



Enabling Customers to Achieve

Faster Time to Market

Greater Functionality

Competitive Advantage

Financial Highlights 2006 – 2010 *(In thousands, except per share amounts)*

	2006	2007	2008	2009	2010
Net Revenues	\$192,047	\$195,827	\$205,368	\$197,959	\$250,733
Income (Loss) from Operations	(33,182)	1,071	(1,142)	4,773	29,122
Net Income (Loss)					
Attributable to Vicor Corporation	(29,059)	5,335	(3,595)	2,798	33,325
Net Income (Loss) Per Share					
Attributable to Vicor Corporation, Diluted	(0.69)	0.13	(0.09)	0.07	0.80
Weighted Average Shares					
Attributable to Vicor Corporation, Diluted	41,839	41,687	41,651	41,671	41,772
Working Capital	123,467	114,924	65,297	74,791	105,454
Total Assets	247,461	192,458	171,922	180,577	204,912
Total Liabilities	73,696	23,978	20,496	24,511	25,900
Total Equity	\$173,765	\$168,480	\$151,426	\$156,066	\$179,012
Return on Average Equity	(14.8%)	3.1%	(2.3%)	1.8%	19.9%

Vicor Corporation designs, manufactures and markets modular power components, configurable power systems, accessory products and custom power solutions. Built into virtually all electronic products, power systems convert electric power from a primary source – a wall outlet, for example – into low, stable voltages required by electronic circuits. Vicor focuses on demanding, higher-value add applications for customers ranging from high volume, global original equipment manufacturers to lower volume specialty manufacturers.

Vicor has three principal business units:

Our Brick Business Unit offers tens of thousands of standard and custom high-performance power conversion components delivered worldwide with very short development and delivery cycles. We also incorporate our brick components into standard assemblies that make up our configurable product line. When customers have application-specific requirements, Vicor Custom Power, with design centers throughout the USA, provides exactly the power supplies they need with the highest quality and the best value.

Our V•I Chip Business Unit offers families of high-performance, high-density V•I Chip™ BCM™ bus converters, PRM™ regulators, and VT™ current multipliers enabling Factorized Power Architecture™ (FPA™) systems. Targeted to next generation system designs in automated test equipment, defense electronics, server / datacenters, solid state lighting, and telecom, V•I Chip modules support high efficiency, high power density and fast, scalable power system development at a low total cost. Leveraging factorized regulation and isolation / transformation functions, FPA power systems provide the flexibility to meet advanced application requirements. Customers use V•I Chips to enable the highest power conversion performance and efficiency.

Our Picor Business Unit is a fabless designer, developer, and marketer of high performance integrated circuits and related products for use in a broad variety of power system applications. High performance switchers, filters, and other power management components from Picor are developed with a detailed knowledge of end-use power system requirements, resulting in superior performance, reliability, and cost-effectiveness. Picor also develops application-specific power components that are incorporated into Vicor's own products. In fact, the differentiation and power conversion innovations of our V•I Chip and brick components is largely attributable to Picor's proprietary semiconductor circuitry.



Component
Configurable
Custom

A Message from the President

Fellow shareholders:

I am pleased to report Vicor had a strong 2010 and is well positioned for the future. Vicor's strategy – enabling complete power system solutions through small, efficient modular building blocks – addresses a growing market opportunity.

Since inception as a company, we have made the investments necessary to establish Vicor's leadership in power management by leveraging advanced power conversion "engines", control systems and components. Strong increases in production and revenue in 2010 evidence the merit of these investments. Notably, 2010 was also a year during which Vicor achieved substantial profitability and cash generation.

Revenues for the year ended December 31, 2010, increased by 26.7% to \$250.7 million from \$198.0 million for the prior year, reflecting growth across our three primary business units. Gross profit, as a percentage of revenue, increased to 45.7% for 2010 from 44.2% for 2009, as the company achieved economies resulting from higher production volumes. Operating income, as a percentage of revenue, increased to 11.6% for 2010 from 2.4% for 2009, reflecting the leverage of our organization in achieving higher sales and production volumes without commensurate increases in expenses. Net income for 2010 was \$33.3 million, or \$0.80 per diluted share, compared to net income of \$2.8 million, or \$0.07 per diluted share, for 2009. While after-tax profits for 2010 were influenced by certain non-recurring tax benefits, the year over year increase in profits largely reflected our improved performance.

In last year's letter, I emphasized 2010 and 2011 would be important transitional years for Vicor, as we drive toward an exciting next phase of market evolution with an expanding product line and production capabilities. Indeed, transitions are underway in each of our primary business units:

The Brick Business Unit, which is still our largest, continued its focus on differentiated customer service through mass customization while introducing brick, configurable and custom solutions incorporating advanced V•I Chip™ technology. By building on its foundation with new advanced power conversion technology, the BBU has the potential to grow substantially, while broadening its customer base. Breakthrough products, such as the recently announced line of VI BRICK bus converters, with higher power density and conversion efficiency than industry standard bricks, have underscored our capabilities and opened doors with leading OEMs in networking, data storage and high performance computing.

Throughout the year, V•I Chip introduced important new products and developed promising new customer relationships.

The V•I Chip business unit reached several important milestones during 2010 and has entered its own next phase of evolution, with record revenue. Throughout the year, V•I Chip introduced important new products and developed promising new customer relationships. Substantially expanded manufacturing capacity was brought on line, enabling higher volume production. V•I Chips offer unprecedented power conversion density, efficiency, and design flexibility. Factorized Power Architecture (“FPA”) enabled by V•I Chips provides power system designers with higher performance than can be attained with conventional power architectures. In 2010, V•I Chip introduced two new power conversion building blocks, the PFM™ and the DCM™, functioning within FPA as well as more generic power system implementations. The expanding V•I Chip product line is establishing itself as a differentiated, superior alternative for high performance applications, and should support dynamic growth for years to come.

The Picor business unit, a fabless developer of silicon-centric power components, made progress in 2010 toward implementing its merchant strategy, while enabling much of the success of the BBU and V•I Chip with its highly differentiated controller technology. Although still relatively small as a revenue contributor, Picor will play a key role in positioning Vicor as a provider of advanced power management solutions from the AC wall plug to the point of load. With an exciting product line of smaller modules that will be highly complementary to V•I Chips and VI BRICKs, Picor components will greatly expand the reach of our power conversion engines and power system architecture.

Vicor’s strategy is driven by our vision of an evolving power system marketplace. As energy efficiency and power system density are becoming critical performance metrics for designers of electrically-powered products, our innovations put us at the forefront of this important shift in customer priorities. As customers seek higher performance with a lower total cost of ownership, Vicor is uniquely equipped to fill a considerable void in the competitive landscape. With its three aligned business units, Vicor is capable of providing differentiated, integrated power system solutions that enable customers to achieve competitive advantages linked to power system performance.

Vicor’s evolution will continue in years to come, as VI BRICKs represent a larger percentage of the BBU’s revenue, while V•I Chip and Picor enjoy dynamic growth. Our product offering continues to expand, as do the range of applications served and the breadth of our customer base. I am, therefore, pleased with the progress Vicor has made in recent years and enthusiastic about Vicor’s future.



Patrizio Vinciarelli
Chairman of the Board, President and Chief Executive Officer
April 30, 2011



April 25, 2011

Dear Stockholder:

You are cordially invited to attend the 2011 Annual Meeting of Stockholders (the "Annual Meeting") of Vicor Corporation (the "Corporation"). The Annual Meeting will be held:

DATE: Thursday, June 23, 2011
TIME: 5:00 P.M. local time
PLACE: Andover Country Club
60 Canterbury Street
Andover, Massachusetts

The attached Notice of Annual Meeting and Proxy Statement cover the formal business of the Annual Meeting. The Proxy Statement contains a discussion of the matters to be voted upon at the Annual Meeting, at which the Corporation's management will report on the operations of the Corporation and be available to respond to appropriate questions from stockholders.

The Board of Directors encourages you to promptly complete, date, sign and return your Proxy Card. Return of the Proxy Card indicates your interest in the Corporation's affairs. If you attend the Annual Meeting and wish to vote your shares in person, you may revoke your proxy at that time.

Sincerely yours,

PATRIZIO VINCIARELLI
*Chairman of the Board, President and
Chief Executive Officer*

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VICOR CORPORATION

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON THURSDAY, JUNE 23, 2011

NOTICE IS HEREBY GIVEN that the 2011 Annual Meeting of Stockholders (the "Annual Meeting") of Vicor Corporation, a Delaware corporation (the "Corporation"), will be held on Thursday, June 23, 2011, at 5:00 p.m., local time, at the Andover Country Club, 60 Canterbury Street, Andover, Massachusetts, for the following purposes:

1. To fix the number of Directors at nine and to elect nine Directors to hold office until the 2012 Annual Meeting of Stockholders and until their respective successors are duly elected and qualified.
2. To hold an advisory vote on executive compensation.
3. To hold an advisory vote on the frequency of stockholder votes on executive compensation.
4. To consider and act upon any other matters that may be properly brought before the Annual Meeting and at any adjournments or postponements thereof.

Any action may be taken on the foregoing matters at the Annual Meeting on the date specified above, or on any date or dates to which, by original or later adjournment, the Annual Meeting may be adjourned or to which the Annual Meeting may be postponed.

The Board of Directors has fixed the close of business on April 29, 2011, as the record date for determining the stockholders entitled to receive notice of and to vote at the Annual Meeting and any adjournments or postponements thereof. Only stockholders of record at the close of business on that date will be entitled to receive notice of and to vote at the Annual Meeting and any adjournments or postponements thereof.

You are requested to authorize a proxy to vote your shares by completing, dating and signing the enclosed Proxy Card, which is being solicited by the Board of Directors, and by mailing it promptly in the enclosed postage-prepaid envelope. Any proxy may be revoked by a writing delivered to the Corporation stating that the proxy is revoked or by delivery of a properly executed, later dated proxy. Stockholders of record who attend the Annual Meeting may vote in person by notifying the Secretary, even if they have previously delivered a signed proxy.

By Order of the Board of Directors



James A. Simms
Secretary

Andover, Massachusetts
April 25, 2011

Whether or not you plan to attend the Annual Meeting, please complete, sign, date and promptly return the enclosed Proxy Card in the enclosed postage-prepaid envelope. If you attend the Annual Meeting, you may vote your shares in person if you wish, even if you have previously returned your Proxy Card.

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VICOR CORPORATION
25 FRONTAGE ROAD
ANDOVER, MASSACHUSETTS 01810
TELEPHONE (978) 470-2900

PROXY STATEMENT

**FOR THE 2011 ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON THURSDAY, JUNE 23, 2011**

April 25, 2011

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors (the "Board") of Vicor Corporation (the "Corporation") from owners of the outstanding shares of capital stock of the Corporation (the "Stockholders", or as an individual, a "Shareholder") for use at the 2011 Annual Meeting of Stockholders (the "Annual Meeting") of the Corporation to be held on Thursday, June 23, 2011, at 5:00 p.m., local time, at the Andover Country Club, 60 Canterbury Street, Andover, Massachusetts, and at any adjournments or postponements thereof. At the Annual Meeting, Stockholders will be asked to consider and vote on the proposals set forth in this Proxy Statement.

This Proxy Statement and the accompanying Notice of Annual Meeting and Proxy Card are first being sent to Stockholders on or about May 20, 2011. The Board of Directors has fixed the close of business on April 29, 2011, as the record date for the determination of Stockholders entitled to receive notice of and to vote at the Annual Meeting (the "Record Date"). Only Stockholders of record at the close of business on the Record Date will be entitled to receive notice of and to vote at the Annual Meeting. As of March 31, 2011, there were 30,007,173 shares of Common Stock and 11,767,052 shares of Class B Common Stock of the Corporation outstanding and entitled to vote. Each share of Common Stock entitles the holder thereof to one vote per share and each share of Class B Common Stock entitles the holder thereof to 10 votes per share. Shares of Common Stock and Class B Common Stock will vote together as a single class on the proposals set forth in this Proxy Statement.

Stockholders of the Corporation are requested to complete, date, sign and return the accompanying Proxy Card in the enclosed postage-prepaid envelope. Shares represented by a properly executed Proxy Card received prior to the vote at the Annual Meeting and not revoked will be voted at the Annual Meeting as directed on the Proxy Card. If a properly executed Proxy Card is submitted and no instructions are given, the shares so represented will be voted FOR the sole proposal set forth herein. It is not anticipated any matters other than those set forth in this Proxy Statement will be presented at the Annual Meeting. If other matters are presented, proxies will be voted in accordance with the discretion of the proxy holders.

A Stockholder of record may revoke a proxy at any time before it has been exercised by (1) filing a written revocation with the Secretary of the Corporation at the address of the Corporation set forth above; (2) filing a duly executed proxy bearing a later date; or (3) appearing in person, notifying the Secretary and voting by ballot at the Annual Meeting. Any Stockholder of record as of the Record Date attending the Annual Meeting may vote in person whether or not a proxy has been previously given, but the presence (without further action) of a Stockholder at the Annual Meeting will not constitute revocation of a previously given proxy. The presence, in person or by proxy, of Stockholders of a majority in interest of all capital stock issued, outstanding and entitled to vote at the Annual Meeting shall constitute a quorum for the transaction of business at the Annual Meeting. Shares that reflect abstentions or "broker non-votes" (i.e., shares held by investment brokerage firms or other nominees that are represented at the Annual Meeting but as to which such brokers or nominees have not received instructions from the beneficial owners or persons entitled to vote such shares and, with respect to one or more but not all matters, such brokers or nominees do not have discretionary voting power to vote such shares) will be counted for purposes of determining whether a quorum is present for the transaction of business at the Annual Meeting.

The cost of solicitation of proxies in the form enclosed herewith will be borne by the Corporation. In addition to the solicitation of proxies by mail, the Directors, officers and employees of the Corporation may also solicit proxies personally or by telephone, e-mail or other form of electronic communication without special compensation for such activities. The Corporation will also request those holding shares in their names or in the names of their nominees that are beneficially owned by others to send proxy materials to and obtain proxies from such beneficial owners. The Corporation will reimburse such holders for their reasonable expenses in connection therewith.

The Corporation's 2010 Annual Report (the "Annual Report"), including financial statements for the fiscal year ended December 31, 2010, is being mailed to stockholders concurrently with this Proxy Statement. The Annual Report, however, is not part of the proxy solicitation materials. The Corporation will deliver promptly, upon written or oral request, a separate copy of the Annual Report or Proxy Statement, as applicable, to a Stockholder at a shared address to which a single copy of the document was delivered.

Important notice regarding the availability of proxy materials for the Annual Meeting to be held on June 23, 2011:

The Proxy Statement and Annual Report to Stockholders is available at www.vicorpower.com/proxy.

PROPOSAL 1

ELECTION OF DIRECTORS

The Board of the Corporation has recommended the number of Directors be fixed at nine and has nominated the nine individuals named below for election as Directors. Each of the nominees is presently serving as a Director of the Corporation. If elected, each nominee will serve until the 2012 Annual Meeting of Stockholders and until his respective successor is duly elected and qualified or until his death, resignation or removal. Properly executed Proxy Cards will be voted for the nominees named below unless otherwise specified. The Board anticipates each of the nominees, if elected, will serve as a Director. However, if any person nominated by the Board is unable to serve or for good cause will not serve, proxies solicited hereby will be voted for the election of another person designated by the Board, if one is nominated. A plurality of the votes cast by the Stockholders of Common Stock and Class B Common Stock, voting together as a single class, for a nominee for Director shall elect such nominee. Accordingly, abstentions, broker non-votes, and votes withheld from any nominee will have no effect on this proposal.

Dr. Patrizio Vinciarelli, Chairman of the Board, President, and Chief Executive Officer, beneficially owned, as of February 28, 2011, 9,681,757 shares of Common Stock and 11,023,648 shares of Class B Common Stock, together representing 81.1% of the voting power of the outstanding stock of the Corporation, sufficient to elect each of the nominees named below, and has indicated an intention to vote in favor of fixing the number of Directors at nine and the election of all nominees.

The Board unanimously recommends a vote FOR fixing the number of Directors at nine and the election of all of the nominees.

Information Regarding Nominees

The following sets forth certain information as of March 31, 2011, with respect to the nine nominees for election to the Board. The information presented includes information each Director has provided us about age, all positions held, principal occupation and business experience for the past five years, and the names of other publicly-held companies for which the Director currently serves as a director or has served as a director during the past five years. In addition to the information presented below regarding each nominee's specific experience, qualifications, and skills that led the Board as a whole to conclude the nominee possessed the necessary attributes to serve as a Director, the Board as a whole also considered each nominee's reputation for integrity, honesty and adherence to high ethical standards.

Information regarding the beneficial ownership of shares of the capital stock of the Corporation by such persons is set forth in the section of this Proxy Statement entitled “Principal and Management Stockholders.” See also “Certain Relationships and Related Transactions.” There is no family relationship among any of the Directors or executive officers of the Corporation.

<u>Name</u>	<u>Age</u>	<u>Director Since</u>	<u>Principal Occupation for Past Five Years</u>
Patrizio Vinciarelli	64	1981	Dr. Vinciarelli has been Chairman of the Board, President and Chief Executive Officer of the Corporation since 1981. Dr. Vinciarelli is qualified to serve on our Board of Directors, given his standing as a leading innovator in the development of power conversion technologies and his role as the Company’s founder, President and Chief Executive Officer.
Estia J. Eichten	64	1981	Dr. Eichten has been Senior Scientist with the Fermi National Accelerator Laboratory since 1989. While a Director of the Corporation, he served as President of VLT Corporation, a wholly-owned subsidiary of the Corporation, from 1987 to 2000, and has served as a Director of VLT, Inc., a wholly-owned subsidiary of the Corporation since July 2000. Dr. Eichten’s qualifications to serve on our Board of Directors include his extensive knowledge of electronics and power conversion, as well as his deep understanding of our products and organization that he has acquired in his 30 years of service as a Director.
David T. Riddiford	75	1984	Mr. Riddiford served from 1987 until his retirement in 2005 as the general partner of Pell, Rudman Venture Management, L.P., which is the general partner of PR Venture Partners, L.P., a venture capital affiliate of Pell, Rudman & Co., Inc., an investment advisory firm. Mr. Riddiford also served as a member of the Board of Directors of Datawatch Corporation, a publicly-held provider of enterprise reporting and business intelligence solutions and support center software from 1989 until his retirement in 2010. Mr. Riddiford’s qualifications to serve on our Board of Directors include four decades of experience in investing, monitoring and advising companies as a venture capitalist, as well as the deep understanding of our business that he has acquired in his 27 years of service as a Director.

<u>Name</u>	<u>Age</u>	<u>Director Since</u>	<u>Principal Occupation for Past Five Years</u>
Barry Kelleher	62	1999	Mr. Kelleher has been President of the Corporation's Brick Business Unit since 2006 and earlier served as Senior Vice President, Global Operations and General Manager of the Corporation's Brick Business Unit (from 2005 to 2006), Senior Vice President, Global Operations (from 1999 to 2005), and Senior Vice President, International Operations (from 1993 to 1999). Mr. Kelleher's qualifications to serve on our Board of Directors include his long-standing tenure as a senior executive in the power conversion industry, his leadership role in the Company, and his considerable experience in power industry sales and operations management.
Samuel J. Anderson	54	2001	Mr. Anderson has been the Chairman of the Board, President and Chief Executive Officer of Great Wall Semiconductor Corporation, a semiconductor manufacturer, since its inception in 2002. He also has served as non-executive Chairman of the Board of Directors of Advanced Analogic Technologies Inc., a publicly-held supplier of power management semiconductors, since 2001. Earlier, Mr. Anderson was Vice President of Corporate Business Development of ON Semiconductor Corporation, a supplier of semiconductors (from 1999 to 2001) and held various positions within the semiconductor operations of Motorola, Inc. (from 1984 to 1999). Mr. Anderson is qualified to serve on our Board of Directors, given his technical expertise and his experience as an executive and director of other companies in the semiconductor and power management industries.
Claudio Tuozzolo	48	2007	Mr. Tuozzolo has been President of Picor Corporation, a subsidiary of the Corporation, since 2003. Earlier he had been Director of Integrated Circuit Engineering for the Corporation from February 2003 to November 2003 and Manager of Integrated Circuit Design from 2001 to February 2003. Before joining the Corporation, Mr. Tuozzolo was a Principal Design Engineer for SIPEX Corporation from 1999 to 2001. Mr. Touzzolo is qualified to serve on our Board of Directors, given his role as leader of our strategically important Picor subsidiary, his extensive experience in the semiconductor and power management industries, and his technical expertise and knowledge of our products.

<u>Name</u>	<u>Age</u>	<u>Director Since</u>	<u>Principal Occupation for Past Five Years</u>
James A. Simms	51	2008	Mr. Simms has been Chief Financial Officer and Secretary of the Corporation since 2008. From 2007 until 2008, he was a Managing Director of Needham & Company, LLC, an investment banking and asset management firm. Earlier, he had served as a Managing Director with the investment banking firm of Janney Montgomery Scott LLC, a wholly owned subsidiary of The Penn Mutual Life Insurance Company (from 2004 to 2007) and as a Managing Director of the investment banking firm of Adams, Harkness & Hill, Inc. (from 1997 to 2004). Mr. Simms is a member of the Board of Directors of PAR Technology Corporation, a publicly-held provider of information technology solutions in the hospitality and specialty retail industries, as well as a provider of advanced technology systems and support services to the United States military and other governmental agencies. Mr. Simms is qualified to serve on our Board of Directors, given his prior career in investment banking, his familiarity with the securities markets, his expertise with complex financial matters, and his experience as a director of other companies.
Jason L. Carlson	49	2008	Mr. Carlson has been President and CEO of QD Vision, a developer of nanotechnology-based products for solid state lighting and displays since 2010. Prior to joining QD Vision, Mr. Carlson served as Chief Executive Officer of Emo Labs, Inc., an early-stage developer of innovative audio speaker technology from 2006 to 2010. From 2002 to 2005, he was President and Chief Executive Officer of Semtech Corporation, a publicly-traded vendor of analog and mixed-signal semiconductors, with an emphasis on power management applications. From 1999 to 2002, he was Vice President & General Manager for the Crystal Product Division and the Consumer Products & Data Acquisition Division of Cirrus Logic, Inc. a publicly-traded vendor of analog and mixed-signal semiconductors for consumer and industrial applications. Mr. Carlson joined Cirrus Logic in 1999 when that company acquired AudioLogic, Inc., of which he had been Chief Executive Officer. In 2010, Mr. Carlson was appointed a member of the Board of Directors of Advanced Analogic Technologies, Inc., a publicly-held supplier of power management semiconductors. Mr. Carlson's qualifications to serve on our Board of Directors include his experience as both a public company executive and as an entrepreneur, his experience as a director of other companies, as well as his understanding of the evolution of technical innovation in the semiconductor and power conversion industries.

<u>Name</u>	<u>Age</u>	<u>Director Since</u>	<u>Principal Occupation for Past Five Years</u>
Liam K. Griffin	44	2009	Mr. Griffin has been Senior Vice President, Sales and Marketing, for Skyworks Solutions, Incorporated, a designer, manufacturer and marketer of performance analog and mixed signal semiconductors that enable wireless connectivity since 2001. Previously, he was employed by Vectron International, a division of Dover Corp., as Vice President of Worldwide Sales from 1997 to 2001, and as Vice President of North American Sales from 1995 to 1997. His prior experience included positions in marketing and engineering with units of AT&T Corp. Mr. Griffin’s qualifications to serve on our Board of Directors include his experience in building and managing sales and marketing organizations in technology-driven, global organizations.

PROPOSAL 2

ADVISORY VOTE ON EXECUTIVE COMPENSATION

The Board is requesting stockholder approval of the compensation of the Corporation’s named executive officers as disclosed in this proxy statement pursuant to Item 402 of Regulation S-K (referred to as “Say on Pay”), including in the Compensation Discussion and Analysis section (“CD&A”), compensation tables and accompanying narrative disclosures. Item 402 of Regulation S-K is the Securities and Exchange Commission (the “SEC”) regulation that sets forth what companies must include in their CD&A and compensation tables. As required by the Securities Exchange Act of 1934, as amended (the “Exchange Act”), this is an advisory vote, which means this proposal is not binding on the Corporation. However, the Executive Compensation Committee values the opinions expressed by the Corporation’s stockholders and will carefully consider the outcome of the vote when making future compensation decisions for the Corporation’s executive officers.

The following summarizes certain elements of the Corporation’s executive compensation program:

- The Corporation’s compensation programs are substantially tied into its key business objectives and corporate goals.
- The Corporation closely monitors the compensation programs and pay levels of executives from companies of similar size, within the same industry, and/or within the same geographic region, so that the Corporation may ensure its compensation programs are competitive and within the norm of a range of market practices.
- During 2010, the Corporation granted performance-based stock options under the Vicor Corporation Amended and Restated 2000 Stock Option and Incentive Plan (the “2000 Vicor Plan”) to certain employees of the Brick Business Unit and under the V*I Chip Corporation Amended 2007 Stock Option and Incentive Plan (the “2007 V*I Chip Plan”) to certain employees of the V*I Chip Business Unit. Certain executive officers of the Corporation also received grants of these performance-based awards. The options will vest upon the achievement of certain performance targets.
- The Executive Compensation Committee has reviewed the Corporation’s incentive compensation programs and discussed the concept of risk as it relates to the Corporation’s compensation program. The Executive Compensation Committee does not believe the Corporation’s executive compensation program encourages excessive or inappropriate risk taking.

For these and other reasons, the Board believes the Corporation's executive compensation program is well-designed, appropriately aligns executive pay with Corporation performance, and incentivizes desirable and appropriate behavior from its executives.

The Board unanimously recommends a vote FOR approval of the compensation of the Corporation's named executive officers as disclosed in this Proxy Statement.

PROPOSAL 3

ADVISORY VOTE ON THE FREQUENCY OF STOCKHOLDER VOTES ON EXECUTIVE COMPENSATION

As required by the Exchange Act, the Board is asking stockholders to advise the Corporation as to how frequently they wish to cast an advisory vote on the compensation of the Corporation's named executive officers: once every year, once every two years, or once every three years.

The Board believes setting a three year period between stockholder votes will provide a clear, simple means for the Board to obtain information on investor sentiment about executive compensation. An advisory vote every three years will be the most effective timeframe for the Board to respond to stockholder feedback with sufficient time to engage with stockholders to understand and respond to the vote results. The Board is concerned an annual vote could encourage a short-term approach to the Corporation's compensation plans, based on short-term business or market conditions. The Board strives to encourage a long-term focus among the Corporation's executives by, for example, making equity awards that vest over long periods (generally five years). The Board believes a vote on the Corporation's compensation by its stockholders every three years will encourage stockholders to take the same long-term approach to the Corporation's compensation programs taken by its executives and the Executive Compensation Committee.

As required by the Exchange Act, this is an advisory vote, which means this proposal is not binding on the Corporation. However, the Corporation's Executive Compensation Committee values the opinions expressed by stockholders and expects to implement the frequency of vote receiving the most support from the Corporation's stockholders. While the Board believes a vote once every three years is the best choice for the Corporation, you are not voting to approve or disapprove the Board's recommendation of three years, but rather to make your own choice among a vote once every year, every two years or every three years. You may also abstain from voting on this item.

The Board unanimously recommends a vote FOR a vote on the Corporation's executive compensation program once every THREE years.

CORPORATE GOVERNANCE

The Board and Its Committees

The Corporation is a "controlled company" in accordance with the corporate governance rules contained in the Marketplace Rules of the Nasdaq OMX Group, Inc. (the "NASDAQ Rules") because Dr. Vinciarelli, Chairman of the Board, President, and Chief Executive Officer, holds more than 50% of the voting power of the outstanding capital stock of the Corporation. As a result, the Corporation is not required to have (1) a majority of independent Directors on its Board of Directors, (2) the compensation of its executive officers determined by independent Directors, nor (3) its Director nominees selected or recommended by independent Directors. The Board has determined four of its nine Directors (Messrs. Carlson, Eichten, Griffin and Riddiford) are independent Directors for purposes of the NASDAQ Rules.

Due to the Corporation status as a controlled company and Dr. Vinciarelli's leadership of the Corporation since its founding, Dr. Vinciarelli fulfills both the roles of Chief Executive Officer and Chairman of the Board. As Chief Executive, he is responsible for setting the strategic direction of the Corporation and the day to day leadership and performance of the Corporation. As Chairman of the Board, Dr. Vinciarelli presides over

meetings of the Board and, in collaboration with Mr. Simms, in his capacity as Secretary of the Corporation, establishes an agenda for each meeting.

The Board held three meetings during the fiscal year ended December 31, 2010. Each of the Directors attended 75% or more of the total number of meetings of the Board and meetings of the committees thereof. Directors are expected to attend each year's Annual Meeting in person unless doing so is impracticable due to unavoidable conflicts. All of the Directors attended the 2010 Annual Meeting of Stockholders.

The Board has established an Audit Committee and an Executive Compensation Committee. The Board does not have a standing Nominating Committee because it believes the Board as a whole is in the best position to evaluate potential Director nominees and, therefore, it is not necessary for the Corporation to have a separate committee responsible for such evaluations. The full Board performs the function of such a committee.

The Audit Committee is composed of Messrs. Carlson, Eichten and Riddiford. Information regarding the functions performed by the Audit Committee and the number of meetings held during the fiscal year is set forth in the section of this Proxy Statement entitled "Report of the Audit Committee". The Audit Committee is governed by a written charter approved by the Board on February 3, 2007. The Board has determined all three members of the Audit Committee are "independent" under the applicable NASDAQ Rules and rules of the SEC. The Board also has determined one of the present members of the Audit Committee, Mr. Carlson, meets the definition of "audit committee financial expert" as defined by Item 407(d) of Regulation S-K promulgated by the SEC. The Audit Committee Charter is posted on the Corporation's website, www.vicorpower.com, under the heading "Company" and the subheading "Corporate Governance". The Audit Committee held eight formal meetings during 2010.

The Executive Compensation Committee is currently composed of Messrs. Carlson, Eichten, Griffin and Riddiford. The Executive Compensation Committee is responsible for establishing salaries, bonuses and other compensation for the officers of the Corporation, approving all grants of stock options by the Corporation and its subsidiaries, and administering the Corporation's stock option and bonus plans pursuant to authority delegated to it by the Board. The Executive Compensation Committee held two formal meetings during 2010 and acted by written consent in lieu of meetings on 16 occasions to approve stock option awards granted during 2010.

The Board has an active role, as a whole and also at the committee level, in overseeing management of the Corporation's risks. The Board regularly reviews information regarding the Corporation's strategy, operations, financial position, and legal affairs, addressing the risks associated with each.

While the Board is ultimately responsible for the Corporation's risk analysis and risk management procedures, the Audit Committee assists the Board in overseeing such responsibilities, with particular focus on the integrity and effectiveness of the Corporation's financial reporting processes. The Audit Committee reviews guidelines and policies on enterprise risk management, including risk assessment and risk management related to the Company's major financial risk exposures and management's monitoring and control of such exposures. At each meeting of the Audit Committee, management presents information addressing issues related to risk analysis and risk management.

In addition to the risk oversight role undertaken by the Audit Committee, the Executive Compensation Committee assists the Board in overseeing the Corporation's compensation policies and practices as they relate to the Corporation's risk management and risk-taking incentives. The Executive Compensation Committee has determined the compensation policies and practices for the Corporation's employees are not reasonably likely to have a material adverse effect on the Corporation.

Director Nomination Process

The full Board performs the Director nomination function for the Corporation. The Board does not have a charter governing the Director nomination process, although it has established Director nomination procedures setting forth the current process for identifying and evaluating Director nominees.

Board Membership Criteria — The Board has established the following minimum qualifications for nomination to the Board. At a minimum, the Board must be satisfied each nominee has high personal and professional integrity, has demonstrated exceptional ability and judgment, and is expected, in the judgment of the Board, to be highly effective, in collaboration with the other nominees to the Board, in collectively serving the interests of the Corporation and its Stockholders. In addition to the minimum qualifications for each nominee set forth above, the Board seeks to select for nomination persons possessing relevant industry or technical experience and, so that the independence of the Audit Committee is maintained, persons meeting the “independence” requirements of the NASDAQ Rules and the SEC.

Identifying and Evaluating Nominees — The Board may solicit recommendations from any or all sources it deems appropriate. The Board will evaluate all proposed nominees in the same manner, evaluating the qualifications of any recommended candidate and conducting inquiries it deems appropriate, without discrimination on the basis of race, religion, national origin, sexual orientation, disability or any other basis proscribed by law. In identifying and evaluating proposed nominees, the Board may consider, in addition to the minimum professional qualifications discussed above and other criteria for Board membership approved by the Board from time to time, all facts and circumstances that it deems appropriate or advisable, including, among other things, the diversity of experience, geographic representation, and backgrounds of existing Directors. Based on these considerations, the Board may nominate a Director candidate it believes will, together with the existing Directors and other nominees, best serve the interests of the Corporation and its Stockholders.

Stockholder Recommendations — The Board’s current policy is to review and consider, in accordance with the procedures described above, any candidates for Director recommended by Stockholders of the Corporation entitled to vote in the election of Directors. All Stockholder recommendations for Director candidates must be submitted to the Secretary of the Corporation at Vicor Corporation, 25 Frontage Road, Andover, MA 01810.

All Stockholder recommendations for Director candidates must include the following information:

- the name and address of record of the Stockholder;
- a representation that the Stockholder is a record holder of shares of stock of the Corporation entitled to vote in the election of Directors, or if the Stockholder is not a record holder, evidence of ownership in accordance with Rule 14a-8(b)(2) promulgated under the Exchange Act;
- the name, age, business and residential address, educational background, current principal occupation or employment, and principal occupation or employment for the preceding five full fiscal years of the proposed Director candidate;
- a description of the qualifications and background of the proposed Director candidate that addresses the minimum qualifications and other criteria for Board membership approved by the Board from time to time;
- a description of all arrangements or understandings between the Stockholder and the proposed Director candidate;
- the consent of the proposed Director candidate (1) to be named in the proxy statement relating to the Corporation’s Annual Meeting and (2) to serve as a Director if elected at such Annual Meeting; and
- any other information regarding the proposed Director candidate required to be included in a proxy statement filed pursuant to the rules of the SEC.

Communications with the Board

If a Shareholder wishes to communicate with any Director or the Board as a whole, he or she may do so by addressing such communications to: [Name(s) of Director(s)/Board of Directors of Vicor Corporation], c/o Corporate Secretary, Vicor Corporation, 25 Frontage Road, Andover, MA 01810. All correspondence should be sent via certified U.S. mail, return receipt requested. All correspondence received by the Corporate Secretary will be forwarded by the Corporate Secretary promptly to the addressee(s).

Code of Business Conduct and Ethics

The Corporation has established and adopted a Code of Business Conduct and Ethics. This Code of Business Conduct and Ethics is posted on the Corporation's website, www.vicorpower.com, under the heading "Company" and the subheading "Corporate Governance".

Executive Officers

Executive officers hold office until the first meeting of the Board of Directors following the next annual meeting of stockholders and until their successors are elected and qualified or until their earlier death, resignation or removal. The following persons are the executive officers of the Corporation.

Patrizio Vinciarelli, Ph.D., 64, Chairman of the Board, President and Chief Executive Officer. Dr. Vinciarelli founded the Corporation in 1981 and has served as Chairman, President and Chief Executive Officer since that time.

H. Allen Henderson, 63, President, Westcor Division, and Vice President of the Corporation, since March 1999. Mr. Henderson also has served as President and Chief Executive Officer of VLT, Inc., a wholly-owned subsidiary of the Corporation, since July 2000. Mr. Henderson held the position of General Manager of the Westcor Division from 1987 to 1999 and Sales Manager from 1985 to 1987. Prior to joining the Corporation in 1985, Mr. Henderson was employed at Boschert, Inc., a manufacturer of power supplies, since 1984, serving as Director of Marketing.

Douglas W. Richardson, 63, Vice President and Chief Information Officer, since November 2000. From 1996 to 2000, Mr. Richardson held the position of Director, Application Development, and, from 1994 to 1996, Manager, Computer Integrated Manufacturing of the Corporation. Prior to joining the Corporation in 1994, Mr. Richardson was a Program Manager and Director of Quality Management from 1982 to 1994 for ITP Systems, a subsidiary of PricewaterhouseCoopers LLP, specializing in manufacturing automation systems.

Barry Kelleher, 62, President of the Corporation's Brick Business Unit, since May 2006. Mr. Kelleher held the positions of Senior Vice President, Global Operations and General Manager of the Corporation's Brick Business Unit from June 2005 to May 2006, Senior Vice President, Global Operations from March 1999 to June 2005, and Senior Vice President, International Operations from 1993 to 1999. Prior to joining the Corporation in 1993, Mr. Kelleher was employed by Computer Products Inc., a manufacturer of power conversion products, since 1981, where he held the position of Corporate Vice President and President of the Power Conversion Group.

Richard E. Zengilowski, 56, Vice President, Human Resources, since August 2001. Prior to joining the Corporation in 2001, Mr. Zengilowski was employed by Simplex Time Recorder Co., a manufacturer of automated time and attendance products, from 1992 to 2001, serving as Assistant General Counsel from 1992 to 1998 and Director of Legal Affairs, Human Resources from 1998 to 2001.

Richard J. Nagel, Jr., 54, Vice President, Chief Accounting Officer, since May 2006. From December 2007 to April 2008, Mr. Nagel also held the position of Interim Chief Financial Officer. From 2005 to 2006, Mr. Nagel held the position of Senior Director, Corporate Controller, and, from 1996 to 2005, Director, Corporate Controller. Prior to joining the Corporation in 1996, Mr. Nagel was employed by Ernst & Young LLP, an international public accounting firm, serving in a variety of positions from 1982 to 1996, most recently as Senior Manager.

James A. Simms, 51, Chief Financial Officer and Secretary, since April 2008. Prior to joining the Corporation, Mr. Simms held the position of Managing Director of Needham & Company, LLC, an investment banking and asset management firm, from March 2007 to April 2008. From November 2004 to March 2007, Mr. Simms held the position of Managing Director with the investment banking firm of Janney Montgomery Scott LLC, a wholly owned subsidiary of The Penn Mutual Life Insurance Company. From 1997 to 2004, Mr. Simms served in a series of senior positions with the investment banking firm of Adams, Harkness & Hill, Inc.

Philip D. Davies, 51, Vice President, Global Sales and Marketing, since February 2011. Prior to joining the Corporation, Mr. Davies was employed by the new Solid State Light Engine business unit of OSRAM Sylvania as Business Creation Team Leader Solid State Light Engines from September 2010 to February 2011. From 2006 to 2010, Mr. Davies held the position of Vice President, Sales and Marketing, with NoblePeak Vision Corporation, a developer of night vision camera cores. From 1995 to 2006, Mr. Davies served in various positions with Analog Devices, Inc., a manufacturer of high-performance analog, mixed-signal and digital signal processing integrated circuits, most recently as Director of World Wide Business Development. From 1987 to 1995, Mr. Davies served in a number of positions with Allegro MicroSystems, Inc., a manufacturer of high-performance power and Hall-effect sensor integrated circuits, most recently as Vice President, Engineering.

PRINCIPAL AND MANAGEMENT STOCKHOLDERS

The following table sets forth the beneficial ownership of the Corporation's Common Stock and Class B Common Stock held by (1) each person or entity known to the Corporation to be the beneficial owner of more than five percent of the outstanding shares of either class of the Corporation's common stock, (2) each Director of the Corporation (and Director nominee), (3) each of the executive officers of the Corporation named in the Summary Compensation Table, and (4) all Directors and executive officers as a group (including Director nominees), based on representations of the Directors and executive officers of the Corporation as of February 28, 2011, a review of filings on Forms 3, 4, 5, 13F and on Schedules 13D and 13G under the Exchange Act. Except as otherwise specified, the named beneficial owner has sole voting and investment power over the shares. The information in the table reflects shares outstanding of each class of common stock on February 28, 2011, and does not, except as otherwise indicated below, take into account conversions after such date of shares of Class B Common Stock into Common Stock. Subsequent conversions of Class B Common Stock into Common Stock will increase the voting control of persons who retain shares of Class B Common Stock. The percentages have been determined as of February 28, 2011, in accordance with Rule 13d-3 under the Exchange Act, and are based on a total of 41,770,201 shares of common stock that were outstanding on such date, of which 30,003,149 were shares of Common Stock entitled to one vote per share and 11,767,052 were shares of Class B Common Stock entitled to 10 votes per share. Each share of Class B Common Stock is convertible into one share of Common Stock at any time upon the election of the holder thereof.

<u>Name of Beneficial Owner(1)</u>	<u>Total Number of Shares Beneficially Owned(2)(3)</u>	<u>Percent of Common Stock Beneficially Owned</u>	<u>Percent of Class B Common Stock Beneficially Owned</u>	<u>Percent of Voting Power</u>
Patrizio Vinciarelli	20,705,405	32.1%	93.7%	81.1%
Estia J. Eichten	1,175,348(4)	1.6%	5.9%	5.0%
David T. Riddiford	100,596(5)	*	*	*
Barry Kelleher	26,257	*	*	*
Samuel J. Anderson	30,871	*	*	*
Richard E. Zengilowski	16,060	*	*	*
James A. Simms	20,000	*	*	*
Claudio Tuozzolo	824	*	*	*
Jason L. Carlson	9,624	*	*	*
Liam K. Griffin	3,000	*	*	*
All Directors and executive officers as a group (13 persons)	22,095,637	34.3%	99.6%	86.2%
Manatuck Hill Partners, LLC(6) 1465 Post Road East Westport, CT 06880	2,248,000	7.5%	*	1.5%
BlackRock Inc.(7) 40 East 52nd Street New York, NY 10022	1,524,198	5.1%	*	1.0%

* Less than 1%

- (1) The address for each of the persons named in the table, but not specified therein, is: c/o Vicor Corporation, 25 Frontage Road, Andover, MA 01810.
- (2) Includes shares issuable upon the exercise of options to purchase Common Stock of the Corporation that are exercisable or will become exercisable on or before April 30, 2011 in the following amounts:

<u>Name of Beneficial Owner</u>	<u>Shares</u>
Patrizio Vinciarelli	6,277
Estia J. Eichten	3,624
David T. Riddiford	3,624
Barry Kelleher	24,000
Samuel J. Anderson	23,624
Richard E. Zengilowski	15,500
James A. Simms	20,000
Claudio Tuozzolo	824
Jason L. Carlson	9,624
Liam K. Griffin	3,000

- (3) The calculation of the total number of shares of Common Stock beneficially owned includes the following: for Dr. Vinciarelli, 11,023,648 shares of Class B Common Stock; for Mr. Eichten 690,700 shares of Class B Common Stock; and for all Directors and executive officers as a group, 11,714,348 shares of Class B Common Stock.
- (4) Includes 8,750 shares of Common Stock beneficially owned by Mr. Eichten's spouse as to which Mr. Eichten disclaims beneficial ownership. In addition, includes 71,945 shares of Common Stock held by the Belle S. Feinberg Memorial Trust of which Mr. Eichten is a trustee. Mr. Eichten disclaims beneficial ownership of the shares of Common Stock held by the Belle S. Feinberg Memorial Trust.
- (5) Includes 4,500 shares of Common Stock beneficially owned by Mr. Riddiford's spouse as to which Mr. Riddiford disclaims beneficial ownership.
- (6) Information reported is based upon a Form 13F filed on January 26, 2011. This Form 13F indicates the reporting person (i) has sole voting power with respect to 2,248,000 of the shares, and (ii) sole dispositive power with respect to 2,248,000 of the shares. We have not made any independent determination as to the beneficial ownership of such holder and are not restricted in any determination we may make by reason of inclusion of such holder or its shares in this table.
- (7) Information reported is based upon a Schedule 13G filed on January 21, 2011. This Schedule 13G indicates the reporting person (i) has sole voting power with respect to 1,524,198 of the shares, and (ii) sole dispositive power with respect to 1,524,198 of the shares. We have not made any independent determination as to the beneficial ownership of such holder and are not restricted in any determination we may make by reason of inclusion of such holder or its shares in this table.

COMPENSATION DISCUSSION AND ANALYSIS

Philosophy

The primary objective of the Corporation's compensation program is to attract, motivate, and retain highly qualified and productive employees, using a combination of cash and equity based rewards geared to incent and reward superior performance. Salaries and cash bonuses encourage effective performance relative to current plans and objectives, while stock options are utilized to attract new talent, to retain key contributors, promote longer-term focus and to more closely align the interests of employees holding such options with those of Stockholders.

The compensation of the Corporation's executive officers reflects their success as a team in attaining key performance indicators. In addition, each executive officer's individual performance (as described below) represents the basis for determining his or her overall compensation.

Overview of Executive Compensation and Process

Elements of compensation for executive officers include: salary, cash bonus, stock incentive awards, health, disability, life insurance and certain perquisites.

The Chief Executive Officer makes compensation recommendations to the Executive Compensation Committee with respect to the executive officers, although the Executive Compensation Committee may exercise its discretion in modifying any recommended adjustments or awards. Such executive officers are not present at the time of these deliberations. The Executive Compensation Committee approves the annual salary of Dr. Vinciarelli, Chairman of the Board, President, and Chief Executive Officer.

The amount of each element of executive compensation is determined by the Chief Executive Officer and approved by the Executive Compensation Committee. The following factors are considered in determining the amount of each executive officer's compensation:

- Performance against corporate and individual goals for the previous year;
- The relative effort made and difficulties encountered by the executive officer in pursuit of these goals; and
- Performance in the context of the overall performance of management.

The competitiveness of the Corporation's compensation program is assessed using local and national salary survey data. The survey data enables management to benchmark the Corporation against companies of similar size, within the same industry, and/or within the same geographic region. The survey data is used as a comparison when completing the annual merit increases for executive officers and salaried employees. The Chief Executive Officer makes salary recommendations based on the salary data and evaluation of the respective merit, skills, experience and performance of each executive officer.

As required by the Exchange Act, in conjunction with this Proxy statement the Corporation is conducting a Say on Pay vote and a vote on the frequency of future Say on Pay votes. These votes are advisory in nature and are not binding on the Corporation. However, the Executive Compensation Committee values the opinions expressed by our stockholders and will carefully consider the outcomes of these votes.

SUMMARY COMPENSATION TABLE FOR FISCAL 2010

Name and Principal Position	Year	Salary \$(1)	Bonus (\$)	Option Awards \$(2)	All Other Compensation \$(3)	Total (\$)
Patrizio Vinciarelli	2010	351,384	—	744,450	23,225	1,119,059
President, Chief	2009	353,347	—	—	23,028	376,375
Executive Officer	2008	332,852	—	—	24,081	356,933
James A. Simms	2010	277,472	—	124,600	29,664	431,736
Vice President,	2009	276,800	50,000	17,022	28,364	372,186
Chief Financial Officer	2008	180,000	—	208,541	11,628	400,169
Claudio Tuozzolo	2010	254,018	—	414,223	22,239	690,480
President, Picor	2009	255,577	—	17,022	22,514	295,113
Corporation	2008	223,218	—	86,332	23,193	332,743
Barry Kelleher	2010	319,882	—	137,402	32,059	489,343
President, Brick	2009	315,875	—	17,022	26,554	359,451
Business Unit	2008	288,472	—	32,582	27,466	348,520
Richard E. Zengilowski	2010	232,191	—	—	21,710	253,901
Vice President,	2009	230,832	25,000	—	20,125	275,957
Human Resources	2008	211,063	—	20,000	18,931	249,994

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- (1) The amounts reported under the column heading “Salary” reflect the actual amounts paid to executive officers in the respective year. The Corporation pays its salaried employees every two weeks, which creates an “extra” pay cycle in a year on rare occasions. As a result, there were 27 pay cycles in 2009, while there were 26 pay cycles in 2010 and 2008. The 2008 salary for Mr. Simms was for the period from April 8, 2008, when he joined the Corporation, through year-end.
 - (2) The amounts reported under the column heading “Option Awards” reflect the aggregate grant date fair value of stock option awards in each year presented. These values have been determined under the principles used to calculate the grant date fair value of equity awards for purposes of the Corporation’s financial statements. Refer to Note 3, “Stock-Based Compensation and Employee Benefit Plans,” in the Notes to Consolidated Financial Statements included in the Annual Report on Form 10-K for the year ended December 31, 2010, filed on March 3, 2011, for the relevant assumptions used to determine the valuation of the Corporation’s option awards.

The amounts reported for Dr. Vinciarelli include options granted in 2010 with performance-based vesting provisions tied to achievement of certain margin targets by the V*I Chip Business Unit, as the Corporation determined that it is probable that the margin targets could be achieved. The amounts reported for Messrs. Simms, Kelleher and Zengilowski exclude options granted in 2010 with performance-based vesting provisions tied to achievement of certain quarterly revenue targets by the Brick Business Unit, as the Corporation determined that it is not yet probable that the revenue targets could be achieved. Had these amounts been included, they would be as follows:

James A. Simms	\$313,160
Barry Kelleher	626,321
Richard E. Zengilowski	313,160

The amounts reported under “Option Awards” shown for Messrs. Simms and Kelleher, as well as Mr. Tuozzolo, also include options granted as compensation for their service on the Corporation’s Board of Directors.

- (3) “All Other Compensation” amounts include car allowance, gasoline allowance, supplemental health, dental and vision insurance, the taxable portion of life insurance benefits, and the Corporation’s matching 401(k) plan contribution for each employee shown. Dr. Vinciarelli’s car allowance is \$10,800, while all other amounts are individually below the threshold for individual disclosure.

Base Salary

Base salaries for the Corporation’s executive officers are based on the Corporation’s operating performance relative to comparable peer companies within certain survey information. In setting base salaries for fiscal 2010, national and local executive salary survey data for executive officers with comparable qualifications, experience and responsibilities at selected peer companies was evaluated to determine an appropriate range for merit increases. Each year such merit increase data is presented to the Executive Compensation Committee and Chief Executive Officer for approval.

Bonus

Outstanding accomplishments or the achievement of certain specific goals is rewarded through discretionary cash bonus payments, determined by the Chief Executive Officer and approved by the Executive Compensation Committee. During 2008, Mr. Simms earned a discretionary cash bonus of \$50,000 that was paid in 2009. During 2009, discretionary cash bonus payments, ranging from \$10,000 to \$25,000, were paid to certain corporate and business unit vice presidents.

Stock Option and Equity Incentive Programs

Because of the direct relationship between the value of an option and the market price of the Corporation's common stock, the Board considers the granting of stock options to be an effective method of motivating executive officers to manage the Corporation in a manner consistent with the interests of the Corporation and its Stockholders.

The Executive Compensation Committee approves stock options grants to executive officers and key employees. There is no set formula for the granting of discretionary option awards to individual executive officers or employees. Stock options also are granted to certain employees upon their employment. Grants to newly hired employees are effective on the first business day of the month following employment, following the approval by the Executive Compensation Committee.

In 2010, both performance and non-performance based options for the purchase of Vicor Corporation common stock were granted under the Vicor 2000 Plan. The exercise price of stock options for the purchase of the Corporation's common stock is generally set at the closing price of the Corporation's common stock on The NASDAQ Stock Market, LLC ("NASDAQ") on the effective date of the grant. In certain circumstances, the exercise price may be set at a higher level to provide for additional performance incentives. The non-performance based grants generally vest over various periods of up to five years and may be exercised for up to 10 years from the date of grant, which is the maximum contractual term. The performance-based grants vest upon the achievement of certain quarterly revenue targets by the Brick Business Unit, and may also be exercised for up to 10 years from the date of grant. As discussed in the Directors' Compensation section, stock options are granted to all Directors, with the exception of Dr. Vinciarelli, on the date of the Annual Meeting, in accordance with the terms of the Vicor 2000 Plan.

During 2010, both performance and non-performance based options for the purchase of V*I Chip Corporation ("V*I Chip") common stock were granted under the 2007 V*I Chip Plan. During 2008, non-performance based options for the purchase of V*I Chip common stock were granted to certain employees of that subsidiary under the 2007 V*I Chip Plan. All grants were reviewed and approved by the V*I Chip Board of Directors and the Executive Compensation Committee. There were no stock options granted under the 2007 V*I Chip Plan in 2009. There is no set formula for the granting of discretionary option awards to individual executive officers or employees of V*I Chip. The non-performance based grants have a five year vesting schedule and may be exercised for up to 10 years from the date of grant, which is the maximum contractual term. The performance-based grants vest upon the achievement of certain margin targets and may also be exercised for up to 10 years from the date of grant. Grants to new hires are effective on the first business day of the month following employment. V*I Chip stock options are granted at a price not less than the fair value of a common share of V*I Chip at the date of grant, as determined by the V*I Chip Board of Directors and the Executive Compensation Committee.

During 2010 and 2008, non-performance based options for the purchase of Picor Corporation ("Picor") common stock were granted under the Picor Corporation Amended 2001 Stock Option and Incentive Plan, as amended (the "2001 Picor Plan"). All grants were reviewed and approved by the Picor Board of Directors and the Executive Compensation Committee. There were no stock options granted under the 2001 Picor Plan in 2009. There is no set formula for the granting of discretionary option awards to individual executives or employees of Picor. These grants have a five year vesting schedule and may be exercised for up to 10 years from the date of grant, which is the maximum contractual term. Grants to new hires are effective on the first business day of the month following employment. Picor stock options are granted at a price not less than the fair value of a common share of Picor at the date of grant, as determined by the Picor Board of Directors and the Executive Compensation Committee.

Equity Compensation Plan Information

The following table sets forth certain aggregated information for the Corporation as December 31, 2010 (the end of the most recently completed fiscal year), regarding equity securities underlying stock option awards made under the 1993 Stock Option Plan (the “Vicor 1993 Plan”), the 1998 Stock Option and Incentive Plan (the “Vicor 1998 Plan”) and the Vicor 2000 Plan (collectively the “Vicor Plans”), the 2007 V*I Chip Plan and 2001 Picor Plan. All equity compensation plans of the Corporation have been approved by its stockholders.

<u>Plan Category</u>	<u>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights</u>	<u>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights</u>	<u>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column [a])</u>
	[a]		
Equity compensation plans approved by security holders:			
Vicor Plans	1,798,327	\$13.95	1,392,482
2007 V*I Chip Plan	10,790,250	1.00	39,209,750
2001 Picor Plan	10,001,763	0.59	69,968,237

Perquisites

All employees who participated in the Corporation’s 401(k) plan received up to \$3,675 in matching funds in 2010. All named executive officers, with the exception of Dr. Vinciarelli, participated in the 401(k) plan and received matching funds. All employees receive the same health and insurance benefits. In general, employees pay approximately 30% of the health premium due. In addition to participating in the health plan offered to all employees, executive officers may also receive supplemental health, dental, vision, and certain long term care insurance benefits. The Corporation does not provide pension arrangements, post-retirement health coverage, or similar benefits for its executive officers or employees.

GRANTS OF PLAN-BASED AWARDS FOR FISCAL 2010

<u>Name</u>	<u>Grant Date</u>	<u>All other Option Awards Number of Securities Underlying Options (#)(1)(2)</u>	<u>Exercise or Base Price of Option Awards (\$/Sh)</u>	<u>Grant Date Fair Value of Option Awards (\$)(3)</u>
Vicor Plans				
James A. Simms	6/24/2010	4,274	11.70	14,890
James A. Simms	8/27/2010	50,000	13.73	313,160
Claudio Tuozzolo	6/24/2010	4,274	11.70	14,890
Barry Kelleher	3/12/2010	20,000	11.80	122,512
Barry Kelleher	6/24/2010	4,274	11.70	14,890
Barry Kelleher	8/27/2010	100,000	13.73	626,321
Richard E. Zengilowski	8/27/2010	50,000	13.73	313,160
2007 V*I Chip Plan				
Patrizio Vinciarelli	12/31/2010	1,500,000	1.00	744,450
James A. Simms	12/31/2010	100,000	1.00	49,630
2001 Picor Plan				
James A. Simms	11/1/2010	200,000	0.57	60,080
Claudio Tuozzolo	11/1/2010	1,329,340	0.57	399,333

- (1) Options granted on June 24, 2010 as compensation for their service on the Corporation's Board of Directors.
- (2) The options granted to Messrs. Simms, Kelleher and Zengilowski under the Vicor Plans on August 27, 2010 contain performance-based vesting provisions tied to achievement of certain quarterly revenue targets by the Brick Business Unit. The options granted to Dr. Vinciarelli under the 2007 V*I Chip Plan on December 31, 2010 contain performance-based vesting provisions tied to achievement of certain margin targets by the V*I Chip Business Unit.
- (3) Refer to Note 3, "Stock-Based Compensation and Employee Benefit Plans," in the Notes to Consolidated Financial Statements included in the Annual Report on Form 10-K for the year ended December 31, 2010, filed on March 3, 2011, for the relevant assumptions used to determine the valuation of both non performance-based and performance-based option awards.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END 2010

<u>Vicor Plans</u>	<u>Option Awards</u>			
	Number of Securities Underlying Unexercised Options Exercisable (#)(1)	Number of Securities Underlying Unexercised Options Unexercisable (#)(1)(3)	Option Exercise Price (\$)	Option Expiration Date(2)
Name				
Patrizio Vinciarelli	6,277	—	13.63	10/12/2011
James A. Simms	—	3,623	6.90	6/25/2012
	—	4,274	11.70	6/24/2013
	20,000	30,000	12.44	5/1/2018
	—	50,000	13.73	8/27/2020
Claudio Tuozzolo	824	3,623	6.90	6/25/2012
	—	4,274	11.70	6/24/2013
Barry Kelleher	337	—	35.75	1/31/2011
	—	3,623	6.90	6/25/2012
	20,000	10,000	20.00	2/21/2013
	—	4,274	11.70	6/24/2013
	—	20,000	11.80	3/12/2020
	—	100,000	13.73	8/27/2020
Richard E. Zengilowski	7,500	—	19.40	9/4/2011
	8,000	2,000	14.07	11/1/2016
	—	50,000	13.73	8/27/2020

- (1) Generally, non performance-based stock options become exercisable in five equal annual installments beginning on the first anniversary of the date of grant. Performance-based options become exercisable upon the achievement of the performance targets as outlined in the option award.
- (2) The expiration date of each non performance-based stock option generally occurs five years after the vesting date of each installment. For performance-based stock options, the time from the vesting date to the expiration date may vary depending if and when the performance-based vesting target is met.

(3) The unexercisable option vesting schedule under the Vicor Plans as of December 31, 2010 is as follows:

<u>Name</u>	<u>Grant Date</u>	<u>Shares</u>	<u>Vest Date</u>
James A. Simms	5/1/2008	10,000	5/1/2011
	5/1/2008	10,000	5/1/2012
	5/1/2008	10,000	5/1/2013
	6/25/2009	3,623	6/25/2011
	6/24/2010	2,137	6/24/2011
	6/24/2010	2,137	6/24/2012
Claudio Tuozzolo	8/27/2010	50,000	*
	6/25/2009	3,623	6/25/2011
	6/24/2010	2,137	6/24/2011
Barry Kelleher	6/24/2010	2,137	6/24/2012
	2/21/2006	10,000	2/21/2011
	6/25/2009	3,623	6/25/2011
Richard E. Zengilowski	3/12/2010	4,000	3/12/2011
	3/12/2010	4,000	3/12/2012
	3/12/2010	4,000	3/12/2013
	3/12/2010	4,000	3/12/2014
	3/12/2010	4,000	3/12/2015
	6/24/2010	2,137	6/24/2011
	6/24/2010	2,137	6/24/2012
	8/27/2010	100,000	*
	11/1/2006	2,000	11/1/2011
8/27/2010	50,000	*	

* The options granted on August 27, 2010 contain performance-based vesting provisions contingent on the achievement of certain quarterly revenue targets by the Brick Business Unit. Because the performance-based vesting provisions have not been met, the Company cannot determine the vest date of these options at this time.

2007 V*I Chip Plan

<u>Name</u>	<u>Option Awards</u>			
	<u>Number of Securities Underlying Unexercised Options Exercisable (#)(1)</u>	<u>Number of Securities Underlying Unexercised Options Unexercisable (#)(1)(3)</u>	<u>Option Exercise Price (\$)</u>	<u>Option Expiration Date(2)</u>
Patrizio Vinciarelli	2,400,000	1,600,000	1.00	6/4/2017
	—	1,500,000	1.00	12/31/2020
James A. Simms	—	100,000	1.00	12/31/2020
Barry Kelleher	30,000	20,000	1.00	5/14/2017
Richard E. Zengilowski	30,000	20,000	1.00	5/14/2017

- (1) Generally, non performance-based stock options become exercisable in five equal annual installments beginning on the first anniversary of the date of grant. Performance-based options become exercisable upon the achievement of the performance targets as outlined in the option award.
- (2) The expiration date of each non performance-based stock option generally occurs five years after the vesting date of each installment. For performance-based stock options, the time from the vesting date to the expiration date may vary depending if and when the performance-based vesting target is met.

(3) The unexercisable option vesting schedule under the 2007 V*I Chip Plan as of December 31, 2010 is as follows:

<u>Name</u>	<u>Grant Date</u>	<u>Shares</u>	<u>Vest Date</u>
Patrizio Vinciarelli	6/4/2007	800,000	6/4/2011
	6/4/2007	800,000	6/4/2012
	12/31/2010	1,500,000	*
James A. Simms	12/31/2010	20,000	12/31/2011
	12/31/2010	20,000	12/31/2012
	12/31/2010	20,000	12/31/2013
	12/31/2010	20,000	12/31/2014
	12/31/2010	20,000	12/31/2015
Barry Kelleher	3/25/2008	10,000	5/14/2011
	3/25/2008	10,000	5/14/2012
Richard E. Zengilowski	3/25/2008	10,000	5/14/2011
	3/25/2008	10,000	5/14/2012

* The options granted to Dr. Vinciarelli on December 31, 2010 contain performance-based vesting provisions contingent on the achievement of certain margin targets by the V*I Chip Business Unit. Because the performance-based vesting provisions have not been met, the Company cannot determine the vest date of these options.

<u>2001 Picor Plan</u>	<u>Option Awards</u>			
	<u>Number of Securities Underlying Unexercised Options Exercisable (#)(1)</u>	<u>Number of Securities Underlying Unexercised Options (#)(1)(2)</u>	<u>Option Exercise Price (\$)</u>	<u>Option Expiration Date</u>
James A. Simms	—	200,000	0.57	11/1/2020
Claudio Tuozzolo	200,000	—	0.25	1/2/2012
	14,340	—	0.25	1/1/2013
	200,000	—	0.25	3/3/2013
	600,000	—	0.75	11/3/2013
	16,000	—	0.75	1/1/2014
	24,000	—	0.75	8/26/2014
	120,000	30,000	0.88	6/5/2016
	50,000	75,000	1.01	6/12/2018
—	1,329,340	0.57	11/1/2020	

(1) Generally, stock options become exercisable in five equal annual installments beginning on the first anniversary of the date of grant.

(2) The unexercisable option vesting schedule under the 2001 Picor Plan is as follows as of December 31, 2010:

<u>Name</u>	<u>Grant Date</u>	<u>Shares</u>	<u>Vest Date</u>
James A. Simms	11/1/2010	40,000	11/1/2011
	11/1/2010	40,000	11/1/2012
	11/1/2010	40,000	11/1/2013
	11/1/2010	40,000	11/1/2014
	11/1/2010	40,000	11/1/2015
Claudio Tuozzolo	6/5/2006	30,000	6/5/2011
	6/12/2008	25,000	6/12/2011
	6/12/2008	25,000	6/12/2012
	6/12/2008	25,000	6/12/2013
	11/1/2010	265,868	11/1/2011
	11/1/2010	265,868	11/1/2012
	11/1/2010	265,868	11/1/2013
	11/1/2010	265,868	11/1/2014
	11/1/2010	265,868	11/1/2015

OPTIONS EXERCISES AND STOCK VESTED FOR FISCAL 2010

<u>Name</u>	<u>Option Awards</u>	
	<u>Number of Shares Acquired on Exercise(#)</u>	<u>Value Realized on Exercise\$(1)</u>
James A. Simms	9,388	79,794
Barry Kelleher	15,223	109,724
Claudio Tuozzolo	11,826	76,149
Richard E. Zengilowski	6,343	43,686

(1) Represents the difference between the exercise price and the fair market value of the common stock on the date of exercise.

Post-Employment Compensation

Pension Benefits

The Corporation does not provide pension arrangements or post-retirement health coverage for executive officers or employees. Executive officers are eligible to participate in a 401(k) defined contribution plan. In any plan year, the Corporation will make a matching contribution equal to 50% of the first 3% of the participant’s compensation that has been contributed to the plan, up to a maximum matching contribution of \$3,675. All executive officers, with the exception of Dr. Vinciarelli, participated in the 401(k) plan during fiscal 2010 and received matching contributions.

Nonqualified Deferred Compensation

The Corporation does not provide any nonqualified defined contribution or other deferred compensation plans.

Other Post-Employment Payments

All employees, including executive officers, are employees-at-will and, as such, do not have employment contracts with the Corporation. Stock options issued under the Vicor 2000 Plan, the 2007 V*I Chip Plan, and the 2001 Picor Plan carry a change in control provision that automatically accelerates vesting and makes unvested options fully exercisable. As of December 31, 2010, the intrinsic value of unvested options held by named executive officers was as follows:

<u>Named Executive Officer</u>	<u>Number of Unvested Options as of December 31, 2010(1)</u>	<u>Intrinsic Value of Unvested Options as of December 31, 2010</u>
Vicor Plans		
James A. Simms	87,897	\$306,806
Barry Kelleher	127,897	413,506
Claudio Tuozzolo	7,897	54,506
Richard E. Zengilowski	52,000	138,160

(1) Information for the Vicor Plans excludes unvested options with exercise prices exceeding the market value of the Corporation’s stock as of December 31, 2010. Information for the 2007 V*I Chip Plan and the 2001 Picor Plan is excluded from the table, as all unvested options have exercise prices exceeding the market value of the Corporation’s stock as of December 31, 2010, and, therefore, the intrinsic value of those unvested options as of December 31, 2010 is zero.

DIRECTORS COMPENSATION FOR FISCAL 2010

<u>Name(1)</u>	<u>Fees Earned or Paid in Cash (\$)</u>	<u>Option Awards (\$)(2)(3)</u>	<u>Total (\$)</u>
Samuel J. Anderson	30,000	14,890	44,890
Jason L. Carlson	30,000	14,890	44,890
Estia J. Eichten	30,000	14,890	44,890
Liam K. Griffin	30,000	14,890	44,890
David T. Riddiford	30,000	14,890	44,890

- (1) Dr. Vinciarelli has been omitted from this table since he receives no compensation for serving on the Board. Messrs. Kelleher, Simms and Tuozzolo have been omitted from this table because, as employee Directors, they receive no fees in addition to their salary for serving on the Board. Their stock option awards are included in the Summary Compensation Table.
- (2) The amounts reported under the column heading “Option Awards” reflect the aggregate grant date fair value of stock option awards during 2010. These values have been determined under the principles used to calculate the grant date fair value of equity awards for purposes of the Corporation’s financial statements. Refer to Note 3, “Stock-Based Compensation and Employee Benefit Plans”, in the Notes to Consolidated Financial Statements included in the Annual Report on Form 10-K for the year ended December 31, 2010, filed on March 3, 2011, for the relevant assumptions used to determine the valuation of option awards.

(3) The aggregate grant date fair value and aggregate number of stock options awarded and outstanding as of December 31, 2010 was as follows:

<u>Name</u>	<u>Grant Date Fair Value of Stock Options</u>	<u>Number of Awards Outstanding</u>
Samuel J. Anderson	\$229,607	31,521
Jason L. Carlson	82,118	26,521
Estia J. Eichten	31,911	11,521
Liam K. Griffin	71,095	19,274
David T. Riddiford	<u>31,911</u>	<u>11,521</u>
	<u>\$446,642</u>	<u>100,358</u>

Overview of Director Compensation and Procedures

The level of compensation of non-employee Directors is reviewed on an annual basis. To determine how appropriate the current level of compensation for non-employee Directors is, the Board reviews data from a number of different sources including:

- publicly available data describing director compensation in peer companies;
- survey data collected by the human resources department; and
- information obtained directly from other companies.

Non-employee Directors are compensated through a combination of cash payments and equity-based awards. Each non-employee Director receives a quarterly retainer of \$7,500 for his services. Expenses incurred by non-employee Directors in attending board and committee meetings are reimbursed.

Additionally, each Director, other than any Director holding in excess of 10% of the total number of shares of the capital stock of the Corporation (i.e., Dr. Vinciarelli), receives an annual grant of non-qualified stock options upon election as a Director following the Annual Meeting of Stockholders under the Vicor 2000 Plan. Currently, the formula to calculate the stock option award is \$50,000 divided by the price of a share of common stock at the close of market as reported on the NASDAQ on the day of the Annual Meeting of Stockholders. Accordingly, each Director, other than Dr. Vinciarelli, received non-qualified stock options to purchase up to 4,274 shares of common stock on June 24, 2010 at an exercise price of \$11.70 per share. Half of these options will become exercisable one year after the grant date, while the remainder becomes exercisable after two years. These options expire three years from the grant date.

Directors who are also employees do not receive cash compensation for service on the Board.

Compensation Committee Report

The Executive Compensation Committee of the Board of Directors of the Corporation (the “Executive Compensation Committee”) has reviewed and discussed the Compensation Discussion and Analysis (the “CD&A”) for the year ended December 31, 2010 with management. Based on the reviews and discussions referred to above, the Executive Compensation Committee recommended to the board that the CD&A be included in the Proxy Statement for the year ended December 31, 2010, for filing with the SEC.

Submitted by the Executive Compensation Committee

Jason L. Carlson
Estia J. Eichten
Liam K. Griffin
David T. Riddiford

Compensation Committee Interlocks and Insider Participation

Messrs. Carlson, Eichten, Griffin, and Riddiford serve on the Executive Compensation Committee. Messrs. Carlson, Eichten, Griffin, and Riddiford do not serve as executive officers of the Corporation. The Board is not aware of any compensation committee interlocks or other relationships that would represent a potential conflict of interest.

Report of the Audit Committee of the Board of Directors

The Audit Committee oversees the Corporation's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process including the systems of internal controls. In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited financial statements in the Annual Report with management including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements.

The Audit Committee reviewed with the independent registered public accounting firm, which is responsible for expressing an opinion on the conformity of those audited financial statements with U.S. generally accepted accounting principles, including a discussion of the quality, not just the acceptability, of the Corporation's accounting principles and such other matters as are required to be discussed with the Audit Committee in accordance with standards established by the Public Company Accounting Oversight Board ("PCAOB") and generally accepted auditing standards. In particular, the Audit Committee has discussed with the independent registered public accounting firm the matters required to be discussed with them under the provision of Statement on Auditing Standards No. 61 (*Codification of Statements on Auditing Standards*), as modified or supplemented. In addition, the Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm required by PCAOB Rule 3600T, which adopted on an interim basis Independence Standards Board Standard No. 1 (*Independence Discussions with Audit Committees*), and has discussed with the independent registered public accounting firm the auditors' independence from management and the Corporation and considered the compatibility of non-audit services with the auditors' independence.

The Audit Committee discussed with the independent registered public accounting firm the overall scope and plans for the firm's annual audit. The Audit Committee meets with the independent registered public accounting firm, with and without management present, to discuss the results of their periodic examination, their evaluation of the Corporation's internal controls over financial reporting, and the overall quality of the Corporation's financial reporting. The Audit Committee held eight meetings during fiscal 2010.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors (and the Board approved) that the audited financial statements be included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2010 for filing with the SEC.

Submitted by the Audit Committee:

Jason L. Carlson
Estia J. Eichten
David T. Riddiford

Certain Relationships and Related Transactions

Mr. Anderson, a Director of the Corporation, is the founder, Chairman of the Board, President and Chief Executive Officer ("CEO"), as well as the majority voting shareholder, of Great Wall Semiconductor Corporation ("GWS"). GWS and its subsidiary design and sell semiconductors, conduct research and development activities, develop and license patents, and litigate against those who infringe upon patented technology. The Corporation's gross investment in non-voting convertible preferred stock of GWS totaled \$5,000,000 as of December 31, 2010, giving the Corporation an approximately 30% ownership interest in GWS. The Corporation and GWS are parties to an intellectual property cross-licensing agreement, a license agreement and two supply agreements under which the Corporation purchases certain components from GWS.

Purchases from GWS totaled approximately \$5,362,000 in 2010. The Corporation owed GWS approximately \$555,000 for such purchases as of December 31, 2010.

The Corporation accounts for its investment in GWS under the equity method of accounting. The Corporation has determined that, while GWS is a variable interest entity, the Corporation is not the primary beneficiary. The key factors in the Corporation’s assessment were that the CEO of GWS has: (i) the power to direct the activities of GWS that most significantly impact its economic performance, and (ii) has an obligation to absorb losses or the right to receive benefits from GWS, respectively, that could potentially be significant to GWS. There was no allocation of equity method income (loss) in 2010 as GWS incurred a net loss for the year.

The Corporation’s policy and procedures with respect to the review, approval and/or ratification of related party transactions are set forth in the Corporation’s Audit Committee Charter and, in summary, require the Audit Committee to review and approve all related party transactions required to be disclosed pursuant to SEC Regulation S-K, Item 404, and to discuss with management the business rationale for the transactions and whether appropriate disclosures have been made. The related party transactions described above were subject to this policy.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Corporation’s executive officers and Directors, and persons who own more than 10% of a registered class of the Corporation’s equity securities (collectively, “Insiders”), to file reports of ownership and changes in ownership with the SEC and NASDAQ. Insiders are required by SEC regulation to furnish the Corporation with copies of all Section 16(a) forms they file. To the Corporation’s knowledge, based solely on a review of copies of such reports and written representations that no other reports were required during the fiscal year ended December 31, 2010, all transactions in the Corporation’s securities that were engaged in by Insiders, and therefore required to be disclosed pursuant to Section 16(a) of the Exchange Act, were timely reported, except that Mr. Anderson failed to timely file reports reflecting two transactions. These transactions were subsequently reported.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee, acting under authorization of the Board of Directors, pursuant to the Audit Committee Charter, and following the Corporation’s By-Laws, selected Grant Thornton LLP (“GT”) as the independent registered public accounting firm for the Corporation for the fiscal year ending December 31, 2010. A representative of GT is expected to be present at the Annual Meeting and will be given the opportunity to make a statement. The representative is expected to be available to respond to appropriate questions.

The following table summarizes the fees for services rendered by GT for the fiscal years ended December 31, 2010 and 2009 in each of the following categories:

	2010	2009
Audit Fees	\$ 862,000	\$ 914,000
Audit Related Fees	21,000	22,000
Tax Fees	164,000	166,000
Total Fees	<u>\$1,047,000</u>	<u>\$1,102,000</u>

Audit Fees include services provided in connection with the audit of the Corporation’s consolidated financial statements (including internal control reporting under Section 404 of the Sarbanes-Oxley Act), the reviews of the Corporation’s quarterly reports on Form 10-Q, assistance with and review of documents filed with the SEC, statutory audits required internationally, and accounting consultations related to the audited financial statements and necessary to comply with generally accepted auditing standards in the U.S.

Audit-Related Fees include services provided in connection with audits of the Corporation's employee benefit plan.

Tax Fees include services provided in connection with tax compliance, tax advice, tax planning, and assistance with tax audits.

Pursuant to the Audit Committee charter, the Audit Committee must pre-approve all auditing services and the terms thereof and non-audit services (other than non-audit services prohibited under Section 10A(g) of the Exchange Act or the applicable rules of the SEC or the PCAOB) to be provided to the Corporation by the independent registered public accounting firm; provided, however, the pre-approval requirement is waived with respect to the provision of non-audit services for the Corporation if the "de minimus" provisions of Section 10A(i)(1)(B) of the Exchange Act are satisfied. Under the charter, the authority to pre-approve non-audit services may be delegated to one or more members of the Audit Committee, who shall present all decisions to pre-approve an activity to the full Audit Committee at its first meeting following such decision. The Audit Committee approved all audit and non-audit services provided to the Corporation by GT for the fiscal years 2010 and 2009.

STOCKHOLDER PROPOSALS

Stockholder proposals intended to be presented at the 2012 Annual Meeting of Stockholders must be received by the Corporation on or before January 16, 2012, in order to be considered for inclusion in the Corporation's proxy statement. These proposals must also comply with the rules of the SEC governing the form and content of proposals in order to be included in the Corporation's proxy statement and form of proxy and should be directed to: Vicor Corporation, 25 Frontage Road, Andover, Massachusetts 01810, Attention: Secretary. It is suggested that any Stockholder proposal be transmitted by certified mail, return receipt requested.

Proxies solicited by the Board of Directors will confer discretionary voting authority with respect to stockholder proposals, other than proposals to be considered for inclusion in the Corporation's proxy statement described above, that the Corporation receives at the above address after April 1, 2012. These proxies will also confer discretionary voting authority with respect to Stockholder proposals, other than proposals to be considered for inclusion in the Corporation's proxy statement described above, that the Corporation receives on or before April 1, 2012, subject to SEC rules governing the exercise of this authority.

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended **December 31, 2010**
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____

Commission file number **0-18277**

VICOR CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

**25 Frontage Road, Andover,
Massachusetts**

(Address of principal executive offices)

04-2742817

*(IRS employer
identification no.)*

01810

(Zip code)

**Registrant's telephone number, including area code:
(978) 470-2900**

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

Common Stock, \$.01 par Value

(Title of Class)

The NASDAQ Stock Market, LLC

(Name of Each Exchange on Which Registered)

**Securities registered pursuant to Section 12(g) of the Act:
None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large Accelerated Filer Accelerated Filer Non-accelerated Filer Smaller Reporting Company

(Do not check if a smaller reporting company)

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

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately \$246,164,100 as of June 30, 2010.

On February 28, 2011, there were 30,003,149 shares of Common Stock outstanding and 11,767,052 shares of Class B Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's definitive proxy statement (the "Definitive Proxy Statement") to be filed with the Securities and Exchange Commission pursuant to Regulation 14A and relating to the Company's 2011 annual meeting of stockholders are incorporated by reference into Part III.



PART I

In this Annual Report on Form 10-K, unless the context indicates otherwise, references to “Vicor,” “the Company,” “our company,” “we,” “us,” “our,” and similar references, refer to Vicor Corporation.

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The words “believes,” “expects,” “anticipates,” “intend,” “estimate,” “plans,” “assumes,” “may,” “will,” “would,” “should,” “continue,” “prospective,” “project,” and other similar expressions identify forward-looking statements. Forward-looking statements also include statements regarding: the level of customer orders and the delivery lead times associated therewith; the derivation of a portion of our sales in each quarter from orders booked in the same quarter; our plans to invest in research and development and expanded manufacturing capacity; our belief regarding currency risk being mitigated because of limited foreign exchange fluctuation exposure; our continued success depending in part on its ability to attract and retain qualified personnel; our belief that cash generated from operations and the total of our cash and cash equivalents and short-term investments will be sufficient to fund operations for the foreseeable future; our intention regarding protecting our rights under our patents; and our expectation that no current litigation or claims will have a material adverse impact on its financial position or results of operations. These statements are based upon our current expectations and estimates as to the prospective events and circumstances that may or may not be within our control and as to which there can be no assurance. Actual results could differ materially from those implied by forward-looking statements as a result of various factors, including our ability to: hire and retain key personnel; develop and market new products and technologies cost effectively and on a timely basis; leverage our new technologies in standard products to promote market acceptance of our new approach to power system architecture; leverage design wins into increased product sales; continue to meet requirements of key customers and prospects; enter into licensing agreements increasing our market opportunity and accelerating market penetration; realize significant royalties under such licensing agreements; achieve sustainable bookings rates for our products across both markets and geographies; improve manufacturing and operating efficiencies; successfully enforce our intellectual property rights; successfully defend outstanding litigation; and maintain an effective system of internal controls over financial reporting, including our ability to obtain required financial information for investments on a timely basis, our ability to assess the value of assets, including illiquid investments, and the accounting therefor. These and other factors that may influence actual results are described in this Annual Report on Form 10-K, including but not limited to those described under Part I, Item I — “Business,” under Part I, Item 1A — “Risk Factors,” under Part I, Item 3 — “Legal Proceedings,” and under Part II, Item 7 — “Management’s Discussion and Analysis of Financial Condition and Results of Operations”. The discussion of our business contained herein, including the identification and assessment of factors that may influence actual results, may not be exhaustive. Therefore, the information presented should be read together with other documents we file with the Securities and Exchange Commission from time to time, including Forms 10-Q and 8-K, which may supplement, modify, supersede or update the factors discussed in this Annual Report on Form 10-K. We do not undertake any obligation to update any forward-looking statements as a result of future events or developments.

ITEM 1. *BUSINESS*

Overview

We design, develop, manufacture and market modular power components and complete power systems. Power systems are incorporated into virtually all electronic equipment. In equipment utilizing Alternating Current (“AC”) voltage from a primary source (for example, a wall outlet), a power system converts AC voltage into the stable Direct Current (“DC”) voltage necessary to power subsystems and/or individual applications or “loads”. In many electronic devices, this DC voltage may be further converted to one or more lower voltages required by a range of loads. In equipment utilizing DC voltage from a primary source (for example, a generator or battery pack), the initial DC voltage frequently requires further conversion to one or more lower voltages. Because numerous applications requiring different DC voltages and varied power ratings may exist within an electronic device, and system power architectures themselves vary, we offer an extensive range of products and accessories in a myriad of application-specific configurations.

Since our founding, our product strategy has been driven by innovations in design, largely enabled by our focus on the development of differentiated technologies, which often are implemented in proprietary semiconductor circuitry. Many of our products incorporate a high frequency electronic power conversion technology called zero current / zero voltage switching (“ZCS/ZVS”), which enabled the design of DC-DC converter modules that were much smaller and more efficient than conventional alternatives. Emphasizing the superior power density and performance advantages of this technology, our primary product strategy since our founding has been to offer a comprehensive range of component-level building blocks to configure a power system specific to a customer’s needs. Since introducing and popularizing the encapsulated “brick” during the 1980s, our product focus has been on high density DC-DC converters, which provide the isolation, transformation, regulation, filtering, and/or input protection necessary to power and protect sophisticated electronic loads. A secondary and highly complementary product strategy has been to incorporate our component-level building blocks into complete power systems representing turnkey AC-DC and DC-DC solutions for our customers’ power needs.

Our product strategy is now increasingly focused on the next generation of component-level building block, the V*I Chip™ module, which incorporates our latest advances in ZCS/ZVS technology and other proprietary power conversion innovations. We believe V*I Chip converters offer unprecedented power conversion density (i.e., the output power in Watts as a function of the size of the component in cubic inches), performance (i.e., benchmarks related to the capabilities of the component, such as conversion efficiency), and flexibility (i.e., the ability of our customers to implement a broad range of possible configurations).

The applications in which these power conversion and power management products are used are in the higher-performance, higher-power segments of the power systems market, including, in alphabetical order, aerospace and defense electronics, enterprise and high performance computing, industrial automation, telecommunications and networking infrastructure, test and measurement instrumentation, and vehicles and transportation. Our products are sold worldwide to customers ranging from global original equipment manufacturers (“OEMs”) and their contract manufacturers to smaller, independent manufacturers of highly specialized electronic devices.

Our business segments are organized by key product lines:

- Our Brick Business Unit (“BBU”) segment designs, develops, manufactures and markets modular power converters in two formats: our well-established encapsulated modules, known as bricks, and our newer line of modular power converters that incorporate our V*I Chip technology into innovative packaging, which we market as VI Brick™ modules. The BBU also designs, develops, manufactures and markets a line of “configurable” products, which are complete power supplies assembled using our modular power components. The BBU includes the operations of our Westcor™ division, which is focused only on AC-input configurable products, the operations of Vicor Custom Power™ (previously known as Vicor Integration Architects™), which is our turnkey custom power solutions business, and Vicor Japan Company, Ltd. (“VJCL”), our Japanese subsidiary.
- Our V*I Chip Business Unit (“V*I Chip”) consists of V*I Chip Corporation, a wholly-owned subsidiary that designs, develops, manufactures and markets a range of advanced power conversion components, including those that enable our Factorized Power Architecture™ (“FPA”). In 2003, we introduced FPA, a new power system architecture based on an array of proprietary power conversion innovations building upon our long-standing leadership in the design of power conversion technologies. We believe FPA provides power system designers enhanced performance at a lower cost than can be attained with conventional power architectures. In 2010, we introduced two new power converter products, the PFM™ and the DCM™, which exploit proprietary V*I Chip power conversion innovations. The PFM and DCM can be used either as components of FPA or other power system distribution architectures. As V*I Chip converters and FPA represent innovative alternatives to such conventional products and architectures, we established a separate business unit to enable the organizational focus necessary to support early adopters of these disruptive technologies.
- Our Picor Business Unit (“Picor”) consists of Picor Corporation, a majority-owned subsidiary of Vicor. Picor is a fabless (i.e., it utilizes third parties to manufacture its products) designer, developer,

and marketer of high performance integrated circuits and related products for use in a variety of power system applications. Picor develops these products to be incorporated into Vicor's products, to be sold as a complement to our products, or for sale to third parties for separate applications. Much of the differentiation of our BBU and V*I Chip products has been a result of implementation of our power conversion innovations in proprietary semiconductor circuitry. Because of the considerable design expertise embodied in this captive organization and the potential for success as a merchant vendor of an expanding portfolio of proprietary products, we established Picor as a separate business unit to enable organizational focus and to facilitate a distinct go-to-market strategy.

Vicor B.V., a wholly-owned subsidiary incorporated in the Netherlands, serves as a European distribution center. VLT, Inc. is our wholly-owned licensing subsidiary. VICR Securities Corporation is our wholly-owned subsidiary established to hold certain investment securities.

We are headquartered in Andover, Massachusetts, where our manufacturing facility is located. V*I Chip Corporation also is headquartered in Andover, Massachusetts. Our Westcor division has a design and assembly facility in Sunnyvale, California. Our VJCL subsidiary, which is engaged in sales and customer support activities exclusively for the Japanese market, is located in Tokyo, Japan. Our six Vicor Custom Power locations are geographically distributed around the United States. We have customer support and engineering offices, which we call Technical Support Centers, in the United States, the United Kingdom, France, Germany, Italy, and Hong Kong, China. Picor Corporation is headquartered in North Smithfield, Rhode Island.

All of the above named entities are consolidated in the financial statements presented herein.

We were incorporated in Delaware in 1981, and our common stock was listed on the NASDAQ National Market System in April 1990 under the ticker symbol of VICR.

We maintain a website with the address www.vicorpower.com and make available free of charge through this website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"), as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the Securities and Exchange Commission. The information contained on our website is not a part of, nor incorporated by reference into, this Annual Report on Form 10-K and shall not be deemed "filed" under the Exchange Act.

Market Background, Product Trends and Vicor Strategy

The market for power supplies and their enabling components continues to evolve in response to advancing technologies and corresponding changes in customer requirements. Similarly, we evolved our strategy to address evolving market challenges and opportunities. Many of the ongoing changes in the market, particularly in those segments in which we compete, have been characterized by improvement in product performance (e.g., power conversion efficiency), reduction in product form factor (i.e., size), and increased design flexibility (i.e., the ability of customers to address their power requirements with a broad range of alternative solutions). Product trends have been characterized by the disaggregation of the functions of power components such as DC-DC converters, thereby driving further improvement in overall power supply performance, further reduction in form factor, and greater flexibility in the way designers implement power supply solutions.

In 1984, we introduced an enhancement of the standardized, high-density power converter to the market: the fully-encapsulated brick, utilizing our ZCS/ZVS technology, in standardized dimensions of 4.6" x 2.4" x 0.5". Our innovative, patented technology provided superior efficiency and overall performance in a small form factor, while full encapsulation provided not only full shielding from environmental influences, but enhanced thermal performance characteristics. Such thermal performance enhancement has been critical to the differentiated performance of our power converters, as the by-product of voltage conversion is heat, which must be dissipated in order to assure the performance of the converter itself and the overall system to which it is delivering power.

In response to market and technology trends and changes in our customer requirements, we have implemented a strategy addressing both the realities of the current power conversion marketplace and our

vision of the long-term direction of that marketplace. Our strategy involves maintaining a viable, profitable legacy business, while investing in the next generation of power management components.

Our early technical and performance leadership contributed to the development of an image in the market as a power component innovator. The BBU experienced strong revenue growth and robust profitability during the 1980s and 1990s, as important markets for our products expanded. However, a significant amount of our revenue was derived from the telecommunications infrastructure market and, when that market collapsed in the early 2000s, we had to reassess our product portfolio and overall competitive positioning. Many of our domestic competitors faced the same circumstances and reoriented their strategies to serve high volume applications of large OEMs. In doing so, they moved much of their manufacturing from the United States to lower cost countries where the contract manufacturers used by their OEM customers were based. We chose not to follow these competitors, remained a domestic manufacturer, and shifted our competitive positioning to one based on “mass customization”, thereby offering customers a wider range of possible solutions than those offered by our competitors.

As a part of our repositioning, we invested significantly in new product designs that emphasized low cost and flexible manufacturing, as well as the plant equipment and information technology necessary to support such low cost and flexible manufacturing, as well as shorter delivery lead times. We also modified our go-to-market strategy to emphasize serving lower volume customers requiring higher value solutions. As such, today our product portfolio is extremely broad, while our customer base and the market segments we serve are far more diverse than prior to the change in our go-to-market strategy. Our mass customization model allows us to profitably meet the specific design and volume requirements of numerous, relatively low volume customers, while avoiding the costs associated with maintaining extensive inventories of finished goods. Our decision to not pursue higher volume commodity opportunities constrained our growth during the economic recovery from 2004 into 2008, but our profitability during this period benefited from our value-added approach. We believe this approach has contributed to reduced volatility of our financial performance during the current period of economic decline, as our customers rely on us for power conversion solutions they generally cannot obtain from our volume-oriented, commodity-focused competitors.

At the same time we undertook a repositioning of the BBU, our legacy business, we announced our vision for the future of component-based power conversion: FPA and V*I Chip modules. Since our founding, our products have been based on advanced, highly-differentiated designs. Much of our intellectual property is patented or otherwise proprietary to us. However, as is typical across the information technology and electronics markets, the segments in which we have competed matured relatively quickly and became characterized by product commoditization and price competition. Given our extensive experience with power conversion technologies and our understanding of trends in both technology and our markets, we concluded the appropriate complement to maintaining our legacy business would be to seek to redefine the competitive landscape in the long-term in targeted market segments with our innovative, flexible new power distribution architecture and our next generation of advanced designs appropriate for applications requiring highly differentiated performance (i.e., conversion efficiency) and power density.

Picor is a highly complementary element of our strategy to redefine the competitive landscape in the long term. Many of the differentiated capabilities of our Brick and V*I Chip products have been a result of implementation of our power conversion innovations in proprietary semiconductor circuitry. Most notably, proprietary, highly advanced microcontroller circuits are found in many of our most successful switching power components. While the majority of Picor’s activities to date have involved supplying integrated circuits for internal use, Picor’s strategy is to become a merchant vendor of innovative power management circuitry, whether in individual packages, multi-chip modules, or subassemblies. Picor’s product roadmap includes the development of integrated power management products targeted at lower power applications. As such, Picor’s current and planned products represent a complement to FPA and V*I Chip modules.

An important element of our strategy is to protect our competitive leadership with domestic and foreign patents and patent applications that cover our products and much of their enabling technologies. We believe our competitive leadership is further protected by proprietary trade secrets associated with our use of certain

components and materials of our own design, as well as our significant experience with manufacturing, packaging and testing these complex devices.

We continue to believe traditional power architectures, in the longer run, may not provide the performance necessary to address future power system requirements, given the trends toward lower bus and load voltages, higher currents, more and diverse on-board voltages, and the higher speeds and performance demands of numerous complex loads. Our overall strategy is to develop differentiated products to address these trends, while providing competitively superior performance and reliability at a lower overall cost.

Our Products

Our website, www.vicorpower.com, sets forth detailed information describing all of products and the applications for which they may be used. The information contained on our website is not a part of, nor incorporated by reference into, this Annual Report on Form 10-K and shall not be deemed “filed” under the Exchange Act.

Our principal product lines are:

Bricks: Modular Power Converters

Brick DC-DC power converters are well-established as an important enabling component of conventional power systems architectures. The BBU currently offers seven families of high power density, component-level DC-DC power converters: the VI-200™, VI-J00™, MI-200™, MI-J00™, Maxi, Mini and Micro families. Designed to be mounted directly on a printed circuit board chassis using contemporary manufacturing processes, each brick family is a comprehensive set of products offered in a wide range of input voltage (10 to 425 Volts DC) and output power (10 to 600 Watts). This allows end users to select power component products appropriate to their individual applications. The product families differ in maximum power ratings, performance characteristics, package size and, in certain cases, characteristics specific to the targeted market.

All of our traditional brick modules are encapsulated with a dielectric, elastomeric, thermally conductive material, thereby providing electrical insulation, thermal conductivity, and environmental protection of the electronic circuitry.

Our Custom Module Design System™ (“CMDS”), a core component of the Vicor PowerBench™ tool suite on our website, is a proprietary system enabling our customers to specify on-line, and verify in real time, the performance and attributes of its DC-DC converters. Not merely a product configuration tool like those offered by competitors, the CMDS enables the comprehensive design of DC-DC converters in all of our established brick form factors (i.e., full, half and quarter size), using patented web-based technology. CMDS is an important element of our mass customization strategy.

The VI Brick combines the superior technical attributes of our V*I Chip technology with robust packaging offering superior thermal characteristics and facilitating a range of board mounting alternatives. VI Brick models include high current density / low voltage DC-DC converters, a wide range of highly efficient bus converters, and individual models for both regulation and transformation. We continue to focus our product development efforts within the BBU on the design of VI Brick modules. During 2010, we introduced the VI Brick PFM™, an innovative AC-DC converter using V*I Chip technology. The module incorporates active power factor correction and operates over a wide rectified AC input voltage range providing a regulated and isolated 48 Volt direct current output at up to 330 Watts. The high efficiency (93%) of the module and its thermally adept VI Brick package provide a flexible AC to DC power component.

Accessory Power System Components

Accessory power system components, used with our component-level power converters, integrate other important functions of the power system, facilitating the design of complete power systems by interconnecting several modules. These other functions include input filtering, power factor correction, transient protection and AC line rectification. In general, our broad line of proprietary accessory components are used to condition

and/or filter the input and output voltages of the modular power components, and therefore represents an important complement to our converter component lines.

Examples of accessory products include our VI-HAM™ (Harmonic Attenuator Module), a universal-AC-input, power-factor-correcting front end for use with compatible DC-DC power converters, and our VI-AIM™ (AC Input Module), which provides input filtering, transient protection and rectification of the AC line.

Configurable Products

Utilizing our modular power components as core elements, we have developed several configurable product families that provide complete power solutions configured to a customer's specific needs. These products exploit the benefits and flexibility of the modular approach to offer higher performance, higher power densities, lower costs, and faster delivery than many competitive offerings. Configurable products are designed, developed and manufactured by the BBU, which offers a range of AC-DC and DC-DC products, by its Westcor division, which focuses on high-power AC-DC power supplies, and by VJCL, which offers configurable power supplies addressing the specific requirements of Japanese customers.

Most information technology, process control, and industrial electronic products operate directly off of AC lines and, as such, require circuitry to convert AC line voltage into the required DC voltage. Our configurable AC-DC power systems, the FlatPAC™, VIPAC™ Power System, and LoPAC™ families, incorporate front-end AC-DC circuitry subassemblies, thereby providing a complete power solution from AC line input to one or more DC outputs. These configurable products are characterized by their low-profile design and are configurable in a range of sizes and outputs up to 1,500 Watts.

Many telecommunications switching, transportation and defense electronic products are powered from central DC sources (e.g., generators or banks of batteries). Our configurable DC-DC power systems, the VIPAC Array, CompAC™, and MegaMod™ families, also are characterized by a low-profile design, including rugged, compact assemblies for chassis-mounted, bulk power applications.

Our highest power configurable product line, the MegaPAC™ family, is also among our most flexible solutions. A MegaPAC consists of a fan-cooled chassis with up to 10 slots into which are placed ConverterPAC™ modules, which incorporate our brick power conversion modules, allowing for a broad range of customer-specific configurations. The MegaPAC itself can be configured to accept either AC or DC inputs, and output power can be as high as 4,000 Watts with up to 20 outputs.

The VIPAC family of power systems is a class of user defined, integrated modular power solution that leverages the latest advances in Maxi, Mini, and Micro DC-DC converter technology and modular front ends. VIPAC combines application specific front end units, a choice of advantageous chassis styles and, in AC input versions, remotely located hold-up capacitors to provide fast, flexible and highly reliable power solutions for a wide range of demanding applications.

The web-based Vicor Computer Assisted Design ("VCAD") tool, a component of Vicor PowerBench, can be utilized by the customer to specify and verify, in real time, that customer's desired configuration of our VIPAC family of configurable products from a broad range of inputs, outputs, packaging and optional features. Similarly, our web-based Vicor System Product Online Configurator ("VSPOC"), also a component of Vicor PowerBench, allows customers to configure and order Westcor AC-DC power supplies.

Customer Specific Power System Products

Certain customers rely on us to design, develop and manufacture customized power systems to meet performance and/or form factor requirements that cannot be met with off-the-shelf system solutions. By utilizing our power components as building-blocks in developing these custom power systems, we have been able to meet such customers' needs with reliable, high power density, turnkey solutions. These low-volume, high value-add products, besides meeting customers' specific requirements, frequently are designed to function reliably in the harsh environments associated with aerospace and defense applications.

We pursue custom opportunities through our Vicor Custom Power network, which consists of six regional design, assembly and customer support locations. Of the six locations, one is a division, three are either wholly-owned or majority-owned subsidiaries, and two are less than 50%-owned subsidiaries.

V*I Chip Products

We have pioneered an innovative new board level power architecture, FPA, which separates (or “factorizes”) the basic functions of DC-DC power conversion (voltage transformation, regulation, and isolation) into separate power components called V*I Chip modules. Our V*I Chip converters represent the next generation of modular power components, providing power systems designers the ability to address increasingly challenging requirements. With each new generation of microprocessor, application specific integrated circuit, and memory, the trend has been toward lower voltages, higher currents, higher speeds and more on-board voltages. System designers must contend with a range of lower voltages, improve overall power system efficiency, and deliver the solution in an ever-smaller form factor.

We believe FPA provides power system designers superior power density, conversion efficiency, transient responsiveness, noise performance, reliability, and design flexibility at a lower overall cost than attained with conventional board level power architectures. We currently offer three V*I Chip modules for implementation of FPA designs: the BCM™ (Bus Converter Module), an intermediate bus converter; the PRM™ (Pre-Regulator Module), a non-isolated regulator; and the VTM™ (Voltage Transformation Module), an isolated current multiplier. All three modules are offered in full (i.e., 1.1 square inch) and half (i.e., 0.57 square inch) modules.

The BCM provides an isolated, unregulated intermediate bus voltage, at efficiencies up to 96%, to power non-isolated converters at the point-of-load from a narrow range DC input. The PRM is a non-isolated regulator, operating at up to 97% efficiency, capable of both boosting (i.e., increasing) and bucking (i.e., reducing) an input voltage and providing a regulated, adjustable output voltage or “factorized bus”. VTMs are designed to meet the demands of advanced microprocessor and memory applications at the point of load with fixed ratio voltage transformation with extremely fast transient response, while providing isolation from input to output.

We have successfully deployed V*I Chip modules in FPA implementations in several demanding application categories for which they are well suited, including high performance computing, advanced test and measurement, and defense electronics.

As addressed above in the context of its use in a VI Brick product, in 2010 V*I Chip introduced the PFM converter, an isolated AC-DC module offering active PFC. The PFM has dimensions of 1.92” x 1.91” x 0.37” (approximately twice size of a full size BCM, PRM or VTM module).

Picor Products

Picor designs, develops, and markets high performance integrated circuits and related products for use in a variety of power system applications. Picor is pursuing a merchant strategy and offers a growing range of products for sale to third parties.

In 2010, Picor introduced the Cool-Power™ module, a DC-DC converter delivering 60 Watts of output power in half the size of competitive solutions. Picor’s product portfolio includes a range of Cool-ORing™ full-function Active ORing solutions and discrete Active ORing controllers. These solutions address the requirements of redundant power architectures implemented in today’s high-availability systems such as enterprise servers, high performance computing, and telecom and communications infrastructure systems. Picor also offers a range of QuietPower™ output (QPO) and input (QPI) electromagnetic interference filters differentiated by their small, surface mount System-in-Package and low cost. Products are targeted at a range of industry and customer applications.

MIL-COTS Products

We offer versions of our commercial-off-the-shelf brick converters and accessories, configurable power supplies, and V*I Chip converters meeting certain specification standards established by the U.S. Department of Defense. Such “MIL-COTS” products meet the performance and reliability requirements associated with use in harsh and demanding environments.

Sales and Marketing

We sell our products in North America and South America through a network of independent sales representative organizations and in other areas of the world through independent distributors. Sales activities are managed by a staff of Area Sales Directors, Regional and National Account Sales Managers, and sales personnel in the following locations: our world headquarters in Andover, Massachusetts; a Technical Support Center in Lombard, Illinois; our Westcor division in Sunnyvale, California; Vicor Custom Power locations in Cedar Park (Austin), Texas, Milwaukie (Portland), Oregon, and Oceanside (San Diego), California; our subsidiary in Tokyo, Japan; and our Technical Support Centers in Munich, Germany, Camberley, Surrey, England, Milan, Italy, Paris, France, and Hong Kong, China.

International sales, as a percentage of total net revenues, were approximately 49% in 2010, 41% in 2009, and 42% in 2008, respectively.

Because of the technically complex nature of our products, we maintain a staff of Field Applications Engineers to support our sales activities. Field Application Engineers provide direct technical sales support worldwide by reviewing new applications and technical matters with existing and potential customers. Product Line Engineers, located in our Andover headquarters, support field application engineers assigned to all of our locations.

We generally warrant our products for a period of two years.

During 2010, we introduced an electronic commerce capability through our website, www.vicorpower.com. Registered customers in the U.S., Canada and certain European countries are now able to purchase prototype quantities of selected products online. We intend to expand our online capability in the near future to include customers from other countries.

We also sell directly to customers through Vicor Express™, an in-house distribution group. Through advertising and periodic mailing of its catalogs, Vicor Express generally offers customers rapid delivery on small quantities of certain standard products. Through Vicor B.V., Vicor Express operates in Germany, France, Italy and England.

Applications and Customers

The applications in which our power conversion and power management products are used are in the higher-performance, higher-power segments of the power systems market. Our products are sold worldwide to customers ranging from global OEMs and their contract manufacturers to smaller, independent manufacturers of highly specialized electronic devices. For the years ended December 31, 2010, two customers accounted for approximately 12.3% and 11.5% of net revenues, respectively. During 2009 and 2008, no single customer accounted for more than 10% of our net revenues.

Backlog

As of December 31, 2010, we had a backlog of approximately \$78,900,000 compared to \$57,200,000 on December 31, 2009. Backlog is comprised of orders for products for which shipment is scheduled within the next 12 months. A portion of our sales in any quarter is, and will continue to be, derived from orders booked in the same quarter.

Research and Development

As a basic element of our long-term strategy, we are committed to the continued advancement of power conversion technology and power component product development. We invested approximately \$36,000,000, \$31,600,000, and \$31,400,000 in research and development in 2010, 2009, and 2008, respectively. Investment in research and development represented approximately 14.4%, 16.0%, and 15.3% of net revenues in 2010, 2009, and 2008, respectively. We intend to continue to invest a significant percentage of revenues in research and development activities.

Manufacturing and Quality Assurance

Our principal manufacturing processes consist of assembly of electronic components onto printed circuit boards, automatic testing of components, wave, reflow and infrared soldering of assembled components, encapsulation of converter subassemblies, final environmental stress screening of certain products and product test using automatic test equipment.

We continue to pursue a manufacturing strategy based upon the phased acquisition and/or fabrication, qualification and integration of automated manufacturing equipment to reduce manufacturing costs, increase product quality and reliability and enable rapid and effective expansion of capacity, as needed. We intend to make continuing investments in manufacturing equipment, particularly for our V*I Chip and VI Brick products and replacement of manufacturing equipment utilized by the BBU.

Components and materials used in our products are purchased from a variety of vendors. Most of the components are available from multiple sources. In instances of single source items, we maintain levels of inventories we consider to be appropriate to enable meeting the delivery requirements of customers. Incoming components, assemblies and other parts are subjected to several levels of inspection procedures.

Our compliance with applicable environmental laws has not had a material effect on our financial condition or operating results.

Product quality and reliability are a critical to our success and, as such, we emphasize quality and reliability in our design and manufacturing activities. We follow industry best practices in manufacturing and are compliant with ISO 9001 certification standards (as set forth by the International Organization for Standardization). Our quality assurance practices include rigorous testing and, as necessary, burn-in of our products using automated equipment.

Competition

The power conversion industry is highly competitive. It remains highly fragmented, despite significant consolidation during the prior decade. Numerous power supply manufacturers target market segments and applications similar to those we target. Several of these competitors have significantly greater financial and marketing resources and longer operating histories than we do.

With the BBU, our strategy is largely based on differentiated responsiveness to customer requirements enabled by our mass customization capabilities. We believe we have a strong competitive position, particularly with customers who need small, high density power system solutions requiring a variety of input-output configurations. We compete on the basis of differentiation, offering a broad product line and mass customization abilities. We also compete by emphasizing technical innovation, product performance, and service and technical support. We believe the principal competitive variables in the market segments in which the BBU competes are price, performance, and the level of service and technical support offered.

With V*I Chip, our strategy is largely based on differentiated products offered to, at least during the early adoption of such products, a limited number of larger potential customers well-positioned to benefit from the advantages offered by our products (e.g., global original equipment manufacturers in computing, networking, and test and measurement). V*I Chip currently competes with vendors of power component solutions, many of which are the manufacturers with which the BBU competes. In the coming years, we anticipate a significantly broadened market for V*I Chip, as awareness of the advantages of V*I Chip spreads and a broader audience of potential customers is reached. We also anticipate the introduction of the PFM and DCM concepts will accelerate adoption of our broadened V*I Chip product line, as we will be well-positioned to offer comprehensive AC-DC and DC-DC solutions across a wider range of applications.

Picor and, to a lesser extent, V*I Chip compete with suppliers of integrated circuits for power conversion applications, many of which have significantly greater financial and marketing resources and longer operating histories. We believe Picor is developing a strong competitive position based on innovative semiconductor design and PSiP packaging. Based on Picor's expanding product roadmap, we anticipate Picor will experience

more direct competition with these larger suppliers, as we target their customers with our increasingly silicon-centric power conversion solutions.

Patents and Intellectual Property

We believe our patents afford advantages by building fundamental and multilayered barriers to competitive encroachment upon key features and performance benefits of our principal product families. Our patents cover the fundamental conversion topologies used to achieve the performance attributes of our converter product lines; converter array architectures; product packaging design; product construction; high frequency magnetic structures; as well as automated equipment and methods for circuit and product assembly.

We have been issued 129 patents in the United States (which expire between 2010 and 2026). We also have a number of patent applications pending in the United States, Europe and the Far East. We intend to vigorously protect our rights under these patents. Although we believe patents are an effective way of protecting our technology, there can be no assurances that our patents will prove to be enforceable.

Licensing

In addition to generating revenue from product sales, licensing is an element of our strategy for building worldwide product and technology acceptance and market share. In granting licenses, we generally retain the right to use our patented technologies and manufacture and sell our products in all licensed geographic areas and fields of use. Licenses are granted and administered through our wholly-owned subsidiary, VLT, Inc., which owns our patents. Revenues from licensing arrangements have not exceeded 10% of our consolidated revenues in any of the last three fiscal years.

Employees

As of December 31, 2010, we had approximately 1,002 full time employees and 68 part time employees.

We believe our continued success depends, in part, on our ability to attract and retain qualified personnel. Although there is strong demand for qualified personnel, we have not to date experienced difficulty in attracting and retaining sufficient engineering and technical personnel to meet our needs (see Part I, Item 1A — “Risk Factors”).

None of our employees are subject to a collective bargaining agreement.

ITEM 1A. RISK FACTORS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Actual results could differ materially from those projected in the forward-looking statements as a result of, among other factors, the risk factors set forth below.

Our future operating results are difficult to predict and are subject to fluctuations.

Our future operating results, including revenues, gross margins, operating expenses and net income (loss), have fluctuated on a quarterly and annual basis, are difficult to predict, and may be materially affected by a number of factors, many of which are beyond our control, including:

- the effects of adverse economic conditions in the United States and international markets, especially in light of the continued challenges in global credit and financial markets;
- changes in customer demand for our products and for end products that incorporate our products;
- the timing of our new product announcements or introductions, as well as those by our competitors;
- our ability to effectively coordinate changes in the mix of products we manufacture and sell, while managing our ongoing transition in organizational focus from traditional brick power components to our new V*I Chip, VI Brick and Picor products;
- the level of demand and purchase orders from our customers, and our ability to adjust to changes in demand and purchase order patterns;
- changes in order lead times and our “turns” volumes (i.e., the volumes of purchase orders received and shipped within an individual quarter);
- the timing, delay or cancellation of significant customer orders and our ability to manage inventory;
- the ability of our third party suppliers, subcontractors and manufactures to supply us with sufficient quantities of high quality products or components, on a timely basis;
- the effectiveness of our efforts to reduce product costs and manage operating expenses;
- our ability to utilize our manufacturing facilities at efficient levels, maintaining production capacity and manufacturing yields;
- the ability to hire, retain and motivate qualified employees to meet the demands of our customers;
- intellectual property disputes;
- potential significant litigation-related costs;
- costs related to compliance with increasing worldwide environmental and other regulations; and
- the effects of public health emergencies, natural disasters, security risk, terrorist activities, international conflicts and other events beyond our control.

As a result of these and other factors, we cannot assure you that we will not experience significant fluctuations in future operating results on a quarterly or annual basis. In addition, if our operating results do not meet the expectations of investors, the market price of our common stock may decline.

Our stock price has been volatile and may fluctuate in the future.

The trading price of our common stock has and may continue to fluctuate significantly. Such fluctuations may be influenced by many factors, including:

- the recent unprecedented volatility of the financial markets;
- uncertainty regarding the prospects of domestic and foreign economies;

- uncertainty regarding domestic and international political conditions, including tax policies;
- our performance and prospects;
- the performance and prospects of our major customers;
- investor perception of our company and the industry in which we operate;
- the absence of earnings estimates and supporting research by investment analysts;
- the liquidity of the market for our common stock;
- the uncertainty of the declaration and payment of future cash dividends on our common stock; and
- the concentration of ownership of our common stock by Dr. Vinciarelli, our Chairman of the Board, Chief Executive Officer, and President.

Public stock markets have recently experienced extreme price and trading volume volatility. This volatility significantly and negatively affected the market prices of securities of many technology companies, including the market price of our common stock in late 2008 and early 2009. The return of such volatility could result in broad market fluctuations that could materially and adversely affect the market price of our common stock for indefinite periods. In addition, fluctuations in our stock price, volume of shares traded, and changes in our trading multiples may make our stock attractive to certain categories of investors who often shift funds into and out of stocks rapidly, exacerbating price fluctuations in either direction.

The ownership of our common stock is concentrated between Dr. Vinciarelli and a limited number of institutional investors. Dr. Vinciarelli owned, as of December 31, 2010, 9,675,480 shares of our common stock, as well as 11,023,648 shares of our Class B common stock (convertible on a one-for-one basis into common stock), together representing 50.5% of total issued and outstanding shares. Certain institutional investors have been long-term owners of our common stock and held in aggregate, as of September 30, 2010 (the most recent reporting date for institutional holders), over 15% of our issued and outstanding shares. Accordingly, the market float for our common stock and average daily trading volumes are relatively small, which can negatively impact investors' ability to buy or sell shares of our common stock in a timely manner.

We do not actively communicate with investment analysts and, as a consequence, there are no earnings estimates or supporting research coverage of our company. Because operating results have fluctuated on a quarterly and annual basis, investors may have difficulty in assessing our current and future performance.

In the past, we have declared and paid cash dividends on our common stock. The payment of dividends is based on the periodic determination by the Board of Directors that we have adequate capital to fund anticipated operating requirements and that excess cash is available for distribution to shareholders via a dividend. We have no formal policy regarding dividends and, as such, investors cannot make assumptions regarding the possibility of future dividend payments nor the amounts and timing thereof.

Dr. Vinciarelli owns 93.7% of our issued and outstanding Class B shares, which possess 10 votes per share. (Dr. Estia J. Eichten, a member of our Board of Directors, owns the balance of Class B shares issued and outstanding.) As such, Dr. Vinciarelli, controlling in aggregate 81.3% of share voting power, has effective control of the governance of the Company.

The ongoing disruptions in the global economy, as well as continued uncertainty in global financial markets, could materially and adversely affect our business and results of operations.

While global credit and financial markets appear to be recovering from extreme disruptions experienced over the past two years, uncertainty about continuing economic stability remains. Global financial markets continue to experience disruptions, including diminished liquidity and credit availability. In particular, the recent European debt crisis and related financial restructuring efforts has contributed to the instability in global credit markets. Further disruption and deterioration in economic conditions may reduce customer purchases of our products, thereby reducing our revenues and earnings. In addition, such adverse conditions may, among other things, result in increased price competition for our products, increased risk of excess and obsolete

inventories, increased risk in the collectability of our accounts receivable from our customers, increased risk in potential reserves for doubtful accounts and write-offs of accounts receivable, and higher operating costs as a percentage of revenues. The recent debt crisis in certain European countries could cause the value of the Euro to deteriorate, thus reducing the purchasing power of our European customers. Any of these items individually, or in combination, could materially and adversely affect our business and the results of operations. In 2009, we took actions to address the effects of the economic crisis, including a reduction in force and the implementation of cost control and reduction efforts. While these actions contributed to the positive operating results in 2010, it is possible that we may need to take further cost control and reduction efforts if economic conditions deteriorate again.

We compete with many companies possessing far greater resources.

Some of our competitors have greater financial, manufacturing, technical, sales and marketing resources than we have. We compete with domestic and foreign manufacturers of integrated power supplies and power conversion components. With the growth of our V*I Chip and Picor product lines, we increasingly are competing with global manufacturers of power management products. Competition is generally based on design and quality of products, product performance, features and functionality, and product pricing, availability and capacity, with the relative importance of these factors varying among products, markets and customers. Existing or new competitors may develop products or technologies that more effectively address the demands of our customers and markets with enhanced performance, features and functionality or lower cost. If we fail to continue to develop and commercialize leading-edge technologies and products that are cost effective and maintain high standards of quality, and introduce them to the market on a timely basis, our competitive position and results of operations could be materially adversely affected.

Our future success increasingly depends upon our ability to develop and market differentiated, leading-edge power conversion products for larger customers, potentially contributing to lengthy product development and sales cycles that may result in significant expenditures before revenues are generated.

The power system industry and the industries in which many of our customers operate are characterized by intense competition, rapid technological change, product obsolescence and price erosion for mature products, each of which could have an adverse effect on our results of operations. We are following a strategy based on the development of differentiated products addressing what we believe to be the long-term limitations of traditional power architectures. The development of such new products is often a complex, time-consuming and costly process involving significant investment in research and development, with no assurance of return on investment. There can be no assurance we will be able to develop and introduce new and improved products in a timely or efficient manner or new and improved products, if developed, will achieve market acceptance.

Our future success depends substantially upon customer acceptance of our innovative products. As we have been in the early stages of market penetration for these products, we have experienced lengthy periods during which we have focused our product development efforts on the specific requirements of a limited number of large customers, followed by further periods of delay before meaningful purchase orders are received. These lengthy development and sales cycle times increases the possibility that a customer may decide to cancel or change product plans, which could reduce or eliminate our sales to that customer. As a result, we may incur significant product development expenses, as well as significant sales and marketing expenses, before we generate the related revenues for these products. Furthermore, we may never generate the anticipated revenues from a product after incurring such expenses if our customer cancels or changes its product plans.

Our future operating results are dependent on the growth in our customers' businesses and on our ability to identify and enter new markets.

We manufacture modular power components and power systems that are incorporated into our customers' electronic products. Our growth is therefore dependent on the growth in the sales of our customers' products as well as the development by our customers of new products. If we fail to anticipate changes in our customers' businesses and their changing product needs or successfully identify and enter new markets, our results of operations and financial position could be negatively impacted. We cannot assure you that the

markets we serve will grow in the future, that our existing and new products will meet the requirements of these markets or that we can maintain adequate gross margins or profits in these markets.

In particular, revenue growth in the V*I Chip segment and the Vicor Custom Power group over the last several years has come from either a limited number of customers or from a limited number of significant customer programs. A decline in or deferral of demand from one or several of these large customers or the discontinuation of certain programs, or declines in our other end-user markets in general, could have a material adverse impact on our results of operations. In 2009 and 2010 several large customers, due to uncertain conditions in their own businesses, deferred placing purchase orders with us and/or deferred delivery of scheduled product shipments. As a result, we incurred additional costs associated with managing our inventory levels and scheduling our production activity. In addition, our increased focus on either a limited number of customers or a limited number of significant customer programs, as well as our experience with the deferred purchase orders and/or delivery of certain scheduled product shipments, have contributed to large variances in our reported quarterly ratio of bookings to billings. Accordingly, comparison of our “book to bill” ratios on a quarter-to-quarter basis can be misleading and may not accurately represent revenue trends.

We rely on third-party vendors and subcontractors for supply of components and assemblies and, therefore, cannot control their availability or quality.

We depend on third party vendors and subcontractors to supply components and assemblies used in our products, some of which are sole-sourced. If suppliers or subcontractors cannot provide their products or services on time or to our specifications, we may not be able to meet the demand for our products and our delivery times may be negatively affected. In addition, we cannot directly control the quality of the products and services provided by third parties. In order to grow, we may need to find new or change existing suppliers and subcontractors. This could cause disruptions in production, delays in the shipping of product or increases in prices paid to third-parties.

We may not be able to procure necessary key components for our products, or we may purchase excess raw material inventory or unusable inventory, possibly impacting our results of operations.

The power systems industry, and the electronics industry as a whole, can be subject to pronounced business cycles and otherwise subject to sudden and sharp changes in demand. Our success, in part, is dependent on our ability to forecast and procure inventories of raw materials and components to match production schedules and customer delivery requirements. Many of our products, notably V*I Chip modules and Picor PSiPs, require raw materials and components supplied by a limited number of vendors and, in some instances, a single vendor. During periods of demand growth, key materials and components required to build our products may become unavailable in the timeframe required for us to meet our customers’ needs. Our inability to secure sufficient materials and components to build products for our customers could negatively impact our sales and operating results. We may choose to mitigate this risk by increasing the levels of inventory for certain raw materials and components. Such increased inventory levels may increase the potential risk for excess and obsolescence should our forecasts fail to materialize or if there are negative factors impacting our customers’ end markets, leading to order cancellation. If we purchase excess inventory or determine certain inventory is unusable, we may have to record additional inventory reserves or write-off the unneeded inventory, which could have a material adverse effect on our gross margins and on our results of operations.

Our revenues and profits may not increase enough to offset the expense of additional production capacity.

We have made significant additions to our manufacturing equipment and capacity over the past several years, including equipment for both our new V*I Chip products and for BBU products. During 2010, we added equipment to the V*I Chip production lines that more than doubled production capacity. We have also replaced certain equipment and added new, more efficient equipment for certain processes on the BBU production lines. If overall revenue levels do not increase enough to offset the increased fixed costs, or significant revenues do not materialize for the V*I Chip products, or if there is deterioration in our overall business, our future operating results could be adversely affected. In addition, asset values could be impaired if the additional capacity is underutilized for an extended period of time, resulting in impairment charges that could have a material adverse effect on our financial position and results of operations.

If we were unable to use our manufacturing facility in Andover, Massachusetts, we would not be able to manufacture for an extended period of time.

All modular power components, whether for direct sale to customers or for sale to our subsidiaries and divisions for incorporation into their respective products, are manufactured at our Andover, Massachusetts, production facility. Substantial damage to this facility due to fire, natural disaster, power loss or other events could interrupt manufacturing. Any prolonged inability to utilize all or a significant portion of this facility could have a material adverse effect on our results of operations.

We are exposed to foreign economic, political and other risks.

International sales have been and are expected to be a significant component of total sales. Dependence on unaffiliated third party distributors for our international sales exposes us to special risks, such as foreign economic and political instability, foreign currency controls and market fluctuations, trade barriers and tariffs, foreign regulations and exchange rates. Our international customers' business may be negatively affected by the current crisis in the global credit and financial markets. Sudden or unexpected changes in the foregoing could have a material adverse effect on our results of operations.

We may be unable to adequately protect our proprietary rights, which may limit our ability to compete effectively.

We operate in an industry in which the ability to compete depends on the development or acquisition of proprietary technologies that must be protected to preserve the exclusive use of such technologies. We devote substantial resources to establish and protect our patents and proprietary rights, and we rely on patent and intellectual property law to protect such rights. This protection, however, may not prevent competitors from independently developing products similar or superior to our products. We may be unable to protect or enforce current patents, may rely on unpatented technology that competitors could restrict, or may be unable to acquire patents in the future, and this may have a material adverse effect on our competitive position. In addition, the intellectual property laws of foreign countries may not protect our rights to the same extent as those of the United States. We have been and may need to continue to defend or challenge patents. We have incurred and expect to incur significant costs in and devote significant resources to these efforts which, if unsuccessful, may have a material adverse effect on our results of operations and financial position.

We may face intellectual property infringement claims that could be costly to resolve.

The power supply industry is characterized by vigorous protection and pursuit of intellectual property rights. We may in the future receive communications from third parties asserting that our products or manufacturing processes infringe on a third party's patent or other intellectual property rights. In January 2011, we were named in a complaint for patent infringement filed by SynQor, Inc. (see Part I — Item 3 — Legal Proceedings). In the event a third party makes a valid intellectual property claim against us and a license is not available to us on commercially reasonable terms, or at all, we could be forced to either redesign or stop production of products incorporating that technology, and our operating results could be materially and adversely affected. In addition, litigation may be necessary to defend us against claims of infringement, and this litigation could be costly and divert the attention of key personnel. An adverse outcome in these types of matters could have a material adverse impact on the results of our operations and financial condition.

We may face legal claims and litigation from product warranty or other claims that could be costly to resolve.

We may in the future encounter legal action from customers, vendors or others concerning product warranty or other claims. We generally offer a two-year warranty from the date title passes from us for all of our standard products. We invest significant resources in the testing of our products; however, if any of our products contain defects, we may be required to incur additional development and remediation costs, pursuant to our warranty policies. These issues may divert our technical and other resources from other product development efforts and could result in claims against us by our customers or others, including liability for

costs associated with product returns, which may adversely impact our operating results. If any of our products contains defects, or has reliability, quality or compatibility problems, our reputation may be damaged, which could make it more difficult for us to sell our products to existing and prospective customers and could adversely affect our operating results.

Our ability to successfully implement our business strategy may be limited if we do not retain our key personnel and attract and retain skilled and experienced personnel.

Our success depends on our ability to retain the services of our executive officers. The loss of one or more members of senior management could materially adversely affect our business and financial results. In particular, we are dependent on the services of Dr. Vinciarelli, our founder, Chairman of the Board, Chief Executive Officer, and President. The loss of the services of Dr. Vinciarelli could have a material adverse effect on our development of new products and on our results of operations. In addition, we depend on highly skilled engineers and other personnel with technical skills that are in high demand and are difficult to replace. Our continued operations and growth depend on our ability to attract and retain skilled and experienced personnel in a very competitive employment market. If we are unable to attract and retain these employees, our ability to successfully implement our business strategy may be harmed.

Funds associated with our investments in auction rate securities may not be accessible at par value in the short term, and given this illiquidity, we may be required to make additional adjustments to their carrying value.

As of December 31, 2010, we held \$19,075,000 of auction rate securities at par value, consisting of collateralized debt obligations, supported by pools of student loans, sponsored by state student loan agencies and corporate student loan servicing firms. We purchased these securities through the investment banking affiliate of Bank of America, N.A. Before February 2008, the investment banks conducting the periodic “Dutch auctions” by which interest rates for the securities had been established had committed their capital to support such auctions in the event of insufficient third-party investor demand. Starting the week of February 11, 2008, a substantial number of auctions failed, as demand from third-party investors weakened and the investment banks conducting the auctions chose not to commit capital to support such auctions (i.e., investment banks chose not to purchase securities themselves in order to balance supply and demand, thereby facilitating a successful auction, as they had done in the past). We accepted a settlement offer from UBS AG (“UBS”) in November 2008, and, as called for in the settlement, UBS purchased the then outstanding par value of \$8,600,000 of auction rate securities purchased through UBS on June 30, 2010. However, we have received no settlement offer from Bank of America to date. While we do not currently anticipate the lack of liquidity of our auction rate securities to adversely affect our ability to conduct business, the funds associated with auction rate securities may not be accessible until a successful auction occurs, a buyer is found outside of the auction process, the security is called or the underlying securities have matured.

In order to record the value of our auction rate securities appropriately each quarter, we have estimated their market value and recorded an impairment charge. Deemed “available-for-sale”, these securities are carried at fair value, with unrealized gains and losses, net of tax, attributable to credit loss recorded through the statement of operations and unrealized gains and losses, net of tax, attributable to other non-credit factors reported in “Accumulated other comprehensive (loss) income,” a component of Stockholders’ Equity. We periodically evaluate if an investment is considered impaired, whether impairment is other than temporary, and the measurement of an impairment loss.

The following circumstances, among others, may cause us to record such impairment charges to our Consolidated Statements of Operations:

- the default of an issuer or a specific security of that issuer;
- the significant deterioration of the credit rating of a security or its issuer;
- a tender offer for a specific security from the issuer valuing the security at less than par that is accepted by the number of holders necessary to require all holders to tender their securities; and

- development of a robust secondary market for auction rate securities, establishing an active market value for our securities or similar securities that represents a substantial discount to par.

Such impairment charges or, in the event of a sale, realized losses could be material in amount and be detrimental to our financial position, potentially impacting our ability to fund operations.

Changes in our effective tax rate may impact our results of operations.

Our effective tax rate has been difficult to predict in recent reporting periods due to the volatility of our financial performance, as well as a range of factors outside of our control. Factors that may increase our future effective tax rate include: increases in tax rates in various jurisdictions; the resolution of issues arising from tax audits with various tax authorities; changes in the valuation of our deferred tax assets and liabilities; adjustments to income taxes upon finalization of various tax returns; and changes in tax laws or the interpretation of such tax laws. Any significant increase in our future effective tax rates could adversely impact our net income in future periods.

If we fail to maintain an effective system of internal controls or discover material weaknesses in our internal controls over financial reporting, we may not be able to report our financial results accurately or timely or detect fraud, which could have a material adverse effect on our business.

An effective internal control environment is necessary for the Company to produce reliable financial reports and is an important part of its effort to prevent financial fraud. Section 404 of the Sarbanes-Oxley Act of 2002 requires our management to report on, and our independent registered public accounting firm to attest to, the effectiveness of our internal control structure and procedures for financial reporting. We have an ongoing program to perform the system and process evaluation and testing necessary to comply with these requirements and to continuously improve and remediate internal controls over financial reporting.

While management evaluates the effectiveness of our internal controls on a regular basis, these controls may not always be effective. There are inherent limitations on the effectiveness of internal controls, including collusion, management override, and failure in human judgment. In addition, control procedures are designed to reduce rather than eliminate business risks. In the event that our Chief Executive Officer, Chief Financial Officer, or independent registered public accounting firm determines that our internal controls over financial reporting are not effective as defined under Section 404, we may be unable to produce reliable financial reports or prevent fraud, which could materially adversely affect our business. In addition, we may be subject to sanctions or investigation by government authorities or self-regulatory organizations, such as the Securities and Exchange Commission or The NASDAQ Stock Market, LLC. Any such actions could affect investor perceptions of the Company and result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements, which could cause the market price of our common shares to decline or limit our access to capital.

ITEM 1B. UNRESOLVED STAFF COMMENTS

We have not received written comments from the Securities and Exchange Commission regarding our periodic or current reports under the Securities Exchange Act of 1934, as amended, that were received 180 days or more before December 31, 2010 and remain unresolved. There are no unresolved comments from the Securities and Exchange Commission as of December 31, 2010.

ITEM 2. PROPERTIES

Our corporate headquarters building in Andover, Massachusetts, which we own, provides approximately 90,000 square feet of office space for our sales, marketing, engineering and administration personnel.

We also own a building of approximately 230,000 square feet in Andover, Massachusetts, which houses all Massachusetts manufacturing activities.

Our Westcor division owns and occupies a building of approximately 31,000 square feet in Sunnyvale, California.

ITEM 3. LEGAL PROCEEDINGS

As disclosed in prior filings, we received total payments of \$1,770,000 in the second quarter of 2007 in full settlement of patent infringement litigation against Artesyn Technologies, Inc., Lucent Technologies Inc., and the Tyco Power Systems, a unit of Tyco International Ltd. (which had acquired the Power Systems business of Lucent Technologies). The full amount of the payments, net of a \$177,000 contingency fee we had accrued for our litigation counsel, was included in the second quarter of 2007 in “(Gain) loss from litigation-related and other settlements, net” in the Consolidated Statement of Operations. We were subsequently informed by its litigation counsel that the full amount of the contingency fee was waived and, therefore, the related accrual of \$177,000 was reversed in the second quarter of 2008.

On February 22, 2007, we announced an agreement in principle with Ericsson, Inc., the U.S. affiliate of LM Ericsson, to settle a lawsuit brought by Ericsson against us in California state court. Under the terms of the settlement agreement entered into on March 29, 2007, after a court ordered mediation, we paid \$50,000,000 to Ericsson, of which \$12,800,000 was reimbursed by our insurance carriers. Accordingly, we recorded a net loss of \$37,200,000 from the litigation-related settlements in the fourth quarter of 2006. We have been seeking further reimbursement from its insurance carriers. On November 14, 2008, a jury in the United States District Court for the District of Massachusetts found in favor of us in a lawsuit against certain of its insurance carriers with respect to the Ericsson settlement. The jury awarded \$17,300,000 in damages to us, although the verdict is subject to challenge in the trial court and on appeal. Both parties filed certain motions subsequent to the ruling and, on March 2, 2009, the judge in the case rendered his decision on the subsequent motions, reducing the jury award by \$4,000,000. On March 26, 2009, the U.S. District Court, District of Massachusetts (the “Court”) issued its judgment in the matter, affirming the award of \$13,300,000, plus prejudgment interest from the date of breach on March 29, 2007 through March 26, 2009, the date of judgment in the amount of approximately \$3,179,000. The insurance carriers have filed their appeal to this total judgment in the amount of approximately \$16,479,000. No final and collectible judgment yet has been entered by the court.

Our decision to enter into the settlement followed an adverse ruling by the court in January 2007 in connection with a settlement between Ericsson and co-defendants Exar Corporation (“Exar”) and Rohm Device USA, LLC (“Rohm”), two of our component suppliers prior to 2002. Our writ of mandate appeal of this ruling was denied in April, 2007. In September 2007, we filed a notice of appeal of the court’s decision upholding the Ericsson-Exar-Rohm settlement. In December 2007, the court awarded Exar and Rohm amounts for certain statutory and discovery costs associated with this ruling. As such, we accrued \$240,000 in the second quarter of 2007, included in “(Gain) loss from litigation-related and other settlements, net” in the Consolidated Statements of Operations, of which \$78,000 of the award was paid in the second quarter of 2008. On February 9, 2009, the Court of Appeals issued its opinion affirming the judgment for Exar and Rohm in full. During the third quarter of 2009, we completed negotiations with Exar and Rohm, resulting in separate settlement agreements calling for a final payment to Exar of \$70,000 and no additional payment due Rohm. As a result of the settlements, we reversed a remaining excess accrual of approximately \$96,000 in the third quarter of 2009, which is recorded in “Gain from litigation-related and other settlements, net” in the accompanying Consolidated Statement of Operations.

During the third quarter of 2009, we entered into a release and settlement agreement with a vendor over alleged product performance issues with certain products the vendor had sold to us. We received a payment of \$750,000 in consideration for the settlement, which is recorded in “Gain from litigation-related and other settlements, net” in the accompanying Consolidated Statement of Operations.

On January 28, 2011, SynQor, Inc. (“SynQor”) filed a complaint for patent infringement against Ericsson, Inc. (“Ericsson”), Cisco Systems, Inc. (“Cisco”) and us in U.S. District Court for the Eastern District of Texas. This immediately followed a complaint filed by us on January 26, 2011 in U.S. District Court for the District of Massachusetts, in which we sought a declaratory judgment that our bus converter products do not infringe any valid claim of certain of SynQor’s U.S. patents, and that the claims of those patents are invalid. With respect to us, SynQor’s complaint alleges that our products, including, but not limited to, unregulated bus converters used in intermediate bus architecture power supply systems, infringe certain SynQor patents.

SynQor seeks, amongst other items, an injunction against further infringement and an award of unspecified compensatory and enhanced damages, interest, costs and attorney fees. On February 8, 2011, SynQor filed a motion for preliminary injunction seeking an order enjoining us from manufacturing, using, selling, and offering for sale in the United States and/or importing into the United States certain identified unregulated bus converters, as well as any other bus converters not significantly different from those products. On February 17, 2011, we dismissed our Massachusetts action without prejudice to allow the litigation to proceed in Texas. We do not believe any of our products, including our unregulated bus converters, infringe any valid claim of the SynQor patents, either alone or when used in an intermediate bus architecture implementation. We believe SynQor's claims lack merit and therefore plan to vigorously defend ourselves against SynQor's patent infringement allegations.

We are involved in certain other litigation and claims incidental to the conduct of its business. While the outcome of lawsuits and claims against us cannot be predicted with certainty, we do not expect any current litigation or claims to have a material adverse impact on our financial position or results of operations.

ITEM 4. (REMOVED AND RESERVED)

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our Common Stock is listed on The NASDAQ Stock Market, LLC, under the trading symbol "VICR." Shares of our Class B Common Stock are not registered with the Securities and Exchange Commission, are not listed on any exchange nor traded on any market, and are subject to transfer restrictions under our Restated Certificate of Incorporation, as amended.

The following table sets forth the quarterly high and low sales prices for the Common Stock as reported by The NASDAQ Stock Market for the periods indicated:

<u>2010</u>	<u>High</u>	<u>Low</u>
First Quarter	\$14.31	\$ 7.98
Second Quarter	16.24	10.87
Third Quarter	16.35	11.98
Fourth Quarter	19.50	14.65
<u>2009</u>	<u>High</u>	<u>Low</u>
First Quarter	\$ 6.75	\$ 3.86
Second Quarter	7.30	4.63
Third Quarter	7.97	6.42
Fourth Quarter	9.68	6.50

As of February 28, 2011, there were 228 holders of record of our Common Stock and 16 holders of record of our Class B Common Stock. These numbers do not reflect persons or entities that hold their stock in nominee or "street name" through various brokerage firms.

Dividend Policy

Dividends are declared at the discretion of our Board of Directors and depend on actual cash from operations, our financial condition and capital requirements, and any other factors the Board of Directors may consider relevant.

On June 28, 2010, the Company's Board of Directors approved a cash dividend of \$0.30 per share of the Company's stock. The total dividend of approximately \$12,506,000 was paid on July 30, 2010 to shareholders of record at the close of business on July 16, 2010.

From time to time, excess cash held at the subsidiary level is transferred to the Company via cash dividends. Because we own less than 100% of the common stock of certain subsidiaries, such subsidiary dividends can result in payments to outside shareholders of those subsidiaries. During the year ending December 31, 2009, two subsidiaries paid a total of \$4,690,000 in cash dividends on subsidiary common stock, of which \$3,421,000 was paid to the Company and \$1,269,000 was paid to outside shareholders (i.e., paid to certain subsidiary employees who own common stock in the subsidiary). During the year ending December 31, 2010, three subsidiaries paid a total of \$5,457,000 in cash dividends, of which \$4,905,000 was paid to the Company and \$552,000 was paid to outside shareholders. Dividends paid to outside shareholders are accounted for as a reduction in noncontrolling interest.

Issuer Purchases of Equity Securities

<u>Period</u>	<u>Total Number of Shares (or Units) Purchased</u>	<u>Average Price Paid per Share (or Unit)</u>	<u>Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number (of Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs</u>
October 1 — 31, 2010	—	\$—	—	\$8,541,000
November 1 — 30, 2010	—	\$—	—	\$8,541,000
December 1 — 31, 2010	—	\$—	—	\$8,541,000
Total	—	\$—	—	\$8,541,000

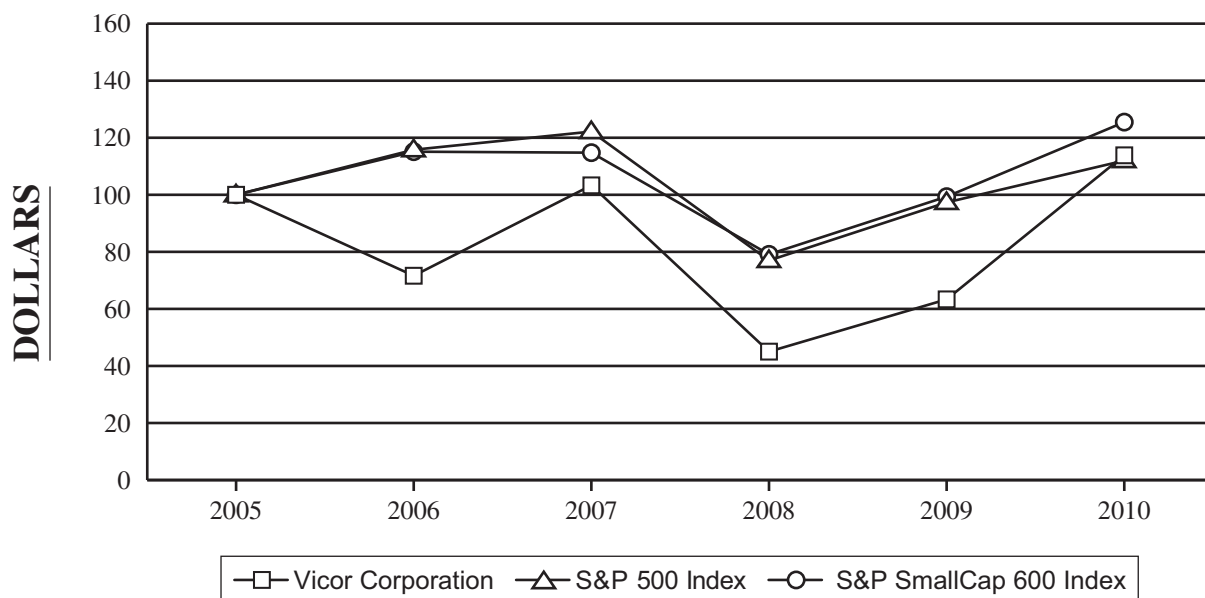
In November 2000, our Board of Directors authorized the repurchase of up to \$30,000,000 of our Common Stock (the “November 2000 Plan”). The November 2000 Plan authorizes us to make such repurchases from time to time in the open market or through privately negotiated transactions. The timing and amounts of stock repurchases are at the discretion of management based on its view of economic and financial market conditions. We did not repurchase shares of Common Stock during the year ended December 31, 2010.

Stockholder Return Performance Graph

The graph set forth below presents the cumulative, five-year stockholder return for each of the Corporation's Common Stock, the Standard & Poor's 500 Index ("S&P 500 Index"), a value-weighted index made up of 500 of the largest, by market capitalization, listed companies, and the Standard & Poor's SmallCap 600 Index ("S&P SmallCap 600 Index"), a value-weighted index of 600 listed companies with market capitalizations between \$200,000,000 and \$1,000,000,000.

The graph assumes an investment of \$100 on December 31, 2005, in each of our Common Stock, the S&P 500 Index, and the S&P SmallCap 600 Index, and assumes reinvestment of all dividends. The historical information set forth below is not necessarily indicative of future performance.

**Comparison of Five Year Cumulative Return
Among Vicor Corporation, S&P 500 Index
and S&P SmallCap 600 Index**



	2005	2006	2007	2008	2009	2010
Vicor Corporation	\$100.00	\$ 71.62	\$103.31	\$45.02	\$63.34	\$113.84
S&P 500 Index	\$100.00	\$115.79	\$122.16	\$76.97	\$97.32	\$111.99
S&P SmallCap 600 Index	\$100.00	\$115.11	\$114.77	\$79.12	\$99.35	\$125.48

ITEM 6. *SELECTED FINANCIAL DATA*

The following selected consolidated financial data with respect to our statements of operations for the years ended December 31, 2010, 2009, and 2008, and with respect to our balance sheets as of December 31, 2010 and 2009, are derived from our Consolidated Financial Statements, which appear elsewhere in this report and which have been audited by Grant Thornton LLP, our independent registered public accounting firm. The following selected consolidated financial data with respect to our statements of operations for the years ended December 31, 2007 and 2006, and with respect to our balance sheets as of December 31, 2008, 2007 and 2006 are derived from our Consolidated Financial Statements, which are not included herein.

<u>Statement of Operations Data</u>	<u>Year Ended December 31,</u>				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
	<u>(In thousands, except per share data)</u>				
Net revenues	\$250,733	\$197,959	\$205,368	\$195,827	\$192,047
Income (loss) from operations	29,122	4,773	(1,142)	1,071	(33,182)
Consolidated net income (loss)	33,539	4,093	(1,778)	5,874	(28,497)
Net income attributable to noncontrolling interest	214	1,295	1,817	539	562
Net income (loss) attributable to Vicor Corporation	33,325	2,798	(3,595)	5,335	(29,059)
Net income (loss) per share — basic and diluted attributable to Vicor Corporation	0.80	0.07	(0.09)	0.13	(0.69)
Weighted average shares — basic	41,700	41,665	41,651	41,597	41,839
Weighted average shares — diluted	41,772	41,671	41,651	41,687	41,839
Cash dividends per share	\$ 0.30	\$ —	\$ 0.30	\$ 0.30	\$ 0.27

<u>Balance Sheet Data</u>	<u>As of December 31,</u>				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
	<u>(In thousands)</u>				
Working capital	\$105,454	\$ 74,791	\$ 65,297	\$114,924	\$123,467
Total assets	204,912	180,577	171,922	192,458	247,461
Total liabilities	25,900	24,511	20,496	23,978	73,696
Total equity	179,012	156,066	151,426	168,480	173,765

ITEM 7. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

Overview

We design, develop, manufacture and market modular power components and complete power systems based upon a portfolio of patented technologies. We sell our products primarily to customers in the higher-performance, higher-power segments of the power systems market, including aerospace and defense electronics, enterprise and high performance computing, industrial equipment and automation, telecommunications and network infrastructure, and vehicles and transportation through a network of independent sales representative organizations in North and South America and, internationally, through independent distributors. International sales as a percentage of total revenues were approximately 49% in 2010, 41% in 2009 and 42% in 2008, respectively.

We have organized our business segments according to our key product lines. The BBU segment designs, develops, manufactures and markets modular power converters and configurable products, and also includes the operations of our Westcor division, the six entities comprising Vicor Custom Power, and the BBU activities through VJCL. The V*I Chip segment includes V*I Chip Corporation which designs, develops, manufactures

and markets our FPA products. V*I Chip activities conducted through VJCL are included in the V*I Chip segment. Picor develops, manufactures and markets integrated circuits and related products for use in a variety of power management and power system applications. Picor develops these products to be sold as part of Vicor's products or to be sold to third parties for separate applications.

For the year ended December 31, 2010, revenues increased to \$250,733,000 from \$197,959,000 in 2009. We had income before taxes of \$29,619,000 in 2010 as compared to \$5,455,000 in 2009. We reported net income in 2010 of \$33,325,000 as compared to \$2,798,000 in 2009, and a diluted income per share of \$0.80 in 2010 as compared with a diluted income per share of \$0.07 in 2009. The gross margin for 2010 increased to 45.7%, compared with 44.2% in 2009. The primary components of the increase in gross margin dollars and percentage were the increase in net revenues and lower BBU Andover and V*I Chip per unit productions costs. During the third and fourth quarters of 2010, respectively, the Company recorded non-recurring, non-cash tax benefits of \$5,158,000, or approximately \$0.12 per diluted share, and \$1,159,000, or approximately \$0.03 per diluted share, due to the release of portions of its deferred tax valuation allowance (See Note 14).

The book to bill ratio, calculated as the dollar amount of orders placed with scheduled delivery dates within one year divided by the net revenues in the respective period, for the third and fourth quarters of 2010 was 1.02:1 and 0.66:1, respectively. The book to bill ratio for the year ended December 31, 2010 was 1.09:1, compared to 1.03:1 for the year ended December 31, 2009. We ended 2010 with approximately \$78,900,000 in backlog, representing the total of purchase orders received for which product has not yet been shipped, compared to \$57,200,000 at the end of 2009.

Operating expenses for 2010 increased \$2,577,000, or 3.1%, to \$85,398,000 from \$82,821,000 in 2009, principally due to increases in research and development of \$4,345,000, selling, general and administrative expenses of \$1,485,000, and a decrease in "Gain from litigation-related and other settlements, net" of \$846,000, offset by a decrease in aggregate pre-tax severance charges of \$4,099,000 in connection with workforce reductions implemented during 2009. The key increases in research and development expenses were compensation expenses of \$2,101,000, outside services of \$787,000, deferred costs of \$454,000, project materials of \$328,000, facilities expenses of \$152,000, employment recruiting of \$117,000, depreciation and amortization of \$110,000, and set-up and tooling charges of \$100,000. The key increases in selling, general and administrative expenses were commissions expense of \$543,000, advertising expenses of \$465,000, outside services of \$237,000, travel expenses of \$185,000, employment advertising and recruiting of \$136,000, and facilities expense of \$114,000, offset by a decrease in legal fees of \$302,000.

During the third quarter of 2009, we entered into a release and settlement agreement with a vendor over alleged product performance issues with certain products the vendor had sold to us. We received a payment of \$750,000 in consideration for the settlement, which is recorded in "Gain from litigation-related and other settlements, net" in the accompanying Consolidated Statement of Operations. In addition, we completed negotiations with Exar and Rohm, resulting in separate settlement agreements calling for a final payment to Exar of \$70,000 and no additional payment due Rohm. As a result of the settlements, we reversed a remaining excess accrual of approximately \$96,000 in the third quarter of 2009, which is recorded in "Gain from litigation-related and other settlements, net" in the accompanying Consolidated Statement of Operations.

"Other income, net" decreased \$185,000 to \$497,000 from \$682,000 in 2009. The primary reasons for the decline were decreases in unrealized gain on trading securities of \$298,000, interest income of \$279,000, and foreign currency gains of \$193,000, offset by an increase in credit losses on available for sale securities of \$318,000 and gain on disposal of equipment of \$218,000.

In 2010, depreciation and amortization totaled \$10,222,000, and capital additions were \$12,103,000, compared to \$10,198,000 and \$10,643,000, respectively, for 2009.

Inventories increased by approximately \$14,132,000, or 66.2%, to \$35,489,000 in 2010 as compared with \$21,357,000 at the end of 2009 in order to meet the increase in demand across all three segments. V*I Chip, BBU, and Picor inventories increased approximately \$8,105,000, \$5,334,000, and \$693,000, respectively.

The following table sets forth certain items of selected consolidated financial information as a percentage of net revenues for the years ended December 31. This table and the subsequent discussion should be read in

conjunction with the selected financial data and the Consolidated Financial Statements and related footnotes contained elsewhere in this report.

	<u>Year Ended December 31,</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Net revenues	100.0%	100.0%	100.0%
Gross margin	45.7%	44.2%	42.0%
Selling, general and administrative expenses	19.7%	24.2%	27.4%
Research and development expenses	14.4%	16.0%	15.3%
Income before income taxes	11.8%	2.8%	0.4%

Critical Accounting Policies and Estimates

Management’s Discussion and Analysis of Financial Condition and Results of Operations discusses our Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, management evaluates its estimates and judgments, including those related to revenue recognition, allowance for doubtful accounts, product warranties, inventories, investments, intangible assets, income taxes, impairment of long-lived assets, share-based compensation, contingencies and litigation. Management bases its estimates and judgments on historical experience, knowledge of current conditions and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Allowance for Doubtful Accounts

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments, based on assessments of customers’ credit-risk profiles and payment histories. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Inventories

We employ a variety of methodologies to estimate allowances for its inventory for estimated obsolescence or unmarketable inventory, based upon its known backlog and historical usage, and assumptions about future demand and market conditions. For BBU products produced at our Andover facility, our principal manufacturing location, the model used is based upon a comparison of on-hand quantities to projected demand, such that amounts of inventory on hand in excess of a three-year projected usage are fully reserved. Since V*I Chip products are still at a relatively early stage, a one-year projected usage assumption is used. While we have used our best efforts and believe we have used the best available information to estimate future demand, due to uncertainty in the economy and our business and the inherent difficulty in predicting future demand, it is possible that actual demand for our products will differ from our estimates. If actual future demand or market conditions are less favorable than those projected by management, additional inventory reserves for existing inventories may need to be recorded in future periods.

Fair Value Measurements

We account for certain financial assets at fair value, defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., 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. As such, fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability. If management made different assumptions or judgments, material differences in fair values could occur.

Short-Term and Long-Term Investments

Our short-term and long-term investments are classified as either trading or available-for-sale securities. Available-for-sale securities are carried at fair value, with unrealized gains and losses, net of tax, attributable to credit loss recorded through the statement of operations and unrealized gains and losses, net of tax, attributable to other non-credit factors reported in “Accumulated other comprehensive (loss) income,” a component of Total Equity. In determining the amount of credit loss, we compare the present value of cash flows expected to be collected to the amortized cost basis of the securities, considering credit default risks probabilities and changes in credit ratings as significant inputs, among other factors. Trading securities are carried at fair value, with unrealized gains and losses recognized through the statement of operations each reporting period. We periodically evaluate if an investment is considered impaired, whether an impairment is other than temporary, and the measurement of an impairment loss. We consider a variety of impairment indicators such as, but not limited to, a significant deterioration in the earnings performance, credit rating, or asset quality of the investment.

As of December 31, 2010, we held \$19,075,000 of auction rate securities at par value. These auction rate securities consist of collateralized debt obligations, supported by pools of student loans, sponsored by state student loan agencies and corporate student loan servicing firms. The interest rates for these securities are reset at auction at regular intervals ranging from seven to 90 days. The auction rate securities held by us traded at par prior to February 2008 and are callable at par at the option of the issuer.

Until February 2008, the auction rate securities market was liquid, as the investment banks conducting the periodic “Dutch auctions” by which interest rates for the securities had been established had committed their capital to support such auctions in the event of insufficient third-party investor demand. Starting the week of February 11, 2008, a substantial number of auctions failed, as demand from third-party investors weakened and the investment banks conducting the auctions chose not to commit capital to support such auctions (i.e., investment banks chose not to purchase securities themselves in order to balance supply and demand, thereby facilitating a successful auction, as they had done in the past). The consequences of a failed auction are (a) an investor must hold the specific security until the next scheduled auction (unless that investor chooses to sell the security to a third party outside of the auction process) and (b) the interest rate on the security generally resets to an interest rate set forth in each security’s indenture.

As of December 31, 2010, we held auction rate securities that had experienced failed auctions totaling \$19,075,000 at par value, all of which had been purchased through and are held by a broker-dealer affiliate of Bank of America, N.A. (the “Failed Auction Securities”). The majority of the Failed Auction Securities held by us were AAA/Aaa rated by the major credit rating agencies, with all of the securities collateralized by student loans, of which most are guaranteed by the U.S. Department of Education under the Federal Family Education Loan Program. Management is not aware of any reason to believe any of the issuers of the Failed Auction Securities held by us are presently at risk of default. Through December 31, 2010, we have continued to receive interest payments on the Failed Auction Securities in accordance with the terms of their respective indentures. We believe that all of our auction rate security investments will ultimately be liquidated without significant loss primarily due to the overall quality of the issues held and the collateral securing the substantial majority of the underlying obligations. However, current conditions in the auction rate securities market have led us to conclude the recovery period for the Failed Auction Securities exceeds 12 months. As a result, we have continued to classify the Failed Auction Securities as long-term as of December 31, 2010.

Long-Lived Assets

We evaluate the recoverability of our identifiable intangible assets, goodwill and other long-lived assets when events or circumstances indicate a potential impairment. We periodically assess the remaining use of fixed assets based upon operating results and cash flows from operations. Equipment has been written-down as a result of these assessments as necessary. Goodwill is tested for potential impairment at least annually at the reporting unit level.

Stock-Based Compensation

We record stock-based compensation expense based on the fair value of stock-based awards measured at the grant date and recognized over the relevant service period. We estimate the fair value of each stock-based award on the measurement date using either the current market price or the Black-Scholes option valuation model. The Black-Scholes option valuation model incorporates assumptions as to stock price volatility, the expected life of options, forfeiture rate, a risk-free interest rate and dividend yields.

During 2010, we granted stock-based awards with performance-based vesting provisions tied to achievements of certain performance conditions. For performance-based awards, we assess, on an ongoing basis, the probability of whether the performance criteria will be achieved. If and when achievement of the performance criteria is deemed probable, we begin to recognize the associated compensation expense for the stock options over the relevant performance period.

Many of these assumptions are highly subjective and require the exercise of management judgment. If management made different estimates or judgments, material differences in the amount of stock-based compensation could occur.

Product Warranties

We generally warrant our products for a period of two years. We maintain allowances for estimated product returns under warranty based upon a review of known or potential product failures in the field and upon historical patterns of product returns. If unforeseen product issues arise or product returns increase above expected rates, additional allowances may be required.

Income Taxes

We recognize deferred tax assets and liabilities using enacted rates for the effect of temporary differences between the book and tax bases of recorded assets and liabilities. We reduce deferred tax assets by a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized. Prior to September 30, 2010, we maintained a valuation allowance against a significant portion of our deferred tax assets, consisting of net operating loss carryforwards, tax credit carryforwards and deductible temporary differences. Based on our pre-tax income for the nine months ended September 30, 2010 being sufficient to fully utilize our net operating loss carryforwards, a history of cumulative earnings before taxes for financial reporting purposes over a 12-quarter period, and expected future taxable income, we determined it was more likely than not a significant portion of the deferred tax assets would be realized. As a result, at September 30, 2010, we determined that it was appropriate to reverse a portion of its valuation allowance by \$5,158,000 as a discrete benefit for income taxes for certain deductible temporary differences expected to be realized in future periods. An additional benefit of \$1,159,000 was recorded in the fourth quarter of 2010. We could not make such a determination in the prior quarters of fiscal 2010 due to a lack of confidence in being able to accurately forecast the expected ordinary income (loss) for the year largely due to global economic conditions and the possible impact continued economic and business uncertainty would have on our business at those times.

As of December 31, 2010, we have a remaining valuation allowance of approximately \$10,259,000 against certain deferred tax assets, for which realization cannot be considered more likely than not at this time. Such deferred tax assets principally relates to tax credit carryforwards in certain state tax jurisdictions for which sufficient taxable income for utilization cannot be projected at this time or the credits may expire without being utilized. We assess the need for the valuation allowance on a quarterly basis. The valuation allowance against these deferred tax assets may require adjustment in the future based on changes in the mix of temporary differences, changes in tax laws, and operating performance. In addition, the assessment of the valuation allowance requires us to make estimates of future taxable income and to estimate reversals of temporary differences. Changes in the assumptions or other circumstances may require additional valuation allowances if actual reversals of temporary differences differ from those estimates. If and when we determine the valuation allowance should be released, the adjustment would result in a tax benefit in the Consolidated Statements of Operations and may include a portion to be accounted for through "Additional paid-in capital",

a component of Stockholders' Equity. The amount of the tax benefit to be recorded in a particular quarter could be material.

We follow a two-step process to determine the amount of tax benefit to recognize in our financial statements. First, the tax position must be evaluated to determine the likelihood that it will be sustained upon examination by a tax authority. If the tax position is deemed "more-likely-than-not" to be sustained, the tax position is then assessed to determine the amount of benefit to recognize in the financial statements. The amount of the benefit that may be recognized is the largest amount that has a greater than 50 percent likelihood of being realized upon ultimate settlement. If the tax position does not meet the "more-likely-than-not" threshold then it is not recognized in the financial statements. We accrue interest and penalties, if any, related to unrecognized tax benefits as a component of income tax expense. If the judgments and estimates made by us are not correct, the unrecognized tax benefits may have to be adjusted, and the adjustments could be material.

Contingencies

From time to time, we receive notices of product failure claims, infringement of patent or intellectual property rights of others or for other claims. In fact, we have recently been named in a complaint for patent infringement filed by SynQor, Inc. in January 2011 (see Part I — Item 3 - Legal Proceedings). We assess each matter to determine if a contingent liability should be recorded. In making this assessment, we may consult, depending on the nature of the matter, with external legal counsel and technical experts. Based on the information we obtain, combined with our judgment regarding all the facts and circumstances of each matter, we determine whether it is probable that a contingent loss may be incurred and whether the amount of such loss can be reasonably estimated. Should a loss be probable and reasonably estimable, we record a loss. In determining the amount of the loss, we consider advice received from experts in the specific matter, current status of legal proceedings, if any, prior case history and other factors. Should the judgments and estimates made by us be incorrect, we may need to record additional contingent losses that could materially adversely impact our results of operations and financial position.

Year ended December 31, 2010 compared to Year ended December 31, 2009

Net revenues for fiscal 2010 were \$250,733,000, an increase of \$52,774,000 or 26.7%, as compared to \$197,959,000 for the same period in 2009.

The components of revenue for the years ended December 31 were as follows (dollars in thousands):

	2010	2009	Increase	
			\$	%
BBU	\$217,018	\$186,980	\$30,038	16.1%
V*I Chip (1)	28,972	8,960	20,012	223.3%
Picor	4,743	2,019	2,724	134.9%
Total	<u>\$250,733</u>	<u>\$197,959</u>	<u>\$52,774</u>	26.7%

(1) V*I Chip products sold by VJCL are included in the V*I Chip amounts in both years. The 2009 amounts were previously included in BBU.

Overall orders for fiscal year 2010 increased by 33.5% compared with 2009. This increase was caused by increases in BBU, V*I Chip, and Picor orders during the period of 18.3%, 197.1% and 174.5%, respectively. The book-to-bill ratio for fiscal year 2010 was 1.09:1 as compared to 1.03:1 in 2009.

Gross margin for fiscal 2010 increased \$26,926,000, or 30.7%, to \$114,520,000 from \$87,594,000 in 2009. Gross margin as a percentage of net revenues increased to 45.7% from 44.2% compared to the same period a year ago. The primary components of the increase in gross margin dollars and percentage were the increase in net revenues and lower BBU Andover and V*I Chip per unit productions costs.

Selling, general and administrative expenses were \$49,417,000 for 2010, an increase of \$1,485,000, or 3.1%, as compared to \$47,932,000 for the same period in 2009. As a percentage of net revenues, selling, general and administrative expenses decreased to 19.7% from 24.2%, due to the increase in net revenues.

The components of the \$1,485,000 increase were as follows (in thousands):

	<u>Increase (decrease)</u>	
Commissions expense	\$ 543	8.6% (1)
Advertising expenses	465	19.0% (2)
Outside services	237	23.1% (3)
Travel expenses	185	10.8% (4)
Employment advertising and recruiting	136	111.4% (5)
Facilities expense	114	8.6%
Telephone	98	9.9%
Audit and tax fees	64	5.1%
Legal fees	(302)	(28.5)% (6)
Depreciation and amortization	(167)	(4.9)% (7)
Other, net	<u>112</u>	<u>0.4%</u>
	<u>\$ 1,485</u>	<u>3.1%</u>

- (1) Increase primarily attributed to the increase in net revenues, subject to changes in the mix of revenues subject to commissions.
- (2) Increase primarily attributed to the increase trade publication advertising and increased participation in trade shows, primarily by V*I Chip.
- (3) Increase primarily attributed to the outsourcing of certain information technology functions that were performed in-house in prior periods.
- (4) Represents an overall increase in travel across all business units.
- (5) Increase due to increase in recruiting costs for newly hired personnel.
- (6) Decrease primarily attributed to a decrease in activity associated with the Company's litigation brought against certain of its insurance carriers with respect to the Ericsson, Inc. settlement of product liability litigation in 2010 compared to 2009.
- (7) Decrease due to certain fixed assets becoming fully depreciated during 2010.

Research and development expenses increased \$4,345,000, or 13.7%, to \$35,981,000 in 2010 from \$31,636,000 in 2009. As a percentage of net revenues, research and development decreased to 14.4% from 16.0%, due to the increase in net revenues.

The components of the \$4,345,000 increase were as follows (in thousands):

	<u>Increase</u>	
Compensation	\$2,101	8.8% (1)
Outside services/subcontract labor	787	98.1% (2)
Deferred costs	454	53.6% (3)
Project materials	328	11.3% (4)
Facilities expenses	152	8.8%
Employment recruiting	117	132.3% (5)
Depreciation and amortization	110	7.6%
Set-up and tooling charges	100	47.1%
Other, net	<u>196</u>	<u>13.2%</u>
	<u>\$4,345</u>	<u>13.7%</u>

- (1) Increase primarily attributed to an increase in research and development personnel for the BBU and V*I Chip business units, annual compensation adjustments in May 2010, and an increase in fringe expense due to increase in premiums for employee health benefits.
- (2) Increase primarily attributed to increased use of outside services and subcontract labor due to increased activity at Vicor Custom subsidiaries, in lieu of hiring permanent employees.
- (3) Increase primarily attributed to a decrease as compared to the prior year, in the deferral of costs capitalized for certain non-recurring engineering projects for which the related revenues have been deferred.
- (4) Increase primarily attributed to an increase in project materials associated with the development of V*I Chip and Picor products.
- (5) Increase primarily attributed to relocation costs for newly hired research and development personnel for the V*I Chip business unit.

During 2009, we initiated and completed workforce reductions and pre-tax charges were recorded for the cost of severance and other employee-related costs involving cash payments during 2009 and 2010 based on each employee's length of service. Total severance charges of \$4,099,000 were recorded in 2009.

During the third quarter of 2009, we entered into a release and settlement agreement with a vendor over alleged product performance issues with certain products the vendor had sold to us. We received a payment of \$750,000 in consideration for the settlement, which is recorded in "Gain from litigation-related and other settlements, net" in the accompanying Consolidated Statement of Operations. In addition, we completed negotiations with Exar and Rohm, resulting in separate settlement agreements calling for a final payment to Exar of \$70,000 and no additional payment due Rohm. As a result of the settlements, we reversed a remaining excess accrual of approximately \$96,000 in the third quarter of 2009, which is recorded in "Gain from litigation-related and other settlements, net" in the accompanying Consolidated Statement of Operations.

The major changes in the components of the "Other income, net" for the years ended December 31 were as follows (in thousands):

	<u>2010</u>	<u>2009</u>	<u>Increase (decrease)</u>
Interest income	\$ 438	\$ 717	\$(279)
Unrealized gain on trading securities	970	1,268	(298)
Unrealized loss on auction rate securities rights	(962)	(964)	2
Credit losses on available for sale securities	(146)	(464)	318
Foreign currency (losses) gains, net	(158)	35	(193)
Gain on disposal of equipment	248	30	218
Other	<u>107</u>	<u>60</u>	<u>47</u>
	<u>\$ 497</u>	<u>\$ 682</u>	<u>\$(185)</u>

The unrealized gains (losses) and estimated credit loss on our auction rate securities and securities rights results from the change in the estimate fair value of these investments as of December 31, 2010 and 2009, compared to December 31, 2009 and 2008, respectively. The decrease in interest income is due to lower average balances on certain of our cash accounts that bear interest as well as a decrease in interest rates. Our exposure to market risk for fluctuations in foreign currency exchange rates relates primarily to the operations of VJCL. The functional currency of our subsidiaries in Europe and Hong Kong is the U.S. dollar.

Income before income taxes was \$29,619,000 in 2010 compared to \$5,455,000 for 2009.

The (benefit) provision for income taxes and the effective income tax rate for the years ended December 31 were as follows (dollars in thousands):

	<u>2010</u>	<u>2009</u>
(Benefit) provision for income taxes	\$ (3,920)	\$ 1,362
Effective income tax rate	(13.2%)	25.0%

The increase in the benefit for income taxes and the decrease in the effective income tax rate for the year ended December 31, 2010, compared to 2009, was principally due to the tax benefits of (\$5,158,000) and (\$1,159,000) recorded as a result of reversing portions of our deferred tax valuation allowance in the third and fourth quarters of 2010, respectively, partially offset by an increase in federal, state and foreign income taxes as compared to 2009. Please see Note 14 of the Consolidated Financial Statements for a discussion of the accounting for the tax benefit, deferred tax assets and deferred tax valuation allowances.

Net income of noncontrolling interest decreased \$1,081,000 from \$1,295,000 for 2009 to \$214,000 in 2010. This was due to lower net income at certain entities in which we hold a noncontrolling interest.

Basic and diluted income per share attributable to Vicor Corporation was \$0.80 for the year ended December 31, 2010 compared to \$0.07 for the year ended December 31, 2009.

Year ended December 31, 2009 compared to Year ended December 31, 2008

Net revenues for fiscal 2009 were \$197,959,000, a decrease of \$7,409,000 or 3.6%, as compared to \$205,368,000 for the same period in 2008.

The components of revenue for the years ended were as follows (dollars in thousands):

	<u>2009</u>	<u>2008</u>	<u>Increase (decrease)</u>	
			<u>\$</u>	<u>%</u>
BBU	\$186,980	\$189,360	\$(2,380)	(1.3)%
V*I Chip (1)	8,960	14,991	(6,031)	(40.2)%
Picor	<u>2,019</u>	<u>1,017</u>	<u>1,002</u>	<u>98.5%</u>
Total	<u>\$197,959</u>	<u>\$205,368</u>	<u>\$(7,409)</u>	<u>(3.6)%</u>

(1) V*I Chip products sold by VJCL are included in the V*I Chip amounts in 2009. The 2009 amounts were previously included in BBU. Sales of V*I Chip products by VJCL in 2008 were not material.

Overall orders for fiscal year 2009 decreased by 3.6% compared with 2008. This decrease was caused by a decrease in BBU orders during the period of 4.8%, offset by an increase in V*I Chip orders of 6.1% and an increase in Picor orders of 140.1%. The book-to-bill ratio for fiscal year 2009 and 2008 was 1.03:1.

Gross margin for fiscal 2009 increased \$1,309,000, or 1.5%, to \$87,594,000 from \$86,285,000 in 2008. Gross margin as a percentage of revenues increased to 44.2% from 42.0% compared to the same period a year ago. The increase in gross margin dollars and gross margin percentage was the result of a more favorable product mix, principally due to increased shipments of higher gross margin products from the Vicor Custom Power subsidiaries and a decrease in shipments of lower gross margin V*I Chip products. Lower production costs also contributed to the higher gross margin.

Selling, general and administrative expenses were \$47,932,000 for 2009, a decrease of \$8,274,000, or 14.7%, as compared to \$56,206,000 for the same period in 2008. As a percentage of net revenues, selling, general and administrative expenses decreased to 24.2% from 27.4%.

The components of the \$8,274,000 decrease were as follows (in thousands):

	<u>Increase (decrease)</u>	
Compensation	\$(3,000)	(10.6)% (1)
Legal fees	(1,672)	(61.7)% (2)
Audit and tax fees	(923)	(42.6)% (3)
Advertising expenses	(886)	(27.9)% (4)
Travel expenses	(657)	(29.2)% (5)
Training expenses	(245)	(17.0)%
Depreciation and amortization	(197)	(5.8)%
International office expenses	(104)	(28.5)%
Employment advertising and recruiting	(97)	(87.0)%
Facilities expense	(53)	(3.3)%
Stockholder reporting	(82)	(32.7)%
Commissions expense	75	1.2%
Other, net	<u>(433)</u>	<u>(10.9)%</u>
	<u><u>\$(8,274)</u></u>	<u>(14.7)%</u>

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- (1) Decrease primarily attributable to the workforce reductions completed in 2009.
 - (2) Decrease primarily attributed to a decrease in activity associated with our lawsuit brought against certain of its insurance carriers with respect to the Ericsson, Inc. settlement of product liability litigation in 2009 compared to 2008.
 - (3) Decrease primarily attributed to the late filings of our 2007 Forms 10-Q and additional work related to accounting for our investment in GWS in the first quarter of 2008.
 - (4) Decrease primarily attributed to decreased advertising in trade publications.
 - (5) Represents an overall reduction in travel across all business units and functional groups.

Research and development expenses increased \$238,000, or 0.8%, to \$31,636,000 in 2009 from \$31,398,000 in 2008. As a percentage of net revenues, research and development increased to 16.0% from 15.3%.

The components of the \$238,000 increase were as follows (in thousands):

	<u>Increase (decrease)</u>	
Project materials	\$ 710	19.5% (1)
Picor non-recurring engineering charges	371	(79.2)% (2)
Set-up and tooling expenses	55	38.0%
Travel expenses	(83)	(30.2)%
Compensation	(380)	(1.6)% (3)
Deferred costs	(666)	(368.5)% (4)
Other, net	<u>231</u>	<u>4.5%</u>
	<u><u>\$ 238</u></u>	<u>0.8%</u>

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- (1) Increase primarily attributed to an increase in materials associated with the development of V*I Chip and Picor products.
 - (2) The Picor business unit provides engineering services to BBU and V*I Chip to support certain manufacturing processes and research and development activities. A decline in services related to manufacturing processes resulted in an increase in the amount of charges allocated to research and development expense.
 - (3) Decrease primarily attributable to the workforce reduction completed in the first quarter of 2009.

- (4) Decrease primarily attributed to an increase in deferred costs capitalized for certain non-recurring engineering projects for which the related revenues have been deferred.

On January 14, 2009, senior management authorized and we announced a plan to reduce our workforce by approximately eight percent by the end of January 2009. Senior management authorized additional reductions to our workforce in the second and third quarters of 2009. We completed these reductions in workforce and recorded pre-tax charges for severance and other employee-related costs of \$4,099,000 for 2009.

During the third quarter of 2009, we entered into a release and settlement agreement with a vendor over alleged product performance issues with certain product the vendor had sold to us. We received a payment of \$750,000 in consideration for the settlement, which is recorded in "Gain from litigation-related and other settlements, net" in the accompanying Consolidated Statement of Operations. In addition, we completed negotiations with Exar and Rohm, resulting in separate settlement agreements calling for a final payment to Exar of \$70,000 and no additional payment due Rohm. As a result of the settlements, we reversed a remaining excess accrual of approximately \$96,000 in the third quarter of 2009, which is recorded in "Gain from litigation-related and other settlements, net" in the accompanying Consolidated Statement of Operations.

The major changes in the components of the "Other income, net" for the years ended December 31 were as follows (in thousands):

	<u>2009</u>	<u>2008</u>	<u>Increase (decrease)</u>
Interest income	\$ 717	\$ 2,138	\$(1,421)
Unrealized gain (loss) on trading securities	1,268	(2,238)	3,506
Unrealized (loss) gain on auction rate securities rights	(964)	1,926	(2,890)
Credit losses on available for sale securities	(464)	—	(464)
Foreign currency gains, net	35	82	(47)
Gain on disposal of equipment	30	19	11
Other	<u>60</u>	<u>101</u>	<u>(41)</u>
	<u>\$ 682</u>	<u>\$ 2,028</u>	<u>\$(1,346)</u>

The decrease in interest income is due to lower average balances on our cash equivalents and short and long-term investments as well as a decrease in interest rates. The unrealized gains (losses) and credit loss on our auction rate securities and securities rights results from the change in fair value of these investments during the period.

Income before income taxes was \$5,455,000 in 2009 compared to \$886,000 for 2008.

The provision for income taxes and the effective income tax rate for the years ended December 31 were as follows (dollars in thousands):

	<u>2009</u>	<u>2008</u>
Provision for income taxes	\$1,362	\$ 976
Effective income tax rate	25.0%	110.2%

The lower effective income tax rate for the year ended December 31, 2009 compared to the same period in 2008 is principally due an increase in income before income taxes from \$886,000 in 2008 to \$5,455,000 in 2009, with only a \$386,000 increase in the provision for income taxes from 2008 to 2009. The provision for income taxes was higher in 2009 than 2008 due to a reduction in tax reserves due to closing tax periods in certain jurisdictions of \$1,123,000 in 2008, partially offset by higher estimated federal and state income taxes for one of the noncontrolling interests that is not part of our consolidated tax return in 2008 compared to 2009.

Loss from equity method investment (net of tax) decreased from \$1,688,000 in 2008 to \$0 in 2009. This was principally due to the equity method investment in GWS being adjusted for a decline in value judged to

be other than temporary of \$706,000 in the first quarter of 2008 and \$555,000 in the fourth quarter, respectively, the allocation of equity method losses for 2008, and bringing the investment balance in GWS to zero as of December 31, 2008.

Net income of noncontrolling interest decreased \$522,000 from \$1,817,000 for 2008 to \$1,295,000 in 2009. This was due to lower net income at certain entities in which we hold a noncontrolling interest.

Basic and diluted income (loss) per share attributable to Vicor Corporation was \$0.07 for the year ended December 31, 2009, compared to \$(0.09) for the year ended December 31, 2008.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2010, we had \$49,279,000 in unrestricted cash and cash equivalents. The ratio of current assets to current liabilities was 5.6:1 at December 31, 2010, compared to 4.6:1 at December 31, 2009. Working capital increased \$30,663,000 to \$105,454,000 at December 31, 2010 from \$74,791,000 at December 31, 2009. The primary factors affecting the working capital increase were increases in inventories of \$14,132,000, accounts receivable of \$12,260,000, cash and cash equivalents of \$9,055,000, deferred tax assets of \$1,983,000, as well as a decrease in deferred revenue of \$1,832,000, offset by increases in accounts payable of \$2,541,000, accrued compensation and benefits of \$1,032,000, as well as a decrease in short term investments of \$2,583,000 and other current assets of \$1,948,000. The primary source of cash for the year ended December 31, 2010, was \$16,894,000 from operating activities and \$14,860,000 in net sales of short-term and long-term investments. The primary use of cash for the year ended December 31, 2010 was \$12,103,000 for the purchase of equipment, \$12,506,000 for the payments of common stock dividends, and \$552,000 for the payments of noncontrolling interest dividends, discussed below.

As of December 31, 2010, we held \$19,075,000 of auction rate securities classified as long-term investments. Please see Note 4 of the Consolidated Financial Statements for a discussion of the securities and our accounting treatment thereof.

In November 2000, our Board of Directors authorized the repurchase of up to \$30,000,000 of Common Stock (the "November 2000 Plan"). The November 2000 Plan authorizes us to make such repurchases from time to time in the open market or through privately negotiated transactions. The timing and amounts of stock repurchases are at the discretion of management based on its view of economic and financial market conditions. We did not repurchase shares of Common Stock during the year ended December 31, 2010. As of December 31, 2010, we had approximately \$8,541,000 remaining under the November 2000 Plan.

On June 28, 2010, our Board of Directors approved a cash dividend of \$0.30 per share of the Company's common stock. The total dividend of approximately \$12,506,000 was paid on July 30, 2010, to shareholders of record at the close of business on July 16, 2010.

During the year ending December 31, 2010, three subsidiaries paid a total of \$5,457,000 in dividends, of which \$552,000 was paid to outside shareholders. Dividends paid to outside shareholders are accounted for as a reduction in noncontrolling interest.

The table below summarizes our contractual obligations as of December 31, 2010 (in thousands):

<u>Contractual Obligations</u>	<u>Payments Due by Period</u>				
	<u>Total</u>	<u>Less than 1 Year</u>	<u>Years 2 & 3</u>	<u>Years 4 & 5</u>	<u>More Than 5 Years</u>
Operating lease obligations	\$2,607	\$1,264	\$1,059	\$284	\$—
Purchase obligations	1,332	305	625	402	—
	<u>\$3,939</u>	<u>\$1,569</u>	<u>\$1,684</u>	<u>\$686</u>	<u>\$—</u>

We also have a contract with a third-party to supply nitrogen for our manufacturing and research and development activities. Under the contract, we are obligated to pay a minimum of \$300,000 annually, subject to semi-annual price adjustments, through March 2015.

In addition to the amounts shown in the table above, approximately \$958,000 of unrecognized tax benefits have been recorded as liabilities, and we are uncertain as to if or when such amounts may be settled. Related to these unrecognized tax benefits, we have also recorded a liability for potential interest and penalties of approximately \$77,000 on December 31, 2010.

Our primary liquidity needs are for making continuing investments in manufacturing equipment, particularly equipment to increase capacity for our V*I Chip products and to upgrade equipment for BBU production. We believe cash generated from operations and the total of its cash and cash equivalents and short-term investments will be sufficient to fund planned operations and capital equipment purchases for the foreseeable future. We have approximately \$2,080,000 of capital expenditure commitments, principally for manufacturing equipment, as of December 31, 2010.

Based on our ability to access cash and other short-term investments and our expected operating cash flows, we do not anticipate that the current lack of liquidity of our auction rate securities will affect our ability to execute our current operating plan.

We do not consider the impact of inflation and changing prices on our business activities or fluctuations in the exchange rates for foreign currency transactions to have been significant during the last three fiscal years.

ITEM 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

We are exposed to a variety of market risks, including changes in interest rates affecting the return on our cash and cash equivalents and short-term investments and fluctuations in foreign currency exchange rates. As our cash and cash equivalents consist principally of money market securities, which are short-term in nature, we believe our exposure to market risk on interest rate fluctuations for these investments is not significant. Our short-term and long-term investments consist mainly of municipal and corporate debt securities, of which the Failed Auction Securities represent a significant portion. While the Failed Auction Securities are all highly rated investments, generally with AAA/Aaa ratings, continued failure to sell at their reset dates could negatively impact the carrying value of the investments, in turn leading to impairment charges in future periods. Changes in the fair value of the Failed Auction Securities attributable to credit loss are recorded through earnings, with the remainder of any change recorded in "Accumulated other comprehensive (loss) income." Should a decline in the value of the Failed Auction Securities be other than temporary, the losses would be recorded in "Other income (expense), net." We do not believe there was an "other-than-temporary" decline in value in these securities as of December 31, 2010. We estimate that our annual interest income would change by approximately \$1,200,000 in 2010 for each 100 basis point increase or decrease in interest rates.

Our exposure to market risk for fluctuations in foreign currency exchange rates relates primarily to the operations of VJCL and changes in the dollar/yen exchange rate, as the functional currency of our subsidiaries in Europe and Hong Kong is the U.S. dollar. Therefore, we believe market risk is mitigated since these operations are not materially exposed to foreign exchange fluctuations. Relative to foreign currency exposure against the yen existing on December 31, 2010, we estimate that a 10% unfavorable movement in the dollar/yen exchange rate would increase foreign currency loss by approximately \$157,000.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Vicor Corporation:

We have audited the accompanying consolidated balance sheets of Vicor Corporation (a Delaware Corporation) and its subsidiaries (collectively, the “Company”) as of December 31, 2010 and 2009, and the related consolidated statements of operations, equity, and cash flows for each of the three years in the period ended December 31, 2010. Our audits of the basic financial statements included the financial statement schedule listed in the index appearing under Item 15(a)(2). These financial statements and financial statement schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the Consolidated Financial Statements referred to above present fairly, in all material respects, the financial position of Vicor Corporation and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for the three years in the period ended December 31, 2010 in conformity with accounting principles generally acceptable in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Vicor Corporation and subsidiaries’ internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 3, 2011 expressed an unqualified opinion thereon.

/s/ Grant Thornton LLP

Boston, Massachusetts
March 3, 2011

VICOR CORPORATION
CONSOLIDATED BALANCE SHEETS
December 31, 2010 and 2009
(In thousands, except per share data)

	2010	2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 49,279	\$ 40,224
Restricted cash equivalents	—	192
Short-term investments	—	2,583
Accounts receivable, less allowance of \$309 in 2010 and \$260 in 2009	38,825	26,565
Inventories, net	35,489	21,357
Deferred tax assets	2,164	181
Other current assets	2,397	4,345
Total current assets	128,154	95,447
Restricted cash and cash equivalents	—	223
Long-term investments, net	18,417	29,995
Auction rate securities rights	—	962
Property, plant and equipment, net	50,848	49,009
Long-term deferred tax assets	2,805	—
Other assets	4,688	4,941
	\$ 204,912	\$ 180,577
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 11,999	\$ 9,458
Accrued compensation and benefits	6,772	5,740
Accrued expenses	3,138	2,618
Accrued severance charges	—	259
Income taxes payable	102	60
Deferred revenue	689	2,521
Total current liabilities	22,700	20,656
Long-term deferred revenue	2,178	2,196
Long-term income taxes payable	1,022	384
Deferred income taxes	—	1,275
Commitments and contingencies (Note 15)	—	—
Equity:		
Vicor Corporation stockholders' equity:		
Preferred Stock, \$.01 par value, 1,000,000 shares authorized; no shares issued		
Class B Common Stock: 10 votes per share, \$.01 par value, 14,000,000 shares authorized, 11,767,052 shares issued and outstanding	118	118
Common Stock: 1 vote per share, \$.01 par value, 62,000,000 shares authorized 38,400,897 shares issued and 30,002,499 shares outstanding (38,296,408 shares issued and 29,898,010 shares outstanding in 2009)	385	384
Additional paid-in capital	163,933	161,746
Retained earnings	133,791	112,972
Accumulated other comprehensive loss	(1,369)	(1,608)
Treasury stock at cost: 8,398,398 shares in 2010 and 2009	(121,827)	(121,827)
Total Vicor Corporation stockholders' equity	175,031	151,785
Noncontrolling interest	3,981	4,281
Total equity	179,012	156,066
	\$ 204,912	\$ 180,577

See accompanying notes.

VICOR CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
Years ended December 31, 2010, 2009 and 2008
(In thousands, except per share amounts)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Net revenues	\$250,733	\$197,959	\$205,368
Cost of revenues	<u>136,213</u>	<u>110,365</u>	<u>119,083</u>
Gross margin	114,520	87,594	86,285
Operating expenses:			
Selling, general and administrative	49,417	47,932	56,206
Research and development	35,981	31,636	31,398
Severance charges	—	4,099	—
Gain from litigation-related and other settlements, net	<u>—</u>	<u>(846)</u>	<u>(177)</u>
Total operating expenses	<u>85,398</u>	<u>82,821</u>	<u>87,427</u>
Income (loss) from operations	29,122	4,773	(1,142)
Other income, net:			
Total other than temporary impairment (losses) gains on available-for-sale securities	(271)	759	—
Portion of gains (losses) recognized in other comprehensive income	<u>125</u>	<u>(1,223)</u>	<u>—</u>
Net impairment losses recognized in earnings	(146)	(464)	—
Other income, net	<u>643</u>	<u>1,146</u>	<u>2,028</u>
Total other income, net	<u>497</u>	<u>682</u>	<u>2,028</u>
Income before income taxes	29,619	5,455	886
(Benefit) provision for income taxes	(3,920)	1,362	976
Loss from equity method investment (net of tax)	<u>—</u>	<u>—</u>	<u>1,688</u>
Consolidated net income (loss)	33,539	4,093	(1,778)
Less: Net income attributable to noncontrolling interest	<u>214</u>	<u>1,295</u>	<u>1,817</u>
Net income (loss) attributable to Vicor Corporation	<u>\$ 33,325</u>	<u>\$ 2,798</u>	<u>\$ (3,595)</u>
Net income (loss) per common share attributable to Vicor Corporation:			
Basic	\$ 0.80	\$ 0.07	\$ (0.09)
Diluted	\$ 0.80	\$ 0.07	\$ (0.09)
Shares used to compute net income (loss) per common share attributable to Vicor Corporation:			
Basic	41,700	41,665	41,651
Diluted	41,772	41,671	41,651
Cash dividends declared per share	\$ 0.30	\$ —	\$ 0.30

See accompanying notes.

VICOR CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2010, 2009 and 2008
(In thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating activities:			
Consolidated net income (loss)	\$ 33,539	\$ 4,093	\$ (1,778)
Adjustments to reconcile consolidated net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	10,222	10,198	10,515
Deferred income taxes	(6,274)	(74)	127
Unrealized (gain) loss on trading securities	(970)	(1,268)	2,238
Unrealized loss on auction rate security rights	962	964	—
Stock compensation expense	871	657	1,121
Gain on disposal of equipment	(249)	(30)	(22)
Excess tax benefit of share-based compensation	(213)	—	—
Credit loss on available for sale securities	146	464	—
(Decrease) increase in long-term deferred revenue	(18)	1,078	1,076
Severance charges	—	4,099	—
Unrealized gain on acquisition of auction rate security rights	—	—	(1,926)
Loss from equity method investee (net of tax)	—	—	1,688
Change in current assets and liabilities, net	<u>(21,122)</u>	<u>4,617</u>	<u>(3,976)</u>
Net cash provided by operating activities	16,894	24,798	9,063
Investing activities:			
Purchases of investments	(908)	(1,695)	(11,574)
Sales and maturities of investments	15,768	6,650	28,004
Additions to property, plant and equipment	(12,103)	(10,643)	(8,265)
Purchase of equity method investment	—	—	(1,000)
Proceeds from sale of equipment	421	32	25
Change in restricted cash	415	322	215
Decrease (increase) in other assets	<u>172</u>	<u>(572)</u>	<u>(229)</u>
Net cash provided by (used in) investing activities	3,765	(5,906)	7,176
Financing activities:			
Proceeds from issuance of Common Stock	1,104	—	202
Common stock dividends paid	(12,506)	—	(12,494)
Noncontrolling interest dividends paid	(552)	(1,269)	(1,168)
Excess tax benefit of share-based compensation	<u>213</u>	<u>—</u>	<u>—</u>
Net cash used in financing activities	(11,741)	(1,269)	(13,460)
Effect of foreign exchange rates on cash	<u>137</u>	<u>(38)</u>	<u>(157)</u>
Net increase in cash and cash equivalents	9,055	17,585	2,622
Cash and cash equivalents at beginning of period	40,224	22,639	20,017
Cash and cash equivalents at end of period	<u>\$ 49,279</u>	<u>\$ 40,224</u>	<u>\$ 22,639</u>
Change in assets and liabilities:			
Accounts receivable	(11,926)	2,148	3,684
Inventories, net	(13,928)	5,291	(3,311)
Other current assets	2,050	(2,065)	559
Accounts payable and accrued liabilities	3,881	2,550	(4,410)
Accrued severance	(259)	(3,840)	—
Accrual for litigation settlement	—	(162)	(78)
Income taxes payable	892	(1,164)	(141)
Deferred revenue	<u>(1,832)</u>	<u>1,859</u>	<u>(279)</u>
	<u>\$ (21,122)</u>	<u>\$ 4,617</u>	<u>\$ (3,976)</u>
Supplemental disclosures:			
Cash paid during the year for income taxes, net of refunds	\$ 1,113	\$ 3,122	\$ 602

See accompanying notes.

VICOR CORPORATION
CONSOLIDATED STATEMENTS OF EQUITY
Years Ended December 31, 2010, 2009 and 2008
(In thousands)

	Class B Common Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Vicor Corporation Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance on December 31, 2007	\$118	\$384	\$159,332	\$126,263	\$ 170	\$(121,827)	\$164,440	\$ 4,040	\$168,480
Sales of Common Stock			202				202		202
Common stock dividends paid				(12,494)			(12,494)		(12,494)
Noncontrolling interest dividends paid								(1,168)	(1,168)
Stock-based compensation expense			1,121				1,121		1,121
Noncontrolling interest adjustment(1)			434				434	(434)	—
Net loss				(3,595)			(3,595)	1,817	(1,778)
Unrealized loss on investments					(3,314)		(3,314)		(3,314)
Currency translation adjustments, net of tax of \$226					377		377		377
Comprehensive loss							(6,532)		(4,715)
Balance on December 31, 2008	118	384	161,089	110,174	(2,767)	(121,827)	147,171	4,255	151,426
Noncontrolling interest dividends paid								(1,269)	(1,269)
Stock-based compensation expense			657				657		657
Net income				2,798			2,798	1,295	4,093
Unrealized gain on investments					1,223		1,223		1,223
Currency translation adjustments, net of tax of \$30					(64)		(64)		(64)
Comprehensive income							3,957		5,252
Balance on December 31, 2009	118	384	161,746	112,972	(1,608)	(121,827)	151,785	4,281	156,066
Sales of Common Stock		1	1,103				1,104		1,104
Common stock dividends paid				(12,506)			(12,506)		(12,506)
Noncontrolling interest dividend paid								(552)	(552)
Excess tax benefit of share-based compensation			213				213		213
Stock-based compensation expense			871				871		871
Net income				33,325			33,325	214	33,539
Unrealized gain on investments					(123)		(123)	(2)	(125)
Currency translation adjustments, net of tax of \$169					362		362	40	402
Comprehensive income							33,564	252	33,816
Balance on December 31, 2010	<u>\$118</u>	<u>\$385</u>	<u>\$163,933</u>	<u>\$133,791</u>	<u>\$(1,369)</u>	<u>\$(121,827)</u>	<u>\$175,031</u>	<u>\$ 3,981</u>	<u>\$179,012</u>

(1) A noncontrolling interest had a redemption of preferred stock that resulted in a \$434,000 adjustment to Additional Paid-In-Capital.

See accompanying notes.

VICOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

Vicor Corporation (the “Company” or “Vicor”) designs, develops, manufactures and markets modular power converters, power system components, and power systems. The Company also licenses certain rights to its technology in return for ongoing royalties. The principal markets for the power converters and systems are large Original Equipment Manufacturers and their contract manufacturers, and smaller, lower volume users which are broadly distributed across several major market areas.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The Consolidated Financial Statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances have been eliminated upon consolidation. Certain of the Company’s Vicor Custom Power entities are not majority owned by the Company. These entities are consolidated by the Company as management believes that the Company has the ability to exercise control over their activities and operations.

Revenue recognition

Product revenue is recognized in the period when persuasive evidence of an arrangement with a customer exists, the products are shipped and title has transferred to the customer, the price is fixed or determinable, and collection is considered probable. License fees are recognized as earned. The Company recognizes revenue on such arrangements only when the contract is signed, the license term has begun, all obligations have been delivered to the customer, and collection is probable. The Company evaluates revenue arrangements with potential multi-element deliverables to determine if there is more than one unit of accounting. A deliverable constitutes a separate unit of accounting when it has standalone value and there are no customer-negotiated refund or return rights for the undelivered elements. The selling price for each deliverable is based on vendor-specific objective evidence (“VSOE”) if available, third-party evidence (“TPE”) if VSOE is not available, or best estimate of selling price (“BESP”) if neither VSOE or TPE is available.

The Company enters into arrangements containing multiple elements which may include a combination of non-recurring engineering services (“NRE”), prototype units and production units. The Company has determined that the NRE and prototype units represent one unit of accounting and the production units a separate unit of accounting, based on an assessment of the respective standalone value. When possible, revenue is allocated to the elements based on VSOE or TPE for each element. For arrangements where VSOE or TPE cannot be established, the Company uses BESP for the allocation of arrangement consideration. The objective of BESP is to determine the price at which the Company would typically transact a standalone sale of the product or service. BESP is determined by considering a number of factors including the Company’s pricing policies, internal costs and gross margin objectives, current market conditions, information gathered from experience in customer negotiations and the competitive landscape.

The Company defers revenue recognition for the NRE and prototype units until completion of the final milestone under the NRE arrangement. Recognition generally takes place within six to twelve months of the initiation of the arrangement. Revenue for the production units is recognized upon shipment, as for product revenue, as summarized above. For certain multiple-element arrangements entered into prior to January 1, 2009 which contained a combination of technical support services, NRE, minimum license payments and future royalties, separate units of accounting could not be established. Therefore, revenue under these arrangements is deferred and recognized over the term of the arrangement. During 2010, 2009 and 2008, revenue recognized under multi-element arrangements accounted for less than 3% of net revenues.

VICOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Foreign currency translation

The financial statements of Vicor Japan Company, Ltd. (“VJCL”), a majority owned subsidiary, for which the functional currency is the Japanese yen, have been translated into U.S. dollars using the exchange rate in effect at the balance sheet date for balance sheet amounts and the average exchange rates in effect during the year for income statement amounts. The gains and losses resulting from the changes in exchange rates from year to year have been reported in other comprehensive income.

Transaction gains and losses and translation gains (losses) resulting from the remeasurement of foreign currency denominated assets and liabilities of the Company’s foreign subsidiaries where the functional currency is the U.S. dollar are included in other income, net. Foreign currency gains (losses) included in other income, net, were approximately (\$158,000), \$35,000, and \$82,000 in 2010, 2009 and 2008, respectively.

Cash and cash equivalents

Cash and cash equivalents include funds held in checking and money market accounts, certificates of deposit and debt securities with maturities of less than three months at the time of purchase. Cash and cash equivalents are valued at cost which approximates market value. The Company’s money market securities, which are classified as cash equivalents on the balance sheet, are purchased and redeemed at par. The estimated fair value is equal to the cost of the securities and due to the nature of the securities there are no unrealized gains or losses at the balance sheet dates.

Restricted cash and short-term investments

Restricted cash and short-term investments represent the amount of cash and short-term investments required to be set aside as a guarantee for certain foreign letters of credit.

Short-term and long-term investments

The Company’s principal sources of liquidity are its existing balances of cash, cash equivalents and short-term investments, as well as cash generated from operations. Consistent with the Company’s investment policy guidelines, the Company can invest, and has historically invested, its cash balances in demand deposit accounts, money market funds, brokered certificates of deposit and auction rate securities meeting certain quality criteria. All of the Company’s investments are subject to credit, liquidity, market, and interest rate risk.

The Company’s short-term and long-term investments are classified as either available-for-sale or trading securities. Available-for-sale securities are recorded at fair value, with unrealized gains and losses, net of tax, attributable to credit loss recorded through the statement of operations and unrealized gains and losses, net of tax, attributable to other non-credit factors recorded in “Accumulated other comprehensive loss”, a component of Stockholders’ Equity. In determining the amount of credit loss, the Company compares the present value of cash flows expected to be collected to the amortized cost basis of the securities, considering, among other factors, credit default risk probabilities and changes in credit ratings as significant inputs. Trading securities are recorded at fair value, with unrealized gains and losses recorded through the Consolidated Statements of Operations each reporting period.

The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity, the net amount of which, along with interest and realized gains and losses, is included in “Other income, net” in the Consolidated Statements of Operations. The Company periodically evaluates investments to determine if impairment is required, whether an impairment is other than temporary, and the measurement of an impairment loss. The Company considers a variety of impairment indicators such as, but not limited to, a significant deterioration in the earnings performance, credit rating, or asset quality of the investment.

VICOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Fair value measurements

The Company accounts for certain financial assets at fair value, defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., 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. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. A three-level hierarchy is used to show the extent and level of judgment used to estimate fair value measurements:

- Level 1 Inputs used to measure fair value are unadjusted quoted prices available in active markets for the identical assets or liabilities as of the reporting date.
- Level 2 Inputs used to measure fair value, other than quoted prices included in Level 1, are either directly or indirectly observable as of the reporting date through correlation with market data, including quoted prices for similar assets and liabilities in active markets and quoted prices in inactive markets. Level 2 also includes assets and liabilities valued using models or other pricing methodologies that do not require significant judgment since the input assumptions used in the models, such as interest rates and volatility factors, are corroborated by readily observable data from actively quoted markets for substantially the full term of the financial instrument.
- Level 3 Inputs used to measure fair value are unobservable inputs supported by little or no market activity and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.

The Company uses the fair value option for certain financial assets, which allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement for specified financial assets and liabilities on a case-by-case basis.

Allowance for doubtful accounts

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments, based on assessments of customers' credit-risk profiles and payment histories. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The Company does not require collateral from its customers.

Inventories

Inventories are valued at the lower of cost (determined using the first-in, first-out method) or net realizable value. The Company provides reserves for inventories estimated to be excess, obsolete or unmarketable. The Company's estimation process for assessing net realizable value is based upon its known backlog, projected future demand and expected market conditions. If the Company's estimated demand and/or market expectation were to change or if product sales were to decline, the Company's estimation process may cause larger inventory reserves to be recorded, resulting in larger charges to cost of revenues.

Concentrations of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents, short-term and long-term investments and trade accounts receivable. The Company maintains cash and cash equivalents and certain other financial instruments with various financial institutions. The Company's short-term and long-term investments consist of highly rated

VICOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(AAA/Aaa) municipal and corporate debt securities in which a significant portion are invested in auction rate securities. As of December 31, 2010, the Company was holding a total of approximately \$19,075,000 in auction rate securities, the significant majority of which are student loan backed securities. Through December 31, 2010, auctions held for all of the Company's auction rate securities have failed. The funds associated with auction rate securities that have failed auction may not be accessible until a successful auction occurs, a buyer is found outside of the auction process, the security is called, or the underlying securities have matured. If the credit rating of the issuer of any auction rate security held deteriorates, the Company may be required to adjust the carrying value of the investment for an other-than-temporary decline in value through an impairment charge. The Company's investment policy, approved by the Board of Directors, limits the amount the Company may invest in any issuer, thereby reducing credit risk concentrations. Concentrations of credit risk with respect to trade accounts receivable are limited due to the number of entities comprising the Company's customer base. As of December 31, 2010, one customer accounted for approximately 10.7% of trade account receivables. Credit losses have consistently been within management's expectations.

Goodwill, other intangible assets, and long-lived assets

The Company performs a test of goodwill for potential impairment at least annually. Values assigned to patents are amortized using the straight-line method over periods ranging from three to twenty years.

Long-lived assets such as property, plant and equipment and intangible assets, are included in impairment evaluations when events or circumstances exist that indicate the carrying amount of those assets may not be recoverable. If the impairment evaluation indicates the affected asset is not recoverable, the asset's carrying value would be reduced to fair value. No event has occurred that would suggest any impairment in the value of long-lived assets recorded in the accompanying Consolidated Financial Statements.

Other investments

The Company accounts for its investment in Great Wall Semiconductor Corporation ("GWS") under the equity method of accounting.

Advertising expense

The cost of advertising is expensed as incurred. The Company incurred \$2,378,000, \$1,969,000 and \$2,735,000 in advertising costs during 2010, 2009 and 2008, respectively.

Product warranties

The Company generally offers a two-year warranty for all of its products. The Company provides for the estimated cost of product warranties at the time product revenue is recognized. Factors that affect the Company's warranty reserves include the number of units sold, historical and anticipated rates of warranty returns and the cost per return. The Company periodically assesses the adequacy of the warranty reserves and adjusts the amounts as necessary. Warranty obligations are included in "Accrued expenses" in the accompanying Consolidated Balance Sheets.

Net income (loss) per common share

The Company computes basic earnings per share using the weighted average number of common shares outstanding and diluted earnings per share using the weighted average number of common shares outstanding plus the effect of outstanding dilutive stock options, if any. The following table sets forth the computation of

VICOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

basic and diluted income (loss) per share for the years ended December 31 (in thousands, except per share amounts):

	2010	2009	2008
Numerator:			
Net income (loss) attributable to Vicor Corporation.	<u>\$33,325</u>	<u>\$ 2,798</u>	<u>\$ (3,595)</u>
Denominator:			
Denominator for basic income (loss) per share-weighted average shares(1)	41,700	41,665	41,651
Effect of dilutive securities:			
Employee stock options(2)	<u>72</u>	<u>6</u>	<u>—</u>
Denominator for diluted income (loss) per share — adjusted weighted-average shares and assumed conversions(3).	<u>41,772</u>	<u>41,671</u>	<u>41,651</u>
Basic income (loss) per share	<u>\$ 0.80</u>	<u>\$ 0.07</u>	<u>\$ (0.09)</u>
Diluted income (loss) per share	<u>\$ 0.80</u>	<u>\$ 0.07</u>	<u>\$ (0.09)</u>

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- (1) Denominator represents weighted average number of Common Shares and Class B Common Shares outstanding.
 - (2) Options to purchase 345,998 and 720,823 shares of Common Stock were outstanding in 2010 and 2009, respectively, but were not included in the computation of diluted income per share because the options' exercise prices were greater than the average market price of the Common Stock and, therefore, the effect would have been antidilutive. Options to purchase 1,084,175 shares of Common Stock in 2008 were not included in the calculation of net loss per share as the effect would have been antidilutive.
 - (3) Denominator represents weighted average number of Common Shares and Class B Common Shares outstanding for the year, adjusted to include the dilutive effect, if any, of outstanding options.

Income taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted income tax rates and laws that are expected to be in effect when the temporary differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized. Additionally, deferred tax assets and liabilities are separated into current and noncurrent amounts based on the classification of the related assets and liabilities for financial reporting purposes or the expected reversal.

The Company follows a two-step process to determine the amount of tax benefit to recognize. First, the tax position must be evaluated to determine the likelihood that it will be sustained upon examination by a tax authority. If the tax position is deemed “more-likely-than-not” to be sustained, the tax position is then assessed to determine the amount of benefit to recognize in the financial statements. The amount of the benefit that may be recognized is the largest amount that has a greater than 50 percent likelihood of being realized upon ultimate settlement. If the tax position does not meet the “more-likely-than-not” threshold then it is not recognized in the financial statements. Additionally, the Company accrues interest and penalties, if any, related to unrecognized tax benefits as a component of income tax expense.

VICOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Stock-based compensation

The Company uses the Black-Scholes option-pricing model to calculate the grant-date fair value of stock option awards. The resulting compensation expense, net of expected forfeitures, for non performance-based stock options is recognized on a straight-line basis over the service period of the award, which is generally five years for stock options. For stock options with performance-based vesting provisions, recognition of compensation expense, net of expected forfeitures, commences if and when the achievement of the performance criteria is deemed probable. The compensation expense, net of expected forfeitures, for performance-based stock options is recognized over the relevant performance period.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Such estimates relate to the useful lives of fixed assets and identified intangible assets, fair value of short and long-term investments, allowances for doubtful accounts, the net realizable value of inventory, potential reserves relating to litigation matters, accrued liabilities, accrued taxes, deferred tax valuation allowances, assumptions pertaining to share-based payments and other reserves. Actual results could differ from those estimates, and such differences may be material to the financial statements.

Comprehensive (loss) income

The components of comprehensive income (loss) include, in addition to net income (loss), unrealized gains and losses on investments, net of tax and foreign currency translation adjustments related to VJCL.

Impact of recently issued accounting standards

Effective January 1, 2010, the Company adopted new accounting guidance related to the Consolidation of Variable Interest Entities. The new accounting standard replaces the quantitative-based risks and rewards calculation for determining which enterprise, if any, has a controlling financial interest in a variable interest entity with an approach focused on identifying which enterprise has the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and (1) the obligation to absorb losses of the entity or (2) the right to receive benefits from the entity. The new standard also provides additional reconsideration events for determining whether an entity is a variable interest entity and requirements for ongoing assessments of whether an enterprise is the primary beneficiary of a variable interest entity. The adoption of this new accounting guidance did not have a material effect on the Company's financial position or results of operations.

Effective January 1, 2010, the Company adopted new accounting guidance on fair value measurements and disclosures. The new guidance requires more robust disclosures about (1) the different classes of assets and liabilities measured at fair value, (2) the valuation techniques and inputs used, (3) the activity in Level 3 fair value measurements, and (4) the transfers between Levels 1, 2, and 3. The adoption of this new accounting guidance did not have a material effect on the Company's financial position or results of operations.

VICOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. STOCK-BASED COMPENSATION AND EMPLOYEE BENEFIT PLANS

Vicor currently grants stock options under the following equity compensation plans that are shareholder-approved:

Amended and Restated 2000 Stock Option and Incentive Plan (the "Vicor 2000 Plan") — Under the Vicor 2000 Plan, the Board of Directors or the Compensation Committee of the Board of Directors may grant stock incentive awards based on the Company's Common Stock, including stock options, stock appreciation rights, restricted stock, performance shares, unrestricted stock, deferred stock and dividend equivalent rights. Awards may be granted to employees and other key persons, including non-employee directors. Discretionary awards of stock options to non-employee directors shall be in lieu of any automatic grant of stock options under the Company's 1993 Stock Option Plan (the "Vicor 1993 Plan") and the Company's 1998 Stock Option and Incentive Plan (the "Vicor 1998 Plan"). Incentive stock options may be granted to employees at a price at least equal to the fair market value per share of the Common Stock on the date of grant, and non-qualified options may be granted to non-employee directors at a price at least equal to 85% of the fair market value of the Common Stock on the date of grant. A total of 4,000,000 shares of Common Stock have been reserved for issuance under the Vicor 2000 Plan. The period of time during which an option may be exercised and the vesting periods are determined by the Compensation Committee. The term of each option may not exceed ten years from the date of grant.

1998 Stock Option and Incentive Plan (the "Vicor 1998 Plan") — The Vicor 1998 Plan permitted the grant of share options to its employees and other key persons, including non-employee directors for the purchase of up to 2,000,000 shares of common stock. As a result of the approval of the Vicor 2000 Plan, no further grants were made under the Vicor 1998 Plan.

1993 Stock Option Plan (the "Vicor 1993 Plan") — The Vicor 1993 Plan permitted the grant of share options to its employees and non-employee directors for the purchase of up to 4,000,000 shares of common stock. As a result of the approval of the Vicor 2000 Plan, no further grants were made under the 1993 Plan.

Picor Corporation ("Picor"), a privately held majority-owned subsidiary of Vicor, currently grants stock options under the following equity compensation plan that has been approved by its Board of Directors:

2001 Stock Option and Incentive Plan, as amended (the "2001 Picor Plan") — The 2001 Picor Plan permits the grant of share options to its employees and other key persons, including non-employee directors and full or part-time officers, for the purchase of up to 80,000,000 shares of common stock.

V*I Chip Corporation ("V*I Chip"), a privately held wholly-owned subsidiary of Vicor, currently grants stock options under the following equity compensation plan that has been approved by its Board of Directors:

*2007 Stock Option and Incentive Plan, as amended (the "2007 V*I Chip Plan")* — The 2007 V*I Chip Plan permits the grant of share options to its employees and other key persons, including non-employee directors and full or part-time officers, for the purchase of up to 100,000,000 shares of common stock.

All non performance-based option awards are granted at an exercise price equal to or greater than the market price for Vicor at the date of the grant, and are granted at a price equal to or greater than the estimated fair value for both Picor and V*I Chip at the date of grant. Options generally vest over various periods of up to five years and may be exercised for up to 10 years from the date of grant, which is the maximum contractual term. The Company uses the graded attribution method to recognize expense for all stock-based awards.

During the third quarter of 2010, the Company granted 1,243,750 non-qualified stock options under the Vicor 2000 Plan, with performance-based vesting provisions tied to achievement of certain quarterly revenue targets by the Brick Business Unit. Under the accounting rules for performance-based awards, the Company is

VICOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

required to assess, on an ongoing basis, the probability of whether the performance criteria will be achieved. If and when achievement is deemed probable, the Company will begin to recognize the associated compensation expense for the stock options over the relevant performance period. As of December 31, 2010, the Company determined that it was not probable that the revenue targets could be achieved and, accordingly, has not recorded compensation expense relating to these options since the grant date. The unrecognized compensation expense of these performance-based options was approximately \$7,790,000 as of December 31, 2010. The fair value for the options was estimated at the date of grant using the Black Scholes option pricing model.

On December 31, 2010, the Company granted 2,984,250 non-qualified stock options under the 2007 V*I Chip Plan with performance-based vesting provisions tied to achievement of certain margin targets by the V*I Chip Business Unit. As of December 31, 2010, the Company determined that it was probable that the margin targets could be achieved and, accordingly, will begin recording compensation expense relating to these options beginning January 1, 2011. The unrecognized compensation expense of these performance-based options was approximately \$1,481,000 as of December 31, 2010. The fair value for the options was estimated at the date of grant using the Black Scholes option pricing model.

Stock compensation expense for the years ended December 31 was as follows (in thousands):

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cost of revenues	\$ 19	\$ 20	\$ 52
Selling, general and administrative	618	456	818
Research and development	<u>234</u>	<u>181</u>	<u>251</u>
Total stock based compensation	<u>\$871</u>	<u>\$657</u>	<u>\$1,121</u>

The fair value for the options was estimated at the date of grant using a Black-Scholes option pricing model under all methods with the following weighted-average assumptions:

	Non Performance-based Stock Options			Performance-based Stock Options(1)
<u>Vicor:</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2010</u>
Risk-free interest rate	2.3%	1.1%	2.8%	2.0-2.7%
Expected dividend yield	1.6%	1.0%	2.6%	2.5%
Expected volatility	54%	67%	47%	55%
Expected lives (years)	3.9	2.7	3.1	6.5-9.5
<u>V*I Chip:</u>	<u>2010</u>	<u>2009(2)</u>	<u>2008</u>	<u>2010</u>
Risk-free interest rate	2.7%	—	3.7%	2.7%
Expected dividend yield	—	—	—	—
Expected volatility	49%	—	61%	49%
Expected lives (years)	6.5	—	6.5	6.5
<u>Picor:</u>	<u>2010</u>	<u>2009(2)</u>	<u>2008</u>	
Risk-free interest rate	2.0%	—	3.7%	
Expected dividend yield	—	—	—	
Expected volatility	52%	—	56%	
Expected lives (years)	6.5	—	6.5	

(1) There were no Vicor or V*I Chip performance-based options granted prior to 2010.

(2) There were no Picor or V*I Chip options granted during 2009.

VICOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Risk-free interest rate:

Vicor — The Company uses the yield on zero-coupon U.S. Treasury “Strip” securities for a period that is commensurate with the expected term assumption for each vesting period.

Picor — The Company uses the yield to maturity of a seven-year U.S. Treasury bond, as it most closely aligns to the expected exercise period.

*V*I Chip* — The Company uses the yield to maturity of a seven-year U.S. Treasury bond, as it most closely aligns to the expected exercise period.

Expected dividend yield:

Vicor — The Company determines the expected dividend yield by annualizing the most recent prior cash dividends declared by the Company’s Board of Directors and dividing that result by the closing stock price on the date of that dividend declaration. Dividends are not paid on options.

Picor — Picor has not and does not expect to declare and pay dividends in the foreseeable future. Therefore, the expected dividend yield is not applicable.

*V*I Chip* — V*I Chip has not and does not expect to declare and pay dividends in the foreseeable future. Therefore, the expected dividend yield is not applicable.

Expected volatility:

Vicor — Vicor uses historical volatility to estimate the grant-date fair value of the options, using the expected term for the period over which to calculate the volatility (see below). The Company does not expect its future volatility to differ from its historical volatility. The computation of the Company’s volatility is based on a simple average calculation of monthly volatilities over the expected term.

Picor — As Picor is a nonpublic entity, historical volatility information is not available. An industry sector index of seven publicly traded fabless semiconductor firms was developed for calculating historical volatility for Picor. Historical prices for each of the companies in the index based on the market price of the shares on each day of trading over the expected term were used to determine the historical volatility.

*V*I Chip* — As V*I Chip is a nonpublic entity, historical volatility information is not available. An industry sector index of twelve publicly traded fabless semiconductor firms was developed for calculating historical volatility for V*I Chip. Historical prices for each of the companies in the index based on the market price of the shares on each day of trading over the expected term were used to determine the historical volatility.

Expected term:

Vicor — The Company uses historical employee exercise and option expiration data to estimate the expected term assumption for the Black-Scholes grant-date valuation. The Company believes that this historical data is currently the best estimate of the expected term of options, and that generally all groups of the Company’s employees exhibit similar exercise behavior.

*Picor and V*I Chip* — Due to the lack of historical information, the “simplified” method as prescribed by the Security and Exchange Commission was used to determine the expected term on grant awards that meet the definition of “plain vanilla”. For options that did not meet the criteria of “plain vanilla”, the Company calculated the expected term based on its best estimate of what the expected term would be.

VICOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Forfeiture rate

The amount of stock-based compensation recognized during a period is based on the value of the portion of the awards that are ultimately expected to vest. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The term “forfeitures” is distinct from “cancellations” or “expirations” and represents only the unvested portion of the surrendered option.

Vicor — The Company currently expects that for Vicor options, based on an analysis of its historical forfeitures, that approximately 71% of its options will actually vest, and therefore has applied an annual forfeiture rate of 11.25% to all unvested options as of December 31, 2010. For 2009, the Company expected 75% of its options would actually vest and applied an annual forfeiture rate of 9.5%. This analysis is re-evaluated quarterly and the forfeiture rate is adjusted as necessary. Ultimately, the actual expense recognized over the vesting period will only be for those shares that vest.

Picor — The Company currently expects that for Picor options, based on an analysis of its historical forfeitures, that approximately 94% of its options will actually vest, and therefore has applied an annual forfeiture rate of 2.0% to all unvested options as of December 31, 2010 and 2009. This analysis will be re-evaluated quarterly and the forfeiture rate will be adjusted as necessary. Ultimately, the actual expense recognized over the vesting period will only be for those shares that vest.

*V*I Chip* — The Company currently expects that for V*I Chip options, based on an analysis of its historical forfeitures, that approximately 83% of its options will actually vest, and therefore has applied an annual forfeiture rate of 6.25% to all unvested options as of December 31, 2010 and 2009. This analysis will be re-evaluated quarterly and the forfeiture rate will be adjusted as necessary. Ultimately, the actual expense recognized over the vesting period will only be for those shares that vest.

Vicor Stock Options

A summary of the activity under the Company’s stock option plans as of December 31, 2010 and changes during the year then ended, is presented below (in thousands except for share and weighted-average data):

	<u>Options Outstanding</u>	<u>Weighted- Average Exercise Price</u>	<u>Weighted- Average Remaining Contractual Life in Years</u>	<u>Aggregate Intrinsic Value</u>
Outstanding on December 31, 2009	765,563	17.11		
Granted	1,336,242	13.66		
Forfeited and expired	(198,989)	25.93		
Exercised	<u>(104,489)</u>	10.55		
Outstanding on December 31, 2010	<u>1,798,327</u>	13.95	7.76	\$5,204
Exercisable on December 31, 2010	<u>359,264</u>	15.89	2.10	\$ 939
Vested or expected to vest as of December 31, 2010(1) . . .	<u>884,670</u>	14.25	5.98	\$2,678

(1) In addition to the vested options, the Company expects a portion of the unvested options to vest at some point in the future. Options expected to vest is calculated by applying an estimated forfeiture rate to the unvested options.

As of December 31, 2009 and 2008, the Company had shares exercisable of 575,482 and 883,696 respectively, for which the weighted average exercise prices were \$19.12 and \$17.57, respectively.

VICOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

During the years ended December 31, 2010, 2009, and 2008 under all plans, the total intrinsic value of Vicor options exercised (i.e. the difference between the market price at exercise and the price paid by the employee to exercise the options) was \$723,000, \$1,000 and \$109,000, respectively. The total amount of cash received by the Company from options exercised in 2010 was \$1,104,000. The total grant-date fair value of stock options that vested during the years ended December 31, 2010, 2009 and 2008 was approximately \$422,000, \$432,000, and \$462,000, respectively.

As of December 31, 2010, there was \$275,000 of total unrecognized compensation cost related to unvested non-performance share-based awards for Vicor. That cost is expected to be recognized over a weighted-average period of 8.56 years for all Vicor awards. The expense will be recognized as follows: \$180,000 in 2011, \$61,000 in 2012, \$23,000 in 2013, \$9,000 in 2014, and 2,000 in 2015. In addition, as of December 31, 2010, there was \$7,790,000 of unrecognized compensation cost related to performance-based options, for which expensing has not commenced.

The weighted-average fair value of Vicor options granted was \$4.78, \$2.69 and \$3.32 in 2010, 2009 and 2008, respectively. The weighted-average contractual life for Vicor options outstanding as of December 31, 2010 is 7.8 years.

Picor Stock Options

Under the 2001 Picor Plan, the Board of Directors of Picor may grant stock incentive awards based on the Picor Common Stock, including stock options, restricted stock or unrestricted stock. Awards may be granted to employees and other key persons, including non-employee directors and full or part-time officers. Incentive stock options may be granted to employees at a price at least equal to the fair market value per share of the Picor Common Stock, based on judgments made by the Company, on the date of grant. A total of 80,000,000 shares of Picor Common Stock have been reserved for issuance under the 2001 Picor Plan. The period of time during which an option may be exercised and the vesting periods are determined by the Picor Board of Directors. The term of each option may not exceed ten years from the date of grant.

A summary of the activity under the 2001 Picor Plan as of December 31, 2010 and changes during the year then ended, is presented below (in thousands except for share and weighted-average data):

	<u>Options Outstanding</u>	<u>Weighted- Average Exercise Price</u>	<u>Weighted- Average Remaining Contractual Life in Years</u>	<u>Aggregate Intrinsic Value</u>
Outstanding on December 31, 2009	5,021,040	0.62		
Granted	5,412,123	0.57		
Forfeited and expired	(431,400)	0.74		
Exercised	—	—		
Outstanding on December 31, 2010	<u>10,001,763</u>	0.59	6.80	\$610
Exercisable on December 31, 2010	<u>4,213,640</u>	0.56	3.04	\$610
Vested or expected to vest as of December 31, 2010(1) . . .	<u>9,700,333</u>	0.59	6.72	\$610

(1) In addition to the vested options, the Company expects a portion of the unvested options to vest at some point in the future. Options expected to vest is calculated by applying an estimated forfeiture rate to the unvested options.

As of December 31, 2009 and 2008, Picor had shares exercisable of 3,977,940 and 3,526,220, respectively, for which the weighted average exercise prices were \$0.54 and \$0.49, respectively.

VICOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For years ended December 31, 2010, 2009, and 2008, Picor did not have any options exercised. The total grant-date fair value of stock options that vested during the years ended December 31, 2010, 2009 and 2008 was approximately \$68,000, \$189,000, and \$276,000, respectively.

As of December 31, 2010, there was \$1,571,000 of total unrecognized compensation cost related to unvested share-based awards for Picor. That cost is expected to be recognized over a weighted-average period of 4.09 years for all Picor awards. The expense will be recognized as follows: \$475,000 in 2011, \$342,000 in 2012, \$300,000 in 2013, \$259,000 in 2014, and \$195,000 in 2015.

The weighted-average fair value of Picor options granted was \$0.60 in 2008. The weighted-average contractual life for Picor options outstanding as of December 31, 2010 is 6.8 years.

V*I Chip Stock Options

Under the 2007 V*I Chip Plan, the Board of Directors of V*I Chip may grant stock incentive awards based on the V*I Chip Common Stock, including stock options, restricted stock or unrestricted stock. Awards may be granted to employees and other key persons, including non-employee directors and full or part-time officers. Incentive stock options may be granted to employees at a price at least equal to the fair market value per share of the V*I Chip Common Stock, based on judgments made by the Company, on the date of grant. A total of 100,000,000 shares of V*I Chip Common Stock have been reserved for issuance under the 2007 V*I Chip Plan. The period of time during which an option may be exercised and the vesting periods are determined by the V*I Chip Board of Directors. The term of each option may not exceed ten years from the date of grant.

A summary of the activity under the 2007 V*I Chip Plan as of December 31, 2010 and changes during the year then ended, is presented below (in thousands except for share and weighted-average data):

	<u>Options Outstanding</u>	<u>Weighted- Average Exercise Price</u>	<u>Weighted- Average Remaining Contractual Life in Years</u>	<u>Aggregate Intrinsic Value</u>
Outstanding on December 31, 2009	7,617,500	1.00		
Granted	3,322,750	1.00		
Forfeited and expired	(150,000)	1.00		
Exercised	—	—		
Outstanding on December 31, 2010 (2)	<u>10,790,250</u>	1.00	8.14	\$—
Exercisable on December 31, 2010	<u>4,436,200</u>	1.00	6.41	\$—
Vested or expected to vest as of December 31, 2010(1)	<u>10,202,748</u>	1.00	8.06	\$—

- (1) In addition to the vested options, the Company expects a portion of the unvested options to vest at some point in the future. Options expected to vest is calculated by applying an estimated forfeiture rate to the unvested options.
- (2) Of the total V*I Chip options outstanding on December 31, 2010, 5,500,000 options have been granted to the Company's Chief Executive Officer.

As of December 31, 2009 and 2008, V*I Chip had shares exercisable of 2,987,200 and 1,516,600, respectively, for which the weighted average exercise price was \$1.00. For the years ended December 31, 2010, 2009 and 2008, V*I Chip did not have any options exercised.

As of December 31, 2010, there was \$1,944,000 of total unrecognized compensation cost related to unvested share-based awards for V*I Chip. That cost is expected to be recognized over a weighted-average

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period of 3.48 years for all V*I Chip awards. The expense will be recognized as follows: \$508,000 in 2011, \$426,000 in 2012, \$350,000 in 2013, \$330,000 in 2014 and \$330,000 in 2015.

The weighted-average fair value of V*I Chip options granted was \$0.43 in 2008. The weighted-average contractual life for V*I Chip options outstanding as of December 31, 2010 is 8.1 years.

401(k) Plan

The Company sponsors a savings plan available to all domestic employees, which qualifies under Section 401(k) of the Internal Revenue Code. Employees may contribute to the plan from 1% to 20% of their pre-tax salary subject to statutory limitations. The Company matches employee contributions to the plan at a rate of 50% up to the first 3% of an employee's compensation. The Company's matching contributions currently vest at a rate of 20% per year based upon years of service. The Company's contribution to the plan was approximately \$760,000, \$697,000 and \$759,000 in 2010, 2009 and 2008, respectively.

Stock Bonus Plan

Under the Company's 1985 Stock Bonus Plan, as amended, shares of Common Stock may be awarded to employees from time to time as determined by the Board of Directors. On December 31, 2010, 109,964 shares were available for further award. All shares awarded to employees under this plan have vested. No further awards are contemplated under this plan at the present time.

4. SHORT-TERM AND LONG-TERM INVESTMENTS

As of December 31, 2010, the Company held par value of \$19,075,000 of auction rate securities. These auction rate securities consist of collateralized debt obligations, supported by pools of student loans, sponsored by state student loan agencies and corporate student loan servicing firms. The interest rates for these securities are reset at auction at regular intervals ranging from seven to 90 days. The auction rate securities held by the Company traded at par prior to February 2008 and are callable at par at the option of the issuer.

Until February 2008, the auction rate securities market was liquid, as the investment banks conducting the periodic "Dutch auctions" by which interest rates for the securities had been established had committed their capital to support such auctions in the event of insufficient third-party investor demand. Starting the week of February 11, 2008, a substantial number of auctions failed, as demand from third-party investors weakened and the investment banks conducting the auctions chose not to commit capital to support such auctions (i.e., investment banks chose not to purchase securities themselves in order to balance supply and demand, thereby facilitating a successful auction, as they had done in the past). The consequences of a failed auction are (a) an investor must hold the specific security until the next scheduled auction (unless that investor chooses to sell the security to a third party outside of the auction process) and (b) the interest rate on the security generally resets to an interest rate set forth in each security's indenture.

As of December 31, 2010, the Company held auction rate securities that had experienced failed auctions totaling \$19,075,000 at par value, all of which had been purchased through and are held by a broker-dealer affiliate of Bank of America, N.A. (the "Failed Auction Securities"). As of December 31, 2010, the majority of the Failed Auction Securities held by the Company were AAA/Aaa rated by the major credit rating agencies, with all of the securities collateralized by student loans, of which most are guaranteed by the U.S. Department of Education under the Federal Family Education Loan Program. Management is not aware of any reason to believe any of the issuers of the Failed Auction Securities held by the Company are presently at risk of default. Through December 31, 2010, the Company has continued to receive interest payments on the Failed Auction Securities in accordance with the terms of their respective indentures. Management believes the Company ultimately should be able to liquidate all of its Failed Auction Securities without significant loss primarily due to the overall quality of the issues held and the collateral securing the substantial majority of the

VICOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

underlying obligations. However, current conditions in the auction rate securities market have led management to conclude the recovery period for the Failed Auction Securities exceeds 12 months. As a result, the Company continued to classify the Failed Auction Securities as long-term as of December 31, 2010.

The following is a summary of available-for-sale securities (in thousands):

December 31, 2010	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value</u>
Failed Auction Securities	\$19,075	\$—	\$2,856	\$16,219
Certificates of deposit	448	—	—	448
Brokered certificates of deposit	<u>1,720</u>	<u>30</u>	<u>—</u>	<u>1,750</u>
	<u>\$21,243</u>	<u>\$30</u>	<u>\$2,856</u>	<u>\$18,417</u>
December 31, 2009	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value</u>
Failed Auction Securities	\$19,700	\$—	\$2,590	\$17,110
Certificates of deposit	434	—	—	434
Brokered certificates of deposit	<u>2,070</u>	<u>34</u>	<u>—</u>	<u>2,104</u>
	<u>\$22,204</u>	<u>\$34</u>	<u>\$2,590</u>	<u>\$19,648</u>

All of the Failed Auction Securities as of December 31, 2010 and 2009, respectively have been in an unrealized loss position for greater than 12 months.

The amortized cost and estimated fair value of available-for-sale securities on December 31, 2010, by contractual maturities, are shown below (in thousands):

	<u>Cost</u>	<u>Estimated Fair Value</u>
Due in one year or less	\$ 1,078	\$ 1,089
Due in two to ten years	1,090	1,109
Due in ten to twenty years	—	—
Due in twenty to forty years	<u>19,075</u>	<u>16,219</u>
	<u>\$21,243</u>	<u>\$18,417</u>

Trading Securities

The following is a summary of trading securities (in thousands):

December 31, 2010	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value</u>
Failed Auction Securities	\$ —	\$—	\$ —	\$ —
December 31, 2009				
Failed Auction Securities	\$13,900	\$—	\$970	\$12,930

As of December 31, 2009, the Company held auction rate securities that had experienced failed auctions totaling \$13,900,000 at par value, that were classified as trading securities, all of which had been purchased through and were held by a broker-dealer affiliate of UBS AG (“UBS”). Pursuant to a settlement agreement

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

reached with UBS, the Company's then remaining par value of \$8,600,000 of auction rate securities held by UBS were purchased by UBS at par value on June 30, 2010.

Based on the fair value measurements described in Note 5, the fair value of the Failed Auction Securities on December 31, 2010, with a par value of \$19,075,000, was estimated by the Company to be approximately \$16,219,000, a decrease in fair value of \$266,000, net of \$625,000 of redemptions from December 31, 2009. The gross unrealized loss of \$2,856,000 on the Failed Auction Securities consists of two types of estimated loss: an aggregate credit loss of \$610,000 and an aggregate temporary impairment of \$2,246,000. For the year ended December 31, 2010, the aggregate credit loss on the Failed Auction Securities increased by a net amount of \$146,000, which was recorded in "Net impairment (losses) gains recognized in earnings" in the Consolidated Statement of Operations. In determining the amount of credit loss, the Company compared the present value of cash flows expected to be collected to the amortized cost basis of the securities, considering credit default risk probabilities and changes in credit ratings as significant inputs, among other factors (See Note 5).

The following table represents a rollforward of the activity related to the credit loss recognized in earnings on available-for-sale ARS securities held by the Company for the year ended December 31, 2010 (in thousands):

Balance at the beginning of the period	\$464
Reductions for securities sold during the period	(18)
Additions for the amount related to credit loss for which other-than-temporary impairment was not previously recognized	<u>164</u>
Balance at the end of the period	<u>\$610</u>

At this time, the Company has no intent to sell any of the impaired Failed Auction Securities and does not believe it is more likely than not the Company will be required to sell any of these securities. Management expects the securities to regain liquidity as the financial markets recover from the current economic downturn. If current market conditions deteriorate further, the Company may be required to record additional unrealized losses. If the credit rating of the security deteriorates, or the anticipated recovery in the market values does not occur, the Company may be required to adjust the carrying value of these investments through impairment charges recorded in the Consolidated Statement of Operations, and any such impairment adjustments may be material.

Based on the Company's ability to access cash and other short-term investments and its expected operating cash flows, management does not anticipate the current lack of liquidity associated with the Failed Auction Securities held will affect the Company's ability to execute its current operating plan.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. FAIR VALUE MEASUREMENTS

Assets measured at fair value on a recurring basis include the following as of December 31, 2010 (in thousands):

	Using			Total Fair Value as of December 31, 2010
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Cash Equivalents:				
Money market funds	\$16,629	\$ —	\$ —	\$16,629
Long term investments:				
Auction rate securities	—	—	16,219	16,219
Certificates of deposit	448	—	—	448
Brokered certificates of deposit	—	1,750	—	1,750

As of December 31, 2010, there was insufficient observable auction rate security market information available to determine the fair value of the Failed Auction Securities using Level 1 or Level 2 inputs. As such, the Company's investments in Failed Auction Securities were deemed to require valuation using Level 3 inputs. Management, after consulting with advisors, valued the Failed Auction Securities using analyses and pricing models similar to those used by market participants (i.e., buyers, sellers, and the broker-dealers responsible for execution of the Dutch auction pricing mechanism by which each issue's interest rate was set). Management utilized a probability weighted discounted cash flow ("DCF") model to determine the estimated fair value of these securities as of December 31, 2010. The major assumptions used in preparing the DCF model included estimates for the amount and timing of future interest and principal payments based on default probability assumptions used to measure the credit loss of approximately 2% for AAA rated securities, the rate of return required by investors to own these securities in the current environment, which we estimate to be 5% above the risk free rate of return, and the estimated timeframe for successful auctions for these securities to occur being three to five years. In making these assumptions, management considered relevant factors including: the formula applicable to each security defining the interest rate paid to investors in the event of a failed auction; forward projections of the interest rate benchmarks specified in such formulas; the likely timing of principal repayments; the probability of full repayment considering the guarantees by the U.S. Department of Education of the underlying student loans, guarantees by other third parties, and additional credit enhancements provided through other means; and publicly available pricing data for recently issued student loan asset-backed securities not subject to auctions. The estimate of the rate of return required by investors to own these securities also considered the currently reduced liquidity for auction rate securities. An increase or decrease in the liquidity risk premium (i.e., the discount rate) of 100 basis points as used in the model would decrease or increase, respectively, the fair value of the Failed Auction Securities by approximately \$900,000.

The following table summarizes the change in the fair values for those assets valued on a recurring basis utilizing Level 3 inputs for the year ended December 31, 2010 (in thousands):

Balance at the beginning of the period	\$ 28,852
Redemptions	(12,375)
Unrealized loss on trading securities included in Other income, net	8
Credit losses on available for sales securities included in Other income, net	(146)
Unrealized gain included in Other comprehensive (loss) income	(120)
Balance at the end of the period	<u>\$ 16,219</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. INVENTORIES

Inventories as of December 31 were as follows (in thousands):

	2010	2009
Raw materials	\$31,750	\$18,675
Work-in-process	4,182	3,434
Finished goods	5,001	5,191
	40,933	27,300
Inventory reserves	(5,444)	(5,943)
Net balance	<u>\$35,489</u>	<u>\$21,357</u>

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost and are depreciated and amortized over a period of three to 32 years generally under the straight-line method for financial reporting purposes and accelerated methods for income tax purposes.

Property, plant and equipment as of December 31 were as follows (in thousands):

	2010	2009
Land	\$ 2,089	\$ 2,089
Buildings and improvements	41,791	41,569
Machinery and equipment	203,744	192,805
Furniture and fixtures	5,847	5,808
Construction in-progress and deposits	4,499	5,810
	257,970	248,081
Accumulated depreciation and amortization	(207,122)	(199,072)
Net balance	<u>\$ 50,848</u>	<u>\$ 49,009</u>

Depreciation expense for the years ended December 31, 2010, 2009 and 2008 was approximately \$9,778,000, \$9,882,000, and \$10,266,000 respectively. As of December 31, 2010, the Company had approximately \$2,080,000 of capital expenditure commitments.

8. OTHER INVESTMENTS

The Company's gross investment in non-voting convertible preferred stock of GWS totaled \$5,000,000 as of December 31, 2010, and December 31, 2009, giving the Company an approximately 30% ownership interest in GWS. GWS and its subsidiary design and sell semiconductors, conduct research and development activities, develop and license patents, and litigate against those who infringe upon patented technology. A director of the Company is the founder, Chairman of the Board, President and Chief Executive Officer ("CEO"), as well as the majority voting shareholder, of GWS. The Company and GWS are parties to an intellectual property cross-licensing agreement, a license agreement and two supply agreements under which the Company purchases certain components from GWS. Purchases from GWS totaled approximately \$5,362,000, \$1,608,000 and \$1,702,000 in 2010, 2009, and 2008, respectively. The Company owed GWS approximately \$555,000 and \$146,000 as of December 31, 2010 and 2009, respectively. During 2009, the Company made payments totaling \$650,000 under the license agreement.

The Company accounts for its investment in GWS under the equity method of accounting. The Company has determined that, while GWS is a variable interest entity, the Company is not the primary beneficiary. The

VICOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

key factors in the Company's assessment were that the CEO of GWS has: (i) the power to direct the activities of GWS that most significantly impact its economic performance, and (ii) has an obligation to absorb losses or the right to receive benefits from GWS, respectively, that could potentially be significant to GWS.

Loss from equity method investment, net of tax for the years ended December 31 consists of the following (in thousands):

	2010	2009	2008
Allocation of losses from equity method investment (net of tax)	\$—	\$—	\$ 321
Amortization of intangible assets and other (net of tax)	—	—	106
Other than temporary decline in investment	—	—	1,261
	\$—	\$—	\$1,688

There was no allocation of equity method income (loss) in 2010 and 2009 as GWS incurred a net loss for those years. Due to an adjustment to the investment for a decline in value judged to be other than temporary during the fourth quarter of 2008, the amounts included in "Other assets" in the accompanying Consolidated Balance Sheets related to the net GWS investment were zero as of December 31, 2010 and 2009.

9. GOODWILL AND OTHER INTANGIBLE ASSETS

The Company tests goodwill and other indefinite lived intangible assets for impairment at least annually at the reporting unit level. Definite lived intangible assets, such as patent rights, are amortized and tested for impairment at least annually at the reporting unit level. The Company reassessed the carrying value of its goodwill of approximately \$2,000,000 related to the operations of one of its subsidiaries, VJCL, during the fourth quarter of fiscal 2010 and determined that there was no impairment to the carrying value.

Patent costs, which are included in other assets in the accompanying balance sheets, as of December 31 were as follows (in thousands):

	2010	2009
Patent costs	\$ 3,459	\$ 3,456
Accumulated amortization	(1,827)	(1,683)
	\$ 1,632	\$ 1,773

In 2010 and 2009, the Company wrote off patent costs associated with abandoned patents with net book values of approximately \$19,000 and \$82,000, respectively, which was charged to amortization expense. Patent renewal fees were \$55,000 and \$62,000 in 2010 and 2009, respectively.

Amortization expense was approximately \$318,000, \$254,000 and \$249,000 in 2010, 2009 and 2008, respectively. The estimated future amortization expense from patent assets held as of December 31, 2010, is projected to be \$200,000, \$187,000, \$180,000, \$166,000, and \$138,000, in fiscal years 2011, 2012, 2013, 2014, and 2015, respectively.

During the second quarter of 2009, the Company entered into a license agreement with GWS in which the Company paid \$500,000 to obtain certain rights to several GWS semiconductor devices (See Note 8). The

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

amount is being amortized on a straight-line basis over four years, and is included in “Other assets” in the accompanying Consolidated Balance Sheets. Balances as of December 31 were as follows (in thousands):

	<u>2010</u>	<u>2009</u>
GWS intangibles	\$ 500	\$500
Accumulated amortization	<u>(187)</u>	<u>(62)</u>
	<u>\$ 313</u>	<u>\$438</u>

The estimated future amortization expense from GWS intangible assets held as of December 31, 2010, is projected to be \$125,000, \$125,000, and \$63,000 in fiscal years 2011, 2012, and 2013, respectively.

10. SEVERANCE CHARGES

During 2009, the Company initiated workforce reductions and recorded pre-tax charges for the cost of severance and other employee-related costs involving cash payments during 2009 and 2010 based on each employee’s respective length of service. Total severance charges of \$4,099,000 were recorded as “Severance charges” in the Consolidated Statement of Operations. The related liability is presented as “Accrued severance charges” in the Consolidated Balance Sheets.

A summary of the activity related to the severance charges, by segment, is as follows (in thousands):

	<u>BBU</u>	<u>V*I Chip</u>	<u>Total</u>
Balance as of December 31, 2009	\$ 255	\$ 4	\$ 259
Payments	<u>(255)</u>	<u>(4)</u>	<u>(259)</u>
Balance as of December 31, 2010	<u>\$ —</u>	<u>\$—</u>	<u>\$ —</u>

11. PRODUCT WARRANTIES

Product warranty activity for the years ended December 31 was as follows (in thousands):

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Balance at the beginning of the period	\$ 772	\$ 896	\$ 679
Accruals for warranties for products sold in the period	573	205	595
Fulfillment of warranty obligations	(548)	(101)	(385)
Revisions of estimated obligations	<u>(148)</u>	<u>(228)</u>	<u>7</u>
Balance at the end of the period	<u>\$ 649</u>	<u>\$ 772</u>	<u>\$ 896</u>

12. STOCKHOLDERS’ EQUITY

In November 2000, the Board of Directors of the Company authorized the repurchase of up to \$30,000,000 of the Company’s Common Stock (the “November 2000 Plan”). The plan authorizes the Company to make repurchases from time to time in the open market or through privately negotiated transactions. The timing of this program and the amount of the stock that may be repurchased is at the discretion of management based on its view of economic and financial market conditions. There were no repurchases under the November 2000 Plan in 2009, 2008 or 2007. On December 31, 2010 and 2009, the Company had approximately \$8,541,000 available for use under the November 2000 Plan.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Common Stock

Each share of Common Stock entitles the holder thereof to one vote on all matters submitted to the stockholders.

Each share of Class B Common Stock entitles the holder thereof to ten votes on all such matters.

Shares of Class B Common Stock are not transferable by a stockholder except to or among the stockholder's spouse, certain of the stockholder's relatives, and certain other defined transferees. Class B Common Stock is not listed or traded on any exchange or in any market. Class B Common Stock is convertible at the option of the holder thereof at any time and without cost to the stockholder into shares of Common Stock on a one-for-one basis.

Dividends are declared at the discretion of the Company's Board of Directors and depend on actual cash from operations, the Company's financial condition and capital requirements and any other factors the Company's Board of Directors may consider relevant.

On March 14, 2008, the Company's Board of Directors approved a cash dividend of \$0.15 per share of the Company's stock. The total dividend of approximately \$6,245,000 was paid on April 18, 2008 to shareholders of record at the close of business on April 2, 2008.

On August 7, 2008, the Company's Board of Directors approved a cash dividend of \$0.15 per share of the Company's stock. The total dividend of approximately \$6,249,000 was paid on September 10, 2008 to shareholders of record at the close of business on August 25, 2008.

On June 28, 2010, the Company's Board of Directors approved a cash dividend of \$0.30 per share of the Company's stock. The total dividend of approximately \$12,506,000 was paid on July 30, 2010 to shareholders of record at the close of business on July 16, 2010.

During the year ending December 31, 2008, a subsidiary paid a total of \$2,290,000 in cash dividends on subsidiary common stock, of which \$1,122,000 was paid to the Company and \$1,168,000 was paid to an outside shareholder. During the year ending December 31, 2009, two subsidiaries paid a total of \$4,690,000 in cash dividends on subsidiary common stock, of which \$3,421,000 was paid to the Company and \$1,269,000 was paid to outside shareholders. During the year ending December 31, 2010, three subsidiaries paid a total of \$5,457,000 in cash dividends, of which \$4,905,000 was paid to the Company and \$552,000 was paid to outside shareholders. Dividends paid to outside shareholders are accounted for as a reduction in noncontrolling interest.

During 2010, a total of 104,489 shares of Common Stock were issued upon the exercise of stock options. There were no shares of Class B Common Stock converted into Common Stock during 2010.

On December 31, 2010, there were 14,957,861 shares of Vicor Common Stock reserved for issuance under Vicor stock options and upon conversion of Class B Common Stock.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. OTHER INCOME, NET

The major changes in the components of the other income, net for the years ended December 31 were as follows (in thousands):

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Interest income	\$ 438	\$ 717	\$ 2,138
Unrealized gain (loss) on trading securities	970	1,268	(2,238)
Unrealized (loss) gain on auction rate securities rights	(962)	(964)	1,926
Credit losses on available for sale securities	(146)	(464)	—
Foreign currency (losses) gains, net	(158)	35	82
Gain on disposal of equipment	248	30	19
Other	<u>107</u>	<u>60</u>	<u>101</u>
	<u>\$ 497</u>	<u>\$ 682</u>	<u>\$ 2,028</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities as of December 31 were as follows (in thousands):

	<u>2010</u>	<u>2009</u>
Deferred tax assets		
Research and development tax credit carryforwards	\$ 7,772	\$ 9,122
Inventory reserves	1,905	2,229
Vacation accrual	1,500	1,228
Investment tax credit carryforwards	1,249	978
Stock-based compensation	1,224	974
Net operating loss carryforwards	1,075	8,130
Alternative minimum tax credit carryforward	1,045	590
Unrealized loss on investments	1,023	993
Capital loss carryforward	700	700
Deferred revenue	395	407
Warranty reserves	189	253
Bad debt reserves	103	87
Other	<u>588</u>	<u>138</u>
Total deferred tax assets	18,768	25,829
Less: Valuation allowance for deferred tax assets	<u>(10,259)</u>	<u>(24,803)</u>
Net deferred tax assets	8,509	1,026
Deferred tax liabilities		
Depreciation	(1,564)	(380)
Patent amortization	(594)	(646)
Goodwill	(549)	(478)
Unremitted Vicor Custom earnings	(320)	(314)
Other	<u>(513)</u>	<u>(303)</u>
Total deferred tax liabilities	<u>(3,540)</u>	<u>(2,121)</u>
Net deferred tax assets (liabilities)	<u>\$ 4,969</u>	<u>\$ (1,095)</u>

Prior to September 30, 2010, the Company maintained a valuation allowance against a significant portion of its deferred tax assets, consisting of net operating loss carryforwards, tax credit carryforwards and deductible temporary differences. Based on the Company's pre-tax income for the nine months ended September 30, 2010 being sufficient to fully utilize its net operating loss carryforwards, a history of cumulative earnings before taxes for financial reporting purposes over a 12-quarter period, and expected future taxable income, management determined it was more likely than not a significant portion of the deferred tax assets would be realized. As a result, at September 30, 2010, the Company determined that it was appropriate to reverse a portion of its valuation allowance by \$5,158,000 as a discrete benefit for income taxes for certain deductible temporary differences expected to be realized in future periods. An additional benefit of \$1,159,000 was recorded in the fourth quarter of 2010. Management could not make such a determination in the prior quarters of fiscal 2010 due to a lack of confidence in being able to accurately forecast the expected ordinary income (loss) for the year largely due to global economic conditions and the possible impact continued

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economic and business uncertainty would have on the Company's business at those times. This tax benefit was partially offset by estimated federal, state and foreign income taxes on the Company's 2010 pre-tax income and estimated federal and state income taxes for certain noncontrolling interests that are not part of the Company's consolidated income tax returns. The 2010 tax provision also includes discrete items, principally related to tax credits and expense for net increases in state taxes and accrued interest for potential liabilities.

The tax provisions in 2009 and 2008 provided for estimated income taxes due in various state and international taxing jurisdictions for which losses incurred by the Company cannot be offset, and for estimated federal and state income taxes for certain noncontrolling interests that are not part of the Company's consolidated income tax returns, offset by the expected utilization of federal and foreign net operating loss carryforwards and the reduction in tax reserves in 2008 discussed below. The 2009 tax provision also includes discrete items, including benefits for the receipt of refunds for net operating loss carryback claims and for an expected refund due to certain monetized credits, and expense for increases in state taxes and accrued interest for potential liabilities. The 2008 tax provision also included discrete items principally for increases in accrued interest for potential liabilities and expense associated with a reduction in state income tax refunds receivable. During 2008, the Company reduced its tax reserves by \$1,123,000 due to closing tax periods in certain jurisdictions.

As of December 31, 2010, the Company has a remaining valuation allowance of approximately \$10,259,000 against certain deferred tax assets, for which realization cannot be considered more likely than not at this time. Such deferred tax assets principally relates to tax credit carryforwards in certain state tax jurisdictions for which sufficient taxable income for utilization cannot be projected at this time or the credits may expire without being utilized. Management assesses the need for the valuation allowance on a quarterly basis. If and when management determines the valuation allowance should be released, the adjustment would result in a tax benefit in the Consolidated Statements of Operations and may include a portion to be accounted for through "Additional paid-in capital", a component of Stockholders' Equity. The amount of the tax benefit to be recorded in a particular quarter could be material.

For financial reporting purposes, income before income taxes for the years ended December 31 include the following components (in thousands):

	2010	2009	2008
Domestic	\$28,973	\$5,236	\$654
Foreign	646	219	232
	\$29,619	\$5,455	\$886

Significant components of the provision (benefit) for income taxes for the years ended December 31 are as follows (in thousands):

	2010	2009	2008
Current:			
Federal	\$ 1,187	\$ 939	\$1,355
State	958	422	(533)
Foreign	209	75	27
	2,354	1,436	849
Deferred:			
Federal	(6,274)	(74)	127
	\$(3,920)	\$1,362	\$ 976

The Company continues to intend to reinvest certain of its foreign earnings indefinitely. Accordingly, no U.S. income taxes have been provided for approximately \$2,570,000 of unremitted earnings of international

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

subsidiaries. As of December 31, 2010, the amount of unrecognized deferred tax liability on these earnings was \$195,000.

The reconciliation of the federal statutory rate to the effective income tax rate for the years ended December 31 is as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Statutory federal tax rate	34.0%	35.0%	35.0%
State income taxes, net of federal income tax benefit	2.7	9.2	37.0
Increase (reduction) in tax reserves	2.3	(2.1)	(104.3)
Permanent items	0.2	4.0	31.8
Foreign rate differential and deferred items	(1.0)	(0.9)	(5.4)
Tax credits	—	2.3	(30.9)
Book income attributable to noncontrolling interest	(0.3)	(8.3)	(71.8)
(Decrease) increase in valuation allowance	(49.7)	(14.2)	218.8
Other	<u>(1.4)</u>	<u>—</u>	<u>—</u>
	<u>(13.2)%</u>	<u>25.0%</u>	<u>110.2%</u>

As a result of the difference in treatment of excess stock option deductions available for income tax return and financial statement reporting purposes, the Company has approximately \$1,949,000 of federal research and development tax credit and \$760,000 of federal alternative minimum tax credit carryforwards that may be offset against future taxable income, which are included in the components of deferred tax assets disclosed above. It is anticipated that when these tax attributes are realized on an income tax return in the future, the related benefit will be recorded against “Additional paid-in capital”. The research and development tax credit carryforwards expire beginning in 2015 for state purposes and in 2028 for federal purposes. The Company has net operating loss carryforwards in certain states, which expire beginning in 2010.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

Balance on January 1, 2010	\$ 712
Additions based on tax provisions related to the current year	746
Reductions based on tax provisions related to prior years	<u>(356)</u>
Balance on December 31, 2010	<u>\$1,102</u>

The Company has reviewed the tax positions taken, or to be taken, in its tax returns for all tax years currently open to examination by a taxing authority. The total amount of unrecognized tax benefits, that is the aggregate tax effect of differences between tax return positions and the benefits recognized in the Company’s financial statements, on December 31, 2010 of \$1,102,000 including accrued interest, if recognized, may decrease the Company’s income tax provision and effective tax rate. None of the unrecognized tax benefits as of December 31, 2010 are expected to significantly change during the next twelve months. The Company recognizes accrued interest and penalties, if any, related to unrecognized tax benefits as a component of income tax expense. As of December 31, 2010, the Company has accrued approximately \$77,000 for the potential payment of interest and recorded approximately \$33,000 of income tax expense for interest, net of related tax benefits, for the year ended December 31, 2010.

The Company files income tax returns in the United States and various foreign tax jurisdictions. These tax returns are generally open to examination by the relevant tax authorities from three to seven years from the date they are filed. The tax filings relating to the Company’s federal and state taxes are currently open to examination for tax years 2007 through 2009 and 2000 through 2009, respectively. In addition, the 2003 and 2004 tax years resulted in losses. These years may be subject to examination when the losses are carried

VICOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

forward and utilized in the future. In January 2010, the Company received notices from the Commonwealth of Massachusetts and the State of New York that its Massachusetts corporate excise tax returns and New York corporate tax returns, respectively, for tax years 2006 and 2007 had been selected for audit. In April 2010, Vicor Japan Company, Ltd. received notice from the Regional Taxation Bureau that its corporate tax and tax returns, respectively, for tax years from 2007 to 2009 have been selected for audit. The audits with the State of New York and the Regional Taxation Bureau of Japan were both settled in the second quarter for immaterial amounts. While the Massachusetts audit was still in process as of December 31, 2010, there are no other income tax audits currently in process.

15. COMMITMENTS AND CONTINGENCIES

The Company leases certain of its office, warehousing and manufacturing space. The future minimum rental commitments under non-cancelable operating leases with remaining terms in excess of one year are as follows (in thousands):

<u>Year</u>	
2011	\$1,264
2012	722
2013	337
2014	173
2015 and thereafter	111

Rent expense was approximately \$1,492,000, \$1,496,000 and \$1,445,000 in 2010, 2009 and 2008, respectively. The Company also pays executory costs such as taxes, maintenance and insurance.

The Company also has a contract with a third-party to supply nitrogen for its manufacturing and research and development activities. Under the contract, the Company is obligated to pay a minimum of \$300,000 annually, subject to semi-annual price adjustments, through March 2015.

In addition to the amounts shown in the table above, approximately \$958,000 of unrecognized tax benefits has been recorded as liabilities as the settlement amounts are uncertain. The Company has recorded a liability related to these unrecognized tax benefits for potential interest and penalties of approximately \$77,000 on December 31, 2010.

As disclosed in prior filings, we received total payments of \$1,770,000 in the second quarter of 2007 in full settlement of patent infringement litigation against Artesyn Technologies, Inc., Lucent Technologies Inc., and the Tyco Power Systems, a unit of Tyco International Ltd. (which had acquired the Power Systems business of Lucent Technologies). The full amount of the payments, net of a \$177,000 contingency fee we had accrued for our litigation counsel, was included in the second quarter of 2007 in “(Gain) loss from litigation-related and other settlements, net” in the Consolidated Statement of Operations. We were subsequently informed by its litigation counsel that the full amount of the contingency fee was waived and, therefore, the related accrual of \$177,000 was reversed in the second quarter of 2008.

On February 22, 2007, the Company announced it had reached an agreement in principle with Ericsson, Inc., the U.S. affiliate of LM Ericsson, to settle a lawsuit brought by Ericsson against the Company in California state court. Under the terms of the settlement agreement entered into on March 29, 2007, after a court ordered mediation, the Company paid \$50,000,000 to Ericsson, of which \$12,800,000 was reimbursed by

VICOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

the Company's insurance carriers. Accordingly, the Company recorded a net loss of \$37,200,000 from the litigation — related settlements in the fourth quarter of 2006. The Company has been seeking further reimbursement from its insurance carriers. On November 14, 2008, a jury in the United States District Court for the District of Massachusetts found in favor of the Company in a lawsuit against certain of its insurance carriers with respect to the Ericsson settlement. The jury awarded \$17,300,000 in damages to Vicor, although the verdict is subject to challenge in the trial court and on appeal. Both parties filed certain motions subsequent to the ruling and, on March 2, 2009, the judge in the case rendered his decision on the subsequent motions, reducing the jury award by \$4,000,000. On March 26, 2009, the U.S. District Court, District of Massachusetts ("the Court") issued its judgment in the matter, affirming the award of \$13,300,000, plus prejudgment interest from the date of breach on March 29, 2007, through March 26, 2009, the date of judgment in the amount of approximately \$3,179,000. The insurance carriers have filed their appeal to this total judgment in the amount of approximately \$16,479,000. No final and collectible judgment yet has been entered by the Court.

The Company's decision to enter into the settlement followed an adverse ruling by the court in January 2007 in connection with a settlement between Ericsson and co-defendants Exar Corporation ("Exar") and Rohm Device USA, LLC ("Rohm"), two of the Company's component suppliers prior to 2002. The Company's writ of mandate appeal of this ruling was denied in April, 2007. In September 2007, The Company filed a notice of appeal of the court's decision upholding the Ericsson-Exar-Rohm settlement. In December 2007, the court awarded Exar and Rohm amounts for certain statutory and discovery costs associated with this ruling. As such, the Company accrued \$240,000 in the second quarter of 2007, included in "(Gain) loss from litigation-related and other settlements, net" in the Consolidated Statements of Operations, of which \$78,000 of the award was paid in the second quarter of 2008. On February 9, 2009, the Court of Appeals issued its opinion affirming the judgment for Exar and Rohm in full. During the third quarter of 2009, the Company completed negotiations with Exar and Rohm, resulting in separate settlement agreements calling for a final payment to Exar of \$70,000 and no additional payment due Rohm. As a result of the settlements, the Company reversed a remaining excess accrual of approximately \$96,000 in the third quarter of 2009, which is recorded in "Gain from litigation-related and other settlements, net" in the accompanying Consolidated Statement of Operations.

During the third quarter of 2009, the Company entered into a release and settlement agreement with a vendor over alleged product performance issues with certain products the vendor had sold to the Company. The Company received a payment of \$750,000 in consideration for the settlement, which is recorded in "Gain from litigation-related and other settlements, net" in the accompanying Consolidated Statement of Operations.

On January 28, 2011, SynQor, Inc. ("SynQor") filed a complaint for patent infringement against Ericsson, Inc. ("Ericsson"), Cisco Systems, Inc. ("Cisco") and Vicor in U.S. District Court for the Eastern District of Texas. This immediately followed a complaint filed by the Company on January 26, 2011 in U.S. District Court for the District of Massachusetts, in which the Company sought a declaratory judgment that its bus converter products do not infringe any valid claim of certain of SynQor's U.S. patents, and that the claims of those patents are invalid. With respect to Vicor, SynQor's complaint alleges that Vicor's products, including, but not limited to, unregulated bus converters used in intermediate bus architecture power supply systems, infringe certain SynQor patents. SynQor seeks, amongst other items, an injunction against further infringement and an award of unspecified compensatory and enhanced damages, interest, costs and attorney fees. On February 8, 2011, SynQor filed a motion for preliminary injunction seeking an order enjoining Vicor from manufacturing, using, selling, and offering for sale in the United States and/or importing into the United States certain identified unregulated bus converters, as well as any other bus converters not significantly different from those products. On February 17, 2011, the Company dismissed its Massachusetts action without prejudice to allow the litigation to proceed in Texas. Vicor does not believe any of its products, including its unregulated bus converters, infringe any valid claim of the SynQor patents, either alone or when used in an intermediate bus architecture implementation. Vicor believes SynQor's claims lack merit and therefore the Company plans to vigorously defend itself against SynQor's patent infringement allegations.

VICOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In addition, the Company is involved in certain other litigation and claims incidental to the conduct of its business. While the outcome of lawsuits and claims against the Company cannot be predicted with certainty, management does not expect any current litigation or claims to have a material adverse impact on the Company's financial position or results of operations.

16. SEGMENT INFORMATION

The Company has organized its business segments according to its key product lines. The Brick Business Unit segment ("BBU") designs, develops, manufactures and markets the Company's modular power converters and configurable products, and also includes the operations of the Company's Westcor division, the six entities comprising Vicor Custom Power, and the Brick operations of VJCL. The V*I Chip segment includes V*I Chip Corporation that designs, develops, manufactures and markets the Company's factorized power architecture ("FPA") products along with the V*I Chip business through VJCL. Picor designs, develops, manufactures and markets Power Management Integrated Circuits and related products for use in a variety of power system applications. Picor develops these products to be sold as part of Vicor's products or to third parties for separate applications.

The Company's chief operating decision maker evaluates performance and allocates resources based on segment revenues and segment operating income (loss). The operating income (loss) for each segment includes selling, general and administrative and research and development expenses directly attributable to the segment. Certain of the Company's indirect overhead costs, which include corporate selling, general and administrative expenses, are allocated among the segments based upon an estimate of costs associated with each segment. Assets allocated to each segment are based upon specific identification of such assets, which include accounts receivable, inventories, fixed assets and certain other assets. Corporate assets include cash, cash equivalents, short-term investments, land and buildings associated with operations in Massachusetts, deferred tax assets, and other assets. The Company's accounting policies and method of presentation for segments are consistent with that used throughout the Consolidated Financial Statements.

During the fourth quarter of 2010, the Company began to include the net revenues and cost of revenues for shipments of V*I Chip products by VJCL in the V*I Chip segment, along with an allocation of certain VJCL operating expenses from the BBU to the V*I Chip segment. Previously, all VJCL operating activity had been included in the BBU segment. The 2009 segment information has been reclassified to conform to this new presentation. The 2008 segment information was not reclassified as V*I Chip revenues included in VJCL was not material in 2008.

VICOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table provides significant segment financial data as of and for the years ended December 31 (in thousands):

	<u>BBU</u>	<u>V*I Chip</u>	<u>Picor</u>	<u>Corporate</u>	<u>Eliminations</u>	<u>Total</u>
	(1)	(1)			(1)(2)	
2010:						
Net revenues	\$217,018	\$ 33,842	\$11,061	\$ —	\$ (11,188)	\$250,733
Income (loss) from operations	55,619	(24,565)	(1,282)	(640)	(10)	29,122
Total assets	78,014	31,278	7,463	103,486	(15,329)	204,912
Depreciation and amortization	4,788	3,500	470	1,464	—	10,222
2009:						
Net revenues	\$186,975	\$ 14,599	\$ 6,143	\$ —	\$ (9,758)	\$197,959
Income (loss) from operations	29,173	(22,642)	(4,265)	(716)	3,223	4,773
Total assets	204,611	19,124	9,352	98,209	(150,719)	180,577
Depreciation and amortization	5,283	2,968	403	1,544	—	10,198
2008:						
Net revenues	\$189,362	\$ 16,766	\$ 5,096	\$ —	\$ (5,856)	\$205,368
Income (loss) from operations	26,317	(25,123)	(2,817)	(441)	922	(1,142)
Total assets	177,331	14,850	9,011	87,072	(116,342)	171,922
Depreciation and amortization	5,920	2,645	384	1,566	—	10,515

(1) During the fourth quarter of 2010, the Company completed a recapitalization of V*I Chip. The impact of the recapitalization on V*I Chip was to eliminate its intercompany payable to BBU of approximately \$172,100,000 and institute capital accounts totaling \$50,000,000 as of December 31, 2010. The impact on segment reporting was to reduce Total assets for BBU and increase Eliminations by \$172,100,000 as of December 31, 2010. There was no impact on the consolidated financial statements as a result of this recapitalization.

(2) The elimination for net revenues is principally related to inter-segment revenues of Picor to BBU and V*I Chip and for inter-segment revenues of V*I Chip to BBU. The elimination for total assets is principally related to inter-segment receivables due to BBU for the funding of V*I Chip operations and for the purchase of equipment for both V*I Chip and Picor.

During 2010, two customers accounted for approximately 12.3% and 11.5% of net revenues, respectively. During 2009 and 2008, no customer accounted for more than 10% of net revenues. International sales, as a percentage of total net revenues, were approximately 49% in 2010 and 41% in 2009 and 42% in 2008, respectively. During 2010, net revenues from customers in Taiwan and Hong Kong, China accounted for approximately 11.8% and 11.4%, respectively, of total net revenues.

VICOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. QUARTERLY RESULTS OF OPERATIONS (Unaudited)

The following table sets forth certain unaudited quarterly financial data for the years ended December 31 (in thousands, except per share amounts):

	<u>First</u>	<u>Second</u>	<u>Third</u>	<u>Fourth</u>	<u>Total</u>
2010:					
Net revenues	\$51,709	\$57,377	\$68,672	\$72,975	\$250,733
Gross margin	23,324	25,739	32,473	32,984	114,520
Consolidated net income	2,005	4,747	15,869	10,918	33,539
Net income attributable to noncontrolling interest	53	—	50	111	214
Net income attributable to Vicor Corporation	1,952	4,747	15,819	10,807	33,325
Net income per share attributable to Vicor Corporation:					
Basic and diluted	0.05	0.11	0.38	0.26	0.80
	<u>First</u>	<u>Second</u>	<u>Third</u>	<u>Fourth</u>	<u>Total</u>
2009:					
Net revenues	\$50,448	\$50,627	\$47,746	\$49,138	\$197,959
Gross margin	21,831	22,598	20,668	22,497	87,594
Consolidated net income (loss)	(2,151)	1,758	1,990	2,496	4,093
Net income attributable to noncontrolling interest	392	417	299	187	1,295
Net income (loss) attributable to Vicor Corporation	(2,543)	1,341	1,691	2,309	2,798
Net income (loss) per share attributable to Vicor Corporation:					
Basic and diluted	(0.06)	0.03	0.04	0.06	0.07

In the fourth quarter of 2010, the Company recorded the following adjustments:

- Recognition of deferred revenue of \$4,729,000 and \$4,524,000 in deferred costs in connection with the accounting for a multiple-element revenue arrangement.

In the fourth quarter of 2009, the Company recorded the following adjustments:

- Reversal to defer \$1,476,000 in Net revenues and \$1,045,000 in Cost of revenues in connection with the accounting for a multiple-element revenue arrangement. The impact on prior quarters in 2009 was not material.
- An unrealized gain of \$476,000 in connection with the fair value measurements for its UBS ARS, which are classified as trading securities, in “Other income, net” in the Consolidated Statements of Operations.
- An unrealized loss of \$466,000 in connection with the fair value measurements for its ARS Right, in “Other income, net” in the Consolidated Statements of Operations.
- An increase of \$290,000 to inventory reserves for potential excess and obsolete inventory charged against Cost of revenues.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Attached as exhibits to this Form 10-K are certifications of our CEO and Chief Financial Officer (“CFO”), which are required in accordance with Rule 13a-14 of the Exchange Act of 1934, as amended (the “Exchange Act”). This “Controls and Procedures” section includes information concerning the controls and controls evaluation referred to in the certifications.

(a) Evaluation of disclosure controls and procedures

As required by Rule 13a-15 under the Exchange Act, management, with the participation of our CEO and CFO, conducted an evaluation regarding the effectiveness of our disclosure controls and procedures, as of the end of the last fiscal year. In designing and evaluating our disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating and implementing possible controls and procedures. Based upon that evaluation, our management, including our CEO and CFO, has concluded that our disclosure controls and procedures are reasonably effective to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms. We intend to continue to review and document our disclosure controls and procedures, including our internal controls and procedures for financial reporting, and we may from time to time make changes to the disclosure controls and procedures to enhance their effectiveness and to ensure that our systems evolve with our business.

(b) Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (a) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of our management and Board of Directors; and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Management assessed our internal control over financial reporting as of December 31, 2010, the end of our fiscal year. Management based its assessment on criteria established in “Internal Control — Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Management’s assessment included evaluation of such elements as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, and our overall control environment.

Based on our assessment, management has concluded that our internal control over financial reporting was effective as of December 31, 2010.

The effectiveness of our internal control over financial reporting as of December 31, 2010 has been audited by Grant Thornton LLP, our independent registered public accounting firm, as stated in their report which is included immediately below.

To The Board of Directors and Stockholders of
Vicor Corporation:

We have audited Vicor Corporation (a Delaware Corporation) and its subsidiaries (collectively, “the Company”) internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Vicor Corporation and subsidiaries’ management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on Vicor Corporation’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Vicor Corporation and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control-Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Vicor Corporation and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of operations, equity and cash flows for each of the three years in the period ended December 31, 2010 and our report dated March 3, 2011 expressed an unqualified opinion.

/s/ Grant Thornton LLP

Boston, Massachusetts
March 3, 2011

(c) Inherent Limitations on Effectiveness of Controls

The Company's management, including the CEO and CFO, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

(d) Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the fiscal quarter ended December 31, 2010, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Incorporated by reference from the Company's Definitive Proxy Statement for its 2011 annual meeting of stockholders.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference from the Company's Definitive Proxy Statement for its 2011 annual meeting of stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Incorporated by reference from the Company's Definitive Proxy Statement for its 2011 annual meeting of stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Incorporated by reference from the Company's Definitive Proxy Statement for its 2011 annual meeting of stockholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Incorporated by reference from the Company's Definitive Proxy Statement for its 2011 annual meeting of stockholders.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENTS

(a) (1) *Financial Statements*

See index in Item 8.

(a) (2) *Schedules*

Schedule II Valuation and Qualifying Accounts

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

(b) *Exhibits*

Exhibits	Description of Document
3.1	• Restated Certificate of Incorporation, dated February 28, 1990(1)
3.2	• Certificate of Ownership and Merger Merging Westcor Corporation, a Delaware Corporation, into Vicor Corporation, a Delaware Corporation, dated December 3, 1990(1)
3.3	• Certificate of Amendment of Restated Certificate of Incorporation, dated May 10, 1991(1)
3.4	• Certificate of Amendment of Restated Certificate of Incorporation, dated June 23, 1992(1)
3.5	• Bylaws, as amended(9)
4.1	• Specimen Common Stock Certificate(2)
10.1	• 1984 Stock Option Plan of the Company, as amended(2)
10.2	• 1993 Stock Option Plan(3)
10.3	• 1998 Stock Option and Incentive Plan(4)
10.4	• Amended and Restated 2000 Stock Option and Incentive Plan(5)
10.5	• Form of Non-Qualified Stock Option under the Vicor Corporation Amended and Restated 2000 Stock Option and Incentive Plan(6)
10.6	• Sales Incentive Plan(7)
10.7	• Picor Corporation 2001 Stock Option and Incentive Plan(8)
10.8	• Form of Non-Qualified Stock Option under the Picor Corporation 2001 Stock Option and Incentive Plan(8)
10.9	• V*I Chip Corporation Amended 2007 Stock Option and Incentive Plan(11)
10.10	• Form of Non-Qualified Stock Option Agreement under the V*I Chip Corporation Amended 2007 Stock Option and Incentive Plan(10)
10.11	• Form of Incentive Stock Option Agreement under the V*I Chip Corporation Amended 2007 Stock Option and Incentive Plan(11)
10.12	• Form of Stock Restriction Agreement under the V*I Chip Corporation Amended 2007 Stock Option and Incentive Plan(11)
21.1	• Subsidiaries of the Company(12)
23.1	• Consent of Grant Thornton LLP(12)
31.1	• Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934(12)
31.2	• Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934(12)
32.1	• Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002(12)
32.2	• Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002(12)
(1)	Filed as an exhibit to the Company's Annual Report on Form 10-K filed on March 29, 2001 and incorporated herein by reference.
(2)	Filed as an exhibit to the Company's Registration Statement on Form 10, as amended, under the Securities Exchange Act of 1934 (File No. 0-18277), and incorporated herein by reference.
(3)	Filed as an exhibit to the Company's Registration Statement on Form S-8, as amended, under the Securities Act of 1933 (No. 33-65154), and incorporated herein by reference.
(4)	Filed as an exhibit to the Company's Registration Statement on Form S-8, as amended, under the Securities Act of 1933 (No. 333-61177), and incorporated herein by reference.

- (5) Filed as an exhibit to the Company's Proxy Statement for use in connection with its 2002 Annual Meeting of Stockholders, which was filed on April 29, 2002, and incorporated herein by reference.
- (6) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q filed on November 4, 2004 and incorporated herein by reference.
- (7) Filed as an exhibit to the Company's Annual Report on Form 10-K filed on March 16, 2005 and incorporated herein by reference.
- (8) Filed as an exhibit to the Company's Annual Report on Form 10-K filed on March 14, 2006 and incorporated herein by reference.
- (9) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q filed on November 8, 2006 and incorporated herein by reference.
- (10) Filed as an exhibit to the Company's Current Report on Form 8-K, dated June 6, 2007 and incorporated herein by reference.
- (11) Filed as an exhibit to the Company's Current Report and Form 8-K, dated March 6, 2008 incorporated herein by reference.
- (12) Filed herewith.

VICOR CORPORATION
SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
Years ended December 31, 2010, 2009 and 2008

<u>Description</u>	<u>Balance at Beginning of Period</u>	<u>(Credit) Charge to Costs and Expenses</u>	<u>Other Charges, Deductions(1)</u>	<u>Balance at End of Period</u>
Allowance for doubtful accounts:				
Year ended:				
December 31, 2010	\$260,000	\$57,000	\$ (8,000)	\$309,000
December 31, 2009	300,000	3,000	(43,000)	260,000
December 31, 2008	398,000	39,000	(137,000)	300,000

(1) Reflects uncollectible accounts written off, net of recoveries.

<u>Description</u>	<u>Balance at Beginning of Period</u>	<u>(Credit) Charge to Costs and Expenses</u>	<u>Other Charges, Deductions(2)</u>	<u>Balance at End of Period</u>
Inventory Reserves:				
Year ended:				
December 31, 2010	\$5,943,000	\$1,721,000	\$(2,220,000)	\$5,444,000
December 31, 2009	6,358,000	1,010,000	(1,425,000)	5,943,000
December 31, 2008	7,646,000	923,000	(2,211,000)	6,358,000

(2) Reflects amounts associated with inventory that have been discarded or sold.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Vicor Corporation

By: /s/ James A. Simms

James A. Simms
Vice President, Chief Financial Officer

Date: March 3, 2011

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Patrizio Vinciarelli</u> Patrizio Vinciarelli	President, Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	March 3, 2011
<u>/s/ James A. Simms</u> James A. Simms	Chief Financial Officer Vice President (Principal Financial Officer and Principal Accounting Officer)	March 3, 2011
<u>/s/ Estia J. Eichten</u> Estia J. Eichten	Director	March 3, 2011
<u>/s/ David T. Riddiford</u> David T. Riddiford	Director	March 3, 2011
<u>/s/ Barry Kelleher</u> Barry Kelleher	Director	March 3, 2011
<u>/s/ Samuel Anderson</u> Samuel Anderson	Director	March 3, 2011
<u>/s/ Claudio Tuozzolo</u> Claudio Tuozzolo	Director	March 3, 2011
<u>/s/ Jason L. Carlson</u> Jason L. Carlson	Director	March 3, 2011
<u>/s/ Liam K. Griffin</u> Liam K. Griffin	Director	March 3, 2011

EXHIBIT 21.1

SUBSIDIARIES OF THE COMPANY

<u>Name</u>	<u>State or Jurisdiction of Incorporation</u>
Picor Corporation	Delaware, USA
V*I Chip Corporation	Delaware, USA
VLT, Inc.	California, USA
Vicor GmbH	Germany
VICR Securities Corporation	Massachusetts, USA
Vicor France SARL	France
Vicor Italy SRL	Italy
Vicor Hong Kong Ltd.	Hong Kong
Vicor U.K. Ltd.	United Kingdom
Vicor B.V	Netherlands
Vicor Japan Company, Ltd.	Japan
Vicor Development Corporation	Delaware, USA
Aegis Power Systems, Inc.	Delaware, USA
Mission Power Systems, Inc.	Delaware, USA
Northwest Power Integration, Inc.	Delaware, USA
Converpower Corporation	Delaware, USA
Freedom Power Systems, Inc.	Delaware, USA

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Exhibit 31.1

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Patrizio Vinciarelli, certify that:

1. I have reviewed this report on Form 10-K of Vicor Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 3, 2011

/s/ Patrizio Vinciarelli
Patrizio Vinciarelli
Chief Executive Officer

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Exhibit 31.2

CHIEF FINANCIAL OFFICER CERTIFICATION

I, James A. Simms, certify that:

1. I have reviewed this report on Form 10-K of Vicor Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 3, 2011

/s/ James A. Simms

James A. Simms

Vice President, Chief Financial Officer

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Exhibit 32.1

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

In connection with the Annual Report of Vicor Corporation (the “Company”) on Form 10-K for the period ending December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Patrizio Vinciarelli, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ Patrizio Vinciarelli

Patrizio Vinciarelli
President, Chairman of the Board and
Chief Executive Officer

March 3, 2011

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

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

In connection with the Annual Report of Vicor Corporation (the “Company”) on Form 10-K for the period ending December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, James A. Simms, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ James A. Simms

James A. Simms
Vice President, Chief Financial Officer

March 3, 2011

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Corporate Officers

Philip D. Davies

Vice President, Global Sales and Marketing

H. Allen Henderson

Vice President, Vicor Corporation; President, Westcor Division

Barry Kelleher

President, Brick Business Unit

Richard J. Nagel, Jr.

Vice President, Chief Accounting Officer

Douglas W. Richardson

Vice President, Chief Information Officer

James A. Simms

Chief Financial Officer and Secretary

Patrizio Vinciarelli

Chairman of the Board, President and Chief Executive Officer

Richard E. Zengilowski

Vice President, Human Resources

Board of Directors

Samuel J. Anderson

President, Chief Executive Officer and Chairman of the Board
Great Wall Semiconductor Corporation

Jason L. Carlson ^{a,c}

President and Chief Executive Officer, QD Vision, Inc.

Estia J. Eichten ^{a,c}

Senior Scientist, Fermi National Accelerator Laboratory

Liam K. Griffin ^c

Senior Vice President, Sales and Marketing, Skyworks Solutions, Inc.

Barry Kelleher

President, Brick Business Unit

David T. Riddiford ^{a,c}

Private Investor

James A. Simms

Chief Financial Officer and Secretary

Claudio Tuozzolo

President of Picor Corporation

Patrizio Vinciarelli

Chairman of the Board, President and Chief Executive Officer

Common Stock

Vicor shares are traded on the NASDAQ Stock Market[®] under the symbol "VICR".

Transfer Agent

Computershare Investor Services
Providence, Rhode Island
1-877-282-1169

Counsel

Foley & Lardner LLP
Boston, Massachusetts

Auditors

Grant Thornton LLP
Boston, Massachusetts

^a Audit Committee ^c Compensation Committee

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The words "believes," "expects," "anticipates," "intend," "estimate," "plans," "assumes," "may," "will," "would," "should," "continue," "prospective," "project," and other similar expressions identify forward-looking statements. These statements are based upon the Company's current expectations and estimates as to the prospective events and circumstances which may or may not be within the Company's control and as to which there can be no assurance. Actual results could differ materially from those implied by forward-looking statements as a result of various factors, including our ability to: hire and retain key personnel; develop and market new products and technologies cost effectively and on a timely basis; leverage our new technologies in standard products to promote market acceptance of our new approach to power system architecture; leverage design wins into increased product sales; continue to meet requirements of key customers and prospects; enter into licensing agreements increasing our market opportunity and accelerating market penetration; realize significant royalties under such licensing agreements; achieve sustainable bookings rates for our products across both markets and geographies; improve manufacturing and operating efficiencies; successfully enforce our intellectual property rights; successfully defend outstanding litigation; and maintain an effective system of internal controls over financial reporting, including our ability to obtain required financial information for investments on a timely basis, our ability to assess the value of assets, including illiquid investments, and the accounting therefor, as well as those matters described in the Company's Annual Report on Form 10-K.

You should read the risk factors that are set forth in the Company's most recent Form 10-K, presented herein. However, the risk factors set forth may not be exhaustive. Therefore, the information in the Form 10-K should be read together with other reports and documents that the Company files with the Securities and Exchange Commission (the "SEC") from time to time, including the Company's Forms 10-Q and 8-K and Proxy Statements, which may supplement, modify, supersede or update those risk factors. Copies of the Company's recent SEC filings may be obtained without charge by contacting Investor Relations or through the Investor Relations section of the Company's website at vicorpower.com under the section titled "SEC Filings". The Company does not undertake any obligation to update any forward-looking statements as a result of future events or developments.



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