 for the three months ended March 31, 2022 and 2021, respectively.

(c) Stock-Based Compensation Expense

The following table presents stock-based compensation expense, including under the ESPP, in the Company's consolidated statements of operations for the three months ended March 31, 2022 and 2021:

	Three Months Ended March 31,	
	2022	**2021**
Cost of product sales	$ 74	$ 46
Cost of service sales	2	2
Research and development	141	156
Sales, marketing and support	186	190
General and administrative	478	538
	$ 881	**$ 932**

(d) Accumulated Other Comprehensive Loss (AOCI)

Comprehensive loss includes net loss and unrealized gains and losses from foreign currency translation. The components of the Company’s comprehensive loss and the effect on earnings for the periods presented are detailed in the accompanying consolidated statements of comprehensive loss.

The balances for the three months ended March 31, 2022 and 2021 are as follows:

	Foreign Currency Translation	**Total Accumulated Other Comprehensive Loss**
Balance, December 31, 2021	**$ (3,409)**	**$ (3,409)**
Other comprehensive loss	(193)	(193)
Net other comprehensive loss	(193)	(193)
Balance, March 31, 2022	**$ (3,602)**	**$ (3,602)**

	Foreign Currency Translation	Total Accumulated Other Comprehensive Loss
Balance, December 31, 2020	**$ (3,232)**	**$ (3,232)**
Other comprehensive income	223	223
Net other comprehensive income	223	223
Balance, March 31, 2021	**$ (3,009)**	**$ (3,009)**

(6) Net Loss per Common Share

Basic net loss per share is calculated based on the weighted average number of common shares outstanding during the period. Diluted net income per share incorporates the dilutive effect of common stock equivalent options, warrants and other convertible securities, if any, as determined with the treasury stock accounting method. For the three months ended March 31, 2022 and 2021, since there was a net loss, the Company excluded all 1,861 and 520, respectively, in outstanding stock options and non-vested restricted shares from its diluted loss per share calculation, as inclusion of these securities would have reduced the net loss per share.

A reconciliation of the basic and diluted weighted average common shares outstanding is as follows:

	Three Months Ended March 31,	
	2022	**2021**
Weighted average common shares outstanding—basic	18,449	17,938
Dilutive common shares issuable in connection with stock plans	—	—
Weighted average common shares outstanding—diluted	18,449	17,938

(7) Inventories

Inventories, net are stated at the lower of cost and net realizable value using the first-in first-out costing method. Inventories as of March 31, 2022 and December 31, 2021 include the costs of material, labor, and factory overhead. Components of inventories consist of the following:

	March 31, 2022	December 31, 2021
Raw materials	$ 15,831	$ 15,772
Work in process	4,481	4,035
Finished goods	5,353	4,833
	$ 25,665	$ 24,640

(8) Property and Equipment

Property and equipment, net, as of March 31, 2022 and December 31, 2021 consist of the following:

	March 31, 2022	December 31, 2021
Land	$ 3,828	$ 3,828
Building and improvements	24,271	24,271
Leasehold improvements	471	472
Machinery and equipment	16,947	16,790
Revenue-generating assets	66,109	63,587
Office and computer equipment	15,976	15,395
Motor vehicles	31	31
	127,633	124,374
Less accumulated depreciation	(67,032)	(64,260)
	$ 60,601	$ 60,114

Depreciation expense was $3,373 and $3,074 for the three months ended March 31, 2022 and 2021, respectively.

Certain revenue-generating hardware assets are utilized by the Company in the delivery of the Company's airtime services, media and other content.

(9) Product Warranty

The Company’s products carry standard limited warranties that range from one to two years and vary by product. The warranty period begins on the date of retail purchase or lease by the original purchaser. The Company accrues estimated product warranty costs at the time of sale and any additional amounts are recorded when such costs are probable and can be reasonably estimated. Factors that affect the Company’s warranty liability include the number of units sold or leased, historical and anticipated rates of warranty repairs and the cost per repair. Warranty and related costs are reflected within sales, marketing and support in the accompanying consolidated statements of operations. As of March 31, 2022 and December 31, 2021, the Company had accrued product warranty costs of $1,286 and $1,179, respectively.

The following table summarizes product warranty activity during 2022 and 2021:

	Three Months Ended March 31,	
	2022	2021
Beginning balance	$ 1,179	$ 1,812
Charges to expense	279	61
Costs incurred	(172)	(239)
Ending balance	$ 1,286	$ 1,634

(10) Debt

Paycheck Protection Program Loan

In May 2020, the Company received a $6,927 loan (the PPP Loan) from Bank of America, N.A., (the Lender) under the Paycheck Protection Program (PPP), which was established under the Coronavirus Aid, Relief, and Economic Security Act (as modified by the Paycheck Protection Flexibility Act of 2020, the CARES Act) and is administered by the U.S. Small Business Administration (the SBA).

The term of the PPP Loan was two years from the funding date, and the interest rate was 1.00%. Interest on the loan accrued from the funding date, but was deferred. In August 2021, the Company applied for forgiveness of the full amount of the PPP Loan. On September 24, 2021, the Company received notification from the Lender that, on September 19, 2021, the SBA had determined that the PPP Loan forgiveness application was approved, and the PPP Loan, including all accrued interest thereon, was paid in full by the SBA.

Line of Credit

Effective October 30, 2018, the Company entered into an amended and restated three-year senior secured credit facility agreement (the 2018 Credit Agreement) with Bank of America, N.A., as Administrative Agent, and the lenders named from time to time as parties thereto (the 2018 Lenders), which included a reducing revolving credit facility (the 2018 Revolver) of up to $20,000 initially and reducing to $15,000 on December 31, 2019, to be used for general corporate purposes. The Company's obligations under the 2018 Credit Agreement are secured by substantially all of its assets and the pledge of equity interests in certain of its subsidiaries. As of March 31, 2022, no amounts were outstanding under the 2018 Revolver.

Borrowings under the 2018 Revolver are subject to the satisfaction of various conditions precedent at the time of each borrowing, including the continued accuracy of the Company’s representations and warranties and the absence of any default under the 2018 Credit Agreement. As of March 31, 2022, the Company was only able to drawn on $12,400 of the $15,000 facility due to covenant restrictions.

The 2018 Credit Agreement contained two financial covenants, a maximum Consolidated Leverage Ratio and a minimum Consolidated Fixed Charge Coverage Ratio, each as defined in the 2018 Credit Agreement. The Consolidated Leverage Ratio could not exceed 2.50:1.00 through December 31, 2020 and may not exceed 2.00:1.00 after December 31, 2020. The Consolidated Fixed Charge Coverage Ratio may not be less than 1.25:1.00.

On July 30, 2020, the Company amended the 2018 Credit Agreement to reflect the incurrence of the PPP Loan. Under the amended facility, the principal and interest on the PPP Loan were not included in the maximum Consolidated Leverage Ratio or the minimum Consolidated Fixed Charge Coverage Ratio calculations except as to any portion of the PPP Loan that is not ultimately forgiven. In September 2021, the PPP Loan was forgiven in full.

On October 29, 2021, the Company amended the 2018 Credit Agreement to maintain the $15,000 2018 Revolver, extend the maturity date of the 2018 Revolver to October 28, 2022, eliminate the Consolidated Fixed Charge Coverage Ratio financial covenant, add a minimum trailing four-quarter Consolidated Adjusted EBITDA financial covenant of $3,000, modify the definition of Consolidated Adjusted EBITDA, modify the interest rate margins and certain lender fees, and transition the interest rate provisions based on LIBOR to the Bloomberg Short Term Bank Yield Index. In addition, Bank of America became the sole lender under the 2018 Credit Agreement. The Company was in compliance with these financial covenants as of March 31, 2022.

The 2018 Credit Agreement imposes certain other affirmative and negative covenants, including without limitation covenants with respect to the payment of taxes and other obligations, compliance with laws, performance of material contracts, creation of liens, incurrence of indebtedness, investments, dispositions, fundamental changes, restricted payments, changes in the nature of the Company’s business, transactions with affiliates, corporate and accounting changes, and sale and leaseback arrangements.

(11) Segment Reporting

The Company's reportable segments are mobile connectivity and inertial navigation. The financial results of each segment are based on revenues from external customers, costs of revenue and operating expenses that are directly attributable to the segment and an allocation of costs from shared functions. These shared functions include, but are not limited to, facilities, human resources, information technology, and engineering. Allocations are made based on management’s judgment of the most relevant factors, such as head count, number of customer sites, or other operational data that contribute to the shared costs. Certain corporate-level costs have not been allocated as they are not directly attributable to either segment. These costs primarily consist of broad corporate functions, including executive, legal, finance, and costs associated with corporate actions. Segment-level asset information has not been provided as such information is not reviewed by the chief operating decision-maker for purposes of assessing segment performance and allocating resources. There are no significant inter-segment sales or transactions.

The Company's performance is impacted by the levels of activity in the marine and land mobile markets and defense sectors, among others. Performance in any particular period could be impacted by the timing of sales to certain large customers.

The mobile connectivity segment primarily manufactures and distributes a comprehensive family of mobile satellite antenna products and services that provide access to television, the Internet and voice services while on the move. Product sales within the mobile connectivity segment accounted for 16% of the Company's consolidated net sales for both the three months ended March 31, 2022 and 2021. Service sales of mini-VSAT Broadband airtime service accounted for 58% and 51% of the Company's consolidated net sales for the three months ended March 31, 2022 and 2021, respectively.

The inertial navigation segment manufactures and distributes a portfolio of digital compass and fiber optic gyro (FOG)-based systems that address the rigorous requirements of military and commercial customers and provide reliable, easy-to-use and continuously available navigation and pointing data. The principal product categories in this segment include the FOG-based inertial measurement units (IMUs) for precision guidance, FOGs for tactical navigation as well as pointing and stabilization systems, and digital compasses that provide accurate heading information for demanding applications, security, automation and access control equipment and systems. Sales of FOG-based guidance and navigation systems within the inertial navigation segment accounted for 17% and 14% of the Company's consolidated net sales for the three months ended March 31, 2022 and 2021, respectively. TACNAV product sales accounted for 2% and 12% of the Company's consolidated net sales for the three months ended March 31, 2022 and 2021, respectively

No other single product class accounts for 10% or more of the Company's consolidated net sales.

The Company operates in a number of major geographic areas, including internationally. Revenues from international locations primarily include Canada, European Union countries, and other European countries, as well as countries in Africa, Asia/Pacific, the Middle East, and India. Revenues are based upon customer location and internationally represented 64% and 62% of consolidated net sales for the three months ended March 31, 2022 and 2021, respectively. Sales to Singapore customers represented 12% and 10% of the Company's consolidated net sales for the three months ended March 31, 2022 and 2021, respectively. No other individual foreign country represented 10% or more of the Company's consolidated net sales for the three months ended March 31, 2022 and 2021.

As of March 31, 2022 and December 31, 2021, the long-lived tangible assets related to the Company’s international subsidiaries were less than 10% of the Company’s long-lived tangible assets.

Net sales and operating income (loss) for the Company's reporting segments and the Company's loss before income tax expense (benefit) for the three months ended March 31, 2022 and 2021 were as follows:

	Three Months Ended March 31,	
	2022	**2021**
Net sales:		
Mobile connectivity	$ 33,151	$ 30,507
Inertial navigation	7,943	11,785
Consolidated net sales	$ 41,094	$ 42,292
Operating income (loss):		
Mobile connectivity	$ 1,305	$ (397)
Inertial navigation	(460)	2,090
Subtotal	845	1,693
Unallocated, net	(5,553)	(5,300)
Loss from operations	(4,708)	(3,607)
Net interest and other income (expense), net	345	(574)
Loss before income tax expense (benefit)	$ (4,363)	$ (4,181)

Depreciation expense and amortization expense for the Company's reporting segments for the three months ended March 31, 2022 and 2021 were as follows:

	Three Months Ended March 31,	
	2022	**2021**
Depreciation expense:		
Mobile connectivity	$ 2,892	$ 2
Inertial navigation	308	
Unallocated	173	
Total consolidated depreciation expense	$ 3,373	$ 3
Amortization expense:		
Mobile connectivity	$ 194	$
Inertial navigation	—	
Unallocated	—	
Total consolidated amortization expense	$ 194	$

(12) Legal Matters

In the ordinary course of business, the Company is a party to inquiries, legal proceedings and claims including, from time to time, disagreements with vendors and customers. The Company is not a party to any lawsuit or proceeding that, in management's opinion, is likely to materially harm the Company's business, results of operations, financial condition, or cash flows.

(13) Fair Value Measurements

ASC Topic 820, *Fair Value Measurements and Disclosures* (ASC 820), provides a framework for measuring fair value and requires expanded disclosures regarding fair value measurements. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 describes three levels of inputs that may be used to measure fair value:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. The Company’s Level 1 assets are investments in money market mutual funds.

Level 2: Quoted prices for similar assets or liabilities in active markets; or observable prices that are based on observable market data, based on directly or indirectly market-corroborated inputs. The Company has no Level 2 assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity, and are developed based on the best information available given the circumstances. The Company has no Level 3 assets.

Assets and liabilities measured at fair value are based on the valuation techniques identified in the table below.

The following tables present financial assets and liabilities at March 31, 2022 and December 31, 2021 for which the Company measures fair value on a recurring basis, by level, within the fair value hierarchy:

March 31, 2022	Total	Level 1	Level 2	Level 3	Valua Techniqu
Assets					
Money market mutual funds	$ 8,649	$ 8,649	$ —	$ —	

December 31, 2021	Total	Level 1	Level 2	Level 3	Valuation Technique
Assets					
Money market mutual funds	$ 13,147	$ 13,147	$ —	$ —	(a)

(a) Market approach—prices and other relevant information generated by market transactions involving identical or comparable assets.

The carrying amount of certain financial instruments approximates fair value due to their short-term, highly liquid nature. These instruments include cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses. The carrying amount of the Company's operating and financing lease liabilities approximates fair value based on currently available quoted rates of similarly structured borrowings.

Assets Measured and Recorded at Fair Value on a Nonrecurring Basis

The Company's non-financial assets, such as goodwill, intangible assets, and other long-lived assets resulting from business combinations, are measured at fair value using income approach valuation methodologies at the date of acquisition and subsequently re-measured if indications of impairment exist. There was no impairment of the Company's non-financial assets noted as of March 31, 2022. The Company does not have any liabilities that are recorded at fair value on a non-recurring basis.

(14) Goodwill and Intangible Assets

Goodwill

The following table sets forth the changes in the carrying amount of goodwill for the three months ended March 31, 2022:

		Amounts
Balance at December 31, 2021	$	6,570
Foreign currency translation adjustment		(61)
Balance at March 31, 2022	$	6,509

Intangible Assets

The changes in the carrying amount of intangible assets during the three months ended March 31, 2022 are as follows:

		Amounts
Balance at December 31, 2021	$	1,287
Amortization expense		(194)
Intangible assets acquired in asset acquisition		14
Foreign currency translation adjustment		(24)
Balance at March 31, 2022	$	1,083

Intangible assets arose from the acquisition of KVH Media Group (acquired as Headland Media Limited) in May 2013. These intangible assets are being amortized on a straight-line basis over the estimated useful life of 10 years for acquired subscriber relationships. The intangible assets were recorded in pounds sterling and fluctuations in exchange rates cause these amounts to increase or decrease from time to time.

In January 2017, the Company completed the acquisition of certain subscriber relationships from a third party. This acquisition did not meet the definition of a business under ASC 2017-01, *Business Combinations (Topic 805)-Clarifying the Definition of a Business*, which the Company adopted on October 1, 2016. The Company ascribed $100 of the initial purchase price to the acquired subscriber relationships definite-lived intangible assets with an initial estimated useful life of 10 years. Under the asset purchase agreement, the purchase price includes a component of contingent consideration under which the Company is required to pay a percentage of recurring revenues received from the acquired subscriber relationships through 2026 up to a maximum annual payment of $114. As of March 31, 2022, the carrying value of the intangible assets acquired in the asset acquisition was $422. As the acquisition did not represent a business combination, the contingent consideration arrangement is recognized only when the contingency is resolved and the consideration is paid or becomes payable. The amounts payable under the contingent consideration arrangement, if any, will be included in the measurement of the cost of the acquired subscriber relationships. An additional $14 and $16 of consideration was earned under the contingent consideration arrangement during the three months ended March 31, 2022 and 2021, respectively.

Acquired intangible assets are subject to amortization. The following table summarizes acquired intangible assets at March 31, 2022 and December 31, 2021, respectively:

		Gross Carrying Amount		Accumulated Amortization		Net Carrying Value
March 31, 2022						
Subscriber relationships	$	8,023	$	6,940	$	1,083
Distribution rights		315		315		—
Internally developed software		446		446		—
Proprietary content		153		153		—
Intellectual property		2,284		2,284		—
	$	11,221	$	10,138	$	1,083
December 31, 2021						
Subscriber relationships	$	8,033	$	6,746	$	1,287
Distribution rights		315		315		—
Internally developed software		446		446		—
Proprietary content		153		153		—
Intellectual property		2,284		2,284		—
	$	11,231	$	9,944	$	1,287

Amortization expense related to intangible assets was $194 and $276 for the three months ended March 31, 2022 and 2021, respectively. Amortization expense was categorized as general and administrative expense.

As of March 31, 2022, the total weighted average remaining useful lives of the definite-lived intangible assets was 1.3 years.

Estimated future amortization expense remaining at March 31, 2022 for intangible assets acquired was as follows:

Years ending December 31,		
Remainder of 2022	$	573
2023		311
2024		63
2025		63
2026		63
Thereafter		10
Total future amortization expense	$	1,083

For definite-lived intangible assets, the Company assesses the carrying value of these assets whenever events or circumstances indicate that the carrying value may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying amount of an asset, or asset group, to the future undiscounted cash flows expected to be generated by the asset, or asset group. There were no events or changes in circumstances during the first quarter of 2022 which indicated that an assessment of the impairment of goodwill and intangible assets was required.

(15) Revenue from Contracts with Customers (ASC 606)

In accordance with ASC 606, revenue is recognized when a customer obtains control of promised products and services. The amount of revenue recognized reflects the consideration which the Company expects to be entitled to receive in exchange for these products and services.

Disaggregation of Revenue

The following table summarizes net sales from contracts with customers for the three months ended March 31, 2022 and 2021:

	Three Months Ended March 31,			
	2022		**2021**	
Mobile connectivity product, transferred at point in time	$	6,107	$	6,088
Mobile connectivity product, transferred over time		456		803
Mobile connectivity service		26,588		23,616
Inertial navigation product		7,807		11,541
Inertial navigation service		136		244
Total net sales	$	41,094	$	42,292

Revenue recognized during the three months ended March 31, 2022 and 2021 from amounts included in contract liabilities at the beginning of the period was $452 and $773, respectively.

For mobile connectivity product sales, the delivery of the Company's performance obligations are generally transferred to the customer, and associated revenue is recognized, at a point in time, with the exception of certain mini-VSAT contracts which are transferred to customers over time. For mobile connectivity service sales, the delivery of the Company's performance obligations are transferred to the customer, and associated revenue is recognized, over time. For inertial navigation product sales, the delivery of the Company's performance obligations are generally transferred to the customer, and associated revenue is recognized, at a point in time. For inertial navigation service sales, the Company's performance obligations are generally transferred to customers, and associated revenue is recognized, over time.

Business and Credit Concentrations

Concentrations of risk with respect to trade accounts receivable are generally limited due to the large number of customers and their dispersion across several geographic areas. Although the Company does not foresee that credit risk associated with these receivables will deviate from historical experience, repayment is dependent upon the financial stability of those individual customers. The Company establishes allowances for potential bad debts and evaluates, on a monthly basis, the adequacy of those reserves based upon historical experience and its expectations for future collectability concerns. The Company performs ongoing credit evaluations of the financial condition of its customers and generally does not require collateral.

No single customer accounted for 10% or more of consolidated net sales for the three months ended March 31, 2022 or 2021 or accounts receivable at March 31, 2022 or December 31, 2021.

Certain components from third parties used in the Company's products are procured from single sources of supply. The failure of a supplier, including a subcontractor, to deliver on schedule could delay or interrupt the Company's delivery of products and thereby materially adversely affect the Company's revenues and operating results.

(16) Income Taxes

The Company's effective tax rate for the three months ended March 31, 2022 was (7.5)% compared with 3.7% for the corresponding period in the prior year. The effective income tax rate is based on estimated income for the year, the estimated composition of the income in different jurisdictions and discrete adjustments, if any, in the applicable periods, including retroactive changes in tax legislation, settlements of tax audits or assessments, and the resolution or identification of tax position uncertainties.

For the three months ended March 31, 2022 and 2021, the effective tax rates were lower than the statutory tax rate primarily due to the Company maintaining a valuation allowance reserve on its US deferred tax assets and to the composition of income from foreign jurisdictions taxed at lower rates.

As of March 31, 2022 and December 31, 2021, the Company had reserves for uncertain tax positions of $608 and $592, respectively. There were no material changes during the three months ended March 31, 2022 to the Company's reserve for uncertain tax positions. The Company estimates that it is reasonably possible that the balance of unrecognized tax benefits as of March 31, 2022 may decrease $19 in the next twelve months as a result of a lapse of statutes of limitations and settlements with taxing authorities.

The Company's tax jurisdictions include the United States, the United Kingdom, Denmark, Cyprus, Norway, Brazil, Singapore, Japan and India. In general, the statute of limitations with respect to the Company's United States federal income taxes has expired for years prior to 2018, and the relevant state and foreign statutes vary. However, preceding years remain open to examination by United States federal and state and foreign taxing authorities to the extent of future utilization of net operating losses and research and development tax credits generated in each preceding year.

(17) Leases

Lessee

The Company has operating leases for office facilities, equipment, and satellite service capacity and related equipment. Lease expense was $544 and $977 for the three months ended March 31, 2022 and 2021, respectively. Short-term operating lease costs were $55 and $57 for the three months ended March 31, 2022 and 2021, respectively. Sublease income was $35 and $34 for the three months ended March 31, 2022 and 2021, respectively. Maturities of lease liabilities as of March 31, 2022 under operating leases having an initial or remaining non-cancelable term of one year or more are as follows:

Remainder of 2022	$	1,456
2023		780
2024		392
2025		14
Total minimum lease payments	$	2,642
Less amount representing interest	$	(130)
Present value of net minimum operating lease payments	$	2,512
Less current installments of obligation under current-operating lease liabilities	$	1,571
Obligations under long-term operating lease liabilities, excluding current installments	$	941
Weighted-average remaining lease term - operating leases (years)		1
Weighted-average discount rate - operating leases		5.50

During the first quarter of 2018, the Company entered into a five-year financing lease for three satellite hubs for its HTS network. During the first quarter of 2021, the terms of this lease were adjusted and the Company discontinued use of two satellite hubs and was released from the related payment obligation in exchange for additional satellite service capacity. As of March 31, 2022, the gross cost and accumulated amortization associated with this lease for the remaining satellite hub is included in revenue generating assets and amounted to $1,268 and $755, respectively. The obligation under capital leases are stated at the present value of minimum lease payments.

The property and equipment held under this financing lease are amortized on a straight-line basis over the seven-year estimated useful life of the asset, since the lease meets the bargain purchase option criteria. Amortization of assets held under financing leases is included within depreciation expense. Depreciation expense for the remaining capital assets was $45 for both the three months ended March 31, 2022 and 2021.

The future minimum lease payments under this financing lease as of March 31, 2022 are:

Remainder of 2022	$	198
2023		22
Total minimum lease payments	$	220
Less amount representing interest	$	(2)
Present value of net minimum financing lease payments	$	218
Less current installments of obligation under accrued other	$	218
Obligations under other long-term liabilities, excluding current installments	$	—
Weighted-average remaining lease term - finance leases (years)		0.92
Weighted-average discount rate - finance leases		1.53 %

Lessor

The Company enters into leases with certain customers primarily for the TracPhone mini-VSAT systems. These leases are classified as sales-type leases as title of the equipment transfers to the customer at the end of the lease term. The Company records the leases at a price typically equivalent to normal selling price and in excess of the cost or carrying amount. Upon delivery, the Company records the net present value of all payments under these leases as product revenue, and the related costs of the product are charged to cost of sales. Interest income is recognized throughout the lease term (typically three to five years) using an implicit interest rate. The sales-type leases do not have unguaranteed residual assets.

The current portion of the net investment in these leases was $3,813 as of March 31, 2022 and the non-current portion of the net investment in these leases was $6,119 as of March 31, 2022. The current portion of the net investment in the leases is included in accounts receivable, net of allowance for doubtful accounts on the accompanying consolidated balance sheets and the non-current portion of the net investment in these leases is included in other non-current assets on the accompanying consolidated balance sheets. Interest income from sales-type leases was $207 and $231 during the three months ended March 31, 2022 and 2021, respectively.

The future undiscounted cash flows from these leases as of March 31, 2022 are:

Remainder of 2022	$	3,4
2023		3,5
2024		2,5
2025		1,2
2026		3
2027		
Total undiscounted cash flows	$	11,2
Present value of lease payments	$	9,9
Difference between undiscounted cash flows and discounted cash flows	$	1,2

In 2021, the Company entered into three-year leases for its TracPhone mini-VSAT systems, in which ownership of the hardware does not transfer to the lessee by the end of the lease term. As a result, and in light of other factors indicated in ASC 842, these leases are classified as operating leases.

As of March 31, 2022, the gross costs and accumulated depreciation associated with these operating leases are included in revenue generating assets and amounted to $1,735 and $236, respectively. They are depreciated on a straight-line basis over a five-year estimated useful life. Depreciation expense for these assets was $82 for the three months ended March 31, 2022.

Lease revenue recognized was $126 for the three months ended March 31, 2022.

As of March 31, 2022, minimum future lease payments to be recognized on the operating leases are as follows:

2022	$	3
2023		5
2024		3
2025		
Total	$	1,2

(18) Subsequent Events

On April 29, 2022, KVH Media Group Limited, the Company's wholly owned subsidiary, closed on a stock sale of its subsidiary KVH Media Group Entertainment Limited, which is in the KVH Media Group reporting unit of its mobile connectivity segment for net proceeds of approximately $2,500. This transaction did not meet the criteria as an asset held for sale or a discontinued operation under ASC 205-20.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

The statements included in this quarterly report on Form 10-Q, other than statements of historical fact, are forward-looking statements. Examples of forward-looking statements include statements regarding our future financial results, operating results, business strategies, projected costs, products and services, competitive positions and plans, customer preferences, consumer trends, anticipated product development, and objectives of management for future operations. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "should," "would," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continue," or the negative of these terms or other comparable terminology. Any expectations based on these forward-looking statements are subject to risks and uncertainties and other important factors, including those discussed in the section entitled "Risk Factors" in Item 1A of Part I of our annual report on Form 10-K for the year ended December 31, 2021. These and many other factors could affect our future financial and operating results, and could cause actual results to differ materially from expectations based on forward-looking statements made in this document or elsewhere by us or on our behalf. For example, our expectations regarding certain items as a percentage of sales assume that we will achieve our anticipated sales goals. The following discussion and analysis should be read in conjunction with our consolidated interim financial statements and related notes appearing elsewhere in this report.

Overview

We design, develop, manufacture and market mobile connectivity products and services for the marine and land mobile markets, and inertial navigation products for the defense and commercial markets. Our reporting segments are as follows:

- the mobile connectivity segment and
- the inertial navigation segment.

Through these segments, we manufacture and sell our solutions in a number of major geographic areas, including internationally. We generate a majority of our revenues from various international locations, primarily consisting of Singapore, Canada, countries in Europe, countries in Africa, other Asia/Pacific countries, the Middle East, and India.

Disposition of Assets

On April 29, 2022, we sold our subsidiary, KVH Media Group Entertainment Limited, for net proceeds of approximately $2.5 million. The subsidiary, which formed part of the KVH Media Group reporting unit of our mobile connectivity segment, operated the radio portion of the KVH Media Group business. The transaction did not meet the criteria as an asset held for sale or a discontinued operation under ASC 205-20.

Management Transition and Restructuring

On March 7, 2022, we announced that our President and Chief Executive Officer, Martin Kits van Heyningen, was retiring from his executive and Board roles after more than 40 years of service and assuming a consulting position with us. The Board of Directors has engaged an executive search firm to identify a new Chief Executive Officer. Brent C. Bruun, our Chief Operating Officer, has been appointed as our interim President and Chief Executive Officer. We have incurred approximately $0.5 million of costs associated with the management transition through March 31, 2022, including a separation payment, consulting fees and health insurance coverage for Mr. Kits van Heyningen, as well as professional and advisory fees, and expect to continue to incur ongoing compensation expenses until March 2023.

In March 2022, we also restructured our operations to reduce costs and better pursue a more focused strategy. We reduced our workforce by approximately 10% and expect to reduce expenses from these actions. Approximately $1.7 million of costs were incurred in the first quarter of 2022, with the benefit to earnings expected to begin in the second quarter of 2022.

<u>Mobile Connectivity Segment</u>

Our mobile connectivity segment offers satellite communications products and services. Our mobile connectivity products enable customers to receive voice and Internet services and live digital television via satellite services in marine vessels, recreational vehicles, buses and automobiles. We sell our mobile connectivity products through an extensive international network of dealers and distributors. We also sell and lease products to service providers and directly to end users.

Our mobile connectivity service sales include sales of satellite voice and Internet airtime services, engineering services provided under development contracts, sales from product repairs, and extended warranty sales. This segment's sales also include the distribution of entertainment, including news, sports, music, and movies, to commercial and leisure customers in the maritime, hotel, and retail markets through KVH Media Group. We typically recognize revenue from media content sales ratably over the period of the service contract. We provide, for monthly fixed fees and usage-based fees, satellite connectivity services for broadband Internet, data and VoIP service to our mini-VSAT Broadband customers. We also earn monthly usage fees for third-party satellite connectivity for voice, data and Internet services to our Inmarsat and Iridium customers who choose to activate their subscriptions with us.

Within the mobile connectivity segment, our marine leisure business is highly seasonal, and seasonality can also impact our commercial marine business. Historically, we have generated the majority of our marine leisure product revenues during the first and second quarters of each year, and these revenues typically decline in the third and fourth quarters of each year, compared to the first two quarters. Temporary suspensions of our airtime services typically increase in the third and fourth quarters of each year as boats are placed out of service during the winter months.

Inertial Navigation Segment

Our inertial navigation segment offers precision fiber optic gyro (FOG)-based systems that enable platform and optical stabilization, navigation, pointing, and guidance. Our inertial navigation products also include TACNAV systems that provide uninterrupted access to navigation and pointing information in a variety of military vehicles, including tactical trucks and light armored vehicles. Our inertial navigation products are sold directly to governments, both U.S. and foreign, and government contractors, as well as through an international network of authorized independent sales representatives. In addition, our inertial navigation products are used in numerous commercial products, such as navigation and positioning systems for various applications including precision mapping, dynamic surveying, autonomous vehicles, train location control and track geometry measurement systems, industrial robotics and optical stabilization. Our inertial navigation service sales include engineering services provided under development contracts, product repairs and extended warranty sales.

Sales by Segment

We generate sales primarily from the sale of our mobile connectivity products and services and our inertial navigation products and services. The following table provides, for the periods indicated, our sales by segment:

	Three Months Ended March 31,	
	2022	2021
	(in thousands)	
Mobile connectivity	$ 33,151	$ 30,507
Inertial navigation	7,943	11,785
Net sales	$ 41,094	$ 42,292

Product sales within the mobile connectivity segment accounted for 16% of our consolidated net sales for both the three months ended March 31, 2022 and 2021. Sales of mini-VSAT Broadband airtime service accounted for 58% and 51% of our consolidated net sales for the three months ended March 31, 2022 and 2021, respectively.

Within our inertial navigation segment, net sales of FOG-based guidance and navigation systems accounted for 17% and 14% of our consolidated net sales for the three months ended March 31, 2022 and 2021, respectively. TACNAV product sales accounted for 2% and 12% of our consolidated net sales for the three months ended March 31, 2022 and 2021, respectively.

No other single product class accounted for 10% or more of our consolidated net sales for the three months ended March 31, 2022 or 2021. No individual customer accounted for 10% or more of our consolidated net sales for the three months ended March 31, 2022 or 2021.

We operate in a number of major geographic areas across the globe. We generate our international net sales, based upon customer location, primarily from customers located in Singapore, Canada, countries in Europe, countries in Africa, other Asia/Pacific countries, the Middle East, and India. Revenues are based upon customer location and internationally represented 64% and 62% of our consolidated net sales for the three months ended March 31, 2022 and 2021, respectively. Sales to Singapore customers represented 12% and 10% of our consolidated net sales for the three months ended March 31, 2022 and 2021. See Note 11 to our consolidated interim financial statements for more information on our segments. No other individual foreign country represented 10% or more of the our consolidated net sales for the three months ended March 31, 2022 and 2021.

Customer-Funded Research and Development

In addition to our internally funded research and development efforts, we also conduct research and development activities that are funded by our customers. These activities relate primarily to engineering studies, surveys, prototype development, program management, and standard product customization. In accordance with accounting principles generally accepted in the United States of America, we account for customer-funded research as service revenue, and we account for the associated research and development costs as costs of service and product sales. As a result, customer-funded research and development are not included in the research and development expense that we present in our statement of operations. The following table presents our total annual research and development effort, representing the sum of research costs of service and product sales and the operating expense of research and development as described in our statement of operations. Our management believes this information is useful because it provides a better understanding of our total expenditures on research and development activities.

	Three Months Ended March 31,	
	2022	**2021**
	(in thousands)	
Research and development expense presented on the statement of operations	$ 4,649	$ 4,567
Costs of customer-funded research and development included in costs of service sales	17	411
Total consolidated statements of operations expenditures on research and development activities	$ 4,666	$ 4,978

Supply Chain

During the three months ended March 31, 2022, the Company continued to experience delays in the availability and delivery of certain raw material components, which has impacted our manufacturing as well as resulted in shipping delays in getting products out to our customers. We also experienced increase in raw material costs, which we expect to continue throughout 2022. We are continuing to monitor global developments and are prepared to implement any actions that we determine to be necessary to sustain our business.

Critical Accounting Estimates

The discussion and analysis of our financial condition and results of operations are based upon our consolidated interim financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these interim financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosure at the date of our interim financial statements. Our significant accounting policies are summarized in Note 1 to the consolidated financial statements in our annual report on Form 10-K for the year ended December 31, 2021.

Critical accounting estimates are those estimates made that involve a significant level of estimation uncertainty and have had or are reasonably likely to have an impact on our statement of operations. As described in our annual report on Form 10-K for the year ended December 31, 2021, our accounting policies for goodwill, intangible assets, and other long-lived assets were the only estimates critical to an understanding and evaluation of our consolidated financial statements. We have reviewed our accounting policies and critical accounting estimates and determined that these remain our most critical accounting policies and estimates for the three months ended March 31, 2022.

Readers should refer to our annual report on Form 10-K for the year ended December 31, 2021 under "Management's Discussion and Analysis of Financial Condition and Results of Operation—Critical Accounting Estimates" for descriptions of these policies and estimates, as well as the notes to the consolidated interim financial statements included elsewhere within this report.

Results of Operations

The following table provides, for the periods indicated, certain financial data expressed as a percentage of net sales:

	Three Months Ended March 31,	
	2022	**2021**
Sales:		
Product	35.0 %	43.6 %
Service	65.0	56.4
Net sales	100.0	100.0
Cost and expenses:		
Costs of product sales	26.1	26.5
Costs of service sales	36.5	36.5
Research and development	11.3	10.8
Sales, marketing and support	20.3	17.8
General and administrative	17.2	16.9
Total costs and expenses	111.4	108.5
Loss from operations	(11.4)	(8.5)
Interest income	0.5	0.6
Interest expense	—	—
Other income (expense), net	0.3	(1.9)
Loss before income tax expense (benefit)	(10.6)	(9.8)
Income tax expense (benefit)	0.8	(0.4)
Net loss	(11.4)%	(9.4)%

Three months ended March 31, 2022 and 2021

Net Sales

As discussed further under the heading "Segment Discussion" below, product sales decreased $4.1 million, or 22%, to $14.4 million for the three months ended March 31, 2022 from $18.4 million for the three months ended March 31, 2021, due to a decrease in inertial navigation product sales of $3.7 million and a decrease of $0.3 million in mobile connectivity product sales. Service sales for the three months ended March 31, 2022 increased $2.9 million, or 12%, to $26.7 million from $23.9 million for the three months ended March 31, 2021 due to an increase in mobile connectivity service sales of $3.0 million, partially offset by a decrease in inertial navigation service sales of $0.1 million.

Costs of Sales

Costs of sales consists of costs of product sales and costs of service sales. Costs of sales decreased by $0.9 million, or 3%, in the three months ended March 31, 2022 to $25.7 million from $26.6 million in the three months ended March 31, 2021. The decrease in costs of sales was driven by a $0.5 million decrease in costs of product sales and a $0.4 million decrease in costs of service sales. As a percentage of net sales, costs of sales was 63% for both the three months ended March 31, 2022 and 2021.

Our costs of product sales consist primarily of materials, manufacturing overhead, and direct labor used to produce our products. For the three months ended March 31, 2022, costs of product sales decreased by $0.5 million, or 4%, to $10.7 million from $11.2 million in the three months ended March 31, 2021. As a percentage of product sales, costs of product sales were 75% and 61% for the three months ended March 31, 2022 and 2021, respectively. Inertial navigation costs of product sales decreased by $0.8 million, or 13%, primarily due to a $1.3 million decrease in our TACNAV costs of product sales and a $0.2 million decrease in expensed material and other manufacturing period costs, partially offset by a $0.8 million increase in FOG and OEM products. Inertial navigation costs of product sales as a percentage of inertial navigation product sales were 68% and 53% for the three months ended March 31, 2022 and 2021, respectively. The increase was primarily driven by product mix with a decrease in higher margin TACNAV product sales. Mobile connectivity costs of product sales increased by $0.3 million, or 6%, primarily due to an increase in our marine mobile connectivity cost of product sales. Mobile connectivity costs of product sales as a percentage of mobile connectivity product sales were 83% and 74% for the three months ended March 31, 2022 and 2021, respectively. The increase was primarily driven by product mix within our marine mobile connectivity cost of product sales.

Our costs of service sales consist primarily of satellite service capacity, depreciation, service network overhead expense associated with our mini-VSAT Broadband network infrastructure, direct network service labor, Inmarsat service costs, product installation costs, engineering and related direct costs associated with customer-funded research and development, media materials and distribution costs, and service repair materials. For the three months ended March 31, 2022, costs of service sales decreased by $0.4 million, or 3%, to $15.0 million from $15.4 million for the three months ended March 31, 2021. As a percentage of service sales, costs of service sales were 56% and 65% for the three months ended March 31, 2022 and 2021, respectively. Inertial navigation costs of service sales decreased by $0.4 million, or 86%, due to a decrease in contract engineering services sales. Inertial navigation costs of service sales as a percentage of inertial navigation service sales were 49% and 192% for the three months ended March 31, 2022 and 2021, respectively. This decrease in costs of inertial navigation service sales was primarily due to a decrease in costs relating to an engineering and services development contract from a major U.S. defense contractor. Mobile connectivity costs of service sales decreased by less than $0.1 million year-over-year. Mobile connectivity costs of service sales as a percentage of mobile connectivity service sales were 56% and 63% for the three months ended March 31, 2022 and 2021, respectively. This decrease was primarily driven by the shut down of our legacy Arclight network, partially offset by an increase in costs associated with our HTS network due to increased capacity required for additional customers.

Operating Expenses

Research and development expense consists of direct labor, materials, external consultants, and related overhead costs that support our internally funded product development and product sustaining engineering activities. Research and development expense for the three months ended March 31, 2022 increased by $0.1 million, or 2%, to $4.6 million. The primary reason for the increase in research and development expense was a $0.4 million increase in costs related to the reduction in our workforce in March 2022 and a $0.4 million decrease in funded engineering expenses. There was also a corresponding reallocation of the expense of the underlying engineering work from costs of service sales, where funded engineering expenses are reflected, to research and development expense, where unfunded engineering expenses are reflected. These increases were partially offset by a $0.5 million decrease in salaries, benefits and taxes (excluding costs associated with the previously mentioned reduction in force) and a $0.3 million decrease in consulting fees. As a percentage of net sales, research and development expense was 11% for both the three months ended March 31, 2022 and 2021.

Sales, marketing, and support expense consists primarily of salaries and related expenses for sales and marketing personnel, commissions for both in-house and third-party representatives, costs related to the co-development of certain content, other sales and marketing support costs such as advertising, literature and promotional materials, product service personnel and support costs, warranty-related costs and bad debt expense. Sales, marketing and support expense also includes the operating expenses of our sales office subsidiaries in Denmark, Singapore, Brazil, and Japan. Sales, marketing and support expense for the three months ended March 31, 2022 increased by $0.8 million, or 11%, to $8.4 million from $7.5 million for the three months ended March 31, 2021. The increase in sales, marketing and support expense resulted primarily from a $0.7 million increase in salaries, benefits and taxes, which was driven by costs related to the reduction in our workforce in March 2022. As a percentage of net sales, sales, marketing and support expense was 20% and 18% for the three months ended March 31, 2022 and 2021, respectively.

General and administrative expense consists of costs attributable to management, finance and accounting, information technology, human resources, certain outside professional services, and other administrative costs. General and administrative expense for the three months ended March 31, 2022 decreased by $0.1 million, or 1%, to $7.1 million. The decrease in general and administrative expense resulted primarily from a $0.5 million decrease in professional fees, primarily arising from a stockholder’s nomination of a competing slate of directors at our annual meeting of stockholders in 2021. This decrease in expense was offset by a $0.6 million increase in salaries, benefits and taxes, which was driven by $0.5 million of expenses related to the separation and retirement of Mr. Kits van Heyningen in March 2022. As a percentage of net sales, general and administrative expense was 17% for both the three months ended March 31, 2022 and 2021.

Interest and Other Income (Expense), Net

Interest income represents interest earned on our cash and cash equivalents, as well as from investments and our sale-type lease receivables. Interest income remained flat period-over-period at $0.2 million for both the three months ended March 31, 2022 and 2021. Interest expense remained flat period-over-period at less than $0.1 million for both the three months ended March 31, 2022 and 2021. Other income (expense), net increased to other income of $0.1 million for the three months ended March 31, 2022 from other expense of $0.8 million for the prior period primarily due to an increase in foreign exchange gains from our UK operations.

Income Tax Expense (Benefit)

Income tax expense for the three months ended March 31, 2022 was $0.3 million and related to taxes on income earned in foreign jurisdictions. Income tax benefit for the three months ended March 31, 2021 was $0.2 million and related to losses generated in foreign jurisdictions.

Segment Discussion - Three months ended March 31, 2022 and 2021

Our net sales by segment for the three months ended March 31, 2022 and 2021 were as follows:

	For the three months ended March 31,		Change 2022 vs. 2021	
	2022	2021	$	%
	(dollars in thousands)			
Mobile connectivity sales:				
Product	$ 6,563	$ 6,891	$ (328)	(5)%
Service	26,588	23,616	2,972	13 %
Net sales	$ 33,151	$ 30,507	$ 2,644	9 %
Inertial navigation sales:				
Product	$ 7,807	$ 11,541	$ (3,734)	(32)%
Service	136	244	(108)	(44)%
Net sales	$ 7,943	$ 11,785	$ (3,842)	(33)%

Operating income (loss) by segment for the three months ended March 31, 2022 and 2021 were as follows:

	For the three months ended March 31,		Change 2022 vs. 2021	
	2022	2021	$	%
	(dollars in thousands)			
Mobile connectivity	$ 1,305	$ (397)	$ 1,702	429 %
Inertial navigation	(460)	2,090	(2,550)	(122)%
	$ 845	$ 1,693	$ (848)	(50)%
Unallocated	(5,553)	(5,300)	(253)	(5)%
Loss from operations	$ (4,708)	$ (3,607)	$ (1,101)	(31)%

Mobile Connectivity Segment

Net sales in the mobile connectivity segment increased by $2.6 million, or 9%, for the three months ended March 31, 2022 as compared to the three months ended March 31, 2021. Mobile connectivity product sales decreased by $0.3 million, or 5%, to $6.6 million for the three months ended March 31, 2022 from $6.9 million for the three months ended March 31, 2021. The decrease in mobile connectivity product sales was primarily due to a $0.5 million decrease in TracVision product sales. The decrease in TracVision product sales was primarily due to a decrease in sales volume.

Mobile connectivity service sales increased by $3.0 million, or 13%, to $26.6 million for the three months ended March 31, 2022 from $23.6 million for the three months ended March 31, 2021. The increase was primarily due to an $2.7 million increase in our mini-VSAT service sales compared to the three months ended March 31, 2021.

Consistent with our previously disclosed plans, we shut down our legacy Arclight network at midnight on December 31, 2021. Virtually all costs associated with that network have ceased. Although we expect to incur additional costs on our HTS network to service the customers who have migrated from the legacy network, during the three months ended March 31, 2022 we saw margin improvement in our mini-VSAT services. We are continuing with the migration/transition of legacy network customers who did not migrate by December 31, 2021. As of December 31, 2021, the monthly recurring revenue associated with those customers was approximately $0.3 million. During the three months ended March 31, 2022, we re-signed a total of $0.1 million of recurring monthly revenue from former legacy network customers. We expect to continue re-signing former legacy network customers throughout 2022, particularly in the spring as seasonal leisure customers commission their vessels for the summer. However, we do not expect that we will succeed in re-signing all of them. For the full year, we expect airtime revenue growth but at a lower rate than we saw in 2021.

Operating income for the mobile connectivity segment increased by $1.7 million for the three months ended March 31, 2022 to operating income of $1.3 million as compared to an operating loss of $0.4 million for the three months ended March 31, 2021. This increase resulted primarily from an increase in sales less associated costs of $2.4 million, partially offset by a $0.7 million increase in salaries, benefits and taxes, which was primarily driven by $1.0 million of costs related to the reduction in our workforce in March 2022.

Inertial Navigation Segment

Net sales in the inertial navigation segment decreased $3.8 million, or 33%, for the three months ended March 31, 2022 as compared to the three months ended March 31, 2021. Inertial navigation product sales decreased by $3.7 million, or 32%, to $7.8 million for the three months ended March 31, 2022 from $11.5 million for the three months ended March 31, 2021. This decrease was primarily due to a $4.5 million decrease in TACNAV product sales, partially offset by a $0.8 million increase in sales of our FOG and OEM products.

Inertial navigation service sales decreased $0.1 million, or 44%, to $0.1 million for the three months ended March 31, 2022 from $0.2 million for the three months ended March 31, 2021.

Our operating loss for the inertial navigation segment increased by $2.6 million to an operating loss of $0.5 million for the three months ended March 31, 2022 as compared to operating income of $2.1 million for the three months ended March 31, 2021. This increase was primarily due to the decrease in sales less associated costs of $2.6 million and a $0.2 million increase in costs related to the reduction in our workforce in March 2022. These increases were partially offset by a $0.4 million decrease in salaries, benefits and taxes (excluding costs associated with the previously mentioned reduction in force).

Unallocated

Certain corporate-level costs have not been allocated because they are not directly attributable to either segment. These costs primarily consist of broad corporate functions, including executive, legal, finance, information technology, and costs associated with corporate actions.

Unallocated operating loss increased $0.3 million, or 5%, for the three months ended March 31, 2022 as compared to the three months ended March 31, 2021 primarily due to a $0.8 million increase in salaries, benefits and taxes, which was primarily driven by $0.5 million of expenses related to the separation and retirement of Mr. Kits van Heyningen in March 2022. This increase was partially offset by a $0.5 million decrease in non-recurring legal and advisory fees. In 2021, these fees were incurred as a result of a stockholder’s nomination of a competing slate of directors for our annual meeting of stockholders.

Backlog

Backlog is not a meaningful indicator for predicting revenue in future periods. Commercial resellers for our mobile connectivity products and legacy products typically do not carry extensive inventories and rely on us to ship products quickly. Generally, due to rapid delivery of our commercial products, our backlog for those products is not significant.

Our backlog for all products and services was $25.1 million and $23.9 million as of March 31, 2022 and December 31, 2021, respectively. As of March 31, 2022, $17.0 million of our backlog was scheduled for fulfillment in 2022, $1.6 million was scheduled for fulfillment in 2023, and $6.4 million was scheduled for fulfillment in 2024 through 2026.

Backlog consists of orders evidenced by written agreements and specified delivery dates for customers who are acceptable credit risks. We do not include satellite connectivity service sales in our backlog even though many of our satellite connectivity customers have signed annual or multi-year service contracts providing for a fixed monthly fee. Military orders included in backlog are generally subject to cancellation for the convenience of the customer. When orders are canceled, we generally recover actual costs incurred through the date of cancellation and the costs resulting from termination. As of March 31, 2022, our backlog included $9.3 million in orders that are subject to cancellation for convenience by the customer. Individual orders for inertial navigation products are often large and may require procurement of specialized long-lead components and allocation of manufacturing resources. The complexity of planning and executing larger orders generally requires customers to order well in advance of the required delivery date, resulting in backlog.

Liquidity and Capital Resources

Our primary liquidity needs have been to fund general business requirements, including working capital requirements and capital expenditures. In recent years, we have funded our operations primarily from the sale of a business in 2019, a PPP loan, cash flows from operations, bank financings and proceeds received from exercises of stock options and the issuance of stock.

In May 2020, we received a $6.9 million loan from Bank of America, N.A. (the Lender), under the PPP, which was established under the CARES Act. Pursuant to the terms of the CARES Act, in August 2021, we applied for forgiveness of the full amount of the PPP Loan. On September 24, 2021, we received notification from the bank that, on September 19, 2021, the U.S. Small Business Administration (the SBA) had determined that the PPP Loan forgiveness application was approved, and the PPP Loan, including all accrued interest thereon, was paid in full by the SBA.

As of March 31, 2022, we had $16.7 million in cash, cash equivalents, and marketable securities, of which $2.6 million in cash and cash equivalents was held in local currencies by our foreign subsidiaries. Our foreign subsidiaries held no marketable securities as of March 31, 2022. As of March 31, 2022, we had $50.7 million in working capital. Based upon our current working capital position, current operating plans and expected business conditions, we expect to have sufficient funds, through at least twelve months from the date that this report is filed with the SEC, to fund our short-term and long-term working capital requirements, including capital expenditures and contractual obligations, primarily using our existing cash, cash equivalents and marketable securities and any operating cash flow. Our funding plans for our working capital needs and other commitments may be adversely impacted if our underlying assumptions regarding our anticipated revenues and expenses are not realized. If our operating results fail to meet our expectations, we could be required to seek additional funding through public or private financings or other arrangements. In that event, adequate funds may not be available when needed or may be available only on terms which could have a negative impact on our business and results of operations. In addition, if we raise funds by issuing equity securities, our stockholders may experience dilution.

Net cash used in operations was $3.5 million for the three months ended March 31, 2022 compared to net cash provided by operations of $5.0 million for the three months ended March 31, 2021. The $8.5 million increase in cash used in operations is primarily due to a $4.3 million decrease in cash inflows relating to accounts receivable, a $2.9 million increase in cash outflows relating to inventories, a $1.3 million increase in cash outflows related to accounts payable and accrued expenses, a $0.7 million increase in net loss, a $0.4 million decrease in non-cash items, and a $0.3 million increase in cash outflows related to other non-current assets and non-current contract assets. Partially offsetting these items was a $1.2 million increase in cash inflows related to contract liabilities and long-term contract liabilities.

Net cash provided by investing activities was $0.1 million for the three months ended March 31, 2022 compared to net cash used in investing activities of $5.1 million for the three months ended March 31, 2021. The $5.2 million increase in net cash provided by investing activities was primarily the result of a $4.5 million increase in net cash inflows relating to the purchase and sale of marketable securities and a $0.8 million decrease in capital expenditures.

Net cash provided by financing activities was $0.1 million for the three months ended March 31, 2022 compared to net cash provided by financing activities of $1.5 million for the three months ended March 31, 2021. The $1.4 million decrease in net cash provided by financing activities is primarily attributable to the $1.4 million decrease in cash inflows relating to proceeds from stock options exercised and the employee stock purchase plan.

Borrowing Arrangements

Paycheck Protection Program Loan

In May 2020, we received a $6.9 million loan from the Lender under the PPP, which was established under the CARES Act and is administered by the SBA. The term of the PPP Loan was two years from the funding date, and the interest rate was 1.00%. Interest on the loan accrued from the funding date, but was deferred. In August 2021, we applied for forgiveness of the full amount of the PPP Loan. On September 24, 2021, we received notification from the Lender that, on September 19, 2021, the SBA had determined that the PPP Loan forgiveness application was approved, and the PPP Loan, including all accrued interest thereon, was paid in full by the SBA.

Line of Credit

Effective October 30, 2018, we entered into an amended and restated three-year senior secured credit facility agreement (the 2018 Credit Agreement) with Bank of America, N.A., as Administrative Agent, and the lenders named from time to time as parties thereto (the 2018 Lenders), which included a reducing revolving credit facility (the 2018 Revolver) of up to $20.0 million initially and reducing to $15.0 million on December 31, 2019, to be used for general corporate purposes. Our obligations under the 2018 Credit Agreement are secured by substantially all of our assets and the pledge of equity interests in certain of our subsidiaries. As of March 31, 2022, no amounts were outstanding under the 2018 Revolver.

Borrowings under the 2018 Revolver are subject to the satisfaction of various conditions precedent at the time of each borrowing, including the continued accuracy of our representations and warranties and the absence of any default under the 2018 Credit Agreement. As of March 31, 2022, we were only able to draw on $12.4 million of the $15.0 million facility due to covenant restrictions.

The 2018 Credit Agreement contains two financial covenants, a maximum Consolidated Leverage Ratio and a minimum Consolidated Fixed Charge Coverage Ratio, each as defined in the 2018 Credit Agreement. The Consolidated Leverage Ratio could not exceed 2.50:1.00 through December 31, 2020 and may not exceed 2.00:1.00 after December 31, 2020. The Consolidated Fixed Charge Coverage Ratio may not be less than 1.25:1.00.

On July 30, 2020, we amended the 2018 Credit Agreement to reflect the incurrence of the PPP loan. Under the amended facility, the principal and interest on the PPP loan were not included in the maximum Consolidated Leverage Ratio or the minimum Consolidated Fixed Charge Coverage Ratio calculations except as to any portion of the PPP Loan that is not ultimately forgiven. In September 2021, the PPP Loan was forgiven in full.

On October 29, 2021, we amended the 2018 Credit Agreement to maintain the $15.0 million 2018 Revolver, extend the maturity date of the 2018 Revolver to October 28, 2022, eliminate the Consolidated Fixed Charge Coverage Ratio financial covenant, add a minimum trailing four-quarter Consolidated Adjusted EBITDA financial covenant of $3.0 million, modify the definition of Consolidated Adjusted EBITDA, modify the interest rate margins and certain lender fees, and transition the interest rate provisions based on LIBOR to the Bloomberg Short Term Bank Yield Index. In addition, Bank of America became the sole lender under the 2018 Credit Agreement. We were in compliance with these financial covenants as of March 31, 2022.

The 2018 Credit Agreement imposes certain other affirmative and negative covenants, including without limitation covenants with respect to the payment of taxes and other obligations, compliance with laws, performance of material contracts, creation of liens, incurrence of indebtedness, investments, dispositions, fundamental changes, restricted payments, changes in the nature of our business, transactions with affiliates, corporate and accounting changes, and sale and leaseback arrangements.

Other Matters

We intend to continue to invest in the mini-VSAT Broadband network on a global basis. As part of the future potential capacity expansion, we plan to acquire additional satellite capacity from satellite operators, expend funds to seek regulatory approvals and permits, develop product enhancements in anticipation of the expansion, and hire additional personnel. From time to time we have entered into multi-year agreements to lease satellite capacity, and we have also purchased numerous satellite hubs to support the added capacity. These transactions can involve millions of dollars.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, which are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our Interim Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Under the supervision and with the participation of our Interim Chief Executive Officer and Chief Financial Officer, our management has evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2022, the end of the period covered by this interim report. Based on that evaluation, our Interim Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2022.

Changes in Internal Control over Financial Reporting

Under the supervision and with the participation of our Interim Chief Executive Officer and Chief Financial Officer, our management has evaluated changes in our internal control over financial reporting that occurred during the first quarter of 2022. Based on that evaluation, our Interim Chief Executive Officer and Chief Financial Officer did not identify any change in our internal control over financial reporting during the first quarter of 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Important Considerations

The effectiveness of our disclosure controls and procedures and our internal control over financial reporting is subject to various inherent limitations, including cost limitations, judgments used in decision making, assumptions about the likelihood of future events, the soundness of our systems, the possibility of human error, and the risk of fraud. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions and the risk that the degree of compliance with policies or procedures may deteriorate over time. Because of these limitations, there can be no assurance that any system of disclosure controls and procedures or internal control over financial reporting will be successful in preventing all errors or fraud or in making all material information known in a timely manner to the appropriate levels of management.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the ordinary course of business, we are a party to inquiries, legal proceedings and claims including, from time to time, disagreements with vendors and customers. We are not a party to any lawsuit or proceeding that, in our opinion, is likely to materially harm our business, results of operations, financial condition, or cash flows.

ITEM 6. EXHIBITS

Exhibits:

Exhibit No.	Description	Filed with this Form 10-Q	Incorporated by Reference		
			Form	Filing Date	Exhibit No.
3.1	Amended and Restated Certificate of Incorporation, as amended		10-Q	August 6, 2010	3.1
3.2	Amended and Restated Bylaws		10-Q	November 1, 2017	3.2
4.1	Specimen certificate for the common stock		10-K	March 2, 2018	4.1
10.1*	Separation and Consulting Agreement dated as of March 6, 2022 between KVH Industries, Inc. and Martin Kits van Heyningen	X			
31.1	Rule 13a-14(a)/15d-14(a) certification of principal executive officer	X			
31.2	Rule 13a-14(a)/15d-14(a) certification of principal financial officer	X			
32.1	Section 1350 certification of principal executive officer and principal financial officer	X			
101	The following financial information from KVH Industries, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, formatted in Inline XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets (unaudited), (ii) the Consolidated Statements of Operations (unaudited), (iii) the Consolidated Statements of Comprehensive Loss (unaudited), (iv) the Consolidated Statement of Stockholders' Equity (unaudited), (v) the Consolidated Statements of Cash Flows (unaudited), and (vi) the Notes to Consolidated Interim Financial Statements (unaudited).	X			
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)	X			

* Indicates management contract or compensatory plan

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 10, 2022

KVH Industries, Inc.

By: /s/ ROGER A. KUEBEL

Roger A. Kuebel
(Duly Authorized Officer and Chief Financial Officer)

SEPARATION AND CONSULTING AGREEMENT

This Separation and Consulting Agreement (this "**Agreement**") between Martin Kits van Heyningen ("**Executive**") and KVH Industries, Inc. ("**KVH**" or the "**Company**") shall be effective as of March 6, 2022 (the "**Effective Date**").

WHEREAS, Executive is currently the Chairman of the Board, President and Chief Executive Officer of KVH;

WHEREAS, Executive and KVH desire to enter into an agreement setting forth the terms of Executive's mutual agreement to transition to a consulting role with the Company; and

WHEREAS, Executive has thoroughly reviewed this Agreement, has entered into it voluntarily, and has had the opportunity to consult with legal counsel of Executive's choice before signing this Agreement,

NOW THEREFORE, in consideration of the covenants below, including but not limited to the General Release of Claims, and for other good and valuable consideration as set forth in this Agreement, Executive and the Company hereby agree as follows:

1. Separation From Employment; Consulting Engagement.

(a) Executive hereby resigns from his position as Chairman of the Board of Directors, President and Chief Executive Officer of the Company, from his position as a member of the Board of Directors of the Company and from all other offices, directorships or other positions held with the Company or any of its subsidiaries as of the date hereof. Executive may state that Executive has retired from the Company (or repeat the Company's other public written descriptions of the circumstances of Executive's separation) but shall not otherwise make any oral or written statements to anyone, other than to Executive's spouse, legal counsel and financial advisor(s), concerning the circumstances and details of Executive's separation, other than as authorized in writing by the Board of Directors.

(b) The parties agree that Executive's employment with the Company is hereby terminated, and Executive is hereby engaged to provide consulting services to the Company as a Senior Advisor to the Board of Directors or its designee in accordance with the terms of this Agreement until the earlier to occur of (i) March 6, 2023 and (ii) either party's earlier termination of Executive's services hereunder by written notice to the other party (in the case of the Company, whether or not for Cause) (such earlier date, the "**Separation Date**"). The "**Term**" shall mean the period from the date of this Agreement to the close of business on the Separation Date.

(c) During the Term, Executive will make himself available to provide advice to the Board of Directors or its designee and perform such tasks as and when the Board of Directors or its designee shall reasonably request, up to a total of fifty (50) hours during the Term. Executive shall perform such services to the best of his ability. During and after the Term, Executive shall have no authority to enter into any binding obligation on behalf of the Company.

(d) During the Term, Executive shall at all times be an independent contractor of the Company and, as such, he will not be an employee of the Company and will not, by reason of this Agreement, by reason of his services to the Company hereunder, or by any other reason, be entitled to participate in or to receive any benefit or right under any of the Company's employee benefit or welfare plans, except as expressly set forth in this Agreement.

(e) Nothing in this Agreement or the General Release of Claims shall be deemed to amend, modify or terminate Executive's existing rights to (i) indemnification, contribution and advancement of expenses as a director or officer (or nearest equivalent under foreign law) of the Company or any subsidiary of the Company pursuant to the terms of any law or the certificate of incorporation, bylaws or other organizational document of the Company or any such subsidiary and (ii) coverage under the Company's directors' and officers' insurance policies as in effect on the Effective Date in accordance with their terms. To the extent that the Company maintains directors' and officers' insurance policies following the Effective Date for its directors and executive officers, the Company shall, to the extent permitted by the terms of such policies without incremental expense (or with such incremental expense, if timely paid by Executive, reasonably notice thereof having been given to Executive), afford Executive coverage under such policies on the same basis as coverage for the Company's directors and executive officers covered thereby (but only with respect to Executive's services as a director or executive officer of the Company or any subsidiary of the Company before the date hereof).

2. Consideration. Notwithstanding any other provision of this Agreement, in order to receive the payments and benefits set forth in this Agreement, Executive must: (a) execute and deliver this Agreement; (b) execute and deliver the General Release of Claims in the form attached hereto as Exhibit A (the "**General Release of Claims**") within 21 days after the date hereof and allow the attendant Revocation Period to expire and the General Release of Claims to become effective; and (c) materially comply with all of his obligations to the Company.

3. Compensation for Services.

(a) During the Term, Executive shall be paid $44,877 per month, to be paid in substantially equal installments consistent with the Company's ordinary payroll practices then in effect over the course of the Term. Executive understands that such payments shall not be subject to withholding by the Company (and that such payments shall be reported following year end on IRS Form 1099), and Executive understands and agrees that he shall be responsible for paying all income and employment taxes with respect to such payments.

(b) If Executive meets all legal and administrative requirements for continued health and dental insurance (collectively "**Medical Insurance**") coverage under the Consolidated Omnibus Budget Reconciliation Act ("**COBRA**"), including making a timely election of benefits and following all directions provided by the Company's third-party COBRA administrator, Executive will be eligible for a subsidy of Executive's COBRA premium as described herein. During the Term, Executive will be responsible for payment of premiums for Medical Insurance in the same amount as is charged to similar active employees for similar coverage rather than the full COBRA premium amount, and the Company shall pay the remainder of the COBRA premium amount, provided that Executive continues to meet all COBRA eligibility requirements. After the Term and for any remaining period of COBRA eligibility, Executive will be solely responsible for paying the entire COBRA premium for the coverage elected as stated in the notice from the third-party COBRA administrator.

4. Separation Payment. Within thirty (30) days after the date hereof (or, if later, on or before the Company's next regular payroll date following the Executive's General Release of Claims becoming effective), Executive shall receive a separation payment in the amount of $201,613. Because this payment is being made with respect to Executive's employment with the Company, the payment shall be paid in accordance with the Company's ordinary payroll practices in effect at the time of payment, and shall be subject to withholding for all applicable income and employment taxes.

5. Automobile. The Company shall afford Executive a reasonable opportunity to assume the lease of the automobile leased by the Company for Executive's use. If Executive

does not wish to assume such lease, then on or before 5:00 p.m. Eastern on Monday, March 7, 2022, Executive shall deliver the automobile to the Company's headquarters and give all keys to Eileen Pribula. If Executive retains the automobile after such time, Executive hereby assumes legal responsibility for the automobile and shall indemnify the Company for all lease payments and all damage to the automobile.

6. Employee Stock Purchase Plan. Payroll deductions credited to Executive's account under the Company's 1996 Employee Stock Purchase Plan, if any, shall be returned to Executive in accordance with the terms of the plan.

7. Continued Vesting of Stock Options and Restricted Stock. All outstanding options to purchase shares of common stock granted to Executive under the Company's equity compensation plans (the "**Options**"), and all outstanding shares of restricted stock granted to Executive under such plans (the "**Restricted Stock**"), shall continue to vest during the Term in accordance with their terms, notwithstanding Executive's transition from employee to consultant. At the end of the Term, all vesting of Options and Restricted Stock shall cease, except as otherwise provided in Section 8(b). For all purposes under any outstanding vested and unvested Options, the Termination Date (as defined in the applicable stock option and/or restricted stock award agreement) shall occur upon the conclusion of the Term.

8. Potential Benefits Upon Early Company Termination without Cause.

(a) If Executive's services hereunder are involuntarily terminated by the Company before March 6, 2023, for any reason other than Cause (an "**Early Company Termination**"), then subject to Executive's re-execution and delivery to the Company, within twenty-one (21) days after delivery of notice of the Early Company Termination, of the General Release of Claims attached hereto as Exhibit A and such General Release of Claims becoming effective, the Company will pay Executive a lump sum amount equal to the unpaid portion of the amounts that the Company would have paid pursuant to Sections 3 and 4 hereof in the absence of an Early Company Termination. Such payment will be made within ten (10) days following the General Release of Claims described herein becoming effective.

(b) If (i) an Early Company Termination occurs or (ii) the Term continues until March 6, 2023 (the date of such Early Company Termination or such calendar date, the "**Acceleration Date**"), then immediately prior to the close of business on the Acceleration Date, and subject to Executive's re-execution and delivery to the Company, within twenty-one (21) days after the earlier of (A) delivery of notice of the Early Company Termination or (B) such calendar date, of the General Release of Claims attached hereto as Exhibit A and such General Release of Claims becoming effective, (1) 25% of the then-unvested portion of the Options outstanding on the Acceleration Date shall vest ("**Accelerated Options**"), and Options shall be exercisable to the extent vested in accordance with their terms (but not after the expiration thereof), (2) the remaining 75% of the then-unvested portion of the Options outstanding on the Acceleration Date shall terminate and shall not be exercisable thereafter, (3) 25% of the then-unvested portion of the shares of Restricted Stock outstanding on the Acceleration Date shall vest ("**Accelerated Restricted Stock**") and (4) 75% of the then-unvested portion of the shares of Restricted Stock outstanding on the Acceleration Date shall be deemed forfeited and shall be cancelled. From the Acceleration Date until the re-execution of the General Release of Claims becomes effective, Executive shall not (and shall not agree to) offer, sell, transfer, assign, pledge, hypothecate, encumber or otherwise dispose of any shares of common stock acquired upon exercise of any Accelerated Options or any shares of Accelerated Restricted Stock (all such shares, the "**Accelerated Shares**"), and the Company shall be entitled to issue stop transfer instructions to the transfer agent for the common stock with respect to the Accelerated Shares. If the Company does not receive the re-execution of the General Release of Claims by Executive before the expiration of the twenty-one (21) day period set forth in this paragraph (or if

Executive timely revokes such re-execution of the General Release of Claims in accordance with Section 18), then upon the expiration of such twenty-one (21) day period (or such revocation, as applicable), all Accelerated Shares shall be deemed forfeited and shall be cancelled, and upon such cancelation the Company shall return to Executive the exercise price paid by Executive, if any, upon exercise of Accelerated Options to acquire any such cancelled Accelerated Shares.

(c) For avoidance of doubt, if Executive terminates his services hereunder for any reason, or if the Company terminates the Executive's services hereunder for Cause, then immediately thereupon (i) all vesting under the Options outstanding at that time shall cease, (ii) the Options shall be exercisable, if at all, only to the extent vested prior to that time, in accordance with their terms (but not after the expiration thereof) and (iii) all shares of Restricted Stock that are outstanding and unvested at that time shall be deemed forfeited and shall be cancelled.

(d) "**Cause**" shall mean (x) Executive's material breach of this Agreement, which breach is not cured within ten (10) calendar days after the Company provides notice of such breach to Executive, (y) Executive's material violation of the Company's Code of Business Conduct and Ethics or any other code of ethics, code of conduct or other policy applicable Executive (it being understood that such codes and policies of the Company as in effect on the Effective Date (or adopted thereafter in good faith) shall be applicable to Executive during the Term), or (z) Executive's gross misconduct.

9. No Other Pay or Benefits; Sufficiency of Consideration. Except as specifically set forth in this Agreement, Executive shall be entitled to no other wages, salary, vacation pay, paid time off, bonuses, incentive awards, commissions, benefits, or any other compensation of any kind, except as required by law. Executive acknowledges that the promises described in this Agreement are in excess of any earned wages and any other amounts due and owing to Executive, and are good and valuable consideration for the general release of claims and the other covenants and terms in this Agreement. Executive understands and agrees that Executive is not eligible for or entitled to any other payments except as provided in this Agreement.

10. General Release of Claims. Within twenty-one (21) days of the date hereof, Executive shall sign and deliver the General Release of Claims attached hereto as Exhibit A.

11. No Pending Actions; Covenant Not To Sue.

(a) Except as otherwise provided in this Agreement (including Section 12), Executive agrees not to initiate or file, or cause to be initiated or filed, any action, lawsuit, complaint, arbitration proceeding, or other proceeding in any federal, state, or local court or in any administrative tribunal or other forum with authority to adjudicate disputes asserting any of the Released Claims against any of the Released Parties. Executive further agrees not to be a member of any class or collective action in any court or in any arbitration proceeding seeking relief against the Released Parties based on claims released by this Agreement, and that even if a court or arbitrator rules that Executive may not waive a claim released by this Agreement, Executive shall not accept any money damages or other relief.

(b) Executive represents that as of the date Executive signs this Agreement, Executive has not filed or initiated, or caused to be filed or initiated, any complaint, claim, action or lawsuit of any kind against any of the Released Parties in any federal, state, or local court or agency or other forum.

(c) Executive agrees to promptly reimburse the Company for any legal fees that the Company incurs as a result of any breach of this Section 11 by Executive.

12. Limitation on Restrictions. Nothing in this Agreement is intended to or shall interfere with Executive's right to file charges or participate in a proceeding with any appropriate federal, state or local government agency, including the Occupational Safety and Health Administration ("**OSHA**"), National Labor Relations Board ("**NLRB**") or the Securities and Exchange Commission ("**SEC**"); to exercise rights under Section 7 of the National Labor Relations Act ("**NLRA**"); or to file a charge or complaint with or participate or cooperate in an investigation or proceeding with the US Equal Employment Opportunity Commission ("**EEOC**") or comparable state or local agencies. Such agencies have authority to carry out their statutory duties by investigating a charge, issuing a determination, filing a lawsuit, or taking any other action authorized by law. Executive retains the right to participate in any such action and retains the right to communicate with the NLRB, SEC, EEOC, OSHA and comparable state or local agencies and such communication shall not be limited by any provision in this Agreement. Executive shall not, however, receive any individual benefit, including without limitation receipt of any monetary benefit, from any such action, charge, or complaint for any Released Claim brought against any of the Released Parties, regardless of who filed or initiated any such complaint, charge or proceeding. Nothing in this Agreement limits Executive's right to receive an award for information provided to a government agency such as the SEC and OSHA. In addition, nothing in this Agreement is intended to interfere with or restrain the immunity provided under 18 U.S.C. § 1833(b) for confidential disclosures of trade secrets to government officials or lawyers, solely for the purpose of reporting or investigating a suspected violation of law, or in a sealed filing in court or other proceeding.

13. No FMLA or FLSA Claims. Executive acknowledges that the Company has provided Executive with any leave to which Executive may be or may have been entitled under the Family and Medical Leave Act. Executive represents that Executive is not aware of any facts that would support a claim by Executive against any of the Released Parties for any violation of the Family and Medical Leave Act. Executive further acknowledges that Executive has been properly paid for all time worked and is unaware of any facts that would support a claim by Executive against any of the Released Parties for any claim of unpaid overtime or any other violation of the Fair Labor Standards Act or comparable state law.

14. Confidential Information and Goodwill; Inventions and Assignment; Restrictive Covenants.

(a) Promise and Covenant Not to Disclose. The parties acknowledge that the Company is the sole and exclusive owner of the Confidential Information, and that the Company has legitimate business interests in protecting the Confidential Information. The parties further acknowledge that the Company has invested, and continues to invest, considerable amounts of time and money in obtaining, developing, and preserving the confidentiality of the Confidential Information and that, by reason of Executive's position with the Company prior to the Effective Date and during the Term, Executive owes the Company a fiduciary duty to preserve and protect the Confidential Information from all unauthorized disclosure and unauthorized use. Executive shall not, directly or indirectly, disclose Confidential Information to any third party (except to Executive's attorneys to the extent necessary to obtain legal advice, the Company's executive officers, the Company's attorneys and other persons designated in writing by the Company, or except as otherwise provided by law or directed or authorized by the Board of Directors) or use Confidential Information for any purpose other than for the direct benefit of the Company (including the performance of Executive's services as Senior Advisor), as determined by the Board of Directors of the Company. Executive shall not hereafter access or attempt to access Confidential Information or Company information technology systems, except as requested by the Board of Directors or its designee. Executive shall comply with the terms of any confidentiality, non-disclosure or similar agreement between the Company and any third party to the extent applicable to information held by Executive.

(b) Inventions and Assignment. Executive agrees that he has disclosed or will promptly disclose to the Company any and all Company Inventions, and Executive hereby irrevocably assigns, and agrees to assign promptly upon the request of the Company, to the Company all of Executive's right, title, interest and other ownership rights in and to any and all Company Inventions. Upon request of the Company, Executive will sign, execute and deliver any and all documents or instruments, including, without limitation, patent applications, declarations, invention assignments and copyright assignments, and will take any other action which the Company shall deem necessary to perfect in the Company trademark, copyright or patent rights with respect to Company Inventions, or to otherwise protect the Company's trade secrets and proprietary interests. The term "**Inventions**" means discoveries, developments, trade secrets, processes, formulas, data, lists, software programs, graphics, artwork, logos, works of authorship, ideas, concepts, know-how, designs and techniques, whether or not any of the foregoing is or are patentable, copyrightable, or registrable under any intellectual property laws or industrial property laws in the United States or elsewhere. The term "**Company Inventions**" means all Inventions that (i) relate to the business or proposed business of the Company or any of its subsidiaries or that were discovered, developed, created, conceived, reduced to practice, made, learned or written by Executive, either alone or jointly with others, in the course of Executive's employment; (ii) utilize, incorporate or otherwise relate to Confidential Information; or (iii) were or are discovered, developed, created, conceived, reduced to practice, made, learned or written by Executive using property or equipment of the Company or any of its subsidiaries. Executive acknowledges and agrees that any work of authorship by Executive, alone or with others, comprising Company Inventions shall be deemed to be a "work made for hire," as that term is defined in the United States Copyright Act (17 U.S.C. § 101 (2000)). To the extent that any such work of authorship may not be deemed to be a work made for hire, Executive hereby irrevocably assigns, and agrees to assign promptly upon the request of the Company, to the Company any and all right, title and interest and other ownership rights Executive may have in and to such work.

(c) Other Promises and Covenants.

(i) Executive agrees that, for a period of one (1) year following the Effective Date (the "**Non-Competition Period**"), Executive shall not, directly or indirectly, on Executive's own or another's behalf, engage in or assist others in any of the following activities:

(1) (whether as principal, agent, partner or otherwise) engage in, own, manage, operate, control, finance, invest in, participate in, or otherwise carry on, or be employed by, associated with, or in any manner connected with, lend Executive's name to, lend Executive's credit to, or render services or advice to a Competing Business anywhere in the Geographic Area; or

(2) provide or develop any products, technology or services that are the same as or Substantially Similar to the products, technology and services provided or developed by the Company or any of its subsidiaries.

(ii) If Executive shall breach his or her obligations under Section 14(c)(i), the Non-Competition Period shall automatically be extended by a period equal to the period commencing on the first breach of such obligations and ending when all such breaches shall have been cured.

(iii) For a period of one (1) year following the Effective Date (the "**Non-Solicitation Period**"), Executive shall not, directly or indirectly, on Executive's own or another's behalf, engage in or assist others in any of the following activities:

(1) solicit, induce or encourage any customer, distributor, agent, supplier, licensee, or business relation of the Company or any of its subsidiaries to cease doing business with the Company or any of its subsidiaries, or in any way interfere with the relationship between any such customer, distributor, agent, supplier, licensee, or business relation and the Company or any of its subsidiaries;

(2) on behalf of a Competing Business, solicit the business or patronage of any Person who is a current customer, Prospective Customer, distributor or agent of the Company or any of its subsidiaries at any time during the twelve (12) months before the Effective Date, whether or not Executive had personal contact with such Person;

(3) solicit, induce or encourage any employee, independent contractor or agent of the Company or any of its subsidiaries to terminate the employment or other business relationship of such employee, independent contractor or agent with the Company or any such subsidiary;

(4) in any way interfere with the employment or other business relationship between the Company or any of its subsidiaries, on the one hand, and any employee, independent contractor or agent of the Company or any such subsidiary, on the other hand;

(5) employ, or otherwise engage as an employee, independent contractor, agent or otherwise, any individual who was an employee, independent contractor or agent of the Company or any of its subsidiaries, or was otherwise affiliated with the Company or any of its subsidiaries, at any time during the twelve (12) months before the Effective Date, other than Kathleen Keating and Siobhan Kits van Heyningen; or

(6) attempt to do any of the foregoing.

provided, however, that nothing set forth in this Section 14 shall prohibit Executive from (i) owning, as a passive investment, less than one percent (1%) in the aggregate of any class of capital stock of any corporation if such stock is listed on any national securities exchange or (ii) initiating bona fide job advertisements of general circulation (including general postings on internet job sites) for employment or service not targeted to employees, independent contractors or agents of the Company or any of its subsidiaries.

(iv) If Executive shall breach his or her obligations under Section 14(c)(iii), the Non-Solicitation Period shall automatically be extended by a period equal to the period commencing on the first breach of such obligations and ending when all such breaches shall have been cured.

(v) It being the intention of the parties to provide for a smooth leadership transition and to afford the succeeding management team a meaningful opportunity to establish its new leadership, Executive agrees that, for a period of one (1) year following the Effective Date (the "**Non-Interference Period**"), Executive shall not, directly or indirectly, on Executive's own or another's behalf, initiate or substantively respond to any interaction with any then-current Company personnel (including directors, officers, employees, independent contractors, workers and other persons affiliated with the Company) about the Company's business interests and activities (it being understood and agreed that purely social interactions that do not concern the Company's business interests and activities shall not violate this Section) or any initiate or substantively respond to any interaction relating to the Company's business interests and activities with any of the Company's then-current customers, distributors, agents, suppliers, licensees, or other business relations or stockholders, except (1) as specifically directed or authorized by the Board of Directors or its designee, including in furtherance of Executive's duties as Senior Advisor, and (2) that Executive may cast any vote as a stockholder by proxy.

(vi) If Executive shall breach his or her obligations under Section 14(c)(v), the Non-Interference Period shall automatically be extended by a period equal to the period commencing on the first breach of such obligations and ending when all such breaches shall have been cured.

(d) Definitions. For purposes hereof:

(i) "**Company Business**" means (1) any business related to the development, engineering, manufacture, marketing, distribution or sale of products, services or solutions for the mobile satellite communications industry, including the provision of Internet, Internet of Things (IoT), television or voice services via satellite or land-based communication to mobile users at sea, on land or in the air, as well as tools to increase communication efficiency, reduce costs and manage network operations; (2) any business related to the provision of commercially licensed entertainment, including news, sports, music, training and movies, to commercial or leisure customers in the maritime, hotel or retail markets; (3) any business related to the development, engineering, manufacture, marketing, distribution or sale of navigations sensors and systems or inertial sensors and systems for defense or commercial applications, including self-driving vehicles; and (4) any other business that the Company is actively engaged in researching, developing, offering, providing or marketing at the Effective Date.

(ii) "**Competing Business**" means any Entity engaged in any portion of the Company Business, other than the Company and its subsidiaries.

(iii) "**Confidential Information**" means the trade secrets and other information of the Company and its subsidiaries, including but not limited to (1) customer lists, customer contact information, customer purchase information, pricing information, strategic and marketing plans, compilations of customer information, names of employees, contracts with third parties, training, financial and marketing books, sales projections, internal employer databases, reports, manuals and information, including information related to the Company, its subsidiaries or its customers, including those documents and items which any employee may develop or help develop while in the employ of the Company or any of its subsidiaries, whether or not developed during regular working hours or on the premises of the Company or such subsidiary; (2) the identity, skills, personnel file information, performance appraisals and compensation of job applicants, employees, contractors, and consultants; (3) specialized training, technical and other business information; (4 source code, scripts, user screens, reports or any other information pertaining to the internal information technology or network of the Company and/or its subsidiaries; (5) information related to Inventions owned by the Company or any of its subsidiaries or licensed from third parties; (6) information held in confidence by the Company or any of its subsidiaries or which might provide the Company, any of its subsidiaries or its or their customers a competitive advantage over others who do not have access to such information; and (7) similar information of third parties held by the Company or any of its subsidiaries. Unless the context requires otherwise, the term "**Confidential Information**" shall include the original of such materials, any copies thereof, any notes derived from such materials, and any derivative work of such materials. Information that is or becomes generally available publicly other than directly or indirectly through disclosure by Executive in violation of this Agreement shall cease to be Confidential Information.

(iv) "**Entity**" means and includes any person, partnership, association, corporation, limited liability company, trust, unincorporated organization or any other business entity or enterprise.

(v) "**Geographic Area**" means those jurisdictions in which the Company or any of its subsidiaries conducts business or in which its products, services or solutions are being sold or marketed at the Effective Date.

(vi) "**Goodwill**" means the value of the relationships between the Company and its subsidiaries, on the one hand, and the customers, distributors, agents, suppliers, licensees, employees or other business relations of the Company or any of its subsidiaries, and others with which the Company or any of its subsidiaries does business, on the other hand.

(vii) "**Prospective Customer**" means any person or Entity identified as a potential customer of the Company to which the Company, through any of its employees or agents, has made a business proposal within the twelve (12) months prior to the Effective Date.

(viii) "**Substantially Similar**" means substantially similar in function or capability or otherwise competitive to the products, services or solutions that are being developed, manufactured or sold by the Company or any of its subsidiaries at any time during the three (3) years before the Effective Date, or that are marketed to substantially the same type of user or customer as that to which the products, services and solutions of the Company or any of its subsidiaries are marketed during the three (3) years before the Effective Date or, as of the Effective Date, are proposed to be marketed during the one (1) year after the Effective Date.

(e) Acknowledgements Regarding Other Promises and Covenants. With regard to the promises and covenants set forth herein, Executive acknowledges and agrees that:

(i) the restrictions are ancillary to an otherwise enforceable agreement, including the provisions of this Agreement regarding the disclosure, ownership and use of the Confidential Information and Goodwill of the Company;

(ii) the limitations as to time, geographical area, and scope of activity to be restricted are reasonable and acceptable to Executive, and do not impose any greater restraint than is reasonably necessary to protect the Goodwill and other legitimate business interests of the Company;

(iii) the performance by Executive, and the enforcement by the Company, of such promises and covenants will cause no undue hardship on Executive; and

(iv) the time periods covered by the promises and covenants will not include any period(s) of violation of such promises or covenants.

(f) Duty to Give Notice of Agreement. During the period of any post-employment obligation applicable hereunder, Executive shall provide written notice to any prospective employer of Executive's obligations under this Agreement then currently in effect, and shall provide a true copy hereof to such prospective employer prior to accepting any such employment.

(g) Independent Elements. The parties acknowledge that the promises and covenants contained in this Section 14 are essential independent elements of this Agreement and that, but for Executive agreeing to comply with them, the Company would not enter into this Agreement. Accordingly, the existence or assertion of any claim by Executive against the Company, whether based on this Agreement or otherwise, shall not operate as a defense to the Company's enforcement of the promises and covenants in this Section 14. An alleged or actual breach of the Agreement by the Company will not be a defense to enforcement of any such promise or covenant, or other obligations of Executive to the Company. For the avoidance of doubt, in the event of any action by the Company seeking to enforce the promises and covenants in this Section 14, this Section 14(g) shall not preclude Executive from bringing a claim, or asserting a counterclaim, for money damages (or, in the case of Section 19, for injunctive relief) arising from any breach of this Agreement by the Company.

15. Return of Company Property. Within twenty-four hours (24) after Executive's first return to Rhode Island after the Effective Date, and in any event on or before 9:00 a.m. Eastern on Monday, March 21, 2022, Executive shall return to the Corporation all property of the Corporation in his possession, custody or control, including but not limited to the originals and copies of any information provided to or acquired by him in connection with the performance of his duties for the Corporation, such as files, correspondence, communications, memoranda, e-mails, slides, records, and all other documents, no matter how produced or reproduced, all computer equipment, electronic storage media (including external hard drives and network access storage (NAS) devices), communication devices (including but not limited to any mobile phone or other portable digital assistant or device), computer programs and/or files, and all office keys and access cards. Notwithstanding the foregoing, Executive may retain his Company-issued laptop computer, cellular telephone and iPad to assist in the performance of his services hereunder, provided that Executive shall first submit all such items to the Company for cleansing of Company information in accordance with the Company's regular practices for departing employees. Subject to Executive's compliance with the foregoing proviso, the Company shall facilitate an orderly transition to Executive's personal control of the cellular telephone number provided by the Company to Executive and shall not, prior to the earlier of such transition and thirty (30) days after the date hereof, disconnect Executive's cellular service without Executive's knowledge and consent. Executive agrees that all the items described in this Section are the sole property of the Company. Within twenty-four hours (24) after Executive's first return to Rhode Island after the Effective Date, and in any event on or before 9:00 a.m. Eastern on Monday, March 21, 2022, Executive shall deliver to the Company a complete, accurate and unaltered copy of all Company property and information (including Confidential Information) in electronic format that was in his possession, custody or control as of 5:00 p.m. Eastern on March 3, 2022 or any time thereafter and shall certify to the Company in writing that Executive has expunged (without means of recovery) all copies of such Company property and information (including all Company-related email) from all computers, mobile phones, portable digital assistants or devices and storage media (including online and cloud-based storage) in his possession, custody or control (other than items theretofore provided to the Company for purposes of cleansing in accordance with the Company's regular practices for departing employees), other than Executive's personal employment records and pay stubs.

16. Compensation Recovery. Notwithstanding any other provision in this Agreement to the contrary, Executive acknowledges and agrees that any incentive-based or other compensation paid to the Executive, whether or not pursuant to this Agreement or any other agreement or arrangement with the Company, will be subject to such deductions, clawback, recoupment or recovery as may be required to be made pursuant to applicable law or regulation, stock exchange listing requirement or any clawback, recoupment, recovery or similar policy

adopted by the Company prior to the Effective Date and made available to Executive (including the Company's equity compensation plans filed with the Securities and Exchange Commission).

17. Understanding of Agreement; Advice of Counsel. Executive acknowledges and confirms that Executive has entered into this Agreement of Executive's own free will, without duress or coercion. Executive acknowledges that Executive has read and fully understands the meaning and intent of this Agreement and is competent to execute it. The Company hereby advises Executive to seek the advice of legal counsel before signing this Agreement, and Executive represents that Executive has had the opportunity to do so prior to signing this Agreement. Executive acknowledges and agrees that the Company's outside legal counsel, Foley Hoag LLP, and the Company's General Counsel and other legal personnel represent the Company and not Executive, that Executive is not a client of any of the foregoing legal counsel and that none of the foregoing legal counsel owes Executive any of the duties they would owe to a client.

18. Review and Revocation of General Release. Pursuant to the Older Workers Benefit Protection Act, Executive has twenty-one (21) days from the date of receipt of this Agreement or, in the case of the re-execution of the General Release of Claims described in Section 8(b), from the Separation Date (each, a "**Consideration Period**") to consider whether to enter into this Agreement and the General Release of Claims and/or the re-execution of the General Release of Claims. Executive (or his agent) shall send the entire signed Agreement and General Release of Claims to John D. Hancock, Esq., jhancock@foleyhoag.com, Foley Hoag LLP, 155 Seaport Boulevard, Boston, Massachusetts 02210. If Executive chooses not to consider this Agreement and the General Release of Claims for the full twenty-one (21) days, Executive acknowledges that Executive does so knowingly, voluntarily, and with full understanding that Executive is waiving Executive's statutory right to consider this Agreement and the General Release of Claims for the full twenty-one (21) days. Any modifications to this Agreement, whether material or immaterial, shall not restart the Consideration Periods. Following the Separation Date, Executive shall send the re-executed General Release of Claims in the form attached hereto to John D. Hancock, Esq., jhancock@foleyhoag.com, Foley Hoag LLP, 155 Seaport Boulevard, Boston, Massachusetts 02210. If Executive chooses not to consider the re-execution of the General Release of Claims for the full twenty-one (21) days, Executive acknowledges that Executive does so knowingly, voluntarily, and with full understanding that Executive is waiving Executive's statutory right to consider the General Release of Claims for the full twenty-one (21) days. Any modifications to a General Release of Claims, whether material or immaterial, shall not restart the Consideration Periods. KVH hereby advises Executive to consult with an attorney prior to executing this Agreement and the General Release of Claims, and that Executive may rescind this Agreement within seven (7) calendar days of its execution or revoke a General Release of Claims within seven (7) days of execution (each, a "**Revocation Period**"). To revoke this Agreement or the General Release of Claims, Executive must send written notice by mail (paper or electronic) stating: "I revoke my acceptance of the Separation and Consulting Agreement," or "I revoke my acceptance of the General Release of Claims" or words to that effect to John D. Hancock, Esq. at jhancock@foleyhoag.com, before the end of the applicable Revocation Period. Any such rescission must be delivered by hand or mail (paper or electronic) within the seven (7) day period. If delivered by mail, the rescission must be: (a) postmarked or electronic date stamped within the seven (7) day period; (b) addressed to John D. Hancock, Esq., jhancock@foleyhoag.com, Foley Hoag LLP, 155 Seaport Boulevard, Boston, Massachusetts 02210; and, (c) sent by certified mail, return receipt requested or electronic mail. Executive acknowledges and agrees that this Agreement and a General Release of Claims do not become fully enforceable and effective until the applicable Revocation Period has expired.

19. Mutual Non-Disparagement. Executive will not make any statements that are disparaging about, or adverse to, the interests or business of the Company or any subsidiary of

the Company (or their respective officers, directors, employees or direct or indirect controlling shareholders), including, without limitation, any statements that disparage any person, product, service, finances, financial condition, capability or any other aspect of the business of Company or any subsidiary of the Company (or their respective officers, directors, employees or direct or indirect controlling shareholders). "**Disparaging**" statements are those that, directly or indirectly, impugn the character, quality, reputation, goodwill, honesty, integrity or morality or business acumen or abilities in connection with any aspect of the operation of business of the individual or entity being disparaged. The Company will direct its current directors and officers not to make any statements that are disparaging about Executive. Notwithstanding the foregoing, nothing in this Agreement shall prohibit either party from: (a) making truthful statements or disclosures that are required by applicable law, regulation or legal process; (b) requesting or receiving confidential legal advice; or (c) cooperating, participating, or filing charges with any federal, state or local government agency enforcing discrimination laws, including the EEOC.

20. Cooperation.

(a) If Executive receive a subpoena, deposition notice, interview request, or other process or order to testify or produce Confidential Information or any other information or property of the Company, Executive shall promptly: (i) notify the Company of the item, document, or information sought by such subpoena, deposition notice, interview request, or other process or order; (ii) furnish the Company with a copy of said subpoena, deposition notice, interview request, or other process or order; and (iii) provide reasonable cooperation with respect to any procedure that the Company may initiate to protect Confidential Information or other interests. If the Company objects to the subpoena, deposition notice, interview request, process, or order, Executive shall cooperate to ensure that there shall be no disclosure until the court or other applicable entity has ruled upon the objection, and then only in accordance with the ruling so made. If no such objection is made despite a reasonable opportunity to do so, Executive shall be entitled to comply with the subpoena, deposition, notice, interview request, or other process or order, provided that Executive has fulfilled the above obligations.

(b) Executive will cooperate fully with the Company, its affiliates, and their legal counsel in connection with any action, proceeding, or dispute arising out of matters with which Executive was directly or indirectly involved while serving as an employee of the Company, its predecessors, subsidiaries or affiliates. This cooperation shall include, but shall not be limited to, meeting with, and providing information to, the Company and its legal counsel, maintaining the confidentiality of any past or future privileged communications with the Company's legal counsel (outside and in-house), and making himself available to testify truthfully by affidavit, in depositions, or in any other forum on behalf of the Company. The Company agrees to reimburse Executive for any reasonable and necessary out-of-pocket costs associated with his cooperation.

(c) For cooperation provided by Executive pursuant to this Section after March 6, 2023, the Company shall pay Executive compensation of $500 per hour of cooperation reasonably performed by Executive.

(d) Nothing in this Section shall require Executive to cooperate with the Company in an action Executive files, or participates in furthering, against the Company, with any federal, state or local government agency enforcing discrimination laws, including the NLRB, EEOC, SEC, EEOC or other federal, state or local agencies.

21. Breach of Employee Covenants and Injunctive Relief. Without limiting the remedies available to KVH, Executive acknowledges that a breach by Executive of any of the covenants in Sections 11, 14 and 19 of this Agreement shall result in irreparable injury to the Company for which there is no adequate remedy at law, that monetary relief shall be inadequate,

and that, in the event of such a breach or threat thereof, KVH shall be entitled to obtain, in addition to any other relief that may be available, a temporary restraining order and/or a preliminary or permanent injunction, restraining Executive from engaging in activities prohibited by any of the sections of this Agreement identified in this paragraph, as well as such other relief as may be required specifically to enforce any of the sections of this Agreement identified in this paragraph, without the payment of any bond. However, nothing in this Agreement shall prohibit Executive from participating, cooperating, or filing charges with any federal, state or local government agency enforcing discrimination laws, including the NLRB, SEC or EEOC, and thus such action shall not constitute a breach of this Agreement.

22. Survival. Executive acknowledges and agrees that neither the expiration of the Term, the occurrence of the Separation Date nor the earlier termination of Executive's provision of services hereunder, whether by Executive or the Company, shall terminate Executive's obligations hereunder, including his obligations under Sections 14, 15, 16, 19 and 20, all of which shall continue in full force and effective thereafter in accordance with their terms, with the sole exception that Executive shall no longer have an obligation to provide services pursuant to Section 1(c).

23. Non-admission of Wrongdoing. Executive and KVH agree that neither this Agreement nor the furnishing of consideration hereunder shall be deemed or construed at any time for any purpose as an admission by either party of any liability, wrongdoing or unlawful conduct, and Executive and KVH expressly deny any such liability, wrongdoing or unlawful conduct.

24. Governing Law; Venue; Headings. This Agreement shall be governed by and interpreted in accordance with the laws of the state of Rhode Island without regard to its conflict of law provisions. The exclusive venue for any legal action to enforce or allege breach of this Agreement shall be a court located in the State of Rhode Island. Executive consents to the Rhode Island courts' personal jurisdiction over him and waives his right to object to a Rhode Island court's jurisdiction. Section headings in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any provision of this Agreement.

25. Counterparts. This Agreement may be executed in counterparts and using electronic means of signature such as Docusign and each counterpart shall be deemed an original.

26. Notices. Unless otherwise provided in this Agreement, any notices, requests, demands and other communications provided for by this Agreement shall be sufficient if in writing and delivered in person or sent by a nationally recognized overnight courier service or by registered or certified mail, postage prepaid, return receipt requested, to Executive at the last address Executive has filed in writing with the Company or, in the case of the Company, at its principal executive offices, attention of the Board.

27. Severability. If any of the provisions of this Agreement, including but not limited to the covenants in Sections 11, 14 and 19 of this Agreement, are deemed unenforceable by a court of competent jurisdiction because they are overly broad, then the court shall have the ability to modify the offending provision in order to make it enforceable. Should any term or provision of this Agreement be declared illegal, invalid or unenforceable by any court of competent jurisdiction and if such provision cannot be modified to be enforceable, such provision shall immediately become null and void, leaving the remainder of this Agreement in full force and effect. The language of all parts of this Agreement shall in all cases be construed as a whole, according to its fair meaning, and not strictly for or against either of the parties.

28. Section 409A. It is intended that the payments and benefits to be provided pursuant to this Agreement comply with or be exempt from Section 409A of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations and IRS guidance thereunder (collectively referred to as "**Section 409A**"), and this Agreement shall be administered, interpreted, and construed accordingly. If and to the extent required to comply with Section 409A, no payment or benefit required to be paid under this Agreement on account of termination of employment or services shall be made unless and until Executive incurs a "separation from service" within the meaning of Section 409A. In the case of any amounts payable under this Agreement that may be treated as payable in the form of "a series of installment payments", as defined in Treasury Regulation Section 1.409A-2(b)(2)(iii), Executive's right to receive such payments shall be treated as a right to receive a series of separate payments for purposes of such Treasury Regulation. If any paragraph of this Agreement provides for payment within a time period, the determination of when such payment shall be made within such time period shall be solely in the discretion of the Company, provided, however, that if any period for providing a release set forth above spans two calendar years, no payment shall be made until the second calendar year. In the event that Executive is deemed to be a "specified employee" as determined pursuant to Section 409A and if any payment or benefit provided for in this Agreement or otherwise both (x) constitutes a "deferral of compensation" within the meaning of Section 409A and (y) cannot be paid or provided in the manner otherwise provided without subjecting Executive to additional tax, interest, or penalties under Section 409A, then any such payment or benefit shall be delayed until the earlier of (i) the date which is six (6) months after Executive's "separation from service" within the meaning of Section 409A for any reason other than death, or (ii) the date of death. The provisions set forth above shall only apply if, and to the extent, required to avoid the imputation of any tax, penalty, or interest pursuant to Section 409A. Notwithstanding the foregoing, the Company makes no representations or guarantees with respect to the tax status of any of the payments or benefits set forth herein, including taxation pursuant to Section 409A, and Executive acknowledges that Executive is solely responsible for any taxes that may be owed with respect to payments to be made hereunder and shall hold the Company harmless for same.

29. Successors. This Agreement shall inure to the benefit of, and shall be binding upon, the parties, their heirs, executors, administrators, agents, assigns, and estates. Executive may not assign this Agreement without the Company's prior written consent.

30. Entire Agreement. The terms of this Agreement (including the Exhibits), the General Release of Claims, and any applicable compensation, equity or benefit plan or agreement referred to herein set forth the entire agreement between the parties hereto. Executive acknowledges and represents that Executive has not relied on any representations, promises or agreements of any kind made to Executive in connection with Executive's decision to accept the terms of this Agreement, except for the representations, promises and agreements herein. Any amendment or modification of this Agreement, and any waiver of any provision hereof, must be in a writing signed by Executive and a duly authorized executive officer of the Company. The failure of a party to require the performance of any term or obligation of this Agreement, or the waiver by any party of any breach of this Agreement, shall not prevent any subsequent enforcement of such term or obligation or be deemed a waiver of any subsequent breach.

31. Fees and Expenses. Except as expressly provided otherwise in this Agreement, each party shall bear all expenses incurred by such party in connection with the negotiation, execution, delivery and enforcement of this Agreement, including attorneys' fees and disbursements. Notwithstanding the foregoing, following a Change of Control (as defined in Section 20(b) of the Company's Amended and Restated 2016 Equity and Incentive Plan, as amended to date), if the Company shall fail pay any amount due to Executive hereunder within thirty (30) days after the due date thereof, the Company shall reimburse Executive for the reasonable costs incurred by Executive to collect such payment, including reasonable attorneys'

fees and disbursements. The Company will reimburse Executive for attorney’s fees (up to $25,000) and disbursements reasonably incurred by him in connection with the negotiation and documentation of this Agreement and the General Release of Claims.

[Signature page follows]

IN WITNESS WHEREOF, the parties knowingly and voluntarily executed this Separation and Consulting Agreement as of the dates set forth below.

Martin Kits van Heyningen	**KVH Industries, Inc.**
/s/ Martin Kits van Heyningen	By: /s/ Danelle Barrett
Martin Kits van Heyningen	Name: Danelle Barrett
	Title: Compensation Committee Chair, KVHI BOD
Date: March 6, 2022	Date: March 6, 2022

Exhibit A

General Release of Claims

Martin Kits van Heyningen ("**Executive**") hereby releases and forever discharges KVH Industries, Inc. (the "**Company**") and each of its affiliates, divisions, subsidiaries, operating companies, benefit plans, and the respective officers, directors, employees, agents and affiliates of each of them (collectively, the "**Released Parties**") from any and all causes of action, lawsuits, proceedings, complaints, charges, debts, contracts, judgments, damages, claims, and attorneys' fees against the Released Parties, whether known or unknown, which Executive ever had, now has or which Executive or Executive's heirs, executors, administrators, successors or assigns may have prior to the date this General Release of Claims is signed by Executive, including, but not limited to, claims arising out of or in any way relating to Executive's employment, Board service, service as a consultant or advisor, status as a shareholder, compensation, benefits, and/or termination of Executive's employment with the Company (collectively, the "**Released Claims**"). The Released Claims include, but are not limited to, any claim that any of the Released Parties violated the National Labor Relations Act, Title VII of the Civil Rights Act of 1964, Sections 1981 through 1988 of Title 42 of the United States Code, the Employee Retirement Income Security Act, the Immigration Reform and Control Act, the Americans with Disabilities Act, the Age Discrimination in Employment Act (including, without limitation, the Older Workers Benefit Protection Act), the Family and Medical Leave Act, the Occupational Safety and Health Act, the Consolidated Omnibus Budget Reconciliation Act of 1985, Executive Order 11246, the federal Workers Adjustment and Retraining Notification Act and/or the Sarbanes-Oxley Act of 2002, Public Law 107-204, including whistleblowing claims under 18 U.S.C. §§ 1514A and 1513(e); any claim that any of the Released Parties violated any other federal, state or local statute, law, regulation or ordinance; any claim of unlawful discrimination of any kind; any public policy, contract, tort, or common law claim; and any claim for costs, fees, or other expenses, including attorney's fees incurred in these matters.

Notwithstanding the foregoing, this release does not include any rights that Executive cannot lawfully waive, and will not release any rights Executive has to (a) defense and indemnification from the Company or its insurers for actions taken by Executive in the course and scope of Executive's employment with the Company or service on the Board of Directors of the Company or in any capacity with any subsidiary of the Company; (b) claims, actions, or rights arising under or to enforce the terms of the Separation and Consulting Agreement dated as of March 6, 2022 between the Company and Executive; and/or (c) vested benefits under any equity incentive plan, retirement or pension plan and/or deferred compensation plan.

Martin Kits van Heyningen

/s/ Martin Kits van Heyningen
Martin Kits van Heyningen

Date: March 6, 2022

Exhibit 31.1

Certification of Principal Executive Officer
Pursuant to Rule 13a-14 or 15d-14 under the Securities Exchange Act of 1934 as Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Brent C. Bruun, certify that:

1. I have reviewed this quarterly report on Form 10-Q of KVH Industries, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2022

/S/ BRENT C. BRUUN

Brent C. Bruun

Interim President and

Chief Executive Officer

Exhibit 31.2

Certification of Principal Financial Officer
Pursuant to Rule 13a-14 or 15d-14 under the Securities Exchange Act of 1934 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Roger A. Kuebel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of KVH Industries, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2022

/s/ Roger A. Kuebel

Roger A. Kuebel

Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. §1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of KVH Industries, Inc. (the “Company”) for the quarter ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned Interim President and Chief Executive Officer, and Chief Financial Officer of the Company, certifies, to his best knowledge and belief, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

	/s/ Brent C. Bruun		/s/ Roger A. Kuebel
	Brent C. Bruun		Roger A. Kuebel
	Interim President and Chief Executive Officer		Chief Financial Officer
Date:	May 10, 2022	Date:	May 10, 2022