(q) Income Taxes

We are subject to income taxes in the U.S. and in numerous foreign jurisdictions. The Company accounts for income taxes following ASC Topic 740, *Accounting for Income Taxes.*

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that some or all of a deferred tax asset will not be realized. The Company determines whether it is more likely than not that a tax position will be sustained upon examination. If it is not more likely than not that a position will be sustained, no amount of the benefit attributable to the position is recognized. The tax benefit to be recognized of any tax position that meets the more likely than not recognition threshold is calculated as the largest amount that is more than 50% likely of being realized upon resolution of the contingency.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company recognizes interest and penalties within the income tax expense line in the accompanying consolidated statements of operations. Accrued interest and penalties are included within the related tax liability line in the consolidated balance sheets. See Note 8 for further discussion of income taxes.

(r) Net (Loss) Income per Common Share

Basic net (loss) income per share is calculated based on the weighted average number of common shares outstanding during the period. Diluted net income per share incorporates the dilutive effect of common stock equivalent options, warrants and other convertible securities, if any, as determined in accordance with the treasury stock accounting method. Common stock equivalents related to options and restricted stock awards for 766 shares of common stock for the year ended December 31, 2015 have been excluded from the fully diluted calculation of net income per share, as inclusion would be anti-dilutive. For the years ended December 31, 2017 and 2016 since there was a net loss, the Company excluded 228 and 162 shares, respectively, subject to outstanding stock options and non-vested restricted shares from its diluted loss per share calculation, as inclusion of these securities would have reduced the net loss per share.

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

	2017	2016	2015
Weighted average common shares outstanding—basic	16,419	15,834	15,625
Dilutive common shares issuable in connection with stock plans	—	—	209
Weighted average common shares outstanding—diluted	16,419	15,834	15,834

(s) Contingent Liabilities

The Company estimates the amount of potential exposure it may have with respect to claims, assessments and litigation in accordance with ASC 450, *Contingencies*. As of December 31, 2017 and 2016, the Company was not party to any lawsuit or proceeding that, in management's opinion, was likely to materially harm the Company's business, results of operations, financial condition or cash flows, as described in Note 16. It is not always possible to predict the outcome of litigation, as it is subject to many uncertainties. Additionally, it is not always possible for management to make meaningful estimate of the potential loss or range of loss associated with such litigation.

(t) Operating Segments

The Company operates in two segments, the mobile connectivity and inertial navigation segments. Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker in making decisions regarding resource allocation and assessing performance. The Company's chief operating decision maker is its President, Chief Executive Officer and Chairman of the Board.

The Company's reportable segments are: mobile connectivity and inertial navigation (see Note 12, "*Segment Reporting*"). The Company operates in a number of major geographic areas, including internationally. Revenues from international locations, primarily consisting of Canada, European countries, both inside and outside the European Union, as well as Africa, Asia/Pacific, the Middle East, and South America.

(u) Film Production Costs

The Company capitalizes direct costs incurred in the production of its training videos, such as writing, directing, narrating, casting, location rental, and editing. These film costs are classified as a non-current asset on its consolidated balance sheet and are placed into service upon the film title being released and available for customers' use. The Company's sales model associated with training is subscription-based, in which fees from third parties are not directly attributable to the exhibition of a particular film but relate instead to access to the entire film library. Accordingly, management estimates that the straight line method is the most representative method for the amortization of film costs. Consistent with the period over which revenues are assessed (i.e. the subscription period), the film costs are amortized over four years. In the event that the film title is replaced or removed from the film library before the amortization period has expired, all unamortized costs are expensed immediately.

(v) Recently Issued Accounting Standards

From time to time, new accounting pronouncements are issued by the FASB or other standard setting bodies. Recently issued standards typically do not require adoption until a future effective date. Prior to their effective date, the Company evaluates the pronouncements to determine the potential effects of adoption on our consolidated financial statements.

Standards Implemented

ASC Update No. 2015-11

In April 2015, the FASB issued ASC Update No. 2015-11, *Simplifying the Measurement of Inventory* regarding ASC Topic 330 - Inventory. Update No. 2015-11 require entities that measure inventory using the first-in, first-out or average cost methods to measure inventory at the lower of cost and net realizable value. Net realizable value is defined as estimated selling price in the ordinary course of business less reasonably predictable costs of completion and disposal. Update No. 2015-11 is effective on a prospective basis for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2016, with earlier application permitted. The Company adopted Update No. 2015-11 on January 1, 2017 and the adoption did not have a material effect on the Company's consolidated financial position, results of operations or cash flows.

ASC Update No. 2016-09

In March 2016, the FASB issued ASC Update No. 2016-09, *Compensation- Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. This update is effective for annual reporting periods after December 15, 2016, including interim periods within those fiscal periods. Early adoption is permitted. The purpose of the update is to simplify several areas of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The Company adopted this ASC update on January 1, 2017. Although this ASC update does not impact the Company's results of operations, financial position or cash flows for any periods prior to the adoption, the adoption of this ASC update had the following impact on the date of adoption:

- The adoption of Update No. 2016-09 requires all income tax adjustments to be recorded in the consolidated statements of operations. The cumulative adjustment upon adoption to accumulated earnings was zero since the increase in net deferred tax assets was fully offset by a corresponding increase in the deferred tax asset valuation allowance. The amount of deferred tax assets that had not been previously recognized due to the recognition of excess tax benefits was $1,571.
- The Company has elected to account for forfeitures on share-based payments as these forfeitures occur, which represents a change from the accounting previously required under ASC Topic 718. As a result, the Company notes that future forfeitures could result in a significant reversal of stock-based compensation expense recognized in the period in which such forfeitures occur.

ASC Update No. 2017-04

In January 2017, the FASB issued ASC Update No. 2017-04, *Intangibles--Goodwill and Other (Topic 350): Simplifying the Test of Goodwill Impairment.* This ASC simplifies the accounting for goodwill impairment for all entities by requiring impairment charges to be based on the first step of the goodwill impairment test under ASC 350. Under previous guidance, if the fair value of a reporting unit is lower than its carrying amount (Step 1), an entity calculates any impairment charge by comparing the implied fair value of goodwill with its carrying amount (Step 2). The implied fair value of goodwill is calculated by deducting the fair value of all assets and liabilities of the reporting unit from the reporting unit's fair value as determined in Step 1. To determine the implied fair value of goodwill, entities estimate the fair value of any unrecognized intangible assets (including in-process research and development) and any corporate-level assets or liabilities that were included in the determination of the carrying amount and fair value of the reporting unit in Step 1. Under this new guidance, if a reporting unit's carrying value exceeds its fair value, an entity will record an impairment charge based on that difference, with such impairment charge limited to the amount of goodwill in the reporting unit. This ASC does not change the guidance on completing Step 1 of the goodwill impairment test. An entity will still be able to perform the existing optional qualitative goodwill impairment assessment before determining whether to proceed to Step 1. This ASC will be applied prospectively and is effective for annual and interim impairment test performed in periods beginning after December 15, 2019 for public business enterprises. Early adoption is permitted for annual and interim goodwill impairment testing dates after January 1, 2017. The Company elected to early adopt this ASC as of January 1, 2017. The adoption of this ASC had no impact on the Company's consolidated statements of operations, financial condition or cash flows. The Company expects that adoption of this ASC will simplify the evaluation and recording of goodwill impairment charges, if any.

Standards to be Implemented

ASC Updates No. 2014-09, No. 2016-08, No. 2016-10, No. 2016-11, No. 2016-12 and No. 2016-20

In May 2014, the FASB issued ASC Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Update No. 2014-09 provides enhancements to the quality and consistency of how revenue is reported while also improving comparability in the financial statements of companies using International Financial Reporting Standards and U.S. GAAP. The core principle requires entities to recognize revenue in a manner that depicts the transfer of goods or services to customers in amounts that reflect the consideration an entity expects to be entitled to in exchange for those goods or services. In July 2015, the FASB voted to approve a one-year deferral, making the standard effective for public entities for annual and interim periods beginning after December 15, 2017.

In March 2016, the FASB issued ASC Update No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*. The purpose of Update No. 2016-08 is to clarify the guidance on principal versus agent considerations. It includes indicators that help to determine whether an entity controls the specified good or service before it is transferred to the customer and to assist in determining when the entity satisfied the performance obligation and as such, whether to recognize a gross or a net amount of consideration in their consolidated statement of operations.

In April 2016, the FASB issued ASC Update No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing.* Update No. 2016-10 clarifies that entities are not required to assess whether promised goods or services are performance obligations if they are immaterial in the context of the contract. Update No. 2016-10 also addresses how to determine whether promised goods or services are separately identifiable and permits entities to make a policy election to treat shipping and handling costs as fulfillment activities. In addition, it clarifies key provisions in Topic 606 related to licensing.

In May 2016, the FASB issued ASC Update No. 2016-11, *Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815).* Update No. 2016-11 rescinds previous SEC comments that were codified in Topic 605, Topic 932 and Topic 815. Upon adoption of Topic 606, certain SEC comments including guidance on accounting for shipping and handling fees and costs and consideration given by a vendor to a customer should not be relied upon.

In May 2016, the FASB also issued ASC Update No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow Scope Improvements and Practical Expedients*. Update No. 2016-12 provides clarity around collectability, presentation of sales taxes, non-cash consideration, contract modifications at transition and completed contracts at transition. Update No. 2016-12 also includes a technical correction within Topic 606 related to required disclosures if the guidance is applied retrospectively upon adoption.

In December 2016, the FASB issued ASC Update No. 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*. Update No. 2016-20 allows entities not to make quantitative disclosures about remaining performance obligations in certain cases and requires entities that use any of the optional exemptions to expand their qualitative disclosures. Update No. 2016-20 also clarifies other areas of the new revenue standard, including disclosure requirements for prior period performance obligations, impairment guidance for contract costs and the interaction of impairment guidance in ASC 340-40 with other guidance elsewhere in the Codification.

The Company adopted Topic 606 effective January 1, 2018. The Company adopted Topic 606 under the modified retrospective method and is only applying this method to contracts that were not completed as of the date of adoption. The modified retrospective method resulted in a cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings at the date of initial application for any open contracts as of the adoption date. The Company established an implementation team to assist with its assessment of the impact of the new revenue guidance on its operations, consolidated financial statements and related disclosures. To date, this assessment has included (1) utilizing questionnaires to assist with the identification of revenue streams, (2) performing sample contract analyses for each revenue stream identified, (3) assessing the noted differences in recognition and measurement that may result from adopting this new standard, (4) performing detailed analyses of contracts with larger customers, and (5) developing plans to test transactions for consistency with contract provisions that affect revenue recognition. The adoption of Topic 606 will have a material effect on the Company's consolidated financial statements with the most significant impact related to our mobile connectivity segment. Based on the preliminary results of the evaluation, which is still in process, the Company currently believes that the most significant potential changes relate to promised services under certain contracts that were previously determined to be separate units of accounting under Topic 605 will not be separate performance obligations under Topic 606 due to the fact that they are not distinct in the context of the contract, which will impact the timing of revenue recognition. The Company anticipates that the most significant impact of the new standard will relate to the timing of revenue recognition for certain mini-VSAT Broadband hardware contracts. The Company also anticipates changes to the consolidated balance sheet related to accounts receivable, contract assets, and contract liabilities, as well as enhanced footnote disclosures related to customer contracts. The Company is still evaluating the impact that Topic 606 is expected to have on its accounting for costs to obtain and fulfill a contract. The Company anticipates that the adoption of Topic 606 associated with VSAT contracts as of January 1, 2018 will result in an increase to its accumulated deficit of $3.0 million to $4.0 million. This anticipated adjustment represents the gross margin on approximately $12 million to $14 million of previously recognized revenue under current guidance. Gross margin reflects revenue less cost of revenue. These ranges represent management’s best estimates of the effects of adopting Topic 606 at the time of the preparation of this Annual Report on Form 10-K. The actual impact of Topic 606 is subject to change from these estimates and such change may be significant, pending the completion of the Company’s assessment in the first quarter of 2018.

The Company is in the process of evaluating and designing the necessary changes to its business processes, systems and controls to support recognition and disclosure under the new standard. Further, the Company is continuing to assess what incremental disaggregated revenue disclosures will be required in its consolidated financial statements.

ASC Update No. 2016-01

In January 2016, the FASB issued ASC Update No. 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.* It is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early application of certain provisions is permitted. Update No. 2016-01 requires entities to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value with changes recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. It also simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. Update No. 2016-01 also requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset and liability. The adoption of Update No. 2016-01 is not expected to have a material impact on the Company's financial position or results of operations.

ASC Update No. 2016-02

In February 2016, the FASB issued ASC Update No. 2016-02, *Leases (Topic 842).* It is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Earlier application is permitted. Update No. 2016-02 creates new accounting and reporting guidelines for leasing arrangements. The new guidance requires organizations that lease assets to recognize assets and liabilities on the balance sheet related to the rights and obligations created by those leases, regardless of whether they are classified as finance or operating leases. Consistent with current guidance, the recognition, measurement, and presentation of expenses and cash flows arising from a lease primarily will depend on its classification as a finance or operating lease. The guidance also requires new disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. The new standard is to be applied using a modified retrospective approach. The Company is currently evaluating the impact of the new pronouncement on its financial statements. Based on its preliminary assessment, upon adoption the Company expects to recognize significant right-to-use assets and corresponding lease liabilities on its balance sheet related to leased facilities and equipment.

ASC Update No. 2016-13

In June 2016, the FASB issued ASC Update No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The update is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted for fiscal years beginning after December 15, 2018. The purpose of Update No. 2016-13 is to replace the current incurred loss impairment methodology for financial assets measured at amortized cost with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information, including forecasted information, to develop credit loss estimates. The adoption of Update No. 2016-13 is not expected to have a material impact on the Company's financial position or results of operations.

ASC Update No. 2016-15

In August 2016, the FASB issued ASC Update No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments.* The update is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The purpose of Update No. 2016-15 is to reduce the diversity in practice in presentation and classification of the following items within the statement of cash flows: debt prepayments, settlement of zero coupon debt instruments, contingent consideration payments, insurance proceeds, securitization transactions and distributions from equity method investees. The update also addresses classification of transactions that have characteristics of more than one class of cash flows. The adoption of Update No. 2016-15 is not expected to have a material impact on the Company's financial position or results of operations.

ASC Update No. 2016-16

In October 2016, the FASB issued ASU Update No. 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*. The update is effective for fiscal years beginning after December 15, 2017, including interim reporting periods within those fiscal years. Early adoption is permitted as of the beginning of an annual reporting period for which financial statements (interim or annual) have not been issued or made available for issuance. The purpose of Update No. 2016-16 is to allow an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs, as opposed to waiting until the asset is sold to an outside party. The adoption of Update No. 2016-16 is not expected to have a material impact on the Company's financial position or results of operations.

ASC Update No. 2017-09

In May 2017, the FASB issued ASC Update No. 2017-09, *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting.* The update is effective for annual periods beginning on or after December 15, 2017. Early adoption is permitted. The purpose of Update No. 2017-09 is to clarify when to account for a change to the terms or conditions of a share-based payment award as a modification under Topic 718, *Compensation - Stock Compensation*. Under this new guidance, modification accounting is only required if the fair value, the vesting conditions, or the equity or liability classification of the award changes as a result of the change in terms or conditions. The Company expects that the adoption of this standard will only affect, on a prospective basis, the manner in which the Company evaluates any changes to the terms or conditions of its share-based payment awards.

ASC Update No. 2017-12

In August 2017, the FASB issued ASC Update No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*. The update is effective for annual periods beginning after December 15, 2018. Early adoption is permitted. The purpose of Update No. 2017-12 is to improve the presentation and disclosure requirements for, and simplify the application and increase transparency of hedge accounting. The adoption of Update No. 2017-12 is not expected to have a material impact on the Company's financial position or results of operations.

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

(2) Marketable Securities

Marketable securities consisted of the following as of December 31, 2017 and 2016:

December 31, 2017	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money market mutual funds	$ 7,318	$ —	$ —	$ 7,318
United States treasuries	1,002	—	(1)	1,001
Total marketable securities designated as available-for-sale	$ 8,320	$ —	$ (1)	$ 8,319

December 31, 2016	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money market mutual funds	$ 21,848	$ —	$ —	$ 21,848
Certificates of deposit	3,864	—	—	3,864
Total marketable securities designated as available-for-sale	$ 25,712	$ —	$ —	$ 25,712

The amortized costs and fair value of debt securities as of December 31, 2017 and 2016 are shown below by effective maturity. Effective maturities may differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties.

December 31, 2017	Amortized Cost	Fair Value
Due in less than one year	$ 1,002	$ 1,001
Due after one year and within two years	—	—
	$ 1,002	$ 1,001

December 31, 2016	Amortized Cost	Fair Value
Due in less than one year	$ 3,864	$ 3,864
Due after one year and within two years	—	—
	$ 3,864	$ 3,864

Interest income from cash equivalents and marketable securities was $107 and $94 for the years ended December 31, 2017 and 2016, respectively.

(3) Inventories

The Company adopted ASC 2015-11, *Simplifying the Measurement of Inventory* as of January 1, 2017. ASC 2015-11 simplifies the subsequent measurement of inventory by replacing the lower of cost or market test with a lower of cost and net realizable value test. The adoption of this standard did not have a material impact on the Company's consolidated financial position or results of operations. Inventories are stated at the lower of cost and net realizable value using the first-in first-out costing method. Inventories as of December 31, 2017 and 2016 include the costs of material, labor, and factory overhead. Components of inventories consist of the following:

	December 31, 2017	December 31, 2016
Raw materials	$ 13,347	$ 10,606
Work in process	2,137	2,185
Finished goods	7,248	7,954
	$ 22,732	$ 20,745

(4) Property and Equipment

Property and equipment, net, as of December 31, 2017 and 2016 consist of the following:

	December 31, 2017	December 31, 2016
Land	$ 3,828	$ 3,828
Building and improvements	24,038	21,717
Leasehold improvements	429	155
Machinery and equipment	53,217	41,777
Office and computer equipment	13,057	14,824
Motor vehicles	51	51
	94,620	82,352
Less accumulated depreciation	(51,099)	(45,766)
	$ 43,521	$ 36,586

Depreciation expense for the years ended December 31, 2017, 2016, and 2015 amounted to $6,725, $7,608, and $7,193, respectively.

Included within machinery and equipment are certain hardware revenue generating assets that had a net book value of $11,300 and $7,734 as of December 31, 2017 and 2016, respectively, that are utilized in the delivery of the Company's airtime services, media, and other content.

(5) Debt and Line of Credit

Long-term debt consists of the following:

	December 31, 2017	December 31, 2016
Term notes	$ 44,275	$ 53,625
Mortgage loan	2,779	2,951
Equipment loans	—	1,477
Total	47,054	58,053
Less amounts classified as current	2,482	7,900
Long-term debt, excluding current portion	$ 44,572	$ 50,153

Term Note and Line of Credit

On July 1, 2014, the Company entered into (i) a five-year senior credit facility agreement (the Credit Agreement) with Bank of America, N.A., as Administrative Agent, and the lenders named from time to time as parties thereto (the Lenders), for an aggregate amount of up to $80,000, including a revolving credit facility (the Revolver) of up to $15,000 and a term loan (Term Loan) of $65,000 to be used for general corporate purposes, including both (A) the refinancing of the Company's $30,000 then-outstanding indebtedness under its previous credit facility and (B) permitted acquisitions, (ii) revolving credit notes (together, the Revolving Credit Note) to evidence the Revolver, (iii) term notes (together, the Term Note, and together with the Revolving Credit Note, the Notes) to evidence the Term Loan, (iv) a Security Agreement (the Security Agreement) required by the Lenders with respect to the grant by the Company of a security interest in substantially all of the assets of the Company in order to secure the obligations of the Company under the Credit Agreement and the Notes, and (v) Pledge Agreements (the Pledge Agreements) required by the Lenders with respect to the grant by the Company of a security interest in 65% of the capital stock of each of KVH Industries A/S and KVH Industries U.K. Limited held by the Company in order to secure the obligations of the Company under the Credit Agreement and the Notes.

The Credit Agreement was most recently amended in March 2017 to modify the Maximum Consolidated Leverage Ratio, the Applicable Rate, the Consolidated Fixed Charge Coverage Ratio and the amortization schedule of the Term Loan, as well as to make certain other changes. The amendment was accounted for as a debt modification as it did not result in a significant modification to the Credit Agreement.

In connection with the March 2017 amendment, the Company made an additional principal repayment of $6,000 on the Term Note and amended the repayment terms. Under the amended terms, the Company must make principal repayments of $575 every three months starting on April 1, 2017 until the Term Note maturity on July 1, 2019. On the maturity date, the entire remaining principal balance of the loan, including any future loans under the Revolver, is due and payable, together with all accrued and unpaid interest, penalties, and any other amounts due and payable under the Credit Agreement. The Credit Agreement contains provisions requiring the mandatory prepayment of amounts outstanding under the Term Loan and the Revolver under specified circumstances, including (i) 100% of the net cash proceeds from certain dispositions to the extent not reinvested in the Company's business within a stated period, (ii) 50% of the net cash proceeds from stated equity issuances and (iii) 100% of the net cash proceeds from certain receipts of more than $250 outside the ordinary course of business. The prepayments are first applied to the Term Loan, in inverse order of maturity, and then to the Revolver. In the discretion of the Administrative Agent, certain mandatory prepayments made on the Revolver can permanently reduce the amount of credit available under the Revolver.

Loans under the Credit Agreement bear interest at varying rates determined in accordance with the Credit Agreement. Each LIBOR Rate Loan, as defined in the Credit Agreement, bears interest on the outstanding principal amount thereof for each interest period from the applicable borrowing date at a rate per annum equal to the LIBOR Daily Floating Rate or LIBOR Monthly Floating Rate, each as defined in the Credit Agreement, as applicable, plus the Applicable Rate, as defined in the Credit Agreement, and each Base Rate Loan, as defined in the Credit Agreement, bears interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate, as defined in the Credit Agreement, plus the Applicable Rate. The Applicable Rate ranges from 1.75% to 2.25%, depending on the Company's Consolidated Leverage Ratio, as defined in the Credit Agreement. The highest Applicable Rate applies when the Consolidated Leverage Ratio exceeds 1.50:1.00. Upon certain defaults, including failure to make payments when due, interest becomes payable at a higher default rate.

Borrowings under the Revolver are subject to the satisfaction of numerous conditions precedent at the time of each borrowing, including the continued accuracy of the Company's representations and warranties and the absence of any default under the Credit Agreement. As of December 31, 2017, there were no borrowings outstanding under the Revolver and the full balance of $15,000 was available for borrowing.

The Credit Agreement contains two financial covenants, a Maximum Consolidated Leverage Ratio and a Minimum Consolidated Fixed Charge Coverage Ratio, each as defined in the Credit Agreement. The Maximum Consolidated Leverage Ratio may not be greater than 1.50:1.00. The Minimum Consolidated Fixed Charge Coverage Ratio may not be less than 1.25:1.00. In the March 2017 amendment, the definition of the Consolidated Fixed Charge Coverage Ratio was amended to include only maintenance capital expenditures, as defined. The Company was in compliance with these financial ratio debt covenants as of December 31, 2017.

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

The Company's obligation to repay loans under the Credit Agreement could be accelerated upon a default or event of default under the terms of the Credit Agreement, including certain failures to pay principal or interest when due, certain breaches of representations and warranties, the failure to comply with the Company's affirmative and negative covenants under the Credit Agreement, a change of control of the Company, certain defaults in payment relating to other indebtedness, the acceleration of payment of certain other indebtedness, certain events relating to the liquidation, dissolution, bankruptcy, insolvency or receivership of the Company, the entry of certain judgments against the Company, certain events relating to the impairment of collateral or the Lenders' security interest therein, and any other material adverse change with respect to the Company.

Mortgage Loan

The Company has a mortgage loan (as amended, the Mortgage Loan) in the amount of $4,000 related to its headquarters facility in Middletown, Rhode Island. The loan term is ten years, with a principal amortization of 20 years. The interest rate is based on the BBA LIBOR Rate plus 2.00 percentage points. The Mortgage Loan is secured by the underlying property and improvements. The monthly mortgage payment is approximately $14 plus interest and increases in increments of approximately $1 each year throughout the life of the mortgage. Due to the difference in the term of the loan and amortization of the principal, a balloon payment of $2,551 is due on April 1, 2019. The loan contains one financial covenant, a Fixed Charge Coverage Ratio, which applies in the event that the Company's consolidated cash, cash equivalents, and marketable securities balance falls below $25,000 at any time. As the Company's consolidated cash, cash equivalents, and marketable securities balance was above the minimum threshold throughout the year ended December 31, 2017, the Fixed Charge Coverage Ratio did not apply.

Under the Mortgage Loan, the Company may prepay its outstanding loan balance subject to certain early termination charges. If the Company were to default on the Mortgage Loan, the underlying property and improvements would be used as collateral. As discussed in Note 15 to the consolidated financial statements, the Company entered into two interest rate swap agreements that are intended to hedge its mortgage interest obligations over the term of the Mortgage Loan by fixing the interest rates specified in the mortgage loan to 5.91% for half of the principal amount outstanding as of April 1, 2010 and 6.07% for the remaining half.

Equipment Loan

On January 30, 2013, the Company borrowed $4,700 from a bank and pledged as collateral six satellite hubs and related equipment. This equipment loan had a term of five years and carried a fixed rate of interest of 2.76% per annum. In December 2013, the Company borrowed $1,200 from a bank and pledged as collateral one satellite hub and related equipment. This equipment loan had a term of five years and carried a fixed rate of interest of 3.08% per annum. In March 2017, the Company repaid in full the remaining outstanding balances of both loans before their 2018 maturity dates.

(6) Commitments and Contingencies

The Company has certain operating leases for satellite capacity, various equipment, and facilities. The following reflects future minimum payments under operating leases that have initial or remaining non-cancelable lease terms at December 31, 2017:

Years ending December 31,		Operating Leases
2018	$	13,682
2019		7,109
2020		2,970
2021		1,326
2022		1,189
Thereafter		489
Total minimum lease payments	$	26,765

Total rent expense incurred under facility operating leases for the years ended December 31, 2017, 2016, and 2015 amounted to $905, $601, and $630, respectively. Total expense incurred under satellite capacity and equipment operating leases for the years ended December 31, 2017, 2016, and 2015 amounted to $31,774, $31,606, and $32,793, respectively, which also includes payments for usage charges in excess of the minimum contractual requirements.

In the normal course of business, the Company enters into unconditional purchase order obligations with its suppliers for inventory and other operational purchases. Outstanding and unconditional purchase order obligations were $13,583 as of December 31, 2017, which the Company expects to fulfill in 2018.

Other than the interest rate swaps (see Note 15), the Company did not have any off-balance sheet commitments, guarantees, or standby repurchase obligations as of December 31, 2017.

(7) Stockholders' Equity

The Company recognizes stock-based compensation in accordance with the provisions of ASC Topic 718, *Compensation--Stock Compensation*. The Company adopted ASC Update No. 2016-09, *Compensation-Stock Compensation (ASC Topic 718): Improvements to Employee Share-Based Payment Accounting* on January 1, 2017. Although this ASC update did not impact the Company's results of operations, financial position or cash flows for any periods prior to the adoption, the adoption of this ASC update had the following impact on the date of adoption:

- The adoption of ASC Update No. 2016-09 requires all income tax adjustments to be recorded in the consolidated statements of operations. The cumulative adjustment upon adoption to accumulated earnings was zero since the increase in net deferred tax assets was fully offset by a corresponding increase in the deferred tax asset valuation allowance. The amount of deferred tax assets that had not been previously recognized due to the recognition of excess tax benefits was $1,571.

- The tax benefit or expense is required to be classified as a cash flow provided by (used in) operating activities. It was previously required to be presented as a cash flow provided by (used in) financing activities in the Consolidated Statements of Cash Flows, with a corresponding adjustment to operating cash flows.

- In the diluted net earnings per share calculation, when applying the treasury stock method for shares that could be repurchased, the assumed proceeds no longer include the amount of excess tax benefit. This provision, which is only applicable on a prospective basis, did not have an impact on the Company's diluted net earnings per share calculation for the year ended December 31, 2017.

- The Company has elected to account for forfeitures on share-based payments as these forfeitures occur instead of a 5% forfeiture rate, which represents a change from the accounting previously required under ASC Topic 718. As a result, future forfeitures could result in a significant reversal of stock-based compensation expense recognized in the period in which such forfeitures occur. During the year ended December 31, 2017, as a result of share-based award forfeitures, the Company recorded a reversal of previously recognized stock-based compensation expense of $215. In addition, had the Company continued to account for stock-based compensation expense related to forfeitures of share-based payments based on estimating the number of awards expected to be forfeited and recognizing only stock-based compensation expense on awards expected to vest, the Company would have recognized $3,449 of stock-based compensation expense, or $19 less than what was actually recorded, during the year ended December 31, 2017.

Stock-based compensation expense, excluding compensation charges related to our employee stock purchase plan, or the ESPP, was $3,468 and $3,640 for the year ended December 31, 2017 and 2016, respectively.

(a) ***Employee Stock Options***

The Company is authorized to grant stock options, restricted stock awards and other stock-based awards under its 2016 Equity and Incentive Plan (the 2016 Plan) with respect to up to 3,000 shares of common stock (plus up to an additional 1,690 shares in respect of certain awards under earlier equity compensation plans that may be forfeited, cancelled, reacquired by the Company or terminated after adoption of the 2016 Plan). Options are generally granted with an exercise price equal to the fair market value of the common stock on the date of grant and generally vest in equal annual amounts over four years beginning on the first anniversary of the date of the grant. No options are exercisable for periods of more than five years after date of grant. Under the 2016 Plan, each share issued under awards other than options and stock appreciation rights will reduce the number of shares reserved for issuance by two shares. Shares issued under options or stock appreciation rights will reduce the shares reserved for issuance on a share-for-share basis. The 2016 Plan and earlier equity compensation plans, pursuant to which an aggregate of 12,415 shares of the Company’s common stock were reserved for issuance, were all approved by the Company's shareholders. As of December 31, 2017, 1,715 shares were available for future grants. The Compensation Committee of the Board of Directors administers the equity compensation plans, approves the individuals to whom awards will be granted and determines the number of shares and other terms of each award. Outstanding options under the Company's equity compensation plans at December 31, 2017 expire from February 2018 through November 2022. None of the Company’s outstanding options includes performance-based or market-based vesting conditions as of December 31, 2017.

The Company has estimated the fair value of each option grant on the date of grant using the Black-Scholes option-pricing model. The expected volatility assumption is based on the historical daily price data of the Company’s common stock over a period equivalent to the weighted average expected life of the Company’s options. The expected term of options granted is derived using assumed exercise rates based on historical exercise patterns and represents the period of time the options granted are expected to be outstanding. The risk-free interest rate is based on the actual U.S. Treasury zero-coupon rates for bonds matching the expected term of the option as of the option grant date. The dividend yield of zero is based upon the fact that the Company has not historically declared or paid cash dividends, and does not expect to declare or pay dividends in the foreseeable future.

The per share weighted-average fair values of stock options granted during 2017, 2016, and 2015 were $2.74, $2.77, and $4.39, respectively. The weighted-average assumptions used to value options as of their grant date were as follows:

	Year Ended December 31,		
	2017	2016	2015
Risk-free interest rate	1.98%	1.43%	1.55%
Expected volatility	35.7%	38.2%	43.3%
Expected life (in years)	4.22	4.18	4.17
Dividend yield	0%	0%	0%

The changes in outstanding stock options for the year ended December 31, 2017, 2016, and 2015 are as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2016	686	$ 11.41		
Granted	682	$ 8.65		
Exercised	(134)	$ 9.24		
Expired, canceled or forfeited	(170)	$ 10.46		
Outstanding at December 31, 2017	1,064	$ 10.06	3.27	$ 1,268
Exercisable at December 31, 2017	307	$ 12.37	1.37	$ 9
Options vested or expected to vest at December 31, 2017	1,064	$ 10.06	3.27	$ 1,268

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2015	1,177	$ 11.60		
Granted	75	$ 8.90		
Exercised	(269)	$ 9.06		
Expired, canceled or forfeited	(297)	$ 13.68		
Outstanding at December 31, 2016	686	$ 11.41	2.23	$ 681
Exercisable at December 31, 2016	379	$ 11.39	1.50	$ 382
Options vested or expected to vest at December 31, 2016	674	$ 11.42	2.04	$ 662

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2014	1,205	$ 11.65		
Granted	120	$ 12.04		
Exercised	(10)	$ 8.64		
Expired, canceled or forfeited	(138)	$ 12.59		
Outstanding at December 31, 2015	1,177	$ 11.60	2.04	$ 123
Exercisable at December 31, 2015	687	$ 11.60	2.00	$ 122
Options vested or expected to vest at December 31, 2015	1,154	$ 11.58	1.25	$ 111

The total aggregate intrinsic value of options exercised was $149, $484, and $50 in 2017, 2016, and 2015, respectively.

As of December 31, 2017, there was $1,789 of total unrecognized compensation expense related to stock options, which is expected to be recognized over a weighted-average period of 2.99 years. In 2017, 2016, and 2015, the Company recorded compensation charges of $707, $702, and $1,229, respectively, related to stock options. Compensation costs for options subject only to service conditions that vest ratably are recognized on a straight-line basis over the requisite service period for the entire award. During 2017, 2016, and 2015, cash received under stock option plans for exercises was $1,236, $2,438 and $90, respectively.

(b) Restricted Stock

The Company granted 271, 424, and 203 restricted stock awards to employees under the terms of the 2016 Plan or the Amended and Restated 2006 Stock Incentive Plan (2006 Plan) for the years ended December 31, 2017, 2016, and 2015, respectively. The restricted stock awards generally vest annually over four years from the date of grant subject to the recipient remaining an employee through the applicable vesting dates. Compensation expense for restricted stock awards is measured at fair value on the date of grant based on the number of shares granted and the quoted market closing price of the Company’s common stock. Such value is recognized as expense over the vesting period of the award, net of forfeitures. The weighted-average grant-date fair value of restricted stock granted during 2017, 2016, and 2015 was $8.83, $8.68, and $12.43 per share, respectively.

As of December 31, 2017, there was $3,863 of total unrecognized compensation expense related to restricted stock awards, which is expected to be recognized over a weighted-average period of 2.15 years. Compensation costs for awards subject only to service conditions that vest ratably are recognized on a straight-line basis over the requisite service period for the entire award. Compensation cost for awards initially subject to certain performance conditions are recognized on a ratable basis over the requisite service period for the entire award. In 2017, 2016, and 2015, the Company recorded compensation charges of $2,760, $2,938, and $2,422, respectively, related to restricted stock awards.

Restricted stock activity under the 2006 Plan and the 2016 Plan for 2017 is as follows:

	Number of Shares	Weighted-average grant date fair value
Outstanding at December 31, 2016, unvested	644	$ 10.58
Granted	271	8.83
Vested	(269)	11.20
Forfeited	(42)	9.57
Outstanding at December 31, 2017, unvested	604	$ 9.59

(c) Employee Stock Purchase Plan

Under the Company's Amended and Restated 1996 Employee Stock Purchase Plan (ESPP), an aggregate of 1,650 shares of common stock have been reserved for issuance, of which 954 shares remain available as of December 31, 2017.

The ESPP covers all of the Company’s employees. Under the terms of the ESPP, eligible employees can elect to have up to six percent of their pre-tax compensation withheld to purchase shares of the Company’s common stock on a semi-annual basis. Before the amendment to the plan, the ESPP allowed eligible employees the right to purchase the Company’s common stock on a semi-annual basis at 85% of the market price at the end of each purchase period. Under the amendment, the ESPP now allows eligible employees the right to purchase the Company's common stock on a semi-annual basis at 85% of the market price on the first or last day of each purchase period, whichever is lower. During 2017, 2016, and 2015, shares issued under this plan were 46, 18, and 28 shares, respectively. The Company utilizes the Black-Scholes option-pricing model to calculate the fair value of these discounted purchases. The fair value of the 15% discount is recognized as compensation expense over the purchase period. The Company applies a graded vesting approach because the ESPP provides for multiple purchase periods and is, in substance, a series of linked awards. In 2017, 2016, and 2015, the Company recorded compensation charges of $50, $11, and $58, respectively, related to the ESPP. During 2017, 2016, and 2015, cash received under the ESPP was $358, $146, and $291, respectively.

(d) Stock- Based Compensation Expense

The following presents stock-based compensation expense, including expense for the ESPP, in the Company's consolidated statements of operations for the years ended December 31, 2017, 2016, and 2015.

	2017	2016	2015
Cost of product sales	$ 298	$ 321	$ 317
Cost of service sales	18	1	—
Research and development	696	690	619
Sales, marketing and support	780	1,027	927
General and administrative	1,726	1,612	1,871
	$ 3,518	**$ 3,651**	**$ 3,734**

(e) Accumulated Other Comprehensive Loss

Comprehensive income (loss) includes net income (loss), unrealized gains and losses from foreign currency translation, and unrealized gains and losses from available for sale marketable securities and changes in fair value related to interest rate swap derivative instruments, net of tax attributes, which were not material. The components of the Company's comprehensive income (loss) and the effect on earnings for the periods presented are detailed in the accompanying consolidated statements of comprehensive income (loss).

	Foreign Currency Translation	Unrealized Gain (Loss) on Available for Sale Marketable Securities	Interest Rate Swaps	Total Accumulated Other Comprehensive Loss
Balance, December 31, 2014	**$ (3,156)**	**$ 4**	**$ (295)**	**$ (3,447)**
Other comprehensive loss before reclassifications	(4,207)	(3)	(58)	(4,268)
Amounts reclassified from AOCI to Other income, net	—	—	115	115
Net other comprehensive (loss) income, December 31, 2015	(4,207)	(3)	57	(4,153)
Balance, December 31, 2015	**(7,363)**	**1**	**(238)**	**(7,600)**
Other comprehensive loss before reclassifications	(9,288)	(1)	(20)	(9,309)
Amounts reclassified from AOCI to Other income, net	—	—	100	100
Net other comprehensive (loss) income, December 31, 2016	(9,288)	(1)	80	(9,209)
Balance, December 31, 2016	**(16,651)**	**—**	**(158)**	**(16,809)**
Other comprehensive income (loss) before reclassifications	5,404	(1)	12	5,415
Amounts reclassified from AOCI to Other income, net	—	—	77	77
Net other comprehensive income (loss), December 31, 2017	5,404	(1)	89	5,492
Balance, December 31, 2017	**$ (11,247)**	**$ (1)**	**$ (69)**	**$ (11,317)**

For additional information, see Note 2, "Marketable Securities", and see Note 15, "Derivative Instruments and Hedging Activities"

(8) Income Taxes

Income tax expense (benefit) for the years ended December 31, 2017, 2016, and 2015 attributable to (loss) income from operations is presented below.

	Current	Deferred	Total
Year ended December 31, 2017			
Federal	$ (41)	$ 6	$ (35)
State	36	—	36
Foreign	1,857	(762)	1,095
	$ 1,852	$ (756)	$ 1,096
Year ended December 31, 2016			
Federal	$ 227	$ 3,197	$ 3,424
State	144	457	601
Foreign	2,770	(1,248)	1,522
	$ 3,141	$ 2,406	$ 5,547
Year ended December 31, 2015			
Federal	$ (555)	$ (94)	$ (649)
State	120	765	885
Foreign	295	(118)	177
	$ (140)	$ 553	$ 413

Actual income tax expense differs from the "expected" income tax (benefit) expense computed by applying the United States Federal statutory income tax rate of 34% to (loss) income before tax expense, as follows:

	Year Ended December 31,		
	2017	2016	2015
Income tax (benefit) expense at Federal statutory income tax rate	$ (3,379)	$ (670)	$ 906
Increase (decrease) in income taxes resulting from:			
State income tax expense, net of federal benefit	56	(156)	(37)
State research and development, investment credits	(435)	(363)	(317)
Non-deductible meals & entertainment	47	49	33
Non-deductible stock compensation expense	338	216	181
Non-deductible deferred compensation expense	—	116	260
Subpart F income, net of foreign tax credits	1,171	523	61
Foreign branch income	—	52	—
Manufacturing deduction	—	—	(102)
Nontaxable interest income	—	(162)	(106)
Foreign tax rate differential	(902)	(1,258)	(792)
Federal research and development credits	(427)	(395)	(348)
Uncertain tax positions	189	283	(413)
Provision to tax return adjustments	8	(95)	80
Change in tax rates	926	14	(313)
Change in valuation allowance	3,330	7,425	1,392
Foreign research and development incentives	(22)	(45)	(59)
Other	196	13	(13)
Income tax expense	$ 1,096	$ 5,547	$ 413

(Loss) income before income tax expense determined by tax jurisdiction, are as follows:

	Year Ended December 31,		
	2017	2016	2015
United States	$ (13,271)	$ (7,775)	$ (570)
Foreign	3,333	5,805	3,236
Total	$ (9,938)	$ (1,970)	$ 2,666

Deferred tax assets and liabilities for the periods presented consisted of the following:

	December 31,	
	2017	2016
Deferred tax assets:		
Accounts receivable, due to allowance for doubtful accounts	$ 540	$ 1,104
Inventories	581	792
Operating loss carry-forwards	4,725	3,078
Stock-based compensation expense	696	1,231
Property and equipment, due to difference in depreciation	190	148
Research and development, alternative minimum tax credit carry-forwards	4,338	3,031
Foreign tax credit carry-forwards	2,958	754
State tax credit carry-forwards	2,958	2,277
Warranty reserve	495	822
Accrued expenses	334	432
Gross deferred tax assets	17,815	13,669
Less valuation allowance	(16,014)	(11,567)
Total deferred tax assets	1,801	2,102
Deferred tax liabilities:		
Purchased intangible assets	(2,705)	(3,197)
Property and equipment, due to differences in depreciation	(1,681)	(2,003)
Other	(29)	(11)
Total deferred tax liabilities	(4,415)	(5,211)
Net deferred tax liability	$ (2,614)	$ (3,109)
Net deferred tax asset- non-current	$ 20	$ 24
Net deferred tax liability- non-current	$ (2,634)	$ (3,133)

As of December 31, 2017, the Company had federal research and development tax credit carry-forwards in the amount of $4,329 and other general business credits of $9 that expire in years 2026 through 2037. As of December 31, 2017, the Company had foreign tax credit carry-forwards in the amount of $2,958 that expire in years 2026 through 2027. As of December 31, 2017, the Company had state research and development tax credit carry-forwards in the amount of $3,501 that expire in years 2018 through 2024. The Company also had other state tax credit carry-forwards of $243 available to reduce future state tax expense that expire in years 2018 through 2024.

The Company's ability to utilize these net operating loss carry-forwards and tax credit carry-forwards may be limited in the future if the Company experiences an ownership change pursuant to Internal Revenue Code Section 382. An ownership change occurs when the ownership percentages of 5% or greater stockholders change by more than 50% over a three-year period.

As of January 1, 2017, the Company adopted Update No. 2016-09. In accordance with Update No. 2016-09, previously unrecognized excess tax benefits are recognized on a modified retrospective basis. On January 1, 2017, the Company recorded a $1,117 deferred tax asset related to unrecognized excess tax benefits with an offsetting adjustment to retained earnings. As the Company had previously recorded a full valuation allowance on its U.S. deferred tax assets, a corresponding increase to the valuation allowance was recorded with an offsetting adjustment to retained earnings.

In assessing the realizability of its net deferred tax assets, the Company considered whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. As of December 31, 2017, the Company concluded that a net increase of $4,447 of the valuation allowance was appropriate. As part of the Company's analysis, the Company evaluated, among other factors, its recent history of generating taxable income and its near-term forecasts of future taxable income. The net increase in valuation allowance of $4,447 is composed of expense of $3,330 and an increase of $1,117 related to recording deferred tax assets as a result of the adoption of ASU 2016-09.

As of December 31, 2017, the Company has not provided for U.S. deferred income taxes on undistributed earnings of its foreign subsidiaries of approximately $18,328 since these earnings are expected to be indefinitely reinvested. Upon distribution of those earnings in the form of dividends or otherwise, the Company will be subject to additional state income taxes as well as withholding taxes in certain foreign jurisdictions. The amount of taxes attributable to the undistributed earnings is not practicably determinable.

The Company establishes reserves for uncertain tax positions based on management's assessment of exposure associated with tax deductions, permanent tax differences, and tax credits. The tax reserves are analyzed periodically and adjustments are made as events occur that warrant adjustment to the reserve. The Company's policy is to recognize interest and penalties related to unrecognized tax benefits as a component of income tax expense.

The aggregate changes in the total gross amount of unrecognized tax benefits are as follows:

	Year Ended December 31,		
	2017	2016	2015
Unrecognized tax benefits as of January 1	$ 815	$ 983	$ 2,487
Gross increase in unrecognized tax benefits - prior year tax positions	52	—	168
Gross increase (decrease) in unrecognized tax benefits due to currency fluctuations - prior year tax positions	43	(131)	(116)
Gross increase in unrecognized tax benefits - current year tax positions	111	293	13
Settlements with taxing authorities	—	(330)	(1,569)
Lapse of statute of limitations	(15)	—	—
Unrecognized tax benefits as of December 31	$ 1,006	$ 815	$ 983

All unrecognized tax benefits as of December 31, 2017, 2016 and 2015, if recognized, would result in a reduction of the Company's effective tax rate.

The Company recorded interest and penalties of $67, $40, and $78 in its statement of operations for the years ended December 31, 2017, 2016, and 2015, respectively. Total accrued interest and penalties related to tax positions taken on our tax returns and included in non-current income taxes payable was approximately $564, $545, and $468 as of December 31, 2017, 2016, and 2015, respectively.

The timing of any resolution of income tax examinations is highly uncertain, as are the amounts and timing of any settlement payment. These events could cause fluctuations in the balance sheet classification of current and non-current assets and liabilities. The Company estimates that it is reasonably possible that the balance of unrecognized tax benefits as of December 31, 2017 may decrease approximately $235 in the next twelve months as a result of a lapse of statutes of limitation and settlements with taxing authorities.

The Company's tax jurisdictions include the United States, the United Kingdom, Denmark, Cyprus, Norway, Brazil, Singapore, Belgium, the Netherlands, Hong Kong, Japan, and India. In general, the statute of limitations with respect to the Company's United States federal income taxes has expired for years prior to 2014, and the relevant state and foreign statutes vary. However, preceding years remain open to examination by United States federal and state and foreign taxing authorities to the extent of future utilization of net operating losses and research and development tax credits generated in each preceding year.

Tax Reform

The 2017 Tax Cuts and Jobs Act (the "Tax Act"), which was signed into law on December 22, 2017, has resulted in significant changes to the U.S. corporate income tax system. These changes include a federal statutory rate reduction from 35% to 21%, the elimination or reduction of certain domestic deductions and credits and limitations on the deductibility of interest expense and executive compensation. The 2017 Tax Act also transitions international taxation from a worldwide system to a modified territorial system and includes base erosion prevention measures on non-U.S. earnings, which has the effect of subjecting certain earnings of our foreign subsidiaries to U.S. taxation as global intangible low-taxed income (GILTI). These changes are effective beginning in 2018.

The 2017 Tax Act also includes a one-time mandatory deemed repatriation tax on accumulated foreign subsidiaries' previously untaxed foreign earnings (the "Transition Toll Tax").

Changes in tax rates and tax laws are accounted for in the period of enactment. Therefore, during the year ended December 31, 2017, the Company recorded a reduction in our deferred tax assets and corresponding valuation allowance of $1,780 and a net tax benefit of $54 related to the Company's current estimate of the provisions of the 2017 Tax Act.

The Securities and Exchange Commission released Staff Accounting Bulletin (SAB) No. 118 to provide guidance to companies on how to implement the accounting and disclosure changes as a result of the Tax Act. The SEC staff guidance has recognized that, due to the complexity and timing of the release of the Tax Act, the accounting for this change in the law may be incomplete upon issuance of a company's financial statements for the reporting period in which the Tax Act was enacted. SAB No. 118 states that if a company can determine a reasonable estimate for the effects of the Tax Act then this estimate can be included in the financial statements. The Company has made a preliminary estimate of the Transition Toll Tax and the remeasurement of our deferred tax assets and liabilities as of December 31, 2017. The preliminary estimate is subject to change as we finalize our analysis and as interpretations of the provisions of the 2017 Tax Act continue to develop. The final determination of the Transition Toll Tax and the remeasurement of our deferred tax assets and liabilities will be completed as additional information becomes available, but no later than one year from the enactment of the 2017 Tax Act. U.S. Treasury regulations, administrative interpretations or court decisions interpreting the 2017 Tax Act may require further adjustments and changes in our estimates, which could have a material adverse effect on our business, results of operations, financial position and cash flows.

Transition Toll Tax

The 2017 Tax Act eliminates the deferral of U.S. income tax on historical unrepatriated earnings by imposing the Transition Toll Tax, which is a one-time mandatory deemed repatriation tax on undistributed foreign earnings. The Transition Toll Tax is assessed on the U.S. shareholder's share of the foreign corporation's accumulated foreign earnings that have not previously been taxed. Earnings in the form of cash and cash equivalents will be taxed at a rate of 15.5% and all other earnings will be taxed at a rate of 8.0%.

As of December 31, 2017, the Company has included $7,818 of foreign earnings and profits in U.S. taxable income and included an additional $1,935 of foreign tax credits in deferred assets under the Transition Toll Tax. The Company's valuation allowance on deferred tax assets was reduced by $802 as a result of the Transition Toll Tax.

At December 31, 2017, we considered all of our foreign earnings to be permanently reinvested outside the U.S. as we continue to evaluate the implications of the 2017 Tax Act on the Company.

Effect on Deferred Tax Assets and Liabilities and other Adjustments

Our deferred tax assets and liabilities are measured at the enacted tax rate expected to apply when these temporary differences are expected to be realized or settled.

As the Company's U.S. deferred tax assets exceed the balance of its deferred tax liabilities at the date of enactment, the Company has recorded a reduction in deferred tax assets of $926 and a corresponding decrease in the related valuation allowance to reflect the decrease in the U.S. corporate income tax rate and other changes to U.S. tax law.

Status of Assessment

The preliminary estimate of the Transition Toll Tax and remeasurement of deferred tax assets and liabilities is subject to the finalization of management's analysis related to certain matters, such as developing interpretations of the provisions of the 2017 Tax Act, changes to certain estimates and amounts related to the earnings and profits of certain subsidiaries and the filing of our tax returns. U.S. Treasury regulations, administrative interpretations or court decisions interpreting the 2017 Tax Act may require further adjustments and changes in our estimates.

The final determination of the Transition Toll Tax and the remeasurement of our deferred assets and liabilities will be completed as additional information becomes available, but no later than one year from the enactment of the 2017 Tax Act.

(9) Goodwill and Intangible Assets

The Company's goodwill and intangible assets are associated with the purchase of Virtek Communication (now KVH Industries Norway AS) in September 2010, Headland Media Limited (now known as the KVH Media Group) in May 2013, and Videotel in July 2014. Intangibles arising from the acquisition made prior to 2013 were amortized on a straight-line basis over an estimated useful life of 7 years. Intangibles arising from the acquisition of KVH Media Group are being amortized on a straight-line basis over the estimated useful life of: (i) 10 years for acquired subscriber relationships, (ii) 15 years for distribution rights, (iii) 3 years for internally developed software and (iv) 2 years for proprietary content. Intangibles arising from the acquisition of Videotel are being amortized on a straight-line basis over the estimated useful life of: (i) 8 years for acquired subscriber relationships, (ii) 5 years for favorable leases, (iii) 4 years for internally developed software and (iv) 5 years for proprietary content. The intangibles arising from the KVH Media Group and Videotel acquisitions were recorded in pounds sterling and fluctuations in exchange rates could cause these amounts to increase or decrease from time to time.

In January 2017, the Company completed the acquisition of certain subscriber relationships from a third party. This acquisition did not meet the definition of a business under ASC 2017-01, *Business Combinations (Topic 805)-Clarifying the Definition of a Business*, which the Company adopted on October 1, 2016. The Company ascribed $100 of the initial purchase price to the acquired subscriber relationships definite-lived intangible assets with an initial estimated useful life of 10 years. Under the asset purchase agreement, the purchase price includes a component of contingent consideration under which the Company is required to pay a percentage of recurring revenues received from the acquired subscriber relationships through 2026 up to a maximum annual payment of $114. As the acquisition did not represent a business combination, the contingent consideration arrangement is recognized only when the contingency is resolved and the consideration is paid or becomes payable. The amounts payable under the contingent consideration arrangement, if any, will be included in the measurement of the cost of the acquired subscriber relationships. During the year ended December 31, 2017, $33 in consideration was earned under the contingent consideration arrangement.

Intangible assets are subject to amortization. The following table summarizes other intangible assets as of December 31, 2017 and 2016, respectively:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
December 31, 2017			
Subscriber relationships	$ 17,912	$ 8,347	$ 9,565
Distribution rights	4,385	1,450	2,935
Internally developed software	2,324	2,206	118
Proprietary content	8,223	5,908	2,315
Intellectual property	2,284	2,284	—
Favorable lease	648	461	187
	$ 35,776	$ 20,656	$ 15,120
December 31, 2016			
Subscriber relationships	$ 16,888	$ 6,431	$ 10,457
Distribution rights	4,122	1,180	2,942
Internally developed software	2,301	1,904	397
Proprietary content	7,960	4,431	3,529
Intellectual property	2,284	2,056	228
Favorable lease	627	342	285
	$ 34,182	$ 16,344	$ 17,838

Amortization expense related to intangible assets was $4,312, $4,956, and $5,526 for years ended December 31, 2017, 2016, and 2015, respectively.

Amortization expense related to intangible assets for the years ended years ended December 31, 2017, 2016, and 2015 was as follows:

Expense Category	2017	2016	2015
Cost of service sales	$ 1,477	$ 2,068	$ 1,978
General administrative expense	2,835	2,888	3,548
Total amortization expense	$ 4,312	$ 4,956	$ 5,526

As of December 31, 2017, the total weighted average remaining useful lives of the definite-lived intangible assets was 4.2 years and the weighted average remaining useful lives by the definite-lived intangible asset category are as follows:

Intangible Asset	Weighted Average Remaining Useful Life in Years
Subscriber relationships	4.9
Distribution rights	10.3
Internally developed software	0.4
Proprietary content	1.5
Favorable lease	1.5

Estimated future amortization expense for intangible assets recorded by the Company at December 31, 2017 is as follows:

Years ending December 31,		Amortization Expense
2018	$	4,082
2019		3,122
2020		2,292
2021		2,292
2022		1,505
Thereafter		1,827
Total amortization expense	$	15,120

The changes in the carrying amount of intangible assets during the year ended December 31, 2017 is as follows:

		2017
Balance at January 1	$	17,838
Amortization expense		(4,312)
Intangibles assets acquired in asset acquisition		133
Foreign currency translation adjustment		1,461
Balance at December 31	$	15,120

Goodwill is recorded when the consideration for an acquisition exceeds the fair value of net tangible and identifiable intangible assets acquired. All of the Company's goodwill as of December 31, 2017 relates to its mobile connectivity reportable segment. None of the Company's goodwill is deductible for tax purposes. The changes in the carrying amount of goodwill during the year ended December 31, 2017 is as follows:

		Goodwill
Balance at January 1, 2016	$	36,747
Foreign currency translation adjustment		(5,404)
Balance at December 31, 2016		31,343
Foreign currency translation adjustment		2,529
Balance at December 31, 2017	$	33,872

(10) 401(k) Plan

The Company has a 401(k) Plan (the Plan) for all eligible employees. Participants may defer a portion of their pre-tax earnings subject to limits determined by the Internal Revenue Service. Participants age 50 or older may be eligible to make additional contributions. As of December 31, 2017, the Company matches one half of the first 6% contributed by the Plan participants. The Company’s contributions vest over a five-year period from the date of hire. Total Company matching contributions were $683, $671, and $608 for the years ended December 31, 2017, 2016, and 2015, respectively. In addition, the Company may make contributions to the Plan at the discretion of the Compensation Committee of the Board of Directors. There were no discretionary contributions in 2017, 2016, or 2015.

(11) Business and Credit Concentrations

The Company had no customers that accounted for 10% or more of its consolidated net sales for the years ended December 31, 2017, 2016, and 2015, respectively. The Company had one customer that accounted for 17% of accounts receivable as of December 31, 2015, and all amounts were collected within 2016 in accordance with the contractual payment terms. The Company had no customers who account for 10% or more of the Company's consolidated accounts receivable as of December 31, 2017 or December 31, 2016.

(12) Segment Reporting

In the fourth quarter of 2016, the Company concluded that it has two operating segments, which are also reportable segments, and were organized based on products and services. The Company's reportable segments are:

- Mobile connectivity, and
- Inertial navigation

The Company's Chief Operating Decision Maker (CODM), whom the Company has identified as its Chief Executive Officer, primarily evaluates the business and assesses performance based on the revenue and operating income of the segments. The Company does not allocate interest, taxes, and certain corporate-level costs to its reportable segments, as discussed further below.

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

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

The mobile connectivity segment primarily manufactures and distributes a comprehensive family of mobile satellite antenna products and services that provide access to television, the Internet and voice services while on the move. Product sales within the mobile connectivity segment accounted for approximately 20%, 23% and 23% of our consolidated net sales for 2017, 2016 and 2015, respectively. Sales of mini-VSAT Broadband airtime service accounted for approximately 41%, 37%, and 35% of our consolidated net sales for 2017, 2016, 2015, respectively. Sales of content and training sales within the mobile connectivity segment accounted for approximately 20%, 20% and 21% of our consolidated net sales for 2017, 2016 and 2015, respectively.

The inertial navigation segment manufactures and distributes a portfolio of digital compass and fiber optic gyro (FOG)-based systems that address the rigorous requirements of military and commercial customers and provide reliable, easy-to-use and continuously available navigation and pointing data. The principal product categories in this segment include the FOG based inertial measurement units (IMUs) for precision guidance, FOGs for tactical navigation as well as pointing and stabilization systems, and digital compasses that provide accurate heading information for demanding applications, security, automation and access control equipment and systems. Sales of FOG-based guidance and navigation systems within the inertial navigation segment accounted for approximately 13%, 10%, and 10% of consolidated net sales for 2017, 2016, and 2015, respectively.

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

The Company operates in a number of major geographic areas, including internationally. Revenues from international locations, primarily consisting of Canada, European countries, both inside and outside the European Union, as well as Africa, Asia/Pacific, the Middle East, and India. Revenues are based upon customer location and internationally represented 62%, 63%, and 67% of consolidated net sales for 2017, 2016 and 2015, respectively. No individual foreign country represented 10% or more of the Company's consolidated net sales for 2017. Sales to Canada represented 11% and 10% of net sales for 2016 and 2015, respectively. No other individual foreign country represented 10% or more of the Company's consolidated net sales for 2016 or 2015.

As of December 31, 2017 and 2016, the long-lived tangible assets related to the Company's international subsidiaries were less than 10% of the Company's long-lived tangible assets and were deemed not material.

Net sales and operating (loss) earnings for the Company's reporting segments and the Company's (loss) income before income tax expense for the years ended December 31, 2017, 2016, and 2015 were as follows:

	For the year ended December 31,		
	2017	2016	2015
Net sales:			
Mobile connectivity	$ 132,227	$ 141,507	$ 147,809
Inertial navigation	27,861	34,615	36,825
Consolidated net sales	$ 160,088	$ 176,122	$ 184,634
Operating earnings (loss):			
Mobile connectivity	$ 7,334	$ 10,041	$ 9,459
Inertial navigation	556	5,272	7,934
Subtotal	7,890	15,313	17,393
Unallocated, net	(16,654)	(16,635)	(14,185)
Consolidated (loss) operating earnings	(8,764)	(1,322)	3,208
Net interest and other expense	(1,174)	(648)	(542)
(Loss) income before income tax expense	$ (9,938)	$ (1,970)	$ 2,666

Depreciation expense and amortization expense for the Company's segments are presented in the table that follows for the periods presented:

	For the year ended December 31,		
	2017	2016	2015
Depreciation expense:			
Mobile connectivity	$ 5,720	$ 6,084	$ 5,843
Inertial navigation	928	1,063	961
Unallocated	77	461	389
Total consolidated depreciation expense	$ 6,725	$ 7,608	$ 7,193
Amortization expense:			
Mobile connectivity	$ 4,312	$ 4,956	$ 5,526
Inertial navigation	—	—	—
Unallocated	—	—	—
Total consolidated amortization expense	$ 4,312	$ 4,956	$ 5,526

(13) Share Buyback Program

On November 26, 2008, the Company's Board of Directors authorized a program to repurchase up to 1,000 shares of the Company's common stock. As of December 31, 2017, 341 shares of the Company's common stock remain available for repurchase under the authorized program. The repurchase program is funded using the Company's existing cash, cash equivalents, marketable securities and future cash flows. Under the repurchase program, the Company, at management's discretion, may repurchase shares on the open market from time to time, in privately negotiated transactions or block transactions, or through an accelerated repurchase agreement. The timing of such repurchases depends on availability of shares, price, market conditions, alternative uses of capital, and applicable regulatory requirements. The program may be modified, suspended or terminated at any time without prior notice. The repurchase program has no expiration date. There were no other repurchase programs outstanding during the year ended December 31, 2017 and no repurchase programs expired during the period.

During the years ended December 31, 2017, 2016, and 2015, the Company did not repurchase any shares of its common stock in open market transactions.

(14) Fair Value Measurements

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

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. The Company's Level 1 assets are investments in money market mutual funds, United States treasuries, and certificates of deposit.

Level 2: Quoted prices for similar assets or liabilities in active markets; or observable prices that are based on observable market data, based on directly or indirectly market-corroborated inputs. The Company's Level 2 assets are investments in certain corporate notes and its Level 2 liabilities are interest rate swaps.

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

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

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

(b) The valuations of the interest rate swaps intended to mitigate the Company's interest rate risk are determined with the assistance of a third-party financial institution using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each instrument. This analysis utilizes observable market-based inputs, including interest rate curves and interest rate volatility, and reflects the contractual terms of these instruments, including the period to maturity.

The following tables present financial assets and liabilities at December 31, 2017 and December 31, 2016 for which the Company measures fair value on a recurring basis, by level, within the fair value hierarchy:

December 31, 2017	Total		Level 1		Level 2		Level 3		Valuation Technique
Assets									
Money market mutual funds	$	7,318	$	7,318	$	—	$	—	(a)
United States treasuries		1,001		1,001		—		—	(a)
Liabilities									
Interest rate swaps	$	69	$	—	$	69	$	—	(b)

December 31, 2016	Total		Level 1		Level 2		Level 3		Valuation Technique
Assets									
Money market mutual funds	$	21,848	$	21,848	$	—	$	—	(a)
Certificates of deposit		3,864		3,864		—		—	(a)
Liabilities									
Interest rate swaps	$	158	$	—	$	158	$	—	(b)

Certain financial instruments are carried at cost on the consolidated balance sheets, which approximates fair value due to their short-term, highly liquid nature. These instruments include cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses.

Assets Measured and Recorded at Fair Value on a Nonrecurring Basis

The Company's non-financial assets, such as goodwill, intangible assets, and other long-lived assets resulting from business combinations, are measured at fair value using income approach valuation methodologies at the date of acquisition and subsequently re-measured if an impairment exists. There were no impairments of the Company's non-financial assets noted as of December 31, 2017 or 2016. The Company does not have any liabilities that are recorded at fair value on a non-recurring basis.

(15) Derivative Instruments and Hedging Activities

Effective April 1, 2010, in order to reduce the volatility of cash outflows that arise from changes in interest rates, the Company entered into two interest rate swap agreements. These interest rate swap agreements are intended to hedge the Company's mortgage loan related to its headquarters facility in Middletown, Rhode Island by fixing the interest rates specified in the mortgage loan to 5.9% for half of the principal amount outstanding and 6.1% for the remaining half of the principal amount outstanding as of April 1, 2010 until the mortgage loan expires on April 16, 2019. The Company does not use derivatives for speculative purposes. For a derivative that is designated as a cash flow hedge, changes in the fair value of the derivative are recognized in accumulated other comprehensive loss to the extent the derivative is effective at offsetting the changes in the cash flows being hedged until the hedged item affects earnings. To the extent there is any hedge ineffectiveness, changes in fair value relating to the ineffective portion are immediately recognized in earnings in other income (expense) in the Consolidated Statements of Income. The interest rate swap is recorded within accrued other liabilities on the balance sheet. The critical terms of the interest rate swaps were designed to mirror the terms of the Company's mortgage loans. The Company designated these derivatives as cash flow hedges of the variability of the LIBOR-based interest payments on principal over a nine-year period, which ends on April 1, 2019. As of December 31, 2017, the Company determined that the existence of hedge ineffectiveness, if any, was immaterial and all changes in the fair value of the interest rate caps were recorded in the Consolidated Statements of Comprehensive Loss as a component of accumulated other comprehensive loss.

As of December 31, 2017, the Company had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk:

Interest Rate Derivatives	Notional (in thousands)		Asset (Liability)	Effective Date	Maturity Date	Index	Strike Rate
Interest rate swap	$	1,389	(33)	April 1, 2010	April 1, 2019	1-month LIBOR	5.91%
Interest rate swap	$	1,389	(36)	April 1, 2010	April 1, 2019	1-month LIBOR	6.07%

(16) Legal Matters

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

Advanced Media Networks, L.L.C., or AMN, filed suit in the United States District Court for the District of Rhode Island against us for allegedly infringing two of its patents, seeking unspecified monetary damages and other relief. The Company settled this claim in January 2016 with a payment of cash to AMN.

(17) Quarterly Financial Results (Unaudited)

The following financial information for interim periods includes transactions which affect comparability of the quarterly results for the years ended December 31, 2017 and 2016.

Financial information for interim periods was as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands, except per share amounts)			
2017				
Product sales	$ 14,863	$ 14,323	$ 14,169	$ 13,613
Service sales	25,348	26,126	26,281	25,365
Cost of product sales	10,539	9,295	9,578	8,062
Cost of service sales	13,268	13,094	13,374	12,956
Operating expenses	20,874	19,428	19,299	19,085
Loss from operations	(4,470)	(1,368)	(1,801)	(1,125)
Net loss	$ (4,885)	$ (2,026)	$ (2,438)	$ (1,685)
Net loss per share (a):				
Basic	$ (0.30)	$ (0.12)	$ (0.15)	$ (0.10)
Diluted	$ (0.30)	$ (0.12)	$ (0.15)	$ (0.10)
2016				
Product sales	$ 15,382	$ 20,062	$ 19,020	$ 18,611
Service sales	24,998	25,904	26,826	25,319
Cost of product sales	10,670	12,989	11,001	11,674
Cost of service sales	12,991	13,259	13,576	13,140
Operating expenses	20,093	20,411	18,256	19,384
(Loss) income from operations	(3,374)	(693)	3,013	(268)
Net (loss) income	$ (2,791)	$ (806)	$ 2,863	$ (6,783)
Net (loss) income per share (a):				
Basic	$ (0.18)	$ (0.05)	$ 0.18	$ (0.43)
Diluted	$ (0.18)	$ (0.05)	$ 0.18	$ (0.43)

(a) Net (loss) income per share is computed independently for each of the quarters. Therefore, the net (loss) income per share for the four quarters may not equal the annual net (loss) income per share data.

(18) Subsequent Event

On February 27, 2018, we entered into a stock purchase agreement with SKY Perfect JSAT Corporation, or SJC, pursuant to which we agreed to sell 376,569 shares of our common stock to SJC for a purchase price of $11.95 per share, or an aggregate of $4.5 million, in a private placement. The transaction closed on February 28, 2018.

(This page has been left blank intentionally.)

002CSN8ED0