

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934

Filed by the Registrant x
Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement
 o Confidential, for Use of the Commission Only
(as permitted by Rule 14a-6(e)(2))
 x Definitive Proxy Statement
 o Definitive Additional Materials
 o Soliciting Material Pursuant to 240.14a-11(c) or 240.14a-12

KVH Industries, Inc.
(Name of Registrant as Specified In Its Charter)

Not Applicable
(Name of Person(s) Filing Proxy Statement,
if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required
 o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

- 1) Title of each class of securities to which transaction applies:
- 2) Aggregate number of securities to which transaction applies:
- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- 4) Proposed maximum aggregate value of transaction:
- 5) Total fee paid:
 o Fee paid previously with preliminary materials.

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

- 1) Amount Previously Paid:
- 2) Form, Schedule or Registration Statement No.:
- 3) Filing Party:
- 4) Date Filed:

KVH INDUSTRIES, INC.

NOTICE OF ANNUAL MEETING OF
SHAREHOLDERS
to be held on May 7, 1997

and

PROXY STATEMENT

IMPORTANT

Please mark, sign and date your proxy and promptly return
it in the enclosed envelope.

KVH INDUSTRIES, INC.
110 Enterprise Center
Middletown, RI 02840

April 4, 1997

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of KVH Industries, Inc. The meeting will be held at the offices of Foley, Hoag & Eliot LLP, One Post Office Square, 16th floor, Boston, Massachusetts on Tuesday, May 7, 1997, beginning at 11:00 A.M., local time.

As a stockholder, your vote is important. We encourage you to execute and return your proxy promptly whether you plan to attend the meeting or not so that we may have as many shares as possible represented at the meeting. Returning your completed proxy will not prevent you from voting in person at the meeting prior to the proxy's exercise if you wish to do so.

Thank you for your cooperation, continued support and interest in KVH Industries, Inc.

Martin Kits van Heyningen
President and Chief Executive Officer

KVH INDUSTRIES, INC.

Notice of Annual Meeting of Stockholders

May 7, 1997

Notice is hereby given that the Annual Meeting of Stockholders of KVH Industries, Inc. (the "Company") will be held at the offices of Foley, Hoag & Eliot LLP, One Post Office Square, 16th floor, Boston, Massachusetts on Wednesday, May 7, 1997, beginning at 11:00 A.M., local time for the following purposes:

1. To fix the number of directors that shall constitute the whole Board of Directors of the Company at seven and to consider and vote upon the election of two Class I Directors; and

2. To transact such further business as may properly come before the Meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on March 18, 1997 as the record date for the determination of the stockholders of the Company entitled to notice of, and to vote at, said Meeting and any adjournment thereof. Only stockholders of record on such date are entitled to notice of, and to vote at, said Meeting or any adjournment thereof.

By Order of the Board of Directors,

Robert Kits van Heyningen
Secretary

Middletown, Rhode Island
April 4, 1997

YOUR VOTE IS IMPORTANT

Please sign and return the enclosed proxy, whether or not you plan to attend the Meeting.

KVH INDUSTRIES, INC.
110 Enterprise Center
Middletown, Rhode Island 02840
(401) 847-3327

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

To Be Held May 7, 1997

This Proxy Statement and the enclosed form of proxy are being mailed to stockholders on or about April 4, 1997 in connection with the solicitation by the Board of Directors of KVH Industries, Inc. (the "Company") of proxies to be used at the Annual Meeting of Stockholders of the Company, to be held on Wednesday, May 7, 1997, and at any and all adjournments thereof (the "Annual Meeting"). When proxies are returned properly executed, the shares represented will be voted in accordance with the stockholder's directions. Stockholders are encouraged to vote on the matters to be considered. If no choice has been specified by a stockholder, the shares will be voted as recommended by management. Any stockholder may revoke his proxy at any time before it has been exercised by providing the Company with a later dated proxy, by notifying the Company's Secretary in writing or by orally notifying the Company in person.

The Board of Directors of the Company (the "Board") has fixed the close of business on March 18, 1997, as the record date for the determination of the stockholders of the Company entitled to notice of, and to vote at, the Annual Meeting and any adjournment thereof. Only stockholders of record on such date are entitled to notice of, and to vote at, the Annual Meeting or any adjournment thereof. At the close of business on the record date, there were issued and outstanding 7,040,920 shares of the Company's Common Stock, \$.01 par value (the "Common Stock"), entitled to vote. Each share is entitled to one vote.

The By-Laws of the Company provide that the holders of a majority of the shares of Common Stock issued and outstanding and entitled to vote at the Annual Meeting, present in person or represented by proxy, shall constitute a quorum at the Annual Meeting. Shares of Common Stock represented by a properly signed and returned proxy will be treated as present at the Annual Meeting for purposes of determining a quorum. Abstentions and broker non-votes with respect to any particular proposals will not affect the determination of a quorum. Thus, shares voted to abstain as to a particular matter, or as to which a nominee (such as a broker holding shares in street name for a beneficial owner) has no voting authority in respect of a particular matter, shall be deemed present for purposes of determining a quorum. A stockholder who attends the Annual Meeting may not withhold his shares from the quorum count by declaring such shares absent from the Annual Meeting.

Adoption of the proposal to fix the number of directors constituting the whole Board requires the approval of a majority of the votes properly cast for this proposal at the meeting. The Class I Directors to be elected at the meeting will be elected by a plurality of the votes properly cast. Abstentions and broker non-votes as to this proposal and election do not count as votes for or against such matters.

Votes will be tabulated by the Company's transfer agent, State Street Bank and Trust Company.

FIXING NUMBER OF DIRECTORS AND ELECTION OF DIRECTORS

The Company's By-Laws provide for a Board of Directors consisting of from two to seven members. Within such limits, the number of directors constituting the whole Board is determined by the stockholders at the annual meeting of stockholders, and may be increased or decreased by the stockholders or the directors from time to time. The Board is divided into three classes, designated as Class I, Class II and Class III. Classes I and II each contain two directors. Class III includes three directors. Directors are elected to serve for three-year terms, and until their respective successors are duly elected and qualified. The term of one of the three classes of directors expires each year at the Company's annual meeting or special meeting in lieu thereof.

The number of directors constituting the whole Board is currently fixed at seven. The term of the Company's two Class I Directors will expire at the 1997 Annual Meeting. The Board has nominated Mark S. Ain, who currently serves as a Class I Director, and Stanley K. Honey for election as a Class I Directors at the 1997 Annual Meeting, each to serve until the Company's annual meeting of stockholders in 2000 or special meeting in lieu thereof, and until a successor is duly elected and qualified.

The Company's Class II Directors are Arent H. Kits van Heyningen and James Saalfield. Their terms as directors will expire at the Company's 1998 annual meeting of stockholders or special meeting in lieu thereof. The Company's Class III Directors are Robert W. B. Kits van Heyningen, Martin A. Kits van Heyningen and Werner Trattner. Their terms as directors will expire at the Company's 1999 annual meeting of stockholders or special meeting in lieu thereof.

Messrs. Ain and Honey have agreed to serve as Class I Directors if elected, and the Company has no reason to believe that they will be unable to serve. In the event that either is unable or declines to serve as director at the time of the Annual Meeting, proxies will be voted for such other nominee as is then designated by the Board.

The Board recommends that you vote FOR the proposal to fix the number of directors at seven and the election of each of Mr. Ain and Mr. Honey as a Class I Directors of the Company.

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth certain information with respect to the directors and executive officers of the Company:

Name	Age	Position
Arent H. Kits van Heyningen(1)	80	Chairman of the Board of Directors
Martin A. Kits van Heyningen(1)	37	President, Chief Executive Officer and Director
Robert W. B. Kits van Heyningen(1)	39	Vice President of Engineering and Director
Christopher T. Burnett	41	Vice President of Business Development
Bruce M. Costa	50	Vice President of Manufacturing
James S. Dodez	38	Vice President of Marketing and Reseller Sales
Richard C. Forsyth	50	Chief Financial Officer
Mads E. Bjerre-Petersen	53	Managing Director of KVH Europe
James A. Saalfield(2)	50	Director
Werner Trattner(3)	44	Director
Mark S. Ain	53	Director

- - - - -

- (1) Arent Kits van Heyningen is the father of Martin Kits van Heyningen and Robert Kits van Heyningen
- (2) Member of the Audit Committee
- (3) Member of the Compensation Committee

Arent H. Kits van Heyningen, a founder of the Company, has been Chairman of the Company's Board of Directors since 1982. He has also served as the Company's Chief Scientist since that time. From 1963 to 1986, Mr. Kits van Heyningen was Principal Engineer at the Submarine Signal Division of Raytheon Company. Mr. Kits van Heyningen received a B.S. and an M.S. in electrical engineering from Delft Technical University, The Netherlands.

Martin A. Kits van Heyningen, a founder of the Company, has been President and a director of the Company since 1982 and has served as the Company's Chief Executive Officer since 1990. From 1980 to 1982, Mr. Kits van Heyningen was employed as a marketing consultant by the New England Consulting Group, a marketing consulting firm. Mr. Kits van Heyningen received a B.A. cum laude from Yale University.

Robert W. B. Kits van Heyningen, a founder of the Company, has been a director and the Company's Vice President of Engineering since 1982. Mr. Kits van Heyningen was an associate engineer at the Submarine Signal Division of Raytheon Company and was also a consultant to various companies and universities from 1980 to 1985. Mr. Kits van Heyningen received a B.S. in physics from McGill University.

Christopher T. Burnett has been KVH's Vice President of Business Development since 1994. Mr. Burnett joined the Company in 1988 as its Director of Business Development and held that position until 1994. From 1985 until 1988, Mr. Burnett was Program Manager for Sippican Inc., an engineering and manufacturing company. From 1983 until 1985, Mr. Burnett was a Senior

Consultant in the Aerospace Defense Consulting Group of Peat Marwick and Mitchell. Mr. Burnett received a B.S. from the U.S. Naval Academy and an M.B.A. from Golden Gate University.

Bruce M. Costa has been KVH's Vice President of Manufacturing since 1995. Between 1989 and 1995, Mr. Costa served as KVH's Manufacturing Manager. For the two years prior to that, he was KVH's Materials Manager. From 1983 until 1988, Mr. Costa was Production Manager at Crosby Valve and Gauge Company, a manufacturer of valves and gauges for the power industry. From 1978 until 1983, Mr. Costa was Manufacturing Manager at Gulf & Western, a large manufacturer for the power industry. Mr. Costa received a B.S. from Bryant College.

James S. Dodez has been KVH's Vice President of Marketing and Reseller Sales since 1995. Prior to 1995, Mr. Dodez served as Marketing Director since joining the Company in 1986. From 1985 until 1986, Mr. Dodez was Marketing Director at Magratten Wolley, Inc., an advertising agency. Mr. Dodez received a B.S. from Miami University (Ohio).

Richard C. Forsyth has been Chief Financial Officer of KVH since joining the Company in 1988. Mr. Forsyth consulted for Technology Transition, Inc., a venture capital firm, from 1986 until 1988 and served as the Chief Financial Officer for two of Technology Transition's portfolio companies. Between 1981 and 1985, Mr. Forsyth was Divisional Controller at Wang Laboratories, a computer manufacturer. Mr. Forsyth is a Certified Public Accountant and received B.S. and A.B. degrees from Boston College.

Mads E. Bjerre-Petersen has been Managing Director of the Company's Danish subsidiary, KVH Europe A/S, since 1992. After founding in 1976 KVH Europe's predecessor company, Danaplus A/S, Mr. Bjerre-Petersen served as its Managing Director until 1992, when the Company acquired its assets in a bankruptcy proceeding. Prior to founding Danaplus A/S, Mr. Bjerre-Petersen founded and operated MBP Trading, a marine electronic distribution firm. Mr. Bjerre-Petersen received a M.Sc. in mechanical engineering from Technical University of Denmark.

James A. Saalfield has been a director of the Company since 1995 and was a director from 1986 to 1993. Mr. Saalfield serves as managing general partner of Dean's Hill Limited Partnership, as President of The Still River Fund Management Company and managing general partner of The Still River Fund L.P. Mr. Saalfield formerly was a general partner of Fleet Venture Partners I, II, III and IV, all of which are venture capital entities. From 1985 to 1993, Mr. Saalfield also served as the Senior Vice President of Fleet Venture Resources, Inc. and as Senior Vice President of Fleet Growth Resources, Inc. Mr. Saalfield is a director of Parexel International Co., a provider of clinical research and development services to the pharmaceutical and biotechnology industries, and of several privately held companies. Mr. Saalfield received a B.A. from Oberlin College and an M.B.A. from Harvard Business School.

Werner Trattner has been a director of the Company since 1994. Mr. Trattner has been Chief Financial Officer of Swarovski Optik KG, an Austrian manufacturer of optical equipment, since 1989. Mr. Trattner received a degree in business administration from the Studiengemeinschaft in Darmstadt, Germany and received a controller, dipl. from the Controller Akademie in Munich/Gauting, Germany. Mr. Trattner completed the Program for Executive Development at the International Institute for Management Development in Lausanne, Switzerland.

Nominees for Election to the Board

Mark S. Ain has been a director of the Company since February 1996. He is the founder, Chief Executive Officer, and Chairman of the Board of Directors of Kronos Incorporated since its organization in 1977. He also held the office of President from 1977 until October 2, 1996. From 1974 to 1977, Mr. Ain operated his own consulting company, providing strategic planning, product development and market research services. From 1971 to 1974, he was associated with a consulting firm. From 1969 to 1971, Mr. Ain was employed by Digital Equipment Corporation both in product development and as Sales Training Director. He received a B.S. from the Massachusetts Institute of Technology and an M.B.A. from the University of Rochester.

Stanley K. Honey, 41, has been the Executive Vice President, Technology, for the New Technology Group of News Corporation since 1993. From 1989 to 1993 Mr. Honey was President and Chief Executive Officer of ETAK, Inc., a wholly-owned subsidiary of News Corporation. Mr. Honey founded ETAK in 1983 and was its Executive Vice President, Engineering, until it was acquired by News Corporation in 1989. Mr. Honey received a B.S. from Yale University and an M.S. from Stanford University.

The Board of Directors is divided into three classes, each of whose members serve for a staggered three-year term. The full Board is comprised of two Class I Directors, two Class II Directors and three Class III Directors. At each annual meeting of stockholders, a class of directors will be elected for a three-year term to succeed the directors of the same class whose terms are then expiring. The terms of the Class I directors expire at the 1997 Annual Meeting. Messrs. Ain and Honey are nominees for election as Class I Directors. Michael Schiavo, who currently serves as a Class I Director, is not a candidate for re-election. The two Class II Directors are Messrs. Arent Kits van Heyningen and James Saalfield, and the three Class III Directors are Messrs. Martin Kits van Heyningen, Robert Kits van Heyningen and Werner Trattner. The terms of the current Class II Directors and Class III Directors will expire upon the election and qualification of successor directors at the annual meeting of stockholders held in calendar years 1998 and 1999, respectively. The terms of the Class I Directors to be elected at this Annual Meeting shall expire upon the election and qualification of successor directors at the annual meeting of stockholders held in calendar year 2000. Executive officers of the Company are appointed by and serve at the discretion of the Board of Directors.

Committees and Meetings of the Board

During the fiscal year ended December 31, 1996 ("1996"), the Board met six times and acted twice by unanimous written consent. No incumbent director attended fewer than 80% of the aggregate of the total number of meetings held by the Board and Committees of the Board on which he served.

The Board currently has two committees. The Audit Committee (currently composed of James Saalfield and Michael Schiavo) reviews the internal accounting procedures of the Company and consults with and reviews the services provided by the Company's independent auditors. The Audit Committee met twice during fiscal 1996. The Compensation Committee (currently composed of Werner Trattner and Mr. Schiavo) makes general policy decisions relating to compensation and benefits for the Company's employees, including decisions with respect to compensation for the Company's executive officers, and administers the Company's 1996

Incentive and Nonqualified Stock Option Plan (the "1996 Option Plan"), 1995 Incentive Stock Option Plan (the "1995 Option Plan") and 1996 Employee Stock Purchase Plan. The Compensation Committee acted five times by unanimous written consent during fiscal 1996.

REMUNERATION OF EXECUTIVE OFFICERS AND DIRECTORS

Directors' Compensation

Each non-employee director of the Company receives a fee of \$1,500 for attending each meeting of the Board of Directors and of any committee of the Board on which he serves and is reimbursed, upon request, for expenses incurred in attending such meetings. Pursuant to the Company's 1996 Stock Option Plan, each new non-employee director of the Company, upon his election to the Board, will be granted on a non-discretionary basis a non-qualified option to purchase 10,000 shares of Common Stock at an exercise price equal to fair market value of the Common Stock on the date of grant. Each such option will be for a term of five years and will vest in four equal quarterly installments. Following each annual meeting of stockholders of the Company, commencing with the annual meeting in 1997, each non-employee director then continuing in office will be granted on a non-discretionary basis a non-qualified option to purchase an additional 5,000 shares of Common Stock, at an exercise price equal to the fair market value of the Common Stock on the date on which it is granted. Each such option will be for a term of five years and will vest on the date it is granted.

Executive Compensation

The following table sets forth certain information concerning the compensation for services rendered in all capacities to the Company for the fiscal years ended December 31, 1996 ("1996"), December 31, 1995 ("1995") and December 31, 1994 ("1994") of (i) those persons who served as the Chief Executive Officer of the Company during 1996 and (ii) the Company's four most highly compensated executive officers, other than the Company's Chief Executive Officer, who were serving on December 31, 1996 and whose salary and bonus for 1996 exceeded \$100,000 (collectively, the "Named Executive Officers").

Summary Compensation Table

Name and Principal Position	Fiscal Year	Annual Compensation		Long-Term Compensation Awards
		Salary(1) (\$)	Bonus(2) (\$)	Securities Underlying Options(#)
Martin A. Kits van Heyningen President and Chief Executive Officer	1996	150,000	119,438	60,000
	1995	150,000	47,965	125,000
	1994	120,000	15,000	--
Robert W. B. Kits van Heyningen Vice President of Engineering	1996	130,000	71,633	--
	1995	132,548	28,799	125,000
	1994	122,500	15,000	--
Arent H. Kits van Heyningen Chairman of the Board of Directors	1996	120,000	47,775	--
	1995	122,356	19,186	125,000
	1994	122,500	15,000	--
Christopher T. Burnett Vice President of Business Development	1996	140,166(3)	11,944	--
	1995	147,179(3)	--	63,555
	1994	116,307(3)	--	--
James S. Dodez Vice President of Marketing and Reseller Sales	1996	135,687(4)	11,944	50,000
	1995	82,110(4)	--	26,428
	1994	63,789(4)	--	--

 (1) Includes amounts deferred by the named individuals pursuant to the Company's 401(k) Plan and Trust. Amounts shown do not include amounts expended by the Company pursuant to plans (including group disability, life and health) that do not discriminate in scope, terms or operation in favor of officers and directors and are generally available to all salaried employees.

(2) Amounts reported for each fiscal year include amounts earned with respect to that fiscal year but paid in the subsequent fiscal year.

(3) Includes commissions as follows: \$20,166 in 1996; \$65,640 in 1995 and \$40,780 in 1994.

(4) Includes commissions as follows: \$25,687 in 1996; \$36,630 in 1995 and \$18,592 in 1994.

Bonus Program

The Company maintains a bonus program for certain qualified employees, including executive officers, under which such employees may be awarded cash bonuses based upon individual performance and the performance and profitability of the Company, at the discretion of the Board of Directors. All bonuses earned under the bonus program for the year ended December 31, 1996 are included in the foregoing cash compensation table.

Summary of Option Grants

The following table sets forth certain information regarding stock options granted by the Company to the individuals named in the Summary Compensation Table:

Option Grants in Fiscal Year Ended December 31, 1996

Name	Number of Shares Underlying Options Granted(#)	Individual Grants		Exercise Price or Base Price Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation For		
		Percent of Total Options Granted to Employees in Fiscal Year			5%(\$)	10%(\$)	
Martin Kits van Heyningen	30,000(3) 16,207(3) 13,793(3)	8.01% 4.33% 3.68%		8.75 7.25 7.98	7/11/01 4/19/01 4/19/01	82,096 32,463 17,559	172,338 71,735 50,982
Robert W. B. Kits van Heyningen	--						
Arent Kits van Heyningen	--						
Christopher T. Burnett	--						
James S. Dodez	50,000(4)	13.35%		8.00	5/9/01	110,513	244,204

(1) Except as set forth below, all options were granted at fair market value as determined by the Board of Directors of the Company on the date of grant. Of the total options granted to Martin Kits van Heyningen, options to purchase 13,793 shares were granted at 110% of fair market value.

(2) Amounts reported in this column represent hypothetical values that may be realized upon exercise of the options immediately prior to the expiration of their term, assuming the specified compounded rates of appreciation of the Company's Common Stock over the term of the options. These numbers are calculated based on rules promulgated by the Securities and Exchange Commission and do not represent the Company's estimate of future stock price growth. Actual gains, if any, on stock option exercises and Common Stock holdings are dependent on the timing of such exercise and the future performance of the Company's Common Stock. There can be no assurance that the rates of appreciation assumed in this table can be achieved or that the amounts reflected will be received by the individuals. This table does not take into account any appreciation in the price of the Common Stock from the date of grant to the current date. The values shown are net of the option exercise price, but do not include deductions for taxes or other expenses associated with the exercise. (3) Options vest on date of grant. (4) Options vest in equal installments of 20% each year, commencing May 9, 1996.

Aggregate Option Exercise in Fiscal Year ended December 31, 1996 and Option Values as of December 31, 1996

The following table sets forth for each of the Named Executive Officers certain information concerning options exercised during the fiscal year ended December 31, 1996 and the number of shares subject to both exercisable and unexercisable options as of December 31, 1996.

Aggregate Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

Name	Shares Acquired on Exercise(#)	Value Realized(\$)(1)	Number of Shares of Common Stock Underlying Value of Unexercised Unexercised Options at 12/31/96(#)		In-the-Money Options at 12/31/96 (\$)(2)	
			Exercise	Unexercise	Exercise	Unexercise
Martin A. Kits van Heyningen	50,920	\$338,618	122,500	62,500	\$386,229	378,125
Robert W. B. Kits van Heyningen	50,920	338,618	62,500	62,500	378,125	378,125
Arent H. Kits van Heyningen	50,920	300,428	62,500	62,500	378,125	378,125
Christopher T. Burnett	4,000	29,100	46,000	12,500	301,400	75,625
James S. Dodez	--	--	36,428	40,000	188,960	--

(1) Value is based on the last sale price of the Common Stock on the exercise date, as reported by the Nasdaq National Market, less the applicable option exercise price.

(2) Value is based on the last sales price of the Common Stock in 1996 (\$7 3/4 per share on December 31, 1996), as reported by the Nasdaq National Market, less the applicable option exercise price.

Stock Option Plans

The Company's 1995 Option Plan authorizes the grant of options to purchase 740,000 shares of Common Stock, all of which are intended to qualify as Incentive Options. The Company's 1996 Option Plan authorizes the grant of options to purchase a total of 915,000 shares of Common Stock. The 1996 Option Plan authorizes the grant of options intended to qualify as Incentive Options and also authorizes the grant of nonqualified options, including non-discretionary, formula grants of nonqualified options to non-employee directors. As of December 31, 1996, options to purchase a total of 983,828 shares of Common Stock, having a weighted average exercise price of \$3.83 per share, were outstanding under the 1995 and 1996 Option Plans (the "Options Plans").

The Option Plans are each administered by the Compensation Committee of the Board of Directors (the "Committee") consisting of non-employee directors, as that term is defined under rules promulgated by the Securities and Exchange Commission. The Committee will select the individuals to whom awards will be granted and determine the option exercise price and other terms of each award, subject to the provisions of the Option Plans.

No Incentive Options may extend for more than ten years from the date of grant (five years in the case of an employee or officer holding 10% or more of the total combined voting power of all classes of stock of the Company or any subsidiary or parent (a "greater-than-ten-percent- stockholder")). The exercise price for Incentive Options may not be less than the fair market value of the Common Stock on the date of grant (110% of fair market value in the case of a greater-than- ten-percent-stockholder). The aggregate fair market value (determined at the time of grant) of shares issuable pursuant to Incentive Options which first become exercisable by an employee or officer in any calendar year may not exceed \$100,000. Participants in the 1996 Option Plan may

not be granted options with respect to more than 120,000 shares of Common Stock in any calendar year.

Options are non-transferable except by will or by the laws of descent or distribution. Incentive Options generally may not be exercised after (i) termination by the Company for cause or voluntary termination by the optionee of an optionee's employment with the Company, (ii) thirty days following the optionee's retirement from the Company in good standing by reason of age or termination by the Company without cause of the optionee's employment with the Company, or (iii) one year following an optionee's retirement from the Company in good standing by reason of disability or death. Nonqualified Options under the 1996 Option Plan need not be subject to the foregoing restrictions.

Payment of the exercise price for shares subject to options may be made with (i) cash, check, bank draft or postal or express money order payable to the order of the Company for an amount equal to the exercise price for such shares; (ii) with the consent of the Committee, shares of Common Stock of the Company having a fair market value equal to the option price of such shares; (iii) in the case of the 1996 Option Plan, a promissory note or other consideration acceptable to the Committee having a fair market value not less than the option price; or, (iv) with the consent of the Committee, a combination of the foregoing. Full payment for shares purchased upon exercise of an option must be made at the time of exercise.

Federal Income Tax Information with Respect to the Option Plans

The grantee of an Incentive Option under the Option Plans recognizes no income for federal income tax purposes on the grant thereof. Except as described below with respect to the alternative minimum tax, there is no tax upon exercise of an Incentive Option. If no disposition of shares acquired upon exercise of the Incentive Option is made by the option holder within two years from the date of the grant of the Incentive Option or within one year after exercise of the Incentive Option, any gain realized by the option holder on the subsequent sale of such shares is treated as a long-term capital gain for federal income tax purposes. If the shares are sold prior to the expiration of such periods, the differences between the lesser of the value of the shares at the date of exercise or at the date of sale and the exercise price of the Incentive Option is treated as compensation to the employee taxable as ordinary income and the excess gain, if any, is treated as capital gain (which will be long-term capital gain if the shares are held for more than one year).

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

In connection with the sale of the shares covered by Incentive Options under the Option Plans, the Company is allowed a deduction for tax purposes only to the extent, and at the time, the option holder receives ordinary income (for example, by reason of the sale of shares by the holder of an Incentive Option within two years of the date of the granting of the Incentive Option or one year; after the exercise of the Incentive Option), subject to certain limitations on the deductibility of compensation paid to executives.

The grantee of a Nonqualified Option under the 1996 Option Plan recognizes no income for federal income tax purposes on the grant thereof. On the exercise of a Nonqualified Option, the difference between the fair market value of the underlying shares of Common Stock on the exercise date and the option exercise price is treated as compensation to the holder of the option taxable as ordinary income in the year of exercise, and such fair market value becomes the basis for the underlying shares which will be used in computing any capital gain or loss upon disposition of such shares. Subject to certain limitations, the Company may deduct for the year of exercise an amount equal to the amount recognized by the option holder as ordinary income upon exercise of a Nonqualified Option.

Summary of Option Plan Benefits

The following table sets forth certain information regarding stock options granted by the Company under its 1995 and 1996 Option Plans:

Summary of Option Grants under the Company's 1995 and 1996 Option Plans

Name	Number of Shares Underlying Options Granted(1)	
	1995 Plan	1996 Plan
Martin Kits van Heyningen	125,000	60,000
Robert W. B. Kits van Heyningen	125,000	--
Arent Kits van Heyningen	125,000	--
Christopher T. Burnett	63,555	5,000
James S. Dodez	26,428	50,000
Josina P. M. de Smit	--	25,000
Kathleen Keating	5,165	--
Executive Officers, as a group	522,682	240,000
Current Directors other than Executive Officers, as a group	--	40,000
Employees, including all current officers who are not executive officers, as a group	214,662	65,750

 (1) Includes options granted through March 18, 1997. Except as set forth below, all options were granted at fair market value as determined by the Board of Directors of the Company on the date of grant. Of the total options granted to Martin Kits van Heyningen, options to purchase 13,793 shares were granted at 110% of fair market value.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee of the Board of Directors is composed of independent, non-employee directors. The Committee currently consists of Messrs. Trattner and Michael Schiavo. Messrs. Trattner and Schiavo were members of the Committee during all of 1996.

Compensation Committee Report on Executive Compensation

Compensation Policy

The Company's compensation package for its executive officers for fiscal 1996 had three principal components: (1) base salary; (2) bonus; and (3) stock options. The Company's executive officers were also eligible to participate in other employee benefit plans on substantially the same terms as other employees who meet applicable eligibility criteria, subject to any legal limitations on the amounts that may be contributed or the benefits that may be payable under these Company plans.

Base salary levels for the Company's executive officers are intended to be fair and competitive in the Company's industry. Salaries for executive officers are reviewed annually, and any adjustments are based on individual performance, change in responsibilities and market-based comparisons with other comparable companies.

Bonuses for the Company's executive officers generally are based on a percentage of base salary and conditioned upon the Company's ability to achieve its financial plan.

Stock option awards are intended to provide the executive officers with longer term incentives that align their interests with those of the Company's stockholders more generally. The Compensation Committee granted additional incentive stock options to two of the Company's executive officers during fiscal 1996.

Incentive Compensation Plan for Martin Kits van Heyningen

Pursuant to an incentive compensation agreement with Martin Kits van Heyningen dated February 14, 1996, the Company agreed to grant Mr. Kits van Heyningen incentive or nonqualified stock options for up to 30,000 shares of Common Stock following the end of each fiscal quarter in 1996 in the event the Company reached certain specified quarterly financial goals for the fiscal quarter. The quarterly financial goals were set, and the plan was administered, by the Company's Compensation Committee. The options, which were issued under the Company's 1996 Incentive and Nonqualified Stock Option Plan, were granted with an exercise price equal to the fair market value of the Common Stock on the date of grant (or 110% of such fair market value, with respect to incentive stock options), vested upon the date of grant and have a term of five years. Mr. Kits van Heyningen was granted options to purchase a total of 60,000 shares pursuant to this agreement.

SUBMITTED BY THE COMPENSATION COMMITTEE
OF THE BOARD OF DIRECTORS

Werner Trattner
Michael Schiavo

Performance Graph

The following Performance Graph compares the performance of the Company's cumulative stockholder return with that of two broad market indexes, the Nasdaq Stock Market Index for U.S. Companies and the Nasdaq Telecommunications Stock Index.

The cumulative stockholder return for shares of the Company's Common Stock is calculated assuming \$100 was invested on April 2, 1996, the date on which the Company's Common Stock commenced trading on the Nasdaq National Market. The cumulative stockholder returns for the market indexes are calculated assuming \$100 was invested on April 2, 1996. The Company paid no cash dividends during the periods shown. The performance of the market indexes is shown on a total return (dividends reinvested) basis.

The comparative value of \$100.00 invested on April 2, 1996 through December 31, 1996 would be as follows:

	April 8	June 30	1996 September 30	December 31
KVH Industries, Inc.	\$100.00	\$140.38	\$153.85	\$119.23
Nasdaq Stock Market	\$100.00	\$108.16	\$112.01	\$117.52
Nasdaq Telecommunications stocks	\$100.00	103.14	\$ 97.02	\$ 97.19

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Principal Stockholders

The following table sets forth certain information with respect to the beneficial ownership of the Common Stock as of March 18, 1997 by (i) each person known by the Company to own beneficially more than five percent of the Common Stock as of such date, (ii) each current director of the Company, (iii) each current executive officer of the Company, (iv) all current executive officers and directors of the Company as a group and (v) each person who served as an executive officer or director of the Company during the fiscal year ended December 31, 1996:

Name(1)	Shares Beneficially Owned(2)	Number	Percent
Martin A. Kits van Heyningen(3)		1,223,165	17.1%
Middletown Partners, L.P.(4)		781,655	11.1%
James A. Saalfield		285,420	4.0%
Daniel Swarovski		480,000	6.8%
Arent H. Kits van Heyningen		312,433	4.4%
Robert W. B. Kits van Heyningen		381,510	5.4%
Michael F. Schiavo(5)		189,997	2.7%
Gerhard Swarovski(3)(6)		1,092,027	15.5%
Christopher T. Burnett		59,166	*
Mads E. Bjerre-Petersen		15,357	*
Richard C. Forsyth		20,000	*
Bruce M. Costa		34,822	*
James S. Dodez		46,910	*
Werner Trattner		40,000	*
Mark S. Ain		2,500	*
State of Wisconsin Investment Board P.O. Box 7842 Madison, WI 53707		500,000	7.1%
Kopp Investment Advisors, Inc. 6600 France Ave. So. Suite 672 Edina, WI 55435		493,500	7.0%
All current directors and executive officers as group (12 persons)		2,608,780	36.4%

- - - - -
*Less than one percent.

(1) The addresses of all directors and executive officers of the Company, and of Middletown Partners, L.P., is c/o KVH Industries, Inc., 110 Enterprise Center, Middletown, R.I. 02480 The address of Gerhard Swarovski and Daniel Swarovski is Swarovski 18A, Wattens, Austria.

(2) The persons named in this table have sole voting and investment power with respect to the shares listed, except as otherwise indicated. The inclusion herein of shares listed as beneficially owned does not constitute an admission of beneficial ownership.

(3) Includes 781,655 shares of Common Stock owned by Middletown Partners L.P. (See note 4.)

(4) Middletown Partners, L.P. is a Delaware limited partnership. Martin Kits van Heyningen is sole general partner of Middletown Partners L.P. and as such has voting and investment power with respect to such shares. Mr. Gerhard Swarovski and members of his family are the sole limited partners of Middletown Partners, L.P. The consent of Mr. Swarovski is required for the Partnership to vote its shares and sell its shares in the Company.

(5) Includes 179,997 shares of Common Stock owned by Chestnut Capital International III. Mr. Schiavo may be deemed to have voting and investment power with respect to such shares. Mr. Schiavo disclaims beneficial ownership of such shares, except to the extent of his proportionate pecuniary interest therein.

(6) Includes 781,655 shares of Common Stock owned by Middletown Partners L.P. Mr. Swarovski has shared voting power with respect to shares held by Middletown Partners, L.P. (See note 4.)

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers and directors, and persons who own more than 10% of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission (the "SEC"). Officers, directors and greater-than-10% stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

Based solely upon review of Forms 3 and 4 and amendments thereto furnished to the Company during fiscal 1996 and Form 5 and amendments thereto furnished to the Company with respect to fiscal 1996, or written representations that Form 5 was not required, the Company believes that all Section 16(a) filing requirements applicable to its officers, directors and greater-than-10% stockholders were fulfilled in a timely manner.

SOLICITATION

No compensation will be paid by any person in connection with the solicitation of proxies. Brokers, banks and other nominees will be reimbursed for their out-of-pocket expenses and other reasonable clerical expenses incurred in obtaining instructions from beneficial owners of the Common Stock. In addition to the solicitation by mail, special solicitation of proxies may, in certain instances, be made personally or by telephone by directors, officers and certain employees of the Company. It is expected that the expense of such special solicitation will be nominal. All expenses incurred in connection with this solicitation will be borne by the Company.

STOCKHOLDER PROPOSALS

Stockholder proposals for inclusion in the proxy materials related to the 1998 Annual Meeting of Stockholders or Special Meeting in lieu thereof must be received by the Company at its Executive Offices no later than March 6, 1998.

MISCELLANEOUS

The Board does not intend to present to the Annual Meeting any business other than the proposals listed herein, and the Board was not aware, a reasonable time before mailing this Proxy Statement to stockholders, of any other business which may be properly presented for action at the Annual Meeting. If any other business should come before the Annual Meeting, the persons present will have discretionary authority to vote the shares they own or represent by proxy in accordance with their judgment. KPMG Peat Marwick LLP, who have been selected by the Board of Directors as independent public accountants to audit the financial statements of the Company for the 1997 fiscal year, have served as auditors for the Company since 1986.

AVAILABLE INFORMATION

Stockholders of record on March 18, 1997 will receive a Proxy Statement and the Company's 1997 Annual Report to Stockholders, which contains detailed financial information concerning the Company. The Company will mail, without charge, a copy of the Company's Annual Report on Form 10-K (excluding exhibits) to any stockholder solicited hereby who requests it in writing. Please submit any such written request to Richard C. Forsyth, KVH Industries, Inc., 110 Enterprise Center, Middletown, Rhode Island 02840.

KVH INDUSTRIES, INC.

AMENDED AND RESTATED 1995 INCENTIVE STOCK OPTION PLAN
(As Amended February 6, 1996 and March 14, 1996)

TABLE OF CONTENTS

1.	Purpose of the Plan.....	1
2.	Administration.....	1
	(a) The Committee.....	1
	(b) Powers of the Committee.....	2
3.	Option Shares.....	3
4.	Authority to Grant Options.....	4
5.	Limitation on Amount of Options which may be Granted.....	5
6.	Eligibility.....	5
7.	Option Price.....	6
8.	Duration of Options.....	6
9.	Amount Exercisable; Right of First Refusal.....	6
10.	Exercise of Options.....	7
11.	Transferability of Options and Shares.....	8
12.	Termination of Employment or Services or Death of Optionee ...	9
	(a) Temporary Leave.....	9
	(b) Death or Disability.....	9
	(c) Retirement.....	10
13.	Employment Relationship.....	10
14.	Requirements of Law.....	10
15.	No Rights as Stockholder.....	12
16.	Employment Obligation.....	12
17.	Changes in the Company's Capital Structure.....	12
	(a) Rights of the Company.....	12
	(b) Recapitalization, Stock Splits, and Dividends.....	13
	(c) Merger of Company With No Change of Control.....	13
	(d) Sale or Merger of Company With Change of Control.....	14
	(e) Changes to Common Stock Subject to Options.....	15
18.	Amendment or Termination of Plan.....	16
19.	Written Agreement.....	16
20.	Effective Date and Duration of Plan.....	16
21.	"Lockup" Agreement.....	17

KVH Industries, Inc.

AMENDED AND RESTATED 1995 INCENTIVE STOCK OPTION PLAN

1.....Purpose of the Plan.

..... This Amended and Restated 1995 Incentive Stock Option Plan (the "Plan") of KVH Industries, Inc., a Delaware corporation (the "Company"), is designed to provide additional incentive to present and future employees of the Company (which shall include its subsidiaries as defined in Section 424 of the Internal Revenue Code of 1986, (the "Code")). The Company intends that this purpose will be effected by the granting of incentive stock options (collectively, the "Options", and individually, an "Option") as defined in Section 422(b) of the Code under the Plan which afford key employees an opportunity to acquire or increase their proprietary interest in the Company through the acquisition of shares of its Common Stock (as hereinafter defined). By encouraging stock ownership by such employees the Company seeks to attract and retain on a continuing basis the services of persons of exceptional competence and seeks to furnish an added incentive for them to increase their efforts on behalf of the Company.

2.....Administration...

(a).....The Committee. The Plan shall be administered by a committee (the "Committee") consisting of the "Outside Directors," which Committee may be the Compensation Committee or another committee of the Company's Board of Directors (the "Board"). As used herein, the term "Outside Director" means any director who (i) is not an employee of the Company or of any "affiliated group," as such term is defined in Section 1504(a) of the Code, which includes the Company (an "Affiliate"), (ii) is not a former employee of the Company or any Affiliate who is receiving compensation for prior services (other than benefits under a tax-qualified retirement plan) during the Company's or any Affiliate's taxable year, (iii) has not been an officer of the Company or any Affiliate and (iv) does not receive remuneration from the Company or any Affiliate, either directly or indirectly, in any capacity other than as a director. None of the members of the Committee shall have been granted any stock option under this Plan or any other stock option plan of the Company within one year prior to service on the Committee. It is the intention of the Company that the Plan shall be administered by "disinterested persons" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, but the authority and validity of any act taken or not taken by the Committee shall not be affected if any person administering the Plan is not a disinterested person. Except as specifically reserved to the Board under the terms of the Plan, the Committee shall have full and final authority to operate, manage and administer the Plan on behalf of the Company. Action by the Committee shall require the affirmative vote of a majority of all members thereof.

(b)Powers of the Committee. Subject to the terms and conditions of the Plan, the Committee shall have the power: (i) To determine from time to time the persons eligible to receive Options and the Options to be granted to such persons under the Plan and to prescribe the terms, conditions, restrictions, if any, and provisions (which need not be identical) of each Option granted under the Plan to such persons; (ii) To construe and interpret the Plan and Options granted thereunder and to establish, amend, and revoke rules and regulations for administration of the Plan. In this connection, the Committee may correct any defect or supply any omission, or reconcile any inconsistency in the Plan, or in any option agreement, in the manner and to the extent it shall deem necessary or expedient to make the Plan fully effective. All decisions and determinations by the Committee in the exercise of this power shall be final and binding upon the Company and optionees; (iii) To make, in its sole discretion, changes to any outstanding Option granted under the Plan, including: (x) to reduce the exercise price, (y) to accelerate the vesting schedule or (z) to extend the expiration date; and (iv) Generally, to exercise such powers and to perform such acts as are deemed necessary or expedient to promote the best interests of the Company with respect to the Plan.

3. Option Shares

The stock subject to the Options and other provisions of the Plan shall be shares of the Company's Common Stock, \$.01 par value per share (the "Common Stock"). The total amount of the Common Stock with respect to which Options may be granted shall not exceed in the aggregate 740,000 shares; provided, however, that the class and aggregate number of shares which may be subject to Options granted hereunder shall be subject to adjustment in accordance with the provisions of Paragraph 17 hereof. Such shares may be treasury shares or

authorized but unissued shares.

In the event that any outstanding Option for any reason shall expire or terminate prior to exercise, the shares of Common Stock allocable to the unexercised portion of such Option may again be subject to an Option under the Plan.

In no event may any Plan participant be granted options with respect to more than 75,000 shares of Common Stock in any calendar year. The number of shares of Common Stock issuable pursuant to an option granted to a Plan participant in a calendar year that is subsequently forfeited, cancelled or otherwise terminated shall continue to count toward the foregoing limitation in such calendar year. In addition, if the exercise price of an option is subsequently reduced, the transaction shall be deemed a cancellation of the original option and the grant of a new one so that both transactions shall count toward the maximum shares issuable in the calendar year of each respective transaction.

4. Authority to Grant Options

The Committee may grant Options from time to time to such eligible employees of the Company as it shall determine. Subject to any applicable limitations set forth in the Plan or established from time to time by the Committee, the number of shares of Common Stock to be covered by any Option shall be as determined by the Committee.

5. Limitation on Amount of Options which may be Granted

The aggregate fair market value (determined as of the date of grant of the Option) of the shares of Common Stock as to which any incentive stock option granted under the Plan shall first become exercisable (i.e., shall "vest") in any calendar year shall not exceed \$100,000. To the extent that the shares of Common Stock as to which any Option granted under the Plan shall vest in any calendar year shall have a fair market value (determined as of the date of grant of the Option) in excess of \$100,000, such Option shall be deemed to be a nonqualified option with respect to such excess.

6. Eligibility

Options may be granted only to officers and other employees of the Company or its subsidiaries, including members of the Board who are also employees of the Company or a subsidiary. No Option shall be granted to an individual who, at the time said Option is granted, owns (including ownership attributed pursuant to Section 424 of the Code) more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any subsidiary or parent (a "greater-than-ten-percent-stockholder") unless the purchase price per share upon exercise of the Option shall be equal to or greater than one hundred and ten percent (110%) of the fair market value of the stock at the time such Option is granted, and further provided that no such Option shall be exercisable to any extent after the expiration of five (5) years from the date it is granted.

Except as otherwise provided, for all purposes of the Plan the term "subsidiary" shall mean any corporation of which 50% or more of its outstanding voting stock is at the time owned by the Company or by one or more subsidiaries or by the Company and one or more subsidiaries.

7. Option Price

The price at which shares may be purchased pursuant to Options shall be specified by the Committee at the time the Option is granted; provided, however, that the option price shall not be less than one hundred percent (100%) (one hundred and ten percent (110%) in the case of a greater-than-ten percent-stockholder) of the fair market value of the shares of Common Stock on the date such Option is granted, such fair market value to be determined in accordance with the Plan.

8. Duration of Options

Duration of Options to be established by the Committee. The Committee in its discretion may provide that an Option shall be exercisable during any specified period of time from the date such Option is granted; provided, however, that no Option shall be exercisable after the expiration of ten (10) years (five years in the case of a greater-than ten percent stockholder) from the date such Option is granted.

9. Amount Exercisable; Right of First Refusal

Each Option may be exercised, so long as it is valid and outstanding, from time to time in part or as a whole, subject to any limitations with respect to the number of shares for which the Option may be exercised at a particular time and to such other conditions as the Committee in its discretion may specify upon granting the Option.

The Committee may also, or alternatively, specify upon granting an Option that prior to the effective date of a registration statement under the Securities Act of 1933 covering any shares of Common Stock, all or a portion of the shares purchasable upon exercise of such Option shall be subject to a right of first refusal in favor of the Company in the event that the optionee wishes

to sell, assign, transfer, exchange, encumber or otherwise dispose of any of such shares issued pursuant to exercise of such Option or any interest in such shares. If such.....restriction is imposed, the Option shall contain appropriate provisions (or the optionee shall execute a separate agreement containing such terms), and the shares issued upon exercise shall bear an appropriate legend, disclosing the Company's right of first refusal.

10. Exercise of Options.xercise of Options

Subject to the provisions of Paragraph 14 hereof, Options shall be exercised by the delivery of written notice to the Company setting forth the number of shares with respect to which the Option is to be exercised, together with (a) cash, certified check, bank draft or postal or express money order payable to the order of the Company for an amount equal to the option price of such shares, or (b) with the consent of the Company, shares of Common Stock of the Company having a fair market value equal to the option price of such shares, or (c) with the consent of the Company, a combination of (a) and (b), and specifying the address to which the certificates for such shares are to be mailed. For the purpose of the preceding sentence, the fair market value of the shares of Common Stock so delivered to the Company shall be determined in accordance with procedures adopted by the Committee. As promptly as practicable after receipt of such written notification and payment, the Company shall deliver to the optionee certificates for the number of shares with respect to which such Option has been so exercised, issued in the optionee's name; provided, however, that such delivery shall be deemed effected for all purposes when the Company or a stock transfer agent of the Company shall have deposited such certificates in the United States mail, addressed to the optionee, at the address specified pursuant to this Paragraph 10.

11. Transferability of Options and Shares.Options and Shares

Options shall not be transferable by the optionee otherwise than by will or under the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act, or the rules thereunder. Options shall be exercisable, during the optionee's lifetime, only by him.

The shares of stock issuable upon exercise of an Option by any executive officer, director or beneficial owner of more than ten percent of the Common Stock of the Company may not be sold or transferred (except that such shares may be issued upon exercise of such Option) by such officer, director or beneficial owner for a period of six months following the grant of such Option.

12.Termination of Employment or Services or Death of Optionee. Death of Optionee

Except as may be otherwise expressly provided herein, or unless otherwise determined by the Committee, Options may not be exercised after the earlier of:

- (i) the date of expiration thereof; or
- (ii) the date of termination of the optionee's employment with or services to the Company if the termination is by the Company for cause (as determined by the Company), or if voluntarily by the optionee; or
- (iii) thirty (30) days after termination of the optionee's employment with the Company, by the Company without cause. In each case described in this paragraph 12(iii), the Options shall be exercisable for the number of shares that had vested as of the date of such termination.

(a)..... Temporary LeaveTemporary Leave. Whether authorized temporary leave of absence, or absence on military or government service, shall constitute termination of the employment or consultant relationship between the Company and the optionee shall be determined by the Committee at the time thereof.

(b)..... Death or DisabilityDeath or Disability. In the event the optionee's employment with or service to the Company is terminated while the optionee is an employee in good standing for reasons of permanent disability under the then established rules of the Company or in the event of the death and before the date of expiration of such Option, such Option may be exercised until the earlier of such date of expiration or one (1) year following the date of such termination for reason of permanent disability or death. In the event of such disability or death, the Option shall be exercisable for the number of shares that had vested as of the date of such disability or death. After the death of the optionee, his executors, administrators or any person or persons to whom his Option may be transferred by will or by the laws of descent and distribution, shall have the right to exercise the Option.

(c)..... RetirementRetirement. If, before the date of expiration of the Option, the optionee as an employee shall be retired in good standing from the employ of the Company for reasons of age under the then established rules of the Company, the Option may be exercised until the earlier of such date of expiration or thirty (30) days after the date of such retirement, to the extent to which the optionee was entitled to exercise such Option immediately prior to such retirement

13. Employment RelationshipEmployment Relationship.

An employment relationship between the Company and the optionee shall be deemed to exist during any period in which the optionee is employed by the Company.

The Company shall not be required to sell or issue any shares under any Option if the issuance of such shares shall constitute a violation by the optionee or by the Company of any provision of any law, regulation or order of any governmental authority. Without limiting the generality of the foregoing, upon exercise of any Option, the Company shall not be required to issue such shares unless the Committee has received evidence satisfactory to it to the effect that the holder of such Option will not transfer such shares except pursuant to a registration statement in effect under the Securities Act of 1933, as now in effect or hereafter amended (the "Act"), and under the applicable securities laws of any State, unless the Company has received an opinion of counsel satisfactory to the Company, in form and substance satisfactory to the Company, to the effect that such registration is not required. Any determination in this connection by the Committee shall be final, binding and conclusive. In the event the shares issuable on exercise of an Option are not registered under the Act, the Company may imprint the following legend or any other legend which counsel for the Company considers necessary or advisable to comply with the Act or other applicable laws: "The shares of stock represented by this certificate have not been registered under the Securities Act of 1933 or under the securities laws of any State and may not be sold or transferred except upon such registration or upon receipt by the Corporation of an opinion of counsel satisfactory to the Corporation, in form and substance satisfactory to the Corporation, that registration is not required for such sale or transfer."

The Company may, but shall in no event be obligated to, register any securities covered hereby pursuant to the Act; and in the event any shares are so registered the Company may remove any legend on certificates representing such shares. The Company shall not be obligated to take any other affirmative action in order to cause the exercise of an Option or the issuance of shares pursuant thereto to comply with any other law, regulation or order of any governmental authority.

15. No Rights as Stockholder. Rights as Stockholder

No optionee shall have rights as a stockholder with respect to shares covered by his Option until the date of issuance of a stock certificate for such shares; and, except as otherwise provided in Paragraph 17 hereof, no adjustment for dividends, or otherwise, shall be made if the record date therefor is prior to the date of issuance of such certificate.

17. Employment Obligation. Employment Obligation

The granting of any Option shall not impose upon the Company any obligation to employ or continue to employ any optionee; and the right of the Company to terminate the employment or services of any employee shall not be diminished or affected by reason of the fact that an Option has been granted to such employee..

15. Changes in the Company's Capital Structure

(a) Rights of the Company. Rights of the Company

The existence of outstanding Options shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stock ahead of or affecting the Common Stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

(b) Recapitalization, Stock Splits, and Dividends. Rights, and Dividends

If the Company shall effect a subdivision or consolidation of shares or other capital readjustment, the payment of a stock dividend, or other increase or reduction of the number of shares of the Common Stock outstanding, without receiving compensation therefor in money, services or property, then (i) the number, class, and per share price of shares of stock subject to outstanding Options hereunder shall be appropriately adjusted in such a manner as to entitle an optionee to receive upon exercise of an Option, for the same aggregate cash consideration, the same total number and class of shares as he would have received as a result of the event requiring the adjustment had he exercised his Option in full immediately prior to such event; and (ii) the number and class of shares with respect to which Options may be granted under the Plan shall be adjusted by substituting for the total number of shares of Common Stock then reserved that number and class of shares of stock that would have been received by the owner of an equal number of outstanding shares of Common Stock as the result of the event requiring the adjustment.

(c) Merger of Company With No Change of Control. Change of Control

After a merger of one or more corporations into the Company, or after a consolidation of the Company with one or more corporations in which (i) the Company shall be the surviving corporation and (ii) the stockholders of the Company prior to such merger or consolidation hold at least fifty percent (50%)

of the voting shares of the Company after such merger or consolidation, each holder of an outstanding Option shall, at no additional cost, be entitled upon exercise of such Option to receive (subject to any required action by stockholders) in lieu of the number of shares as to which such Option shall then be so exercisable, the number and class of shares of stock or other securities to which such holder would have been entitled pursuant to the terms of the agreement of merger or consolidation if, immediately prior to such merger or consolidation, such holder had been the holder of record of a number of shares of Common Stock equal to the number of shares as to which such Option shall be so exercised.

(d) Sale or Merger of Company With Change of Control. Change of Control

If the Company is merged into or consolidated with another corporation under circumstances where the Company is not the surviving corporation, or if there is a merger or consolidation where the Company is the surviving corporation and the Stockholders of the Company prior to such merger or consolidation do not hold at least fifty percent (50%) of the voting shares of the Company after such merger or consolidation occurs, or if the Company is liquidated, or sells or otherwise disposes of substantially all its assets to another corporation while unexercised Options remain outstanding under the Plan, (i) subject to the provisions of clause (iii) below, after the effective date of such merger, consolidation or sale, as the case may be, each holder of an outstanding Option shall be entitled, upon exercise of such Option, to receive, in lieu of shares of Common Stock, shares of such stock or other securities, cash or property as the holders of shares of Common Stock received pursuant to the terms of the merger, consolidation or sale; (ii) the Committee may accelerate the time for exercise of all unexercised and unexpired Options to and after a date prior to the effective date of such merger, consolidation, liquidation or sale, as the case may be specified by the Committee; or (iii) all outstanding Options may be cancelled by the Committee as of the effective date of any such merger, consolidation, liquidation or sale provided that (x) notice of such cancellation shall be given to each holder of an Option and (y) each holder of an Option shall have the right to exercise such Option to the extent that the same is then exercisable or, if the Committee shall have accelerated the time for exercise of all unexercised and unexpired Options, in full during the 30-day period preceding the effective date of such merger, consolidation, liquidation, sale or acquisition.

(e) Changes to Common Stock Subject to Options. Subject to Options

Except as hereinbefore expressly provided, the issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property, or for labor or services either upon direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock then subject to outstanding Options.

18. Amendment or Termination of Plan. Termination of Plan

The Board may modify, revise or terminate this Plan at any time and from time to time, except that the class of employees eligible to receive Options and the aggregate number of shares issuable pursuant to this Plan shall not be changed or increased, other than by operation of paragraph 17 hereof, without the consent of the stockholders of the Company.

19. Written Agreement. Written Agreement

Each Option granted hereunder shall be embodied in a written option agreement which shall be subject to the terms and conditions prescribed above and shall be signed by the President, any Vice President or the Treasurer of the Company for and in the name and on behalf of the Company. Such an option agreement shall contain such other provisions as the Committee in its discretion shall deem advisable.

20. Effective Date and Duration of Plan. Duration of Plan

The Plan shall become effective upon its adoption by the Board, provided that the stockholders of the Company shall have approved the Plan within twelve (12) months prior to or following the adoption of the Plan by the Board. Options may not be granted under the Plan more than ten (10) years after said effective date. The Plan shall terminate (i) when the total amount of the Common Stock with respect to which Options may be granted shall have been issued upon the exercise of Options or (ii) by action of the Board pursuant to Paragraph 18 hereof, whichever shall first occur.

21. Lockup" Agreement. "Lockup" Agreement

The Committee may in its discretion specify upon granting an Option that the Optionee shall agree for a period of time (not to exceed 180 days) from the effective date of any registration of securities of the Company (upon request of the Company or the underwriters managing any underwritten offering of the Company's securities), not to sell, make any short sale of, loan, grant any

option for the purchase of, or otherwise dispose of any shares issued pursuant to the exercise of such Option, without the prior written consent of the Company or such underwriters, as the case may be.

KVH INDUSTRIES, INC.

1996 INCENTIVE AND NONQUALIFIED
STOCK OPTION PLAN

SECTION 1. PURPOSE

This 1996 Incentive and Nonqualified Stock Option Plan (the "Plan") of KVH Industries, Inc., a Delaware corporation (the "Company"), is designed to provide additional incentive to executives and other key employees of the Company and its subsidiaries and for certain other individuals providing services to or acting as directors of the Company and its subsidiaries. The Company intends that this purpose will be effected by the granting of incentive stock options ("Incentive Stock Options") as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), and nonqualified stock options ("Nonqualified Options") under the Plan which afford such executives, key employees, directors and other eligible individuals an opportunity to acquire or increase their proprietary interest in the Company through the acquisition of shares of its Common Stock. The Company intends that Incentive Stock Options issued under the Plan will qualify as "incentive stock options" as defined in Section 422 of the Code and the terms of the Plan shall be interpreted in accordance with this intention. The term "subsidiary" shall have the meaning set forth in Section 424 of the Code.

SECTION 2. ADMINISTRATION

2.1 The Committee. The Plan shall be administered by a Committee (the "Committee") consisting of at least two (2) "Outside Directors" who may also be members of the Compensation Committee. As used herein, the term "Outside Director" means any director who (i) is not an employee of the Company or of any "affiliated group," as such term is defined in Section 1504(a) of the Code, which includes the Company (an "Affiliate"), (ii) is not a former employee of the Company or any Affiliate who is receiving compensation for prior services (other than benefits under a tax-qualified retirement plan) during the Company's or any Affiliate's taxable year, (iii) has not been an officer of the Company or any Affiliate and (iv) does not receive remuneration from the Company or any Affiliate, either directly or indirectly, in any capacity other than as a director. None of the members of the Committee shall have been granted any incentive stock option or nonqualified option under this Plan (other than pursuant to Section 4.4) or any other stock option plan of the Company within one year prior to service on the Committee. It is the intention of the Company that the Plan shall be administered by "disinterested persons" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934 (the "Exchange Act"), but the authority and validity of any act taken or not taken by the Committee shall not be affected if any person administering the Plan is not a disinterested person. Except as specifically reserved to the Company's Board of Directors (the "Board") under the terms of the Plan, the Committee shall have full and final authority to operate, manage and administer the Plan on behalf of the Company. Action by the Committee shall require the affirmative vote of a majority of all members thereof.

2.2 Powers of the Committee. Subject to the terms and conditions of the Plan, the Committee shall have the power:

(a) To determine from time to time the persons eligible to receive options and the options to be granted to such persons under the Plan and to prescribe the terms, conditions, restrictions, if any, and provisions (which need not be identical) of each option granted

under the Plan to such persons;

(b) To construe and interpret the Plan and options granted thereunder and to establish, amend, and revoke rules and regulations for administration of the Plan. In this connection, the Committee may correct any defect or supply any omission, or reconcile any inconsistency in the Plan, or in any option agreement, in the manner and to the extent it shall deem necessary or expedient to make the Plan fully effective. All decisions and determinations by the Committee in the exercise of this power shall be final and binding upon the Company and optionees;

(c) To make, in its sole discretion, changes to any outstanding option granted under the Plan, including: (i) to reduce the exercise price, (ii) to accelerate the vesting schedule or (iii) to extend the expiration date; and

(d) Generally, to exercise such powers and to perform such acts as are deemed necessary or expedient to promote the best interests of the Company with respect to the Plan.

SECTION 3. STOCK

3.1 Stock to be Issued. The stock subject to the options granted under the Plan shall be shares of the Company's authorized but unissued Class A Common Stock, \$.01 par value (the "Common Stock"), or shares of the Company's Class A Common Stock held in treasury. The total number of shares that may be issued pursuant to options granted under the Plan shall not exceed an aggregate of 915,000 shares of Common Stock; provided, however, that the class and aggregate number of shares which may be subject to options granted under the Plan shall be subject to adjustment as provided in Section 8 hereof.

3.2 Expiration, Cancellation or Termination of Option. Whenever any outstanding option under the Plan expires, is cancelled or is otherwise terminated (other than by exercise), the shares of Common Stock allocable to the unexercised portion of such option may again be the subject of options under the Plan.

3.3 Limitation on Grants. In no event may any Plan participant be granted options with respect to more than 120,000 shares of Common Stock in any calendar year. The number of shares of Common Stock issuable pursuant to an option granted to a Plan participant in a calendar year that is subsequently forfeited, cancelled or otherwise terminated shall continue to count toward the foregoing limitation in such calendar year. In addition, if the exercise price of an option is subsequently reduced, the transaction shall be deemed a cancellation of the original option and the grant of a new one so that both transactions shall count toward the maximum shares issuable in the calendar year of each respective transaction.

SECTION 4. ELIGIBILITY

4.1 Persons Eligible. Incentive Stock Options under the Plan may be granted only to officers and other employees of the Company or its subsidiaries. Nonqualified Options may be granted to officers or other employees of the Company or its subsidiaries, and to members of the Board and consultants or other persons who render services to the Company (regardless of whether they are also employees), provided, however, that no such option may be granted to a person who is a member of the Committee at the time of grant other than pursuant to Section 4.4.

4.2 Greater-Than-Ten-Percent Stockholders. Except as may otherwise be permitted by the Code or other applicable law or regulation, no Incentive Stock Option shall be granted to an individual who, at the time the option is granted, owns (including ownership attributed pursuant to Section 424 of the Code) more than ten percent of the total combined voting power of all classes of stock of the Company or any subsidiary (a "greater-than-ten-percent stockholder"), unless such Incentive Stock Option provides that (i) the purchase price per share shall not be less than one hundred ten percent of the fair market value of the Common Stock at the time such option is granted, and (ii) that such option shall not be exercisable to any extent after the expiration of five years from the date it is granted.

4.3 Maximum Aggregate Fair Market Value. The aggregate fair market value (determined at the time the option is granted) of the Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any optionee during any calendar year (under the Plan and any other plans of the Company or its subsidiary for the issuance of incentive stock options) shall not exceed \$100,000 (or such greater amount as may from time to time be permitted with respect to incentive stock options by the Code or any other applicable law or regulation).

4.4 Option Grants to Non-Employee Directors. As compensation for services to the Company, each director of the Company who is not an employee of the Company or any subsidiary of the Company (a "Non-Employee Director") in office on the date of the closing of the initial public offering of the Common Stock of the Company, and each other Non-Employee Director upon his or her initial election to the Board subsequent to said closing of the initial public offering, shall be automatically granted a Nonqualified Option to purchase 10,000 shares of Common Stock of the Company (the "Initial Option Grant"). In addition, any director of the Company who is elected to the Board but who is not a Non-Employee Director at the time of his or her initial election and later becomes a Non-Employee Director shall automatically receive an Initial Option Grant to purchase 10,000 shares of Common Stock of the Company upon his or her first election to the Board as a Non-Employee Director. Each Initial Option Grant shall vest with respect to 2,500 shares on each three-month anniversary of the date of grant, provided that the optionee is a director of the Company on each such three-month anniversary, and shall expire on the fifth annual anniversary of the date of grant. At the first meeting of the Board of Directors following each annual meeting of stockholders, commencing with the first meeting of the Board of Directors following the Company's annual meeting of stockholders in 1997, each Non-Employee Director (other than any Non-Employee Director who has received an Initial Option Grant as a result of election to the Board at such meeting) shall be automatically granted an additional Nonqualified Option to purchase 5,000 shares of Common Stock of the Company (the "Subsequent Option Grant"). Each Subsequent Option Grant shall be exercisable in its entirety on the date of grant and shall expire on the fifth annual anniversary of the date of grant. The exercise price per share of Common Stock of each Nonqualified Option granted pursuant to this Section 4.4 shall be equal to the fair market value of the Common Stock on the date the Nonqualified Option is granted, such

fair market value to be determined in accordance with the provisions of Section 6.3.

No Nonqualified Option granted under this Section 4.4 shall be transferable by the optionee otherwise than by will or by the laws of descent and distribution, and such Options shall be exercisable during the optionee's lifetime only by the optionee. Any Nonqualified Option granted to a Non-Employee Director and outstanding on the date of his or her death may be exercised by the legal representative or legatee of the optionee until the expiration of the stated term of the option.

Nonqualified Options granted under this Section 4.4 may be exercised only by written notice to the Company specifying the number of shares to be purchased. Payment of the full purchase may be made by one or more of the methods specified in Section 7.2. An optionee shall have the rights of a stockholder only as to shares acquired upon the exercise of an option and not as to unexercised options.

The provisions of this Section 4.4 shall apply only to options granted or to be granted to Non-Employee Directors, and shall not be deemed to modify, limit or otherwise apply to any other provision of this Plan or to any option issued under this Plan to a participant who is not a Non-Employee Director of the Company. To the extent inconsistent with the provisions of any other Section of this Plan, the provisions of this Section 4.4 shall govern the rights and obligations of the Company and Non-Employee Directors respecting options granted or to be granted to Non-Employee Directors.

SECTION 5. TERMINATION OF EMPLOYMENT OR DEATH OF OPTIONEE

5.1 Termination of Employment. Except as may be otherwise expressly provided herein, options shall terminate on the earlier of:

(a) the date of expiration thereof,

(b) the date of termination of the optionee's employment with or services to the Company by it for cause (as determined by the Company), or voluntarily by the optionee; or

(c) thirty days after the date of termination of the optionee's employment with or services to the Company by it without cause;

provided that Nonqualified Options granted to persons who are not employees of the Company need not, unless the Committee determines otherwise, be subject to the provisions set forth in clauses (b) and (c) above. An employment relationship between the Company and the optionee shall be deemed to exist during any period in which the optionee is employed by the Company or any subsidiary. Whether authorized leave of absence, or absence on military or government service, shall constitute termination of the employment relationship between the Company and the optionee shall be determined by the Committee at the time thereof.

As used herein, "cause" shall mean (x) any material breach by the optionee of any agreement to which the optionee and the Company are both parties, (y) any act or omission to act by the optionee which may have a material and adverse effect on the Company's business or on the optionee's ability to perform services for the Company, including, without limitation, the commission of any crime (other than ordinary traffic violations), or (z) any material misconduct or material neglect of duties by the optionee in connection with the business or affairs of the Company or any affiliate of the Company.

5.2 Death or Permanent Disability of Optionee. In the event of the death or permanent and total disability of the holder of an option prior to termination of the optionee's employment with or services to the Company and before the date of expiration of such option, such option shall terminate on the earlier of such date of expiration or one year following the date of such death or disability. After the death of the optionee, his/her executors, administrators or any person or persons to whom his/her option may be transferred by will or by the laws of descent and distribution, shall have the right, at any time prior to such termination, to exercise the option to the extent the optionee was entitled to exercise such option immediately prior to his/her death. An optionee is permanently and totally disabled if he/she is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to last for a continuous period of not less than twelve months; permanent and total disability shall be determined in accordance with Section 22(e)(3) of the Code and the regulations issued thereunder.

SECTION 6. TERMS OF THE OPTION AGREEMENTS

Each option agreement shall be in writing and shall contain such terms, conditions, restrictions, if any, and provisions as the Committee shall from time to time deem appropriate. Such provisions or conditions may include without limitation restrictions on transfer, repurchase rights, or such other provisions as shall be determined by the Committee; provided that such additional provisions shall not be inconsistent with any other term or condition of the Plan and such additional provisions shall not cause any Incentive Stock Option granted under the Plan to fail to qualify as an incentive option within the meaning of Section 422 of the Code. Option agreements need not be identical, but each option agreement by appropriate language shall include the substance of all of the following provisions:

6.1 Expiration of Option. Subject to Section 4.4 hereof, notwithstanding any other provision of the Plan or of any option agreement, each option shall expire on the date specified in the option agreement, which date shall not, in the case of an Incentive Stock Option, be later than the tenth anniversary (fifth anniversary in the case of a greater-than-ten-percent stockholder) of the date on which the option was granted, or as specified in Section 5 hereof.

6.2 Exercise. Subject to Sections 4.4 and 7.3 hereof, each option may be exercised, so long as it is valid and outstanding, from time to time in part or as a whole, subject to any limitations with respect to the number of shares for which the option may be exercised at a particular time and to such other conditions as the Committee in its discretion may specify upon granting the option.

6.3 Purchase Price. Subject to Section 4.4 hereof, the purchase price per share under each option shall be determined by the Committee at the time the option is granted; provided, however, that the option price of any Incentive Stock Option shall not, unless otherwise permitted by the Code or other applicable law or regulation, be less than the fair market value of the Common Stock on the date the option is granted (110% of the fair market value in the case of a greater-than-ten-percent stockholder). For the purpose of the Plan the fair market value of the Common Stock shall be the closing price per share on the date of grant of the option as reported by a nationally recognized stock exchange, or, if the Common Stock is not listed on such an exchange, as reported by the National Association of Securities Dealers Automated Quotation System, Inc. ("NASDAQ"), or, if the Common Stock is not quoted on NASDAQ, the fair market value as determined by the Committee.

6.4 Transferability of Options. Options shall not be transferable by the optionee otherwise than by will or under the laws of descent and distribution, and shall be exercisable, during his or her lifetime, only by him or her.

6.5 Rights of Optionees. No optionee shall be deemed for any purpose to be the owner of any shares of Common Stock subject to any option unless and until the option shall have been exercised pursuant to the terms thereof, and the Company shall have issued and delivered the shares to the optionee.

6.6 Repurchase Right. The Committee may in its discretion provide upon the grant of any option hereunder that the Company shall have an option to repurchase upon such terms and conditions as determined by the Committee all or any number of shares purchased upon exercise of such option. The repurchase price per share payable by the Company shall be such amount or be determined by such formula as is fixed by the Committee at the time the option for the shares subject to repurchase is granted. In the event the Committee shall grant options subject to the Company's repurchase option, the certificates representing the shares purchased pursuant to such option shall carry a legend satisfactory to counsel for the Company referring to the Company's repurchase option.

6.7 "Lockup" Agreement. The Committee may in its discretion specify upon granting an option that the optionee shall agree for a period of time (not to exceed 180 days) from the effective date of any registration of securities of the Company (upon request of the Company or the underwriters managing any underwritten offering of the Company's securities), not to sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any shares issued pursuant to the exercise of such option, without the prior written consent of the Company or such underwriters, as the case may be.

SECTION 7. METHOD OF EXERCISE; PAYMENT OF PURCHASE PRICE

7.1 Method of Exercise. Any option granted under the Plan may be exercised by the optionee by delivering to the Company on any business day a written notice specifying the number of shares of Common Stock the optionee then desires to purchase and specifying the address to which the certificates for such shares are to be mailed (the "Notice"), accompanied by payment for such shares.

7.2 Payment of Purchase Price. Payment for the shares of Common Stock purchased pursuant to the exercise of an option shall be made by:

(a) cash in an amount, or a check, bank draft or postal or express money order payable in an amount, equal to the aggregate exercise price for the number of shares specified in the Notice;

(b) with the consent of the Committee, shares of Common Stock of the Company having a fair market value (as defined for purposes of Section 6.3 hereof) equal to such aggregate exercise price;

(c) with the consent of the Committee, a personal recourse note issued by the optionee to the Company in a principal amount equal to such aggregate exercise price and with such other terms, including interest rate and maturity, as the Committee may determine in its discretion; provided that the interest rate borne by such note shall not be less than the lowest applicable federal rate, as defined in Section 1274(d) of the Code;

(d) with the consent of the Committee, such other consideration that is acceptable to the Committee and that has a fair market value, as determined by the Committee, equal to such aggregate exercise price, including any broker-directed cashless exercise/resale procedure adopted by the Committee; or

(e) with the consent of the Committee, any combination of the foregoing. As promptly as practicable after receipt of the Notice and accompanying payment, the Company shall deliver to the optionee certificates for the number of shares with respect to which such option has been so exercised, issued in the optionee's name; provided, however, that such delivery shall be deemed effected for all purposes when the Company or a stock transfer agent of the Company shall

have deposited such certificates in the United States mail, addressed to the optionee, at the address specified in the Notice.

7.3 Special Limits Affecting Section 16(b) Option Holders. Shares issuable upon exercise of options granted to a person who in the opinion of the Committee may be deemed to be a director or officer of the Company within the meaning of Section 16(b) of the Exchange Act and the rules and regulations thereunder shall not be sold or disposed of until after the expiration of six months following the date of grant.

SECTION 8. CHANGES IN COMPANY'S CAPITAL STRUCTURE

8.1 Rights of Company. The existence of outstanding options shall not affect in any way the right or power of the Company or its stockholders to make or authorize, without limitation, any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of Common Stock, or any issue of bonds, debentures, preferred or prior preference stock or other capital stock ahead of or affecting the Common Stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

8.2 Recapitalization, Stock Splits and Dividends. If the Company shall effect a subdivision or consolidation of shares or other capital readjustment, the payment of a stock dividend, or other increase or reduction of the number of shares of the Common Stock outstanding, in any such case without receiving compensation therefor in money, services or property, then (i) the number, class, and price per share of shares of stock subject to outstanding options hereunder shall be appropriately adjusted in such a manner as to entitle an optionee to receive upon exercise of an option, for the same aggregate cash consideration, the same total number and class of shares as he or she would have received as a result of the event requiring the adjustment had he or she exercised his or her option in full immediately prior to such event; (ii) the number and class of shares with respect to which options may be granted under the Plan; and (iii) the number and class of shares set forth in Sections 3.3 and 4.4 shall be adjusted by substituting for the total number of shares of Common Stock then reserved for issuance under the Plan that number and class of shares of stock that the owner of an equal number of outstanding shares of Common Stock would own as the result of the event requiring the adjustment.

8.3 Merger without Change of Control. After a merger of one or more corporations into the Company, or after a consolidation of the Company and one or more corporations in which (i) the Company shall be the surviving corporation, and (ii) the stockholders of the Company immediately prior to such merger or consolidation own after such merger or consolidation shares representing at least fifty percent of the voting power of the Company, each holder of an outstanding option shall, at no additional cost, be entitled upon exercise of such option to receive in lieu of the number of shares as to which such option shall then be so exercisable, the number and class of shares of stock or other securities to which such holder would have been entitled pursuant to the terms of the agreement of merger or consolidation if, immediately prior to such merger or consolidation, such holder had been the holder of record of a number of shares of Common Stock equal to the number of shares for which such option was exercisable.

8.4 Sale or Merger with Change of Control. If the Company is merged into or consolidated with another corporation under circumstances where the Company is not the surviving corporation, or if there is a merger or consolidation where the Company is the surviving corporation but the stockholders of the Company immediately prior to such merger or consolidation do not own after such merger or consolidation shares representing at least fifty percent of the voting power of the Company, or if the Company is liquidated, or sells or otherwise disposes of substantially all of its assets to another corporation while unexercised options remain outstanding under the Plan, (i) subject to the provisions of clause (iii) below, after the effective date of such merger, consolidation, liquidation, sale or disposition, as the case may be, each holder of an outstanding option shall be entitled, upon exercise of such option, to receive, in lieu of shares of Common Stock, shares of such stock or other securities, cash or property as the holders of shares of Common Stock received pursuant to the terms of the merger, consolidation, liquidation, sale or disposition; (ii) the Committee may accelerate the time for exercise of all unexercised and unexpired options to and after a date prior to the effective date of such merger, consolidation, liquidation, sale or disposition, as the case may be, specified by the Committee; or (iii) all outstanding options may be cancelled by the Committee as of the effective date of any such merger, consolidation, liquidation, sale or disposition provided that (x) notice of such cancellation shall be given to each holder of an option and (y) each holder of an option shall have the right to exercise such option to the extent that the same is then exercisable or, if the Committee shall have accelerated the time for exercise of all unexercised and unexpired options, in full during the 30-day period preceding the effective date of such merger, consolidation, liquidation, sale or disposition.

8.5 Adjustments to Common Stock Subject to Options. Except as hereinbefore expressly provided, the issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property,

or for labor or services, either upon direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock then subject to outstanding options.

8.6 Miscellaneous. Adjustments under this Section 8 shall be determined by the Committee, and such determinations shall be conclusive. No fractional shares of Common Stock shall be issued under the Plan on account of any adjustment specified above.

SECTION 9. GENERAL RESTRICTIONS

9.1 Investment Representations. The Company may require any person to whom an option is granted, as a condition of exercising such option, to give written assurances in substance and form satisfactory to the Company to the effect that such person is acquiring the Common Stock subject to the option for his or her own account for investment and not with any present intention of selling or otherwise distributing the same, and to such other effects as the Company deems necessary or appropriate in order to comply with federal and applicable state securities laws.

9.2 Compliance with Securities Laws. The Company shall not be required to sell or issue any shares under any option if the issuance of such shares shall constitute a violation by the optionee or by the Company of any provisions of any law or regulation of any governmental authority. In addition, in connection with the Securities Act of 1933, as now in effect or hereafter amended (the "Act"), upon exercise of any option, the Company shall not be required to issue such shares unless the Committee has received evidence satisfactory to it to the effect that the holder of such option will not transfer such shares except pursuant to a registration statement in effect under such Act or unless an opinion of counsel satisfactory to the Company has been received by the Company to the effect that such registration is not required. Any determination in this connection by the Committee shall be final, binding and conclusive. In the event the shares issuable on exercise of an option are not registered under the Act, the Company may imprint upon any certificate representing shares so issued the following legend or any other legend which counsel for the Company considers necessary or advisable to comply with the Act and with applicable state securities laws: The shares of stock represented by this certificate have not been registered under the Securities Act of 1933 or under the securities laws of any State and may not be sold or transferred except upon such registration or upon receipt by the Corporation of an opinion of counsel satisfactory to the Corporation, in form and substance satisfactory to the Corporation, that registration is not required for such sale or transfer.

The Company may, but shall in no event be obligated to, register any securities covered hereby pursuant to the Act; and in the event any shares are so registered the Company may remove any legend on certificates representing such shares. The Company shall not be obligated to take any other affirmative action in order to cause the exercise of an option or the issuance of shares pursuant thereto to comply with any law or regulation of any governmental authority.

9.3 Employment Obligation. The granting of any option shall not impose upon the Company any obligation to employ or continue to employ any optionee; and the right of the Company to terminate the employment of any officer or other employee shall not be diminished or affected by reason of the fact that an option has been granted to him or her.

SECTION 10. WITHHOLDING TAXES

10.1 Rights of Company. The Company may require an employee exercising a Nonqualified Option, or disposing of shares of Common Stock acquired pursuant to the exercise of an Incentive Option in a disqualifying disposition (as defined in Section 421(b) of the Code), to reimburse the Company for any taxes required by any government to be withheld or otherwise deducted and paid by the Company in respect of the issuance or disposition of such shares. In lieu thereof, the Company shall have the right to withhold the amount of such taxes from any other sums due or to become due from the Company to the employee upon such terms and conditions as the Company may prescribe. The Company may, in its discretion, hold the stock certificate to which such employee is otherwise entitled upon the exercise of an Option as security for the payment of any such withholding tax liability, until cash sufficient to pay that liability has been received or accumulated.

10.2 Payment in Shares. An employee may elect to have such tax withholding obligation satisfied, in whole or in part, by (i) authorizing the Company to withhold from shares of Common Stock to be issued pursuant to the exercise of a Nonqualified Option a number of shares with an aggregate fair market value (as defined in Section 6.3 hereof determined as of the date the withholding is effected) that would satisfy the withholding amount due with respect to such exercise, or (ii) transferring to the Company shares of Common Stock owned by the employee with an aggregate fair market value (as defined in Section 6.3 hereof determined as of the date the withholding is effected) that would satisfy the withholding amount due. With respect to any employee who is subject to Section 16 of the Exchange Act, the following additional restrictions shall apply:

(a) the election to satisfy tax withholding obligations relating to an option exercise in the manner permitted by this Section 10.2 shall be made either (1) during the period beginning on the third business day following the date of release of quarterly or annual summary statements of sales and earnings of the Company and ending on the twelfth business day following such date, or (2) at least six (6) months prior to the date of exercise of the option;

(b) such election shall be irrevocable;

(c) such election shall be subject to the consent or approval of the Committee; and

(d) the Common Stock withheld to satisfy tax withholding, if granted at the discretion of the Committee, must pertain to an option which has been held by the employee for at least six (6) months from the date of grant of the option.

10.3 Notice of Disqualifying Disposition. Each holder of an Incentive Option shall agree to notify the Company in writing immediately after making a disqualifying disposition (as defined in Section 421(b) of the Code) of any Common Stock purchased upon exercise of the Incentive Option.

SECTION 11. AMENDMENT OR TERMINATION OF PLAN

11.1 Amendment. The Board may terminate the Plan and may amend the Plan at any time, and from time to time, subject to the limitation that, except as provided in Section 8 hereof, no amendment shall be effective unless approved by the stockholders of the Company in accordance with applicable law and regulations, at an annual or special meeting held within 12 months before or after the date of adoption of such amendment, in any instance in which such amendment would: (i) increase the number of shares of Common Stock that may be issued under, or as to which Options may be granted pursuant to, the Plan; or (ii) change in substance the provisions of Section 4 hereof relating to eligibility to participate in the Plan. In addition, the provisions of Section 4.4 shall not be amended more than once every six months, other than to comport with changes in the Code, the Employee Retirement Income Security Act, or the rules thereunder. Without limiting the generality of the foregoing, the Board is expressly authorized to amend the Plan, at any time and from time to time, to confirm it to the provisions of Rule 16b-3 under the Exchange Act, as that Rule may be amended from time to time.

Except as provided in Section 8 hereof, the rights and obligations under any option granted before amendment of this Plan or any unexercised portion of such option shall not be adversely affected by amendment of this Plan or such option without the consent of the holder of such option.

11.2 Termination. This Plan shall terminate as of the tenth anniversary of its effective date. The Board may terminate this Plan at any earlier time for any or no reason. No Option may be granted after the Plan has been terminated. No Option granted while this Plan is in effect shall be altered or impaired by termination of this Plan, except upon the consent of the holder of such Option. The power of the Committee to construe and interpret this Plan and the Options granted prior to the termination of this Plan shall continue after such termination.

SECTION 12. NONEXCLUSIVITY OF PLAN

Neither the adoption of this Plan by the Board of Directors nor the submission of this Plan to the stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including the granting of stock options otherwise than under this Plan, and such arrangements may be either applicable generally or only in specific cases.

SECTION 13. EFFECTIVE DATE AND DURATION OF PLAN

This Plan shall become effective upon its adoption by the Board, provided that the stockholders of the Company shall have approved this Plan within twelve months prior to or following the adoption of this Plan by the Board. Subject to the foregoing, options may be granted under the Plan at any time subsequent to its effective date; provided, however, that (a) no such option shall be exercised or exercisable unless the stockholders of the Company shall have approved the Plan within twelve months prior to or following the adoption of this Plan by the Board, and (b) all options issued prior to the date of such stockholders' approval shall contain a reference to such condition. No option may be granted under the Plan after the tenth anniversary of the effective date. The Plan shall terminate (i) when the total amount of the Common Stock with respect to which options may be granted shall have been issued upon the exercise of options or (ii) by action of the Board of Directors pursuant to Section 11 hereof, whichever shall first occur.

SECTION 14. PROVISIONS OF GENERAL APPLICATION

14.1 Severability. The invalidity or unenforceability of any provision of this Plan shall not affect the validity or enforceability of any other provision of this Plan, each of which shall remain in full force and effect.

14.2 Construction. The headings in this Plan are included for convenience only and shall not in any way effect the meaning or interpretation of this Plan. Any term defined in the singular shall include the plural, and vice versa. The words "herein," "hereof" and "hereunder" refer to this Plan as a whole and not to any particular part of this Plan. The word "including" as used herein shall not be construed so as to exclude any other thing not referred to or described.

14.3 Further Assurances. The Company and any holder of an option shall from time to time execute and deliver any and all further instruments, documents and agreements and do such other and further acts and things as may be required or useful to carry out the intent and purpose of this Plan and such option and to assure to the Company and such option holder the benefits contemplated by this Plan; provided, however, that neither the Company nor any option holder shall in any event be required to take any action inconsistent with the provisions of this Plan.

14.4 Governing Law. This Plan and each Option shall be governed by the laws of the State of Delaware.