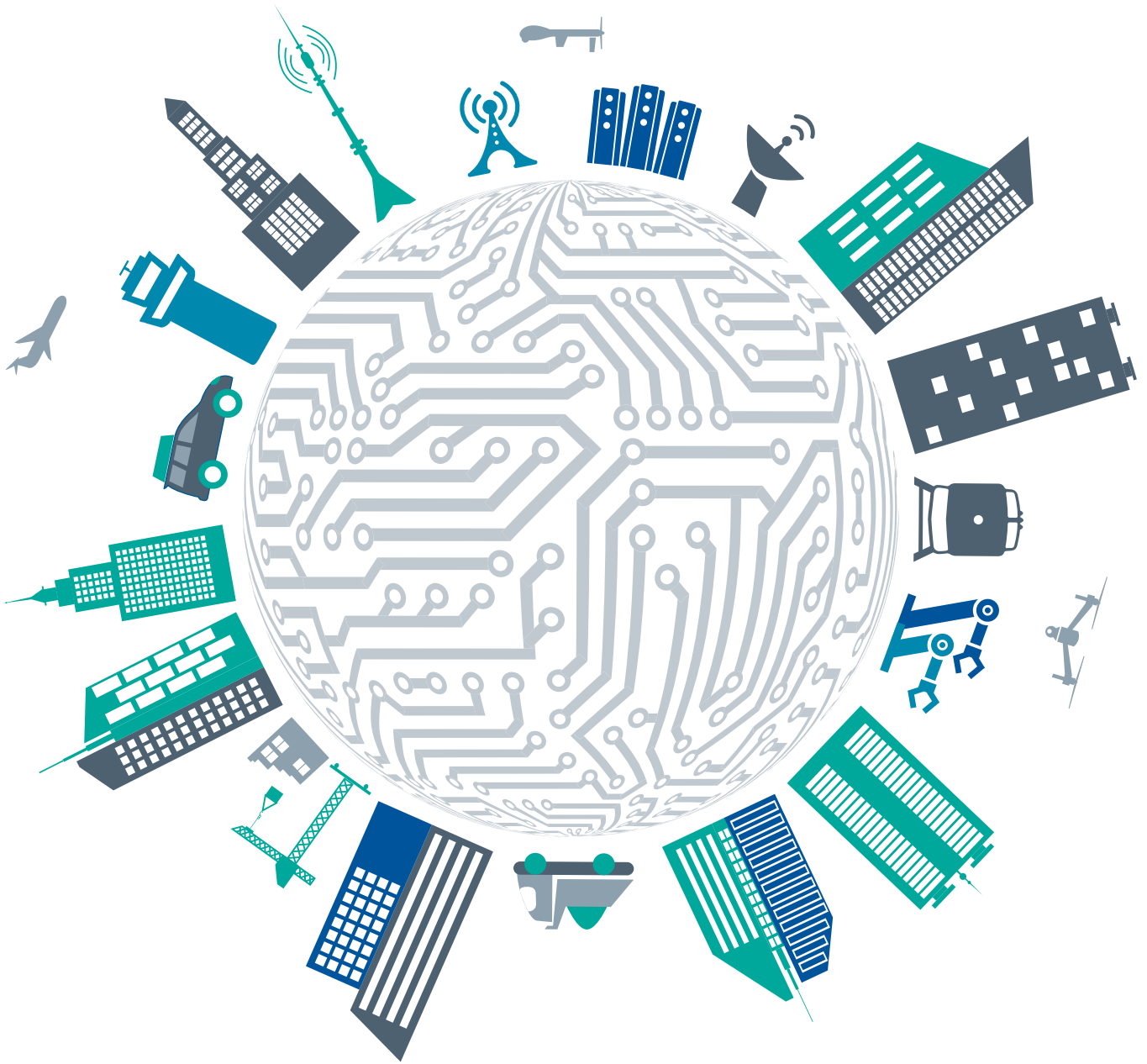




2016 Annual Report & Proxy Statement



Modular Solutions for Your Power System

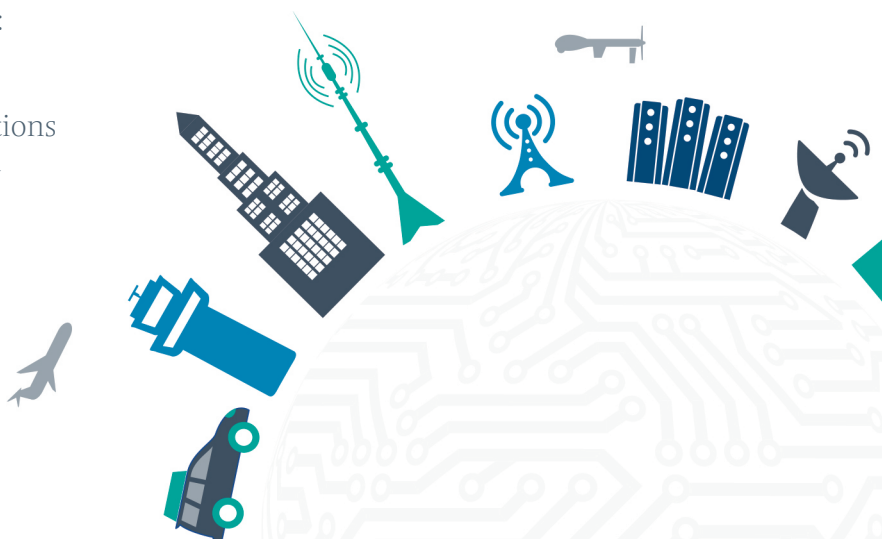
Financial Highlights 2012 - 2016 *(In thousands, except per share amounts)*

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|-----------|-----------|-----------|-----------|------------------|
| Net Revenues | \$218,507 | \$199,160 | \$225,731 | \$220,194 | \$220,280 |
| Loss from Operations | (2,785) | (20,467) | (14,763) | (267) | (6,314) |
| Net Income (Loss) <i>Attributable to Vicor Corporation</i> | (4,077) | (23,640) | (13,887) | 4,927 | (6,247) |
| Net Income (Loss) Per Share <i>Attributable to Vicor Corporation</i> | \$(0.10) | \$(0.60) | \$(0.36) | \$0.13 | \$(0.16) |
| Weighted Average Shares | 41,811 | 39,195 | 38,569 | 39,146 | 38,842 |
| Working Capital | \$128,498 | \$97,869 | \$90,321 | \$94,905 | \$89,545 |
| Total Assets | 202,581 | 165,640 | 155,542 | 157,545 | 154,067 |
| Total Liabilities | 20,608 | 23,303 | 24,990 | 21,460 | 23,050 |
| Total Equity | \$181,973 | \$142,337 | \$130,552 | \$136,085 | \$131,017 |
| Return on Average Equity | (2.2%) | (14.6%) | (10.2%) | 3.7% | (4.7%) |

Vicor Corporation designs, manufactures and markets innovative, high performance modular power components, from bricks to semiconductor-centric solutions, to enable customers to efficiently convert and manage power from the wall plug to the point-of-load. Complementing an extensive portfolio of patented innovations in power conversion and power distribution with significant application development expertise, Vicor offers comprehensive product lines addressing a broad range of power conversion and management requirements across all power distribution architectures, including Centralized Power Architectures, Distributed Power Architectures, Intermediate Bus Architectures, Factorized Power Architectures and Controlled Bus Architectures. Vicor focuses on solutions for performance-critical applications in the following markets: aerospace and defense electronics, enterprise and high performance computing, industrial equipment and automation, telecommunications and network infrastructure, and vehicles and transportation.

Vicor's Value Proposition = Customers' Competitive Advantage

At Vicor, we enable customers to efficiently convert and manage power from the wall plug to point-of-load. We master the entire power chain with a comprehensive portfolio of high-efficiency, high-density, power distribution architectures addressing a broad range of performance-critical applications. Vicor's approach gives power system architects the flexibility to choose from modular, plug-and-play components ranging from bricks to semiconductor-centric solutions. By integrating our world-class manufacturing and applications development, we can quickly customize our power components to meet a customer's unique power system needs.





May 1, 2017

Dear Stockholder:

You are cordially invited to attend the 2017 Annual Meeting of Stockholders (the "Annual Meeting") of Vicor Corporation (the "Corporation"). The Annual Meeting will be held at the following date, time, and location:

DATE: Friday, June 16, 2017
TIME: 9:00 a.m.
PLACE: Offices of Foley & Lardner LLP
111 Huntington Avenue
Boston, Massachusetts 02199

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

We hope you will be able to attend the Annual Meeting, but in any event we would appreciate your completing, dating, signing, and returning your Proxy Card(s) as promptly as possible. If you attend the Annual Meeting and wish to vote your shares in person, you may revoke your proxy at that time.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Patrizio Vinciarelli".

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 FRIDAY, JUNE 16, 2017

NOTICE IS HEREBY GIVEN that the 2017 Annual Meeting of Stockholders (the "Annual Meeting") of Vicor Corporation, a Delaware corporation (the "Corporation"), will be held on Friday, June 16, 2017, at 9:00 a.m., local time, at the offices of Foley & Lardner LLP, 111 Huntington Avenue, Boston, Massachusetts 02199, for the following purposes:

1. To fix the number of Directors at nine and to elect the nine nominees named in the attached proxy statement as Directors to hold office until the 2018 Annual Meeting of Stockholders and until their respective successors are duly elected and qualified.
2. To hold an advisory vote on compensation of the Corporation's named executive officers.
3. To hold an advisory vote on the frequency of stockholder votes on executive compensation.
4. To approve the amendment and restatement of the Vicor Corporation Amended and Restated 2000 Stock Option and Incentive Plan to increase the number of shares of common stock available for issuance thereunder from 4,000,000 to 10,000,000 shares.
5. To approve the VI Chip Corporation Amended and Restated 2007 Stock Option and Incentive Plan.
6. To approve the Picor Corporation Amended and Restated 2001 Stock Option and Incentive Plan.
7. To approve the Vicor Corporation 2017 Employee Stock Purchase Plan.
8. 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 28, 2017, 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 April 28, 2017 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(s), 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 delivering a written revocation to the Corporation's Secretary 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 our Corporate Secretary, even if they have previously delivered a signed Proxy Card.

By Order of the Board of Directors



James A. Simms
Corporate Secretary

Andover, Massachusetts
May 1, 2017

Whether or not you plan to attend the Annual Meeting, please complete, sign, date, and promptly return the enclosed Proxy Card(s) in the enclosed postage-prepaid envelope as soon as possible. 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 2017 ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON FRIDAY, JUNE 16, 2017**

May 1, 2017

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors (the “Board” and each member thereof being a “Director”) of Vicor Corporation (the “Corporation”) from owners of the outstanding shares of capital stock of the Corporation (the “Stockholders”, or as an individual, a “Stockholder”) for use at the 2017 Annual Meeting of Stockholders (the “Annual Meeting”) of the Corporation to be held on Friday, June 16, 2017, at 9:00 a.m., local time, at the offices of Foley & Lardner LLP, 111 Huntington Avenue, Boston, Massachusetts 02199, 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 and to consider and act on any matters that may be properly brought before the Annual Meeting and at any adjournments or postponements thereof.

In this Proxy Statement, we refer to Vicor Corporation as “Vicor,” “the Corporation,” “we,” “us,” or “our.” In addition, the term “Proxy Solicitation Materials” includes this Proxy Statement, the Notice of Annual Meeting, and the Proxy Cards.

The Proxy Solicitation Materials are first being sent to Stockholders of record on or about May 8, 2017. The Board has fixed the close of business on April 28, 2017 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, 2017, there were 27,346,172 shares of Common Stock and 11,758,218 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 (for an aggregate of 27,346,172 votes), and each share of Class B Common Stock entitles the holder thereof to 10 votes per share (for an aggregate of 117,582,180 votes). **Shares of Common Stock and Class B Common Stock will vote together as a single class, reflecting their respective voting entitlement, on each proposal at the Annual Meeting.**

Stockholders are requested to complete, date, sign, and return the accompanying Proxy Card(s) 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 each of the Director nominees, FOR an advisory vote on executive compensation every three years and FOR each of the other proposals set forth in this Proxy Statement. We do not anticipate any matters other than those set forth in this Proxy Statement will be presented at the Annual Meeting. If other matters are properly 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) delivering a written revocation to our Corporate Secretary, James A. Simms, at the address of the Corporation set forth above; (2) filing a duly executed Proxy Card bearing a later date; or (3) appearing in person, notifying the Corporate Secretary of such revocation, 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 submitted, but the presence (without further action) of a Stockholder at the Annual Meeting will not constitute revocation of a previously submitted proxy.

The presence, in person or by proxy, of Stockholders representing 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. Because of his ownership of shares of Class B Common Stock and shares of Common Stock, representing 82.6% of the total voting shares, a quorum is assured by the presence of Dr. Patrizio Vinciarelli, Chairman of the Board, President, and Chief Executive Officer, who will preside over 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, Directors, officers, and employees of the Corporation also may solicit proxies personally or by telephone, e-mail, or other form of electronic communication without special compensation for such activities. The Corporation also will request those holding shares in their names or in the names of their nominees that are beneficially owned by others to forward 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 2016 Annual Report (the “Annual Report”), including financial statements for the fiscal year ended December 31, 2016, will be mailed to Stockholders concurrently with this Proxy Statement. The Annual Report, however, is not part of the Proxy Solicitation Materials. The Corporation and certain intermediaries (e.g., banks, brokers, and nominees) may deliver only one copy of the Annual Report and Proxy Solicitation Materials to Stockholders sharing an address. The Corporation will deliver promptly, upon written or oral request, a separate copy of the Annual Report or Proxy Solicitation Materials, as applicable, to a Stockholder at a shared address. In order to receive such a separate document, please contact our Corporate Secretary, Mr. Simms, at the address of the Corporation set forth above. If Stockholders sharing an address (i) currently receive a single copy of the Annual Report and Proxy Solicitation Materials and wish to receive separate copies of such materials in the future or (ii) currently receive separate copies of the Annual Report and Proxy Solicitation Materials and wish to receive a single copy of such materials in the future, please contact Mr. Simms, our Corporate Secretary, or the applicable intermediary, as the case may be.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING TO BE HELD ON JUNE 16, 2017:

The Proxy Solicitation Materials and Annual Report are available at www.vicorpower.com.

PROPOSAL ONE

ELECTION OF NINE DIRECTORS

In accordance with the requirements of the Corporation’s By-Laws, the Board recommends the number of Directors be fixed at nine and has nominated all of the Nominees named below for election to the Board. Each of the nine Nominees presently serves as a Director. Mr. Riddiford, a current independent Director, informed the Board he would not stand for re-election at the Annual Meeting following his 33 years of service to the

Corporation. Accordingly, Mr. Riddiford will cease his service as a Director and as a member of the Audit Committee and the Compensation Committee following the election of directors at the 2017 Annual Meeting. After consideration of a number of factors, the Board concluded the vacancy that would be created due to Mr. Riddiford’s pending retirement would not be filled, and the number of Directors would be reduced at the Annual Meeting to nine from 10.

If elected, each Nominee will serve until the 2018 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 unless otherwise specified. Each Nominee has consented to stand for election and 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 for a Nominee by the Stockholders of Common Stock and Class B Common Stock, voting together as a single class, shall elect such Nominee. Accordingly, abstentions, broker non-votes, and votes withheld from any Nominee will have no effect on this proposal. There is no cumulative voting.

Because the number of incumbent Directors standing for reelection (i.e., nine) is equal to the number of Nominees, and the Corporation’s By-Laws provide for election by plurality, any number of votes cast for a Nominee assures that Nominee of election as a Director. Dr. Vinciarelli beneficially owned, as of March 31, 2017, 9,828,272 shares of Common Stock and 11,023,648 shares of Class B Common Stock, together representing 82.6% of the voting power of the outstanding stock of the Corporation, sufficient to elect each of the Nominees named below. He has stated an intention to vote in favor of fixing the number of Directors at nine and in favor of the election of all Nominees.

Information Regarding Nominees and Qualifications

The following sets forth certain information as of March 31, 2017, 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. In addition to the experience, qualifications and skills of each Director, the Board as a whole also considers 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 and/or executive officers of the Corporation.

| <u>Nominee</u> | <u>Age</u> | <u>Director Since</u> | <u>Background and Qualifications</u> |
|--------------------------------|------------|---------------------------|---|
| Patrizio Vinciarelli | 70 | 1981 | Dr. Vinciarelli founded the Corporation in 1981 and has been Chairman of the Board, President, and Chief Executive Officer since that time. Prior to founding the Corporation, from 1977 until 1980, he was a Fellow at the Institute for Advanced Study in Princeton, New Jersey. From 1973 through 1976, he was a Fellow at the European Organization for Nuclear Research (CERN), in Meyrin, Switzerland. Dr. Vinciarelli received his doctorate in Physics from the University of Rome, Italy. Dr. Vinciarelli holds more than 100 patents for power conversion technology. |

| <u>Nominee</u> | <u>Age</u> | <u>Director Since</u> | <u>Background and Qualifications</u> |
|----------------------------|------------|-----------------------|---|
| | | | Dr. Vinciarelli is qualified to serve on our Board given his role as the Corporation's founder, President, and Chief Executive Officer, his role in the development of our patents and proprietary technologies and the design of our products, and his standing as a leading innovator in the power conversion industry. |
| Estia J. Eichten | 70 | 1981 | <p>Dr. Eichten, an early investor who contributed to the founding of the Corporation, has held various positions with the Fermi National Accelerator Laboratory since 1981, being named a Senior Scientist in 1989. Earlier, he had been an Associate Professor of Physics at Harvard University. Dr. Eichten received both his B.S. and Ph.D. in Physics from the Massachusetts Institute of Technology. He has been an Alfred P. Sloan Foundation Research Fellow and currently is a Fellow of the American Physical Society and the American Association for the Advancement of Science. In 2011, Dr. Eichten and three collaborators were awarded the prestigious J. J. Sakurai Prize for Theoretical Particle Physics in acknowledgement of outstanding achievement in particle physics theory. While a Director of the Corporation, he has served since July 2000 as a Director of VLT, Inc., a wholly-owned subsidiary of the Corporation, which owns a majority of the Corporation's patents.</p> <p>Dr. Eichten's qualifications to serve on our Board include his extensive knowledge of electronics and power conversion, as well as the deep understanding of our products and organization acquired in his 36 years of service as a Director.</p> |
| Barry Kelleher | 68 | 1999 | <p>Mr. Kelleher retired from the Corporation effective December 31, 2016 after 23 years of service but continues to serve as a Director following his retirement as an employee. Until his retirement, Mr. Kelleher had served as the President of the Corporation's Brick Business Unit since 2006. Mr. Kelleher previously 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). From 1981 until joining the Corporation in 1993, Mr. Kelleher was employed by Computer Products Inc., a manufacturer of power conversion products, where he held the position of Corporate Vice President and President of the Power Conversion Group. He received B.Eng. and M.B.A. degrees from University College Cork and University College Dublin, respectively.</p> <p>Mr. Kelleher's qualifications to serve on our Board include his long-standing tenure as a senior executive in the power conversion industry, his prior leadership role in the Corporation, and his considerable experience in power industry sales and operations management.</p> |

| <u>Nominee</u> | <u>Age</u> | <u>Director Since</u> | <u>Background and Qualifications</u> |
|------------------------------|------------|-----------------------|--|
| Samuel J. Anderson | 60 | 2001 | <p>Mr. Anderson has been the Chairman of the Board, President, and Chief Executive Officer of IceMOS Technology Corporation, a privately-held developer and manufacturer of specialized semiconductor substrates, as well as high voltage power switching devices utilizing its proprietary technology, since 2002. Mr. Anderson was the Chairman of the Board, President, and Chief Executive Officer of Great Wall Semiconductor Corporation (“GWS”), of which the Corporation was an owner of non-voting convertible preferred stock, from 2002 to September 2015, when GWS was acquired by Intersil Corporation. Previously, 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., the predecessor organization (from 1984 to 1999). Mr. Anderson also served, from 2001 to 2011, as non-executive Chairman of the Board of Directors of Advanced Analogic Technologies Inc., a supplier of power management semiconductors, when the company was acquired by Skyworks Solutions, Inc. Mr. Anderson holds numerous U.S. patents for semiconductor technologies. He received an M.S. in Microelectronics from Arizona State University, an M.S. in Physics from Queen’s University of Belfast, and a B.S. in Electronics from the University of Ulster.</p> <p>Mr. Anderson is qualified to serve on our Board given his acknowledged technical expertise, understanding of power conversion technologies, and his experience as an executive and director of other companies in the semiconductor and power management industries.</p> |
| Claudio Tuozzolo | 54 | 2007 | <p>Mr. Tuozzolo has been President of Picor Corporation, a subsidiary of the Corporation, since 2003. Previously, 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 in 2001, Mr. Tuozzolo was a Principal Design Engineer for SIPEX Corporation, from 1999 to 2001. Mr. Tuozzolo has authored nine U.S. patents in semiconductor design. He attended the University of Rome and holds B.S. and M.S. degrees in Electrical Engineering from the University of Rhode Island.</p> <p>Mr. Tuozzolo is qualified to serve on our Board given his leadership role within the Corporation, his extensive experience in the semiconductor and power management industries, and his technical expertise regarding our products.</p> |
| James A. Simms | 57 | 2008 | <p>Mr. Simms has been our Chief Financial Officer, Treasurer, and Corporate Secretary since 2008. In 2016, Mr. Simms was appointed President and Chief Executive Officer of VLT, Inc.,</p> |

| <u>Nominee</u> | <u>Age</u> | <u>Director Since</u> | <u>Background and Qualifications</u> |
|----------------------------|------------|-----------------------|---|
| Jason L. Carlson | 55 | 2008 | <p>a wholly-owned subsidiary of the Corporation that owns a majority of the Corporation’s patents. From 2007 until 2008, he was a Managing Director of Needham & Company, LLC, an investment banking and asset management firm. Previously, 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 served as a member of the Board of Directors of PAR Technology Corporation (from 2001 to 2014), a publicly-held provider of information technology solutions in the hospitality and specialty retail industries and a provider of advanced technology systems and support services to the United States military and other governmental agencies. Mr. Simms received a B.A. from the University of Virginia and an M.B.A. from the University of Pennsylvania’s Wharton School.</p> <p>Mr. Simms is qualified to serve on our Board given his prior career in investment banking, his familiarity with corporate finance and securities markets, his expertise with complex financial and regulatory matters, and his experience as a director of other companies.</p> <p>Mr. Carlson has been the Chief Executive Officer of congatec AG, a technology and service provider for embedded computing solutions, since 2015. Previously, Mr. Carlson was President and Chief Executive Officer, as well as a member of the Board of Directors, of QD Vision, Inc., a privately-held developer of nanomaterial-based solutions for advanced display and lighting applications, from 2010 to 2015. From 2010 to 2011, Mr. Carlson also served as a member of the Board of Directors of Advanced Analogic Technologies, Inc., a publicly-traded developer of power management semiconductors, which was acquired by Skyworks Solutions, Inc. in January 2012. From 2006 until joining QD Vision in 2010, he was President and Chief Executive Officer of Emo Labs, Inc., a privately-held developer of innovative audio speaker technology. From 2002 to 2005, Mr. Carlson 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. He began his career as a founder of</p> |

| <u>Nominee</u> | <u>Age</u> | <u>Director Since</u> | <u>Background and Qualifications</u> |
|------------------------------|------------|-----------------------|---|
| | | | <p>ReSound Corporation, a pioneering developer of digital hearing aids, which completed its initial public offering in 1993.</p> <p>Mr. Carlson’s qualifications to serve on our Board include his experience as both a public company executive and as an entrepreneur, his experience as a director of other companies, his understanding of the evolution of technical innovation in the semiconductor and power conversion industries, and his financial expertise. Mr. Carlson has served as Chairman of the Audit Committee of the Board since joining the Board in 2008.</p> |
| Liam K. Griffin | 50 | 2009 | <p>Mr. Griffin has been President and Chief Executive Officer and a director of Skyworks Solutions, Inc., a global designer and manufacturer of a broad portfolio of proprietary analog semiconductor solutions, most notably for enabling wireless communications, since May 2016. Prior to his appointment as Chief Executive and to the Skyworks Solutions Board of Directors, he had served as President, since 2014. Previously, Mr. Griffin served as Executive Vice President and Corporate General Manager from 2012 to 2014, with responsibility for all of Skyworks Solutions’ business units. Since joining Skyworks Solutions in 2001, Mr. Griffin previously held the positions of Executive Vice President and General Manager of High Performance Analog and Senior Vice President of Sales and Marketing. Before joining Skyworks Solutions, he was the Vice President of Worldwide Sales at Dover Corporation and held product management and process engineering positions at AT&T’s Microelectronics and Network Systems’ businesses. Mr. Griffin received B.S. and M.B.A. degrees from the University of Massachusetts and Boston University, respectively.</p> <p>Mr. Griffin’s qualifications to serve on our Board of Directors include his experience as a public company executive, and in building and managing sales and marketing organizations in technology-driven, global organizations.</p> |
| H. Allen Henderson | 69 | 2014 | <p>Mr. Henderson retired from the Corporation in February 2016, having served in various leadership roles since joining the Corporation in 1985. He served as a Corporate Vice President from 1999 until his retirement and was President of our Westcor Division from 1999 to until its closure in 2014. Mr. Henderson also served, from 2000 until his retirement, as President and Chief Executive Officer of VLT, Inc., a wholly-owned subsidiary of the Corporation that owns a majority of the Corporation’s patents. Prior to joining the Corporation, Mr. Henderson was employed at Boschert, Inc., a manufacturer of power supplies, since 1984, serving as Director of Marketing. Mr. Henderson received a B.A.E.E. from Brown University and an M.B.A. from Duke University.</p> |

| <u>Nominee</u> | <u>Age</u> | <u>Director Since</u> | <u>Background and Qualifications</u> |
|----------------|------------|-----------------------|--|
| | | | Mr. Henderson's qualifications to serve on our Board include his long-standing leadership role within the Corporation, his extensive experience in the power conversion industry and knowledge of our products from his 32 years with the Corporation. |

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

CORPORATE GOVERNANCE

Status as a Controlled Company

As of March 31, 2017, there were 27,346,172 shares of Common Stock and 11,758,218 shares of Class B Common Stock of the Corporation outstanding and entitled to vote. Our Common Stock is listed for trading on the NASDAQ Global Select Market (“NASDAQ-GS”) and, as such, we are subject to the listing requirements set forth in the Marketplace Rules of the NASDAQ Stock Market LLC (the “Nasdaq Rules”). The Corporation is a “controlled company” in accordance with the governance provisions of the Nasdaq Rules, because Dr. Vinciarelli, Chairman of the Board, President, and Chief Executive Officer, holds more than 50% of the voting power of our outstanding capital stock. Accordingly, the Corporation relies on certain exemptions from corporate governance requirements available to us under the Nasdaq Rules for a controlled company.

Dr. Vinciarelli owned, as of March 31, 2017, 9,828,272 shares of our Common Stock and 11,023,648 shares of our Class B Common Stock. Each share of Class B Common Stock, which entitles the holder thereof to 10 votes per share, is exchangeable on a one for one basis into a share of Common Stock, which entitles the holder thereof to one vote per share. As of March 31, 2017, Dr. Vinciarelli owned 35.4% of our Common Stock and 93.7% of our Class B Common Stock, which together represent 82.6% of total voting power, giving him effective control of our governance.

Because of the Corporation’s status as a controlled company, we are not required to comply with listing standards requiring a majority of independent Directors on our Board, the determination of the compensation of our executive officers solely by independent Directors, and the recommendation of nominees for Director solely by independent Directors. Upon consideration of the independence criteria under the Nasdaq Rules, the Board has determined that four of our current 10 Directors (Messrs. Carlson, Eichten, Griffin and Riddiford) and three of our Nominees (Messrs. Carlson, Eichten, and Griffin) are independent as defined by the Nasdaq Rules. As noted above, Mr. Riddiford will not be standing for re-election to the Board at the 2017 Annual Meeting and his service as a Director and as a member of the Audit and Compensation Committees will cease following the election of Directors at the 2017 Annual Meeting.

While we do rely on an exemption, as a controlled company, from the Nasdaq Rules requirement that our Board be comprised of a majority of independent Directors, the Nasdaq Rules nevertheless require our Board to have an Audit Committee comprised of no fewer than three Directors, all of whom are independent. The Nasdaq Rules further require all members of the Audit Committee have the ability to read and fully understand financial statements and at least one member of the Audit Committee possess financial sophistication (i.e., qualify to be identified as a “Audit Committee Financial Expert” under Section 407 of the Sarbanes-Oxley Act of 2002). Messrs. Carlson, Eichten, Griffin and Riddiford each serve on the current Audit Committee, and the Board has determined each of the members of the current Audit Committee are independent under the Nasdaq Rules and Messrs. Carlson and Riddiford each qualify as Audit Committee Financial Experts under Section 407 of the Sarbanes-Oxley Act of 2002. Messrs. Carlson, Eichten, and Griffin are standing for reelection to the Board and, if reelected, intend to serve as members of the Audit Committee for the coming one-year term.

We rely on an exemption, as a controlled company, from the Nasdaq Rules requirement that the compensation of our executive officers, including Dr. Vinciarelli, our Chief Executive Officer, be determined solely by independent Directors. However, all four members of the current Compensation Committee of the Board, Messrs. Carlson, Eichten, Griffin and Riddiford, are considered independent, and Messrs. Carlson, Eichten, and Griffin are standing for reelection to the Board and, if reelected, intend to serve as members of the Compensation Committee for the coming one-year term. The Compensation Committee is solely responsible for the administration of the Corporation’s stock option plans, with authority delegated by the Board to approve all recommended stock option awards.

We also rely on an exemption, as a controlled company, from the Nasdaq Rules requirement that the Board have a standing committee responsible for Director nominations and other governance matters. The Board

believes it, as a whole, is in the best position to evaluate potential candidates for nomination as Director and, therefore, the full Board performs the function of such a committee.

Finally, while we rely on the exemptions from certain Nasdaq Rules requirements described above, we are not exempt from the requirement that independent Directors have regularly scheduled meetings at which only independent Directors are present. At each meeting of the Board, the independent Directors conduct such “executive sessions,” frequently with our outside counsel as an invited guest. In addition, at each meeting of the Audit Committee, which is comprised solely of the current four independent Directors, the independent Directors conduct private meetings with representatives of our independent registered public accounting firm, KPMG LLP (“KPMG”).

The Board and Its Committees

Our Board has two standing committees: the Audit Committee and the Compensation Committee.

The Board held three in-person meetings and acted by written consent in lieu of meetings on three other occasions during 2016. Each of the Directors attended 75% or more of the total number of meetings of the Board and meetings of the committees thereof on which each such Director serves. 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, except Mr. Griffin, attended the 2016 Annual Meeting of Stockholders.

Information regarding the functions performed by the Audit Committee 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, and reviewed each year. As stated above, the Board has determined all four members of the current Audit Committee are independent under the applicable Nasdaq Rules and Securities and Exchange Commission (“SEC”) regulations. Messrs. Carlson, Eichten, and Griffin are standing for reelection to the Board and, if reelected, intend to serve as members of the Audit Committee for the coming one-year term. As stated above, the Board also has determined Mr. Carlson meets the definition of “Audit Committee Financial Expert” as defined by Item 407(d) of Regulation S-K. The Audit Committee charter is posted on the Corporation’s website, www.vicorpower.com, under the heading “About Vicor” and the subheading “Corporate Governance.” The Audit Committee held six meetings during 2016.

The Compensation Committee is responsible for approving, based on the recommendation of Dr. Vinciarelli, the compensation for the executive officers of the Corporation, approving all grants of stock options by the Corporation and its subsidiaries, and administering the Corporation’s stock option plans pursuant to authority delegated to it by the Board. The Compensation Committee is governed by a written charter, approved by the Board on October 18, 2013, and subject to review each year. The Compensation Committee held five meetings during 2016 and acted by written consent in lieu of meeting on 15 other occasions to approve stock option awards granted during 2016. The Compensation Committee charter is posted on the Corporation’s website, www.vicorpower.com, under the heading “About Vicor” and the subheading “Corporate Governance”.

Board Leadership and Role in Risk Management

Given the Corporation’s status as a controlled company and Dr. Vinciarelli’s leadership of the Corporation since its founding, he fulfills both the roles of Chairman of the Board and Chief Executive Officer. As Chairman of the Board, Dr. Vinciarelli presides over meetings of the Board and, in collaboration with Mr. Simms, in his capacity as Corporate Secretary, establishes an agenda for each meeting. The Board does not have a lead independent Director. As Chief Executive Officer, Dr. Vinciarelli is responsible for setting the strategic direction of the Corporation, the leadership of the organization, and the operational and financial performance of the Corporation.

The Board advises and oversees executive management, which, under Dr. Vinciarelli’s leadership, is responsible for the day-to-day operations of the Corporation’s affairs. The Board reviews, assesses, and directs our long-term strategic plans and provides oversight and guidance on all matters influencing the Corporation’s well-being.

The Board has an active role, as a whole and also at the committee level, in overseeing identification, analysis, and management of the Corporation's risks. The Board regularly reviews information regarding the Corporation's strategy, operations, financial performance and position, and legal and regulatory affairs, addressing the risks associated with each. Messrs. Kelleher, Simms, and Tuozzolo, in their capacities as former President of the Brick Business Unit, Chief Financial Officer, and President of Picor Corporation, respectively, provide first-hand information and insight to the Board regarding all enterprise risks. Mr. Anderson, as the former Chief Executive Officer of an important supplier to the Corporation, provides valuable external perspectives on a range of challenges facing the Corporation, including evolving technology and intensifying competition. The independent Directors, given their breadth of experience and expertise, as well as their governance responsibilities as the sole members of the Audit Committee and the Compensation Committee, contribute to an ongoing assessment of the integrity of our financial reporting processes and systems and the appropriateness and effectiveness of our compensation programs.

While the Board is ultimately responsible for the Corporation's risk management, the Audit Committee, comprised of independent Directors, plays a primary and important role in assisting the Board in overseeing such responsibilities, with particular focus, as mandated by the Sarbanes-Oxley Act of 2002, on the integrity and effectiveness of the Corporation's financial reporting processes. The Audit Committee reviews our guidelines and policies on management of enterprise risks, including assessment and management of the Corporation's major financial exposures and management's monitoring and control of such exposures. At each meeting of the Audit Committee, members of management, led by Mr. Simms, in his capacity as Chief Financial Officer, present information addressing issues related to risk identification, analysis, and mitigation. Also at each meeting of the Audit Committee, the committee members meet privately with representatives of our independent auditors, KPMG.

In addition to the risk oversight role undertaken by the Audit Committee, the 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 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, as the incentives of the Corporation's compensation programs are believed to be aligned with our strategic, operational, and financial goals and the interest of our Stockholders.

Upon learning from Mr. Riddiford of his intent to not stand for reelection to the Board, the Board concluded the Board's effectiveness in overseeing the identification, analysis, and management of the Corporation's risks will not materially change due to Mr. Riddiford's retirement.

Director Nomination Process

As indicated above, 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 process for identifying and evaluating Director nominees. The Corporation's By-Laws require that our Stockholders approve the number of Directors for the coming year at each Annual Meeting of Stockholders, although the By-Laws also allow the Board to reduce the number of Directors in the event of a vacancy on the Board and to increase the number of Directors at any time by majority vote of the Directors then serving.

Board Membership Criteria — At a minimum, the Board must be satisfied each candidate for nomination 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 our Stockholders. In addition to the minimum qualifications set forth above, the Board seeks to select for nomination persons possessing relevant industry or technical experience and, in order to comply with the Nasdaq Rules regarding independence of Audit Committee members is maintained, persons meeting the independence requirements of the Nasdaq Rules and SEC regulations.

Identifying and Evaluating Nominees — The Board may solicit recommendations from any sources it deems appropriate. The Board will evaluate all candidates for nomination 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. In identifying and evaluating candidates for nomination, 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 it deems appropriate or advisable, including, among other things, the breadth of experience, geographic representation, and backgrounds of other nominees. Based on these considerations, the Board may nominate a candidate it believes will, together with the other nominees, best serve the interests of the Corporation and our Stockholders.

Stockholder Recommendations — The Board’s policy is to review and consider, in accordance with the procedures described above, any candidates for nomination recommended by Stockholders entitled to vote for the election of Directors. All Stockholder recommendations of candidates for nomination must be submitted to our Corporate Secretary, Mr. Simms, at the address of the Corporation set forth above.

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 capital 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 Securities Exchange Act of 1934, as amended, (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 candidate for nomination;
- a description of the qualifications and background of the candidate for nomination 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 candidate for nomination;
- the written consent of the candidate for nomination (a) to be named in the proxy statement relating to the Corporation’s next annual meeting and (b) to serve as a Director if elected at such annual meeting; and
- any other information regarding the candidate for nomination required to be included in a proxy statement filed pursuant to the rules of the SEC.

Any stockholder seeking to present a Director nomination at an annual meeting must comply with the notice procedures in our By-Laws as described herein under “Stockholder Proposals.”

Communications with the Board

If a Stockholder 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 James A. Simms, 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 will be forwarded promptly to the addressee(s).

Code of Business Conduct

The Corporation has established and adopted a Code of Business Conduct. This Code of Business Conduct is posted on the Corporation’s website, www.vicorpower.com, under the heading “About Vicor” and the subheading “Corporate Governance”.

Executive Officers

Executive officers of the Corporation (designated as our “corporate officers” in accordance with our By-Laws) are appointed annually by the Board and hold office until the first meeting of the Board 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 Corporation’s executive officers:

Patrizio Vinciarelli, Ph.D., 70, Chairman of the Board, President, and Chief Executive Officer. Dr. Vinciarelli’s background and experience is contained in the section of the Proxy Statement entitled “Information Regarding Nominees.”

Sean Crilly, 59, Corporate Vice President, Engineering, Power Systems since June 2015. From December 2012 to May 2015, Mr. Crilly served as Vice President, Engineering, VI Chip. From 2006 to 2012, Mr. Crilly held the position of Director of Sustaining Engineering, and, from 2000 to 2006, the position of Manager, Test Engineering. Previously, Mr. Crilly held the positions of Project Manager, from 1996 to 2000, and Senior Test Engineer, from 1993 to 1996. Prior to joining the Corporation in 1993, Mr. Crilly was Vice President of Applications Engineering at Intepro Systems, specializing in power electronics test equipment. Earlier, he was employed in engineering roles at Schaffner and Nixdorf Computer. Mr. Crilly received a B.Eng. in Electronics from the Limerick Institute of Technology, Limerick, Ireland.

Philip D. Davies, 57, Corporate Vice President, Global Sales and Marketing, since February 2011. Prior to joining the Corporation, Mr. Davies was employed by the Solid State Light Engine business unit of OSRAM Sylvania as Business Creation Team Leader 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. Mr. Davies received a B.S.E.E. and a Masters degree in Power Electronics from the University of Glamorgan.

Nancy L. Grava, 46, Corporate Vice President, Human Resources, since July 2015. From 2009 to June 2015, Ms. Grava held the position of Director, Human Resources. From 2002 to 2009, Ms. Grava held the position of Senior Manager, Compensation and Benefits and, from 1999 to 2002, the position of Manager, Compensation and Benefits. Previously, Ms. Grava held various other positions within Human Resources since joining the Corporation in 1993. Ms. Grava received a B.A. from the Massachusetts School of Liberal Arts and an M.B.A. from Bentley University.

Alex Gusinov, 53, Corporate Vice President, Engineering, Power Components since June 2015. From 2006 to 2015, Mr. Gusinov served as Vice President of Design Engineering for Picor Corporation. He joined Picor in 2004 as Director of IC Design. Prior to joining Picor, Mr. Gusinov was employed by SIPEX Corporation from 1996 to 2004, most recently as Vice President of Design Engineering, Power Management. From 1986 to 1996, he was employed by Analog Devices, Inc., developing integrated circuits for telecom, fiber optics, video, and related applications. Mr. Gusinov received a B.S.E.E. from Boston University and an M.S. in Engineering Management from Gordon Institute of Tufts University.

Joseph A. Jeffery, Jr., 66, Corporate Vice President and Chief Information Officer since September 2015. From 2009 to 2015, Mr. Jeffery served as Vice President, Applications Development. From 1999 to 2009, Mr. Jeffery held the position of Director of Manufacturing Systems. Prior to joining the Corporation, Mr. Jeffery was employed for 27 years by M/A-COM Technology Solutions, serving in a variety of technical and management positions in their microwave, millimeter wave semiconductor, and IC business units. Mr. Jeffery received an Associate’s degree (EEE) from the Wentworth Institute of Technology.

Michael S. McNamara, 56, Corporate Vice President, General Manager, Operations, since June 2015. Mr. McNamara held the positions of Corporate Vice President, Quality and Technical Operations, from May 2011 to May 2015, Vice President, Quality and Technical Operation of the Corporation's Brick Business Unit from 2008 to April 2011, Vice President, Quality of the Corporation's Brick Business Unit from 2006 to 2008, Senior Director of Quality from 2001 to 2008, Manager of Quality, Data and Analysis from 1999 to 2001 and Senior Quality Engineer from 1995 to 1999. Prior to joining the Corporation in 1995, Mr. McNamara was employed by Alpha Industries Inc., the predecessor to Skyworks Solutions, Inc. Mr. McNamara received a B.S. in Industrial Technology from the University of Lowell.

Richard J. Nagel, Jr., 60, Corporate 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. Mr. Nagel received a B.A. from Amherst College and an M.B.A. from the University of Rochester.

James A. Simms, 57, Corporate Vice President, Chief Financial Officer, Treasurer, and Corporate Secretary. Mr. Simms' background and experience is contained in the section of the Proxy Statement entitled "Information Regarding Nominees."

Claudio Tuozzolo, 54, Corporate Vice President and President of Picor Corporation, a subsidiary of the Corporation. Mr. Tuozzolo's background and experience is contained in the section of the Proxy Statement entitled "Information Regarding Nominees."

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 and Nominee, (3) each executive officer of the Corporation, and (4) all Directors and executive officers as a group, in each case based on representations of the Directors and executive officers as of March 31, 2017, and a review of filings 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 set forth opposite such beneficial owner's name. The information in the table reflects shares outstanding of each of the two classes of common stock on March 31, 2017, and does not, except as otherwise indicated below, take into account conversions after such date, if any, of shares of Class B Common Stock into Common Stock, which, if they were to occur, would increase the voting control of persons who retain shares of Class B Common Stock.

The percentages shown have been determined as of March 31, 2017, in accordance with Rule 13d-3 under the Exchange Act, and are based on a total of 39,104,390 shares of common stock that were outstanding on such date, of which 27,346,172 were shares of Common Stock, entitled to one vote per share, and 11,758,218 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.

Pursuant to the provisions of our certificate of incorporation, shares of Class B Common Stock are transferrable only under the limited circumstances set forth therein and generally must be converted into shares of Common Stock in order to be sold. Such conversion may be effected by the delivery of the certificate(s) representing shares of Class B Common Stock, accompanied by a written notice of the election by the record holder thereof to convert, to either Mr. Simms, in his capacity as Corporate Secretary, c/o Vicor Corporation, 25 Frontage Road, Andover, MA 01810, or to the then-current transfer agent for our Common Stock. Any transfer

of shares of Class B Common Stock not permitted under the provisions of our certificate of incorporation will result in the automatic conversion of those shares of Class B Common Stock into an equal number of shares of Common Stock.

| <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 | 20,851,920(4) | 35.4% | 93.7% | 82.6% |
| Estia J. Eichten | 1,093,067(5) | 1.5% | 5.9% | 5.0% |
| James A. Simms | 105,920 | * | * | * |
| David T. Riddiford | 104,915(6) | * | * | * |
| Philip D. Davies | 99,704 | * | * | * |
| Barry Kelleher | 48,966 | * | * | * |
| Michael S. McNamara | 39,000 | * | * | * |
| Claudio Tuozzolo | 32,943 | * | * | * |
| Jason L. Carlson | 22,008 | * | * | * |
| H. Allen Henderson | 17,141 | * | * | * |
| Liam K. Griffin | 13,008 | * | * | * |
| Joseph A. Jeffery, Jr. | 12,588 | * | * | * |
| Richard J. Nagel, Jr. | 10,000 | * | * | * |
| Sean Crilly | 9,720 | * | * | * |
| Samuel J. Anderson | 8,135 | * | * | * |
| Nancy L. Grava | 7,180 | * | * | * |
| All Directors and executive officers as a group (16 persons) | 22,476,215 | 38.2% | 99.6% | 87.8% |
| Ashford Capital Management, Inc.(7) One Walker's Mill Road Wilmington, DE 19807 | 1,698,600 | 6.1% | * | 1.2% |
| BlackRock, Inc.(8) 55 East 52nd Street New York, NY 10055 | 1,941,933 | 7.0% | * | 1.3% |

* Less than 1%

- (1) The address for each of the beneficial owners 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 that are exercisable or will become exercisable within 60 days of March 31, 2017, in the following amounts:

| <u>Name of Beneficial Owner</u> | <u>Shares</u> |
|---------------------------------|---------------|
| Philip D. Davies | 99,704 |
| James A. Simms | 60,920 |
| Barry Kelleher | 46,709 |
| Michael S. McNamara | 39,000 |
| Claudio Tuozzolo | 32,943 |
| Jason L. Carlson | 22,008 |
| Estia J. Eichten | 17,943 |
| David T. Riddiford | 17,943 |
| H. Allen Henderson | 16,922 |
| Liam K. Griffin | 13,008 |
| Joseph A. Jeffery, Jr. | 12,040 |
| Richard J. Nagel, Jr. | 10,000 |
| Sean Crilly | 9,620 |
| Samuel J. Anderson | 8,135 |
| Nancy L. Grava | 7,180 |

- (3) The calculation of the total number of shares beneficially owned includes 11,023,648 shares of Class B Common Stock owned by Dr. Vinciarelli and 690,700 shares of Class B Common Stock owned by Dr. Eichten. No other executive officer, Director or 5.0% stockholder owns shares of Class B Common Stock.
- (4) Includes 69,379 shares of Common Stock held by the Patrizio Vinciarelli Irrevocable Trust U/A, of which Dr. Vinciarelli is a trustee.
- (5) Includes 8,750 shares of Common Stock beneficially owned by Dr. Eichten's spouse. In addition, includes 31,145 shares of Common Stock held by the Belle S. Feinberg Memorial Trust, of which Dr. Eichten is a trustee.
- (6) Includes 4,500 shares of Common Stock beneficially owned by Mr. Riddiford's spouse.
- (7) Information reported is based upon a Schedule 13G filed with the SEC on February 14, 2017, reflecting holdings as of December 31, 2016. All shares are held by Ashford Capital Management, Inc., which holds sole voting power and sole dispositive power with regard to 1,698,600 shares.
- (8) Information reported is based upon a Schedule 13G filed with the SEC on January 27, 2017, reflecting holdings as of December 31, 2016. All shares are held by BlackRock, Inc., which holds sole voting power with regard to 1,917,060 shares and sole dispositive power with regard to 1,941,933 shares.

COMPENSATION DISCUSSION AND ANALYSIS

Philosophy

The primary objective of the Corporation's compensation programs is to attract, motivate, and retain highly qualified and productive employees using a combination of cash and equity based rewards intended to motivate and reward superior performance. Salaries and, in appropriate circumstances, cash bonuses encourage effective performance relative to current plans and objectives, while stock options may be utilized to attract new employees, reward outstanding performers, promote longer-term focus, and more closely align the interests of employees with those of Stockholders.

Stockholder Advisory Vote on Executive Compensation

At the Corporation's annual meeting of Stockholders held in 2014, Stockholders approved, on an advisory basis, the compensation of our Named Executive Officers as disclosed in our proxy statement for that annual meeting (a "Say on Pay" vote). The Compensation Committee believes this affirmed our Stockholders' support of the Corporation's approach to executive compensation and, therefore, did not change its approach during 2016.

At the 2011 annual meeting of Stockholders, Stockholders cast an advisory vote on the frequency of future Say on Pay votes. The alternative receiving the highest number of votes was a frequency of every three years, and, in accordance with the outcome of that advisory vote, our Board determined to hold a Say on Pay advisory vote at the Annual Meeting. Our Board has proposed that Stockholders vote for an advisory vote on executive compensation every three years, as described in Proposal Three herein.

Overview of Executive Compensation

Dr. Vinciarelli, with input from Ms. Grava, our Corporate Vice President, Human Resources, makes periodic recommendations to the Compensation Committee with respect to the compensation of executives and other employees in leadership positions. The Compensation Committee approves the annual salary of Dr. Vinciarelli and other Named Executive Officers.

Potential elements of compensation for our executive officers include: a base salary, cash bonuses, stock option awards, subsidized participation in group health, disability, and life insurance, cash contributions to a 401(k) tax-qualified retirement saving plan sponsored by the Corporation, and certain perquisites. All employees, including our Named Executive Officers, are employees-at-will and, as such, do not have employment contracts with the Corporation. In the future, the Board believes that the Vicor Corporation 2017 Employee Stock Purchase Plan, referred herein as the “ESPP” (described herein in Proposal Seven), will become an important part of the Corporation’s overall compensation program, as the ESPP is intended to improve the Corporation’s ability to attract, retain, and motivate eligible employees, and further align the interests of eligible employees with those of our Stockholders.

Each component of compensation is described in the following table:

| <u>Component</u> | <u>Characteristics/Frequency</u> | <u>Objective</u> |
|---|---|---|
| Base Salary | Salaries are established for a new hire based on the qualifications of the individual, the talents and skills sought for the position, and the comparable market level of salaries paid by position and/or geography. Salaries are reviewed and revised annually, based on the performance of the individual. Each year a target percentage for an organization-wide merit increase in salaries, based on the Corporation’s performance and an assessment of increases in the cost of living, is presented to Dr. Vinciarelli for approval. | We seek to attract and retain the best available individual talent. We structure salaries to provide a fixed amount of annual compensation reflecting (a) the individual’s performance, and (b) the performance of the Corporation and the business unit within which the individual is employed. |
| Cash Bonus (Contingent) | Certain senior sales and marketing personnel are eligible to participate in sales incentive programs, with cash bonuses paid based on achievement of various objectives. These programs generally are structured annually, with payments made quarterly. The Corporation does not have a policy regarding or a program involving discretionary cash bonuses for personnel outside of the sales or marketing functions. | We seek to provide short-term, tangible motivation for certain senior sales and marketing personnel to meet objectives, whether these objectives involve dollar volumes, market penetration, or other defined quantitative objectives. |
| Stock Option Awards (Contingent) | We generally award non-qualified stock options to a new employee upon hiring. Depending upon the business unit into which the individual is hired, we award stock options for the purchase of shares of Vicor Corporation, VI Chip Corporation, or Picor Corporation. Certain new hires have been awarded stock options granted by all three entities. From time to time, existing employees will be rewarded for superior performance through the award of stock options. The Corporation does not have a policy regarding or a program involving discretionary awards of stock options. | We seek to motivate recipients to contribute to achieving longer-term performance goals, potentially contributing to an increase in the value of the shares underlying the stock option awards, thereby aligning economic interests of recipients with Stockholders. |

| <u>Component</u> | <u>Characteristics/Frequency</u> | <u>Objective</u> |
|----------------------------|---|--|
| Fringe Benefits | <p>We offer a package of fringe benefits to all employees, including all Named Executive Officers, and their dependents, portions of which are paid for, in whole or in part, by the employee. The benefits we offer include: life, health, dental, vision, and long-term care insurance; disability and workers' compensation insurance; healthcare reimbursement accounts; tuition reimbursement; and paid time off.</p> | <p>We seek to provide a competitive package of benefits addressing the health and welfare needs of employees, reflecting our overall compensation philosophy of attracting and retaining talented individuals.</p> |
| Retirement Benefits | <p>The Corporation sponsors a 401(k) tax-qualified retirement saving plan open to all employees. 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 \$3,975. Participants received up to \$3,975 in matching funds in 2016 from the Corporation. All Named Executive Officers, with the exception of Dr. Vinciarelli, participated in the 401(k) plan and received matching funds. The Corporation does not provide any nonqualified defined contribution plans, deferred compensation plans, retirement health insurance, or other post-employment benefits.</p> | <p>We seek to provide retirement benefits that are competitive with other companies of our size and industry focus, reflecting our overall compensation philosophy of attracting and retaining talented individuals.</p> |
| Perquisites | <p>Executive officers, including all Named Executive Officers, are eligible to participate in supplemental health, dental, and vision insurance, and receive a fixed cash automobile allowance, as well as reimbursement for fuel expenses. Amounts associated with automobile allowances and fuel expense reimbursement are considered taxable current income by the recipient.</p> | <p>The limited perquisites we currently offer are intended to provide benefits to our executives comparable to those received by executives of other companies of our size and industry focus, or, as is the case with automobile allowances and fuel reimbursement, to support business purposes.</p> |

Stock Option Programs

As described above, discretionary awards of stock options for the purchase of shares of Vicor Corporation, VI Chip Corporation, and Picor Corporation are a component of our compensation for executives and employees considered by Dr. Vinciarelli to be important contributors to the Corporation's success. The Compensation Committee approves all stock option grants. We generally award a limited number of non-qualified stock options to a new employee upon hiring. Depending upon the business unit into which the individual is hired, we award stock options for the purchase of shares of Vicor Corporation, VI Chip Corporation, or Picor Corporation. Certain new hires have been awarded stock options granted by all three entities. From time to time, existing employees will be rewarded for superior performance through the award of additional stock options. The Corporation does not have a policy regarding the composition or frequency of discretionary awards of stock options or other forms of equity-based compensation.

During 2016, 2015, and 2014, options for the purchase of the Corporation's Common Stock were awarded under the Vicor Corporation Amended and Restated 2000 Stock Option and Incentive Plan (the "Vicor 2000 Plan"). The exercise price of stock options for the purchase of the Corporation's Common Stock is set at the closing price of a share of the Corporation's Common Stock on NASDAQ-GS on the effective date of the grant. Generally, these option grants vest evenly each quarter over five years and have a 10-year term.

During 2016, 2015, and 2014, options for the purchase of VI Chip Corporation ("VI Chip") common stock were awarded under the VI Chip Corporation Amended 2007 Stock Option and Incentive Plan (the "2007 VI Chip Plan"). Generally, these option grants vest pro rata over five years and have a 10-year term. All awards were reviewed and approved by the VI Chip Board of Directors, comprised of Dr. Vinciarelli and Mr. Simms, and the Corporation's Compensation Committee. VI Chip stock options are granted at a price not less than the fair value of a share of VI Chip common stock on the date of grant, with such fair value determined by the VI Chip Board of Directors and the Corporation's Compensation Committee, consistent with the valuation procedural requirements of Section 409A of the Internal Revenue Code.

During 2016, 2015, and 2014, options for the purchase of Picor Corporation ("Picor") common stock were awarded under the Picor Corporation Amended and Restated 2001 Stock Option and Incentive Plan (the "2001 Picor Plan"). Generally, these option grants vest pro rata over five years and have a 10-year term. All option grants were reviewed and approved by the Picor Board of Directors, comprised of Dr. Vinciarelli, Mr. Tuozzolo, Mr. Simms, and Mr. Andrew Durette, and the Corporation's Compensation Committee. Picor stock options are granted at a price not less than the fair value of a share of Picor common stock on the date of grant, with such fair value determined by the Picor Board of Directors and the Corporation's Compensation Committee, consistent with the valuation procedural requirements of Section 409A of the Internal Revenue Code.

SUMMARY COMPENSATION TABLE FOR FISCAL 2016

| Named Executive Officer(1) | Year | Salary(2) | Bonus | Option Awards(3) | All Other Compensation(4) | Total |
|---|------|-----------|--------|------------------|---------------------------|-----------|
| Patrizio Vinciarelli | 2016 | \$390,142 | \$ — | \$ — | \$53,245 | \$443,387 |
| Chairman of the Board, President, and Chief Executive Officer | 2015 | 390,142 | — | — | 41,188 | 431,330 |
| | 2014 | 390,142 | — | — | 33,823 | 423,965 |
| James A. Simms | 2016 | 341,524 | — | 23,782 | 37,357 | 402,663 |
| Chief Financial Officer, Treasurer, and Corporate Secretary | 2015 | 330,494 | — | 27,278 | 33,680 | 391,452 |
| | 2014 | 318,509 | — | 26,690 | 35,228 | 380,427 |
| Philip D. Davies | 2016 | 309,839 | — | — | 30,775 | 340,614 |
| Corporate Vice President, Global Sales and Marketing | 2015 | 296,021 | 30,000 | — | 28,677 | 354,698 |
| | 2014 | 281,925 | — | — | 23,479 | 305,404 |
| Michael S. McNamara | 2016 | 283,091 | — | — | 31,103 | 314,194 |
| Corporate Vice President and General Manager, Operations | 2015 | 259,979 | — | 223,449 | 25,667 | 509,095 |
| | 2014 | 234,381 | — | — | 20,452 | 254,833 |
| Claudio Tuozzolo | 2016 | 344,919 | — | 23,782 | 31,227 | 399,928 |
| Corporate Vice President and President of Picor Corporation | 2015 | 330,504 | — | 27,278 | 29,119 | 386,901 |
| | 2014 | 316,771 | — | 26,690 | 24,198 | 367,659 |

- (1) As defined by Item 402 of Regulation S-K, “Named Executive Officers” are: (a) our principal executive officer; (b) our principal financial officer; and (c) our three most highly compensated executives (other than the principal executive officer and principal financial officer) serving as executives at the end of the last completed fiscal year.
- (2) The amounts shown reflect the actual salary amounts paid to the Named Executive Officers in each respective year.
- (3) The amounts shown 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. These amounts do not correspond to the actual value that may be recognized by each Named Executive Officer. Refer to Note 3, “Stock-Based Compensation and Employee Benefit Plans,” in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2016, filed on March 7, 2017, for the relevant assumptions used to determine the valuation of the Corporation’s option awards. The amounts reported under “Option Awards” shown for Messrs. Simms and Tuozzolo, are stock options granted as compensation for their service on the Corporation’s Board.

During the fourth quarter of 2014, the Corporation cancelled certain stock options previously awarded to Messrs. Davies and Simms in 2013 and awarded to those executives new stock options representing an equivalent value, as calculated using the Black-Scholes option-pricing model. In accordance with the authoritative guidance for share-based compensation under the Financial Accounting Standards Board’s Accounting Standards Codification Topic 718: Compensation — Stock Compensation, there was no incremental increase in fair value associated with the New Grants to Messrs. Davies and Simms and therefore no value is included under “Option Awards” with respect to the New Grants in 2014.

- (4) “All Other Compensation” amounts include car allowance, fuel 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 Named Executive Officer shown. Dr. Vinciarelli’s car allowance is \$10,800.

Stock Option Plan Information

The following table sets forth certain aggregated information for the Corporation as of December 31, 2016 regarding equity securities underlying stock option awards made under the Vicor 2000 Plan, the 2007 VI Chip Plan, and the 2001 Picor Plan. All equity compensation plans of the Corporation have been approved by Stockholders.

Stock options issued under the Vicor 2000 Plan, the 2007 VI Chip Plan, and the 2001 Picor Plan carry a change in control provision that automatically accelerates vesting and makes unvested options fully exercisable upon a change of control, as defined in the applicable plan.

| | <u>Number of Shares to be Issued Upon Exercise of Outstanding Stock Options</u> | <u>Weighted-Average Exercise Price of Outstanding Stock Options</u> | <u>Number of Shares Remaining Available for Issuance under Stock Option Plans</u> |
|-------------------------|---|---|---|
| Vicor 2000 Plan | 1,696,222 | \$8.82 | 923,440 |
| 2007 VI Chip Plan | 9,933,750 | 1.00 | 2,059,650 |
| 2001 Picor Plan | 9,530,987 | 0.62 | 7,654,533 |

GRANTS OF PLAN-BASED AWARDS FOR FISCAL 2016

The following table presents the Corporation's grants of plan-based awards to Named Executive Officers during 2016. All grants to Named Executive Officers during 2016 were under the Vicor 2000 Plan as follows:

Vicor 2000 Plan

| <u>Named Executive Officer</u> | <u>Grant Date(1)</u> | <u>Number of Shares Underlying Option Award</u> | <u>Exercise Price per Share of Option Award</u> | <u>Grant Date Fair Value of Option Award(2)</u> |
|--------------------------------|--------------------------|---|---|---|
| James A. Simms | 6/17/2016 | 4,713 | \$10.61 | \$23,782 |
| Claudio Tuozzolo | 6/17/2016 | 4,713 | \$10.61 | \$23,782 |

- (1) The two awards shown were associated with the annual award to Directors, excluding Dr. Vinciarelli, of non-qualified stock options as compensation for service on the Corporation's Board of Directors
- (2) Refer to Note 3, "Stock-Based Compensation and Employee Benefit Plans," in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2016, filed on March 7, 2017, for the relevant assumptions used to determine the valuation of option awards. For the two awards shown, the formula used to calculate the number of stock options annually awarded to Directors, excluding Dr. Vinciarelli, is \$50,000 divided by the closing price of a share of Common Stock as reported on the NASDAQ-GS on the day of the Annual Meeting of Stockholders. Accordingly, on June 17, 2016, the two Named Executive Officers who also serve as Directors were awarded non-qualified stock options to purchase up to 4,713 shares of Common Stock at an exercise price of \$10.61 per share.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END 2016

The following tables present the outstanding equity awards at December 31, 2016 held by our Named Executive Officers under the Vicor 2000 Plan, the 2007 VI Chip Plan and the 2001 Picor Plan as follows:

Vicor 2000 Plan

| <u>Named Executive Officer</u> | <u>Number of Shares Underlying Unexercised Options Exercisable(1)</u> | <u>Number of Shares Underlying Unexercised Options Unexercisable(1)(2)</u> | <u>Option Exercise Price per Share</u> | <u>Option Expiration Date</u> |
|--------------------------------|---|--|--|-------------------------------|
| Philip D. Davies | 18,000 | 12,000 | \$ 5.35 | 5/14/2023 |
| | 60,000 | 10,000 | 6.29 | 6/17/2023 |
| | 15,704 | 23,553 | 11.42 | 10/23/2024 |
| Michael S. McNamara | 9,000 | 6,000 | 5.35 | 5/14/2023 |
| | 5,000 | — | 6.29 | 6/17/2023 |
| | 5,000 | — | 7.34 | 6/17/2023 |
| | 5,000 | — | 8.38 | 6/17/2023 |
| | — | 5,000 | 9.43 | 6/17/2023 |
| | — | 5,000 | 10.48 | 6/17/2023 |
| | 5,000 | 20,000 | 12.61 | 2/24/2025 |
| James A. Simms | 2,000 | 8,000 | 9.76 | 9/2/2025 |
| | 15,000 | 10,000 | 5.35 | 5/14/2023 |
| | 37,419 | 18,276 | 6.29 | 6/17/2023 |
| | 10,000 | — | 7.34 | 6/17/2023 |
| | 7,541 | — | 8.38 | 6/17/2023 |
| | 1,764 | — | 5.67 | 6/21/2023 |
| | 2,486 | 3,726 | 8.05 | 6/20/2024 |
| | 13,505 | 20,256 | 11.42 | 10/23/2024 |
| | 746 | 2,980 | 13.42 | 6/19/2025 |
| | — | 4,713 | 10.61 | 6/17/2026 |
| Claudio Tuozzolo | 10,000 | 10,000 | 5.35 | 5/14/2023 |
| | 9,419 | 6,276 | 6.29 | 6/17/2023 |
| | 5,292 | 3,527 | 5.67 | 6/21/2023 |
| | 2,486 | 3,726 | 8.05 | 6/20/2024 |
| | 746 | 2,980 | 13.42 | 6/19/2025 |
| | — | 4,713 | 10.61 | 6/17/2026 |

- (1) Generally, stock options with time-based vesting provisions awarded under the Vicor 2000 Plan 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 Vicor 2000 Plan as of December 31, 2016, is as follows:

| <u>Named Executive Officer</u> | <u>Grant Date</u> | <u>Underlying Shares</u> | <u>Vesting Date</u> |
|--------------------------------|-------------------|--------------------------|---------------------|
| Philip D. Davies | 5/14/2013 | 6,000 | 5/14/2017 |
| | 5/14/2013 | 6,000 | 5/14/2018 |
| | 6/17/2013 | 10,000 | 6/17/2017 |
| | 10/23/2014 | 7,851 | 10/23/2017 |
| | 10/23/2014 | 7,851 | 10/23/2018 |
| | 10/23/2014 | 7,851 | 10/23/2019 |

| <u>Named Executive Officer</u> | <u>Grant Date</u> | <u>Underlying Shares</u> | <u>Vesting Date</u> | |
|--------------------------------|----------------------|--------------------------|---------------------|-----------|
| Michael S. McNamara | 5/14/2013 | 3,000 | 5/14/2017 | |
| | 5/14/2013 | 3,000 | 5/14/2018 | |
| | 6/17/2013 | 5,000 | 6/17/2017 | |
| | 6/17/2013 | 5,000 | 6/17/2018 | |
| | 2/24/2015 | 5,000 | 2/24/2017 | |
| | 2/24/2015 | 5,000 | 2/24/2018 | |
| | 2/24/2015 | 5,000 | 2/24/2019 | |
| | 2/24/2015 | 5,000 | 2/24/2020 | |
| | 9/2/2015 | 2,000 | 9/2/2017 | |
| | 9/2/2015 | 2,000 | 9/2/2018 | |
| | 9/2/2015 | 2,000 | 9/2/2019 | |
| | 9/2/2015 | 2,000 | 9/2/2020 | |
| | James A. Simms | 5/14/2013 | 5,000 | 5/14/2017 |
| | | 5/14/2013 | 5,000 | 5/14/2018 |
| 6/17/2013 | | 6,000 | 6/17/2017 | |
| 6/17/2013 | | 6,000 | 6/17/2018 | |
| 6/17/2013 | | 855 | 6/17/2017 | |
| 6/17/2013 | | 854 | 6/17/2018 | |
| 6/17/2013 | | 639 | 6/17/2017 | |
| 6/17/2013 | | 639 | 6/17/2018 | |
| 6/17/2013 | | 1,645 | 6/17/2017 | |
| 6/17/2013 | | 1,644 | 6/17/2018 | |
| 6/20/2014 | | 1,242 | 6/20/2017 | |
| 6/20/2014 | | 1,242 | 6/20/2018 | |
| 6/20/2014 | | 1,242 | 6/20/2019 | |
| 10/23/2014 | | 6,752 | 10/23/2017 | |
| 10/23/2014 | | 6,752 | 10/23/2018 | |
| 10/23/2014 | | 6,752 | 10/23/2019 | |
| 6/19/2015 | | 745 | 6/19/2017 | |
| 6/19/2015 | | 745 | 6/19/2018 | |
| 6/19/2015 | | 745 | 6/19/2019 | |
| 6/19/2015 | | 745 | 6/19/2020 | |
| 6/17/2016 | | 943 | 6/17/2017 | |
| 6/17/2016 | 943 | 6/17/2018 | | |
| 6/17/2016 | 943 | 6/17/2019 | | |
| 6/17/2016 | 942 | 6/17/2020 | | |
| 6/17/2016 | 942 | 6/17/2021 | | |
| Claudio Tuozzolo | 5/14/2013 | 5,000 | 5/14/2017 | |
| | 5/14/2013 | 5,000 | 5/14/2018 | |
| | 6/17/2013 | 855 | 6/17/2017 | |
| | 6/17/2013 | 854 | 6/17/2018 | |
| | 6/17/2013 | 1,645 | 6/17/2017 | |
| | 6/17/2013 | 1,644 | 6/17/2018 | |
| | 6/17/2013 | 639 | 6/17/2017 | |
| | 6/17/2013 | 639 | 6/17/2018 | |
| | 6/21/2013 | 1,764 | 6/21/2017 | |
| | 6/21/2013 | 1,763 | 6/21/2018 | |
| | 6/20/2014 | 1,242 | 6/20/2017 | |
| | 6/20/2014 | 1,242 | 6/20/2018 | |
| | 6/20/2014 | 1,242 | 6/20/2019 | |

| <u>Named Executive Officer</u> | <u>Grant Date</u> | <u>Underlying Shares</u> | <u>Vesting Date</u> |
|--------------------------------|-------------------|--------------------------|---------------------|
| | 6/19/2015 | 745 | 6/19/2017 |
| | 6/19/2015 | 745 | 6/19/2018 |
| | 6/19/2015 | 745 | 6/19/2019 |
| | 6/19/2015 | 745 | 6/19/2020 |
| | 6/17/2016 | 943 | 6/17/2017 |
| | 6/17/2016 | 943 | 6/17/2018 |
| | 6/17/2016 | 943 | 6/17/2019 |
| | 6/17/2016 | 942 | 6/17/2020 |
| | 6/17/2016 | 942 | 6/17/2021 |

2007 VI Chip Plan

| <u>Named Executive Officer</u> | <u>Number of Shares Underlying Unexercised Options Exercisable(1)</u> | <u>Number of Shares Underlying Unexercised Options Unexercisable(1)(2)</u> | <u>Option Exercise Price per Share</u> | <u>Option Expiration Date</u> |
|--------------------------------|---|--|--|-------------------------------|
| Michael S. McNamara | 25,000 | — | \$1.00 | 5/14/2017 |
| James A. Simms | 100,000 | — | 1.00 | 12/31/2020 |
| Patrizio Vinciarelli | 4,000,000 | — | 1.00 | 6/4/2017 |
| | — | 1,500,000 | 1.00 | 12/31/2020 |

- (1) Under the 2007 VI Chip Plan, Mr. Simms and Dr. Vinciarelli have been awarded non-qualified stock options with time-based vesting provisions. Mr. Simms was awarded 100,000 such options in 2010, and Dr. Vinciarelli was awarded 4,000,000 such options in 2007. Such options possess a 10-year term and became exercisable over five equal annual installments, beginning on the first anniversary of the date of grant. Mr. McNamara was awarded 25,000 incentive stock options in 2008. Such options possess a 10-year term and become exercisable over five equal annual installments.
- (2) Under the 2007 VI Chip Plan, Dr. Vinciarelli, in 2010, was awarded 1,500,000 non-qualified stock options with vesting provisions tied to achievement of certain margin targets by VI Chip. Each quarter, management assesses the probability such margin targets will be achieved within the term of the options and records stock-based compensation expense related to such options based on this assessment. However, the margin targets have not been achieved and, accordingly, no such options have vested.

2001 Picor Plan

| <u>Named Executive Officer</u> | <u>Number of Shares Underlying Unexercised Options Exercisable(1)</u> | <u>Number of Shares Underlying Unexercised Options Unexercisable(1)(2)</u> | <u>Option Exercise Price per Share</u> | <u>Option Expiration Date</u> |
|--------------------------------|---|--|--|-------------------------------|
| James A. Simms | 200,000 | — | \$0.57 | 11/1/2020 |
| Claudio Tuozzolo | 125,000 | — | 1.01 | 6/12/2018 |
| | 1,329,340 | — | 0.57 | 11/1/2020 |
| | 202,596 | 50,648 | 0.64 | 6/18/2022 |
| | — | 150,000 | 0.88 | 9/13/2023 |
| | 246,400 | 369,600 | 0.41 | 4/14/2024 |
| | 9,600 | 14,400 | 0.41 | 9/10/2024 |

- (1) Generally, stock options awarded under the 2001 Picor Plan 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, 2016:

| <u>Named Executive Officer</u> | <u>Grant Date</u> | <u>Underlying Shares</u> | <u>Vesting Date</u> |
|--------------------------------|-------------------|--------------------------|---------------------|
| Claudio Tuozzolo | 6/18/2012 | 50,648 | 6/18/2017 |
| | 4/14/2014 | 123,200 | 4/14/2017 |
| | 4/14/2014 | 123,200 | 4/14/2018 |
| | 4/14/2014 | 123,200 | 4/14/2019 |
| | 9/10/2014 | 4,800 | 9/10/2017 |
| | 9/10/2014 | 4,800 | 9/10/2018 |
| | 9/10/2014 | 4,800 | 9/10/2019 |
| | 9/13/2016 | 30,000 | 9/13/2017 |
| | 9/13/2016 | 30,000 | 9/13/2018 |
| | 9/13/2016 | 30,000 | 9/13/2019 |
| | 9/13/2016 | 30,000 | 9/13/2020 |
| | 9/13/2016 | 30,000 | 9/13/2021 |

POTENTIAL PAYMENTS UPON TERMINATION, UPON A CHANGE OF CONTROL, AND UPON TERMINATION FOLLOWING A CHANGE OF CONTROL

As all of our employees are employees-at-will, no amounts become due or payable to any of our executives upon termination of employment, regardless of whether a change of control has occurred. However, each of the Vicor 2000 Plan, the 2007 VI Chip Plan, and the 2001 Picor Plan provides that all unvested options thereunder will become vested and exercisable as of a change of control, as defined in each of the plans. Accordingly, our Named Executive Officers would have received the amounts set forth below based on the vesting of their unvested options had a change of control of the Corporation occurred on December 31, 2016. All amounts below relate to unvested stock options under the Vicor 2000 Plan because, on December 31, 2016, all stock options outstanding under the 2007 VI Chip Plan and the 2001 Picor Plan has an exercise price greater than the fair value of the shares.

Vicor 2000 Plan

| <u>Named Executive Officer</u> | <u>Number of Unvested Options as of December 31, 2016(1)</u> | <u>Intrinsic Value of Unvested Options as of December 31, 2016(2)</u> |
|--------------------------------|--|---|
| Philip D. Davies | 45,553 | \$291,775 |
| Michael S. McNamara | 44,000 | 202,470 |
| James A. Simms | 59,951 | 385,490 |
| Claudio Tuozzolo | 31,222 | 238,487 |

- (1) Excludes unvested options with exercise prices exceeding the market value of the Corporation's stock as of December 31, 2016.
- (2) Calculated as the aggregate amount by which the fair market value as of December 30, 2016 (the last business day of 2016) of the shares underlying the unvested options (i.e., the product of the closing price of a share of Common Stock as reported on the NASDAQ-GS on that date, \$15.10, and the number of unvested options) exceeded the aggregate exercise price of the unvested options as of that date.

DIRECTORS' COMPENSATION FOR FISCAL 2016

Overview of Director Compensation

The level of compensation of non-employee Directors is reviewed on an annual basis by the Board as a whole. To determine the appropriateness of the current level of compensation for non-employee Directors, the Board reviews data from a number of different sources including publicly available data describing director compensation in peer companies.

Non-employee Directors are compensated through a combination of cash payments and awards of options for the purchase of our Common Stock. Each non-employee Director receives a quarterly retainer of \$7,500 for his or her services. Expenses incurred by non-employee Directors in attending Board and committee meetings are reimbursed by the Corporation.

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

Additionally, each Director (including Directors that are employees), 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 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 closing price of a share of Common Stock as reported on the NASDAQ-GS on the day of the Annual Meeting of Stockholders. Accordingly, on June 17, 2016, each Director, other than Dr. Vinciarelli, was awarded non-qualified stock options to purchase up to 4,713 shares of Common Stock at an exercise price of \$10.61 per share. Stock options granted to Directors as compensation for their service on the Board vest at a rate of 20% per year on each of five successive anniversaries of the date of award.

The table below reflects Director compensation for fiscal 2016:

| <u>Director</u> | <u>Fees Earned or Paid in Cash(3)</u> | <u>Option Awards(1)(2)</u> | <u>Total Compensation</u> |
|--------------------------|---|--------------------------------|-------------------------------|
| Samuel J. Anderson | \$30,000 | \$23,782 | \$53,782 |
| Jason L. Carlson | 30,000 | 23,782 | 53,782 |
| Estia J. Eichten | 30,000 | 23,782 | 53,782 |
| Liam K. Griffin | 30,000 | 23,782 | 53,782 |
| H. Allen Henderson | 26,465 | 23,782 | 50,247 |
| Barry Kelleher | — | 23,782 | 23,782 |
| David T. Riddiford | 30,000 | 23,782 | 53,782 |

- (1) These amounts reflect the aggregate grant date fair value of stock option awards granted during 2016. Refer to Note 3, “Stock-Based Compensation and Employee Benefit Plans”, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2016, filed on March 7, 2017, for the relevant assumptions used to determine the valuation of option awards.
- (2) Option awards granted to James A. Simms and Claudio Tuozzolo, who are both employees and Directors, are described in the Summary Compensation Table for Fiscal 2016 and the Grants of Plan-Based Awards for Fiscal 2016 table.
- (3) The cash component of Mr. Henderson’s compensation for 2016 reflects his retirement from the Corporation in February of that year and his immediate appointment thereafter to the Board. Mr. Kelleher did not receive Director cash compensation in 2016 as he was an employee of the Corporation for all of 2016.

- (4) The aggregate grant date fair value and aggregate number of stock options awarded and outstanding as of December 31, 2016 was as follows:

| <u>Name</u> | <u>Grant Date Fair Value of Stock Options</u> | <u>Number of Awards Outstanding</u> |
|--------------------------|---|---|
| Samuel J. Anderson | \$101,448 | 29,357 |
| Jason L. Carlson | 122,979 | 45,941 |
| Estia J. Eichten | 111,289 | 39,165 |
| Liam K. Griffin | 167,570 | 45,941 |
| H. Allen Henderson | 122,232 | 36,378 |
| Barry Kelleher | 86,058 | 20,927 |
| David T. Riddiford | 111,289 | 39,165 |
| | <u>\$822,865</u> | <u>256,874</u> |

PROPOSAL TWO

ADVISORY VOTE ON COMPENSATION OF NAMED EXECUTIVE OFFICERS

The Board is requesting non-binding, advisory approval by Stockholders of the compensation of the Corporation's Named Executive Officers, as disclosed in this Proxy Statement (referred to as "Say on Pay"), including the Compensation Discussion and Analysis section ("CD&A"), compensation tables, and accompanying narrative disclosures.

The primary objective of the Corporation's compensation programs is to attract, motivate, and retain highly qualified and productive employees using a combination of cash and equity based rewards intended to motivate and reward superior performance. Salaries and, in appropriate circumstances, cash bonuses encourage effective performance relative to current plans and objectives, while stock options may be utilized to attract new employees, reward outstanding performers, promote longer-term focus, and more closely align the interests of employees with those of Stockholders. The Board believes the Corporation's approach to compensation provides appropriate incentives and is aligned with profitable execution of our strategy and long-term financial and operational goals.

The Compensation Committee has approved the compensation of our Named Executive Officers, and the description thereof, as described herein.

Because this vote is advisory, its outcome will not be binding upon the Compensation Committee or the Corporation. However, the Compensation Committee will take the outcome of the vote into account when making future decisions regarding executive compensation. The affirmative vote of a majority in voting power of the Common Stock and Class B Common Stock casting a vote on the proposal, voting together as a single class is required to approve this proposal.

The Board unanimously recommends a vote FOR approval of the compensation paid to the Corporation's Named Executive Officers, as disclosed in this Proxy Statement pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables, and narrative discussion.

PROPOSAL THREE

ADVISORY VOTE ON THE FREQUENCY OF STOCKHOLDER VOTES ON EXECUTIVE COMPENSATION

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: every year, every two years, or every three years.

In 2011, the Corporation's Stockholders voted to have an advisory vote on executive compensation every three years. The Board continues to believe that 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 Compensation Committee.

This is an advisory vote, which means this proposal is not binding on the Corporation. However, the Corporation's 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.

PROPOSAL FOUR

APPROVAL OF THE AMENDMENT AND RESTATEMENT OF THE AMENDED AND RESTATED 2000 STOCK OPTION AND INCENTIVE PLAN OF VICOR CORPORATION

The Board is requesting approval by Stockholders of the amendment and restatement of the Vicor Corporation Amended and Restated 2000 Stock Option and Incentive Plan (the "Vicor 2000 Plan") to increase the total number of shares of Common Stock reserved for issuance under the Vicor 2000 Plan from 4,000,000 to 10,000,000 shares. On April 26, 2017, the Board approved the amendment and restatement of the Vicor 2000 Plan, subject to the Stockholder approval sought with this proposal. The Board believes the proposed increase is necessary and prudent to allow the Corporation to address possible future needs for higher volumes of awards under the Vicor 2000 Plan to accommodate our compensation objectives or potential internal restructuring transactions.

The purpose of the Vicor 2000 Plan is to provide incentives to officers, key employees of the Corporation and its subsidiaries and other persons who contribute and are expected to contribute materially to the success of the Corporation. The Vicor 2000 Plan provides a means of rewarding performance and to enhance the interest of such individuals in the Corporation's continued success and progress by providing them a tangible, proprietary interest in the Corporation.

Summary of the Terms of the Vicor 2000 Plan

The following is a summary of the material provisions of the Vicor 2000 Plan. A copy of the Vicor 2000 Plan is attached hereto as Appendix A and is incorporated by reference herein. This summary is qualified in its entirety by reference to the full and complete text of the Vicor 2000 Plan. Any inconsistencies between the summary and the text of the Vicor 2000 Plan will be governed by the text of the Vicor 2000 Plan.

Eligibility. Individuals eligible for award(s) under the Vicor 2000 Plan include employees and directors of the Corporation or its subsidiaries and independent third-parties considered by senior management to be significant contributors to the performance of the Corporation. Such individuals shall be identified periodically

by the Corporation's senior management, which shall recommend to the Administrator (as defined below) the authorization of specific awards for those individuals. The Administrator shall have sole responsibility for determining the eligibility of any individual subject to the senior management's recommendation. Approximately 900 employees and four nonemployee directors are eligible to participate in the Vicor 2000 Plan.

Administration. The Vicor 2000 Plan is administered by the Board, the Compensation Committee or a sub-committee of the Compensation Committee made up of not less than two independent directors (the "Administrator"). The Administrator, in its discretion, may grant a variety of stock incentive awards based on the Common Stock of the Corporation. The Administrator has full power to select, from among the individuals eligible for awards, those to whom awards will be granted, to make any combination of awards to participants, and to determine the specific terms and conditions of each award, subject to the provisions of the Vicor 2000 Plan. The Administrator may permit Common Stock, and other amounts payable pursuant to an award, to be deferred. In such instances, the Administrator may permit interest, dividends or deemed dividends to be credited to the amount of deferrals.

Shares Reserved under the Vicor 2000 Plan. Under the Vicor 2000 Plan prior to the currently proposed amendment and restatement, an aggregate of 4,000,000 shares of Common Stock were reserved for issuance under the Vicor 2000 Plan, subject to the adjustments described below. Following approval of the Vicor 2000 Plan, the number of shares of Common Stock issuable pursuant to all awards granted under the Vicor 2000 Plan may not exceed 10,000,000 shares of Common Stock. This is a 6,000,000 increase in the number of shares reserved from the number of shares that were previously reserved under the Vicor 2000 Plan. For purposes of calculating the number of shares of Common Stock available for issuance under the Vicor 2000 Plan, if any award is forfeited, canceled, lapses, or terminates for any reason other than exercise, the shares of Common Stock associated with that award shall revert to and again become available for issuance under the Vicor 2000 Plan.

The Administrator will make appropriate adjustments in outstanding awards to reflect stock dividends, stock splits and similar events. In the event of a merger, liquidation, sale of the Corporation or similar event, as of the effective date of such transaction, all options and SARs shall become fully exercisable and all other awards shall become fully vested, except as the Committee may otherwise determine with respect to particular awards. Unless provision is made in connection with such a transaction for the assumption of outstanding awards or the substitution of such awards with new awards, the Vicor 2000 Plan and all outstanding options and awards shall terminate.

As of December 31, 2016, 1,696,222 shares of Common Stock were associated with stock options outstanding under the Vicor 2000 Plan, possessing a weighted-average exercise price of \$8.82 per share. As of that date, 923,440 shares remained available for issuance under the Vicor 2000 Plan, out of the 4,000,000 shares originally allocated. No other stock options or other equity-based awards granted under prior Corporation stock option plans were outstanding as of that date.

Based solely on the closing price of Common Stock as reported on the NASDAQ-GS (as defined below) on April 26, 2017 of \$18.55 per share, the maximum aggregate market value of the additional 6,000,000 shares of Common Stock reserved for issuance under the Vicor 2000 Plan as amended and restated would be \$111,300,000.

Award Limits. To qualify options granted under the Vicor 2000 Plan as "performance-based" compensation under Section 162(m) of the Code, the Vicor 2000 Plan must establish limits on the number of options that may be granted to a particular participant. Under the Vicor 2000 Plan, no more than 100,000 shares of Common Stock may be issued to any one individual in the form of stock options or stock appreciation rights during any one calendar year period or unrestricted stock awards, restricted stock awards or performance share awards, except to the extent such awards are granted in lieu of compensation or fees, as determined by the Compensation Committee.

Types of Awards. The Administrator may grant the following types of awards to eligible individuals:

- Stock Options. The Vicor 2000 Plan permits the granting of options to purchase Common Stock that do not qualify as incentive stock options under Section 422 of the Code (“non-qualified options”). The option exercise price of each option will be determined by the Administrator, but it may not be less than 85% of the fair market value of the Common Stock on the date of grant in the case of non-qualified options or, in the case of non-qualified options intended to be qualified as performance-based compensation under Section 162(m) of the Code, not less than 100% of such fair market value.

The term of each option will be fixed by the Administrator. The Administrator will determine at what time or times each option may be exercised and, subject to the provisions of the Vicor 2000 Plan, the period of time, if any, after retirement, death, disability or termination of employment during which options may be exercised. Options may be made exercisable in installments, and the exercisability of options may be accelerated by the Administrator. Upon exercise of options, the option exercise price must be paid in full either in cash or by certified or bank check or other instrument acceptable to the Administrator or, if the Administrator so permits, by delivery of shares of Common Stock that have been beneficially owned by the optionee for at least six (6) months. The exercise price may also be delivered to the Corporation by a broker pursuant to irrevocable instructions to the broker from the optionee.

At the discretion of the Administrator, stock options granted under the Vicor 2000 Plan may include a “re-load” feature pursuant to which an optionee exercising an option by the delivery of shares of Common Stock would automatically be granted an additional stock option (with an exercise price equal to the fair market value of the Common Stock on the date the additional stock option is granted) to purchase that number of shares of Common Stock equal to the number delivered to exercise the original stock option. The purpose of this feature is to enable participants to maintain any equity interest in the Corporation without dilution.

- Stock Options Granted to Independent Directors. The Administrator may grant non-qualified options to Independent Directors in its discretion.
- Stock Appreciation Rights. The Administrator may award a stock appreciation right (“SAR”) either as a freestanding award or in tandem with a stock option. Upon exercise of the SAR, the holder will be entitled to receive an amount equal to the excess of the fair market value on the date of exercise of one share of Common Stock over the exercise price per share specified in the related stock option (or, in the case of a freestanding SAR, the price per share specified in such right, which price may not be less than 100% of the fair market value of the Common Stock on the date of grant) times the number of shares of Common Stock with respect to which the SAR is exercised. This amount may be paid in cash, Common Stock, or a combination thereof, as determined by the Administrator. If the SAR is granted in tandem with a stock option, exercise of the SAR cancels the related option to the extent of such exercise.
- Restricted Stock. The Administrator may award shares of Common Stock to participants subject to such conditions and restrictions as the Administrator may determine (“restricted stock”). These conditions and restrictions may include the achievement of certain performance goals and/or continued employment (or other business relationship) with the Corporation through a specified restricted period. The purchase price of shares of restricted stock will be determined by the Administrator. If the performance goals and other restrictions are not attained, the participants will forfeit their awards of restricted stock.
- Deferred Stock Awards. The Corporation may award phantom stock units to a participant, subject to such conditions and restrictions as the Administrator may determine (“Deferred Stock Awards”). These conditions and restrictions may include the achievement of certain performance goals and/or continued employment. During the deferral period, the participant shall have no rights as a stockholder, but may be credited with dividend equivalent rights (as described below) with respect to the phantom stock units underlying his or her Deferred Stock Award. At the end of the deferral period, the Deferred Stock Award, to the extent vested, shall be paid to the participant in the form of shares of Common Stock. In addition,

the Administrator may permit a participant to elect to receive a portion of the cash compensation or restricted stock otherwise due to such participant in the form of a Deferred Stock Award, subject to such terms and conditions as the Administrator may determine.

- Unrestricted Stock. The Administrator may grant shares (at no cost or for a purchase price determined by the Administrator) that are free from any restrictions under the Vicor 2000 Plan. Unrestricted stock may be issued to employees and key persons in recognition of past services or other valid consideration, and may be issued in lieu of cash bonuses to be paid to such employees and key persons.

Subject to the consent of the Administrator, an employee or key person of the Corporation may make an advance irrevocable election to receive a portion of his compensation in unrestricted stock (valued at fair market value on the date the cash compensation would otherwise be paid).

- Performance Share Awards. The Administrator may grant performance share awards to employees or other key persons entitling the recipient to receive shares of Common Stock upon the achievement of individual or Corporation performance goals and such other conditions as the Administrator shall determine (“performance share awards”).
- Dividend Equivalent Rights. The Administrator may grant dividend equivalent rights, which entitle the recipient to receive credits for dividends that would have been paid if the recipient had held specified shares of Common Stock. Dividend equivalent rights may be granted as a component of another award or as a freestanding award. Dividend equivalents credited under the Vicor 2000 Plan may be paid currently or be deemed to be reinvested in additional shares of Common Stock, which may thereafter accrue additional dividend equivalents at fair market value at the time of deemed reinvestment or on the terms then governing the reinvestment of dividends under the Corporation’s dividend reinvestment plan, if any. Dividend equivalent rights may be settled in cash, shares, or a combination thereof, in a single installment or installments, as specified in the award. Awards payable in cash on a deferred basis may provide for crediting and payment of interest equivalents.

Tax Withholding. Participants under the Vicor 2000 Plan are responsible for the payment of any federal, state or local taxes that the Corporation is required by law to withhold upon any option exercise or vesting of other awards. Subject to approval by the Administrator, participants may elect to have the minimum statutory tax withholding obligations satisfied either by authorizing us to withhold shares of Common Stock to be issued to an option exercise or other award, or by transferring to the Corporation shares of Common Stock having a value equal to the amount of such taxes.

Change Of Control. The Vicor 2000 Plan provides that in the event of a “Change of Control” (as defined in the Vicor 2000 Plan) of the Corporation, all stock options and stock appreciation rights shall automatically become fully exercisable. In addition, at any time prior to or after a Change of Control, the Administrator may accelerate awards and waive conditions and restrictions on any awards to the extent it may determine appropriate.

Amendment or Termination of Plan. The Board may at any time amend or discontinue the Vicor 2000 Plan and the Committee may at any time amend or cancel outstanding awards for the purpose of satisfying changes in the law or for any other lawful purpose. However, no such action may be taken which adversely affects any rights under outstanding awards without the holder’s consent. Further, the Vicor 2000 Plan amendments shall be subject to approval by the Corporation’s stockholders under circumstances specified in the Vicor 2000 Plan or otherwise required by applicable laws or listing standards.

Certain U.S. Federal Tax Implications

The following summarizes certain federal income tax consequences relating to the Vicor 2000 Plan. The summary is based upon the laws and regulations in effect as of the date of this proxy statement and does not purport to be a complete statement of the law in this area. Furthermore, the discussion below does not address the

tax consequences of the receipt or exercise of awards under foreign, state or local tax laws, and such tax laws may not correspond to the federal income tax treatment described herein. The exact federal income tax treatment of transactions under the Vicor 2000 Plan will vary depending upon the specific facts and circumstances involved and participants are advised to consult their personal tax advisors with regard to all consequences arising from the grant or exercise of awards and the disposition of any acquired shares.

Options. The grant of a stock option under the Vicor 2000 Plan will create no income tax consequences to the Corporation or the participant. A participant who is granted a non-qualified stock option will generally recognize ordinary compensation income at the time of exercise in an amount equal to the excess of the fair market value of the Common Stock at such time over the exercise price. The Corporation will generally be entitled to a deduction in the same amount and at the same time as ordinary income is recognized by the participant. Upon the participant's subsequent disposition of the shares of Common Stock received with respect to such stock option, the participant will recognize a capital gain or loss (long-term or short-term, depending on the holding period) to the extent the amount realized from the sale differs from the tax basis, that is the fair market value of the Common Stock on the exercise date.

Stock Appreciation Rights. The grant of a stock appreciation right under the Vicor 2000 Plan will create no income tax consequences to the Corporation or to the recipient. A participant who is granted a stock appreciation right will generally recognize ordinary compensation income at the time of exercise in an amount equal to the excess of the fair market value of the Common Stock at such time over the grant price. We will generally be entitled to a deduction in the same amount and at the same time as the participant recognizes ordinary income. If the stock appreciation right is settled in shares of our Common Stock, upon the participant's subsequent disposition of such shares, the participant will recognize a capital gain or loss (long-term or short-term, depending on the holding period) to the extent the amount realized from the sale differs from the tax basis (i.e., the fair market value of the Common Stock on the exercise date).

Restricted Stock. Generally, a participant will not recognize income and the Corporation will not be entitled to a deduction at the time an award of restricted stock is made, unless the participant makes the election described below. A participant who has not made such an election will recognize ordinary income at the time the restrictions on the stock lapse in an amount equal to the fair market value of the restricted stock at such time. The Corporation will generally be entitled to a corresponding deduction in the same amount and at the same time as the participant recognizes income. Any otherwise taxable disposition of the restricted stock after the time the restrictions lapse will result in a capital gain or loss (long-term or short-term, depending on the holding period) to the extent the amount realized from the sale differs from the tax basis, i.e., the fair market value of the Common Stock on the date the restrictions lapse. Dividends paid in cash and received by a participant prior to the time the restrictions lapse will constitute ordinary income to the participant in the year paid and the Corporation will generally be entitled to a corresponding deduction for such dividends. Any dividends paid in stock will be treated as an award of additional restricted stock subject to the tax treatment described herein.

A participant may, within 30 days after the date of the award of restricted stock, elect to recognize ordinary income as of the date of the award in an amount equal to the fair market value of such restricted stock on the date of the award (less the amount, if any, the participant paid for such restricted stock). If the participant makes such an election, then the Corporation will generally be entitled to a corresponding deduction in the same amount and at the same time as the participant recognizes income. If the participant makes the election, then any cash dividends the participant receives with respect to the restricted stock will be treated as dividend income to the participant in the year of payment and will not be deductible by the Corporation. Any otherwise taxable disposition of the restricted stock (other than by forfeiture) will result in a capital gain or loss. If the participant who has made an election subsequently forfeits the restricted stock, then the participant will not be entitled to deduct any loss. In addition, the Corporation would then be required to include as ordinary income the amount of any deduction the Corporation originally claimed with respect to such shares.

Unrestricted Stock. Generally, a participant will recognize ordinary income, and the Corporation will be entitled to a corresponding deduction in the same amount, at the time an award of unrestricted stock is made.

Upon the participant's subsequent disposition of the shares of stock, the participant will recognize a capital gain or loss (long-term or short-term, depending on the holding period) to the extent the amount realized from the sale differs from the tax basis, the fair market value of the Common Stock on the grant date.

Performance Shares. The grant of performance shares will create no income tax consequences for the Corporation or the participant. In general, upon the participant's receipt of payment at the end of the applicable performance period, the participant will recognize ordinary income equal to the cash or the fair market value of the shares received. In addition, the participant will recognize ordinary compensation income equal to the dividend equivalents paid on performance shares prior to or at the end of the performance period. We will generally be entitled to a deduction in the same amount and at the same time as the participant recognizes income. Upon the participant's subsequent disposition of the shares, the participant will recognize a capital gain or loss (long-term or short-term depending on the holding period) to the extent the amount realized from the disposition differs from the shares' tax basis (i.e., the fair market value of the shares on the date the participant received the shares).

Dividend Equivalent Units. A participant who is paid a dividend equivalent with respect to an award will recognize ordinary income equal to the value of cash or Common Stock paid, and we will be entitled to a corresponding deduction in the same amount and at the same time.

Vote Required and Recommendation of the Board of Directors

The affirmative vote of a majority in voting power of the Common Stock and Class B Common Stock casting a vote on the proposal at the Annual Meeting, voting together as a single class, is required to approve the amendment and restatement of the Vicor 2000 Plan. Abstentions and broker non-votes will not affect the voting results for this proposal.

THE BOARD RECOMMENDS STOCKHOLDERS VOTE FOR APPROVAL OF THE AMENDMENT AND RESTATEMENT OF THE AMENDED AND RESTATED 2000 STOCK OPTION AND INCENTIVE PLAN OF VICOR CORPORATION.

PROPOSAL FIVE

APPROVAL OF THE AMENDED AND RESTATED 2007 STOCK OPTION AND INCENTIVE PLAN OF VI CHIP CORPORATION

The Board has proposed approval of the Amended and Restated VI Chip Corporation 2007 Stock Option and Incentive Plan (the "2007 VI Chip Plan"). VI Chip amended and restated the 2007 VI Chip Plan primarily to increase the number of shares available for issuance under the 2007 VI Chip Plan by 2,000,000 shares, and increase the maximum number of shares with respect to which options can be granted to a participant in any given year.

Stockholder approval of the 2007 VI Chip Plan will also constitute approval of the material terms of the performance goals under the 2007 VI Chip Plan for purposes of qualifying options granted under the 2007 VI Chip Plan as "performance-based" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), as described further below.

Summary of the Terms of the 2007 VI Chip Plan

The following is a summary of the material provisions of the 2007 VI Chip Plan. A copy of the 2007 VI Chip Plan is attached hereto as Appendix B and is incorporated by reference herein. This summary is qualified in its entirety by reference to the full and complete text of the 2007 VI Chip Plan. Any inconsistencies between the summary and the text of the 2007 VI Chip Plan will be governed by the text of the 2007 VI Chip Plan.

Eligibility. Any person who is a current or prospective full or part-time officer, employee, consultant or director of VI Chip and its affiliates, including the Corporation, is eligible for selection by the Administrator for the grant of an award, including an option award, under the 2007 VI Chip Plan. Currently, there are approximately 211 employees and 4 nonemployee directors eligible to participate in the 2007 VI Chip Plan. There are currently no other service providers eligible to receive an award under the 2007 VI Chip Plan.

Administration. Currently, the Board of Directors of VI Chip has delegated administrative responsibility under the 2007 VI Chip Plan to the Compensation Committee, with authority to act as the Administrator. The Administrator is authorized, among other things, to select the participants to receive an award under the 2007 VI Chip Plan, determine the terms of such awards, modify the terms and conditions of any award, and interpret the terms and provisions of the 2007 VI Chip Plan.

Shares Reserved under the 2007 VI Chip Plan. Under the 2007 VI Chip Plan prior to the currently proposed amendment and restatement, an aggregate of 12,000,000 shares of VI Chip common stock were reserved for issuance under the 2007 VI Chip Plan, subject to the adjustments described below. Following approval of the 2007 VI Chip Plan, the number of shares of stock issuable pursuant to all awards granted under the 2007 VI Chip Plan may not exceed 14,000,000 shares of VI Chip common stock. This is a 2,000,000 increase in the number of shares reserved from the number of shares that were previously reserved under the 2007 VI Chip Plan.

The number of shares issued or reserved may be adjusted in certain circumstances, including stock splits, stock dividends, reorganizations, recapitalizations, and similar events. Shares underlying awards that are forfeited, canceled, reacquired by VI Chip, satisfied without issuance of stock or otherwise terminated will be added back to the shares otherwise available for issuance under the 2007 VI Chip Plan. As of April 26, 2017, there were 9,910,750 shares subject to outstanding awards under the 2007 VI Chip Plan (all of which were subject to stock options) and 2,082,650 shares remaining available for future awards under the 2007 VI Chip Plan. The weighted average exercise price of the outstanding stock options as of such date was \$1.00 and the average remaining term of such stock options was 1.6 years. The fair market value of a share of VI Chip common stock as of such date was \$0.96.

Award Limits. To qualify options granted under the 2007 VI Chip Plan as “performance-based” compensation under Section 162(m) of the Code, the 2007 VI Chip Plan must establish limits on the number of options that may be granted to a particular participant. Under the 2007 VI Chip Plan, no participant may be granted stock options with respect to more than 5,500,000 shares of VI Chip common stock in any fiscal year of VI Chip.

Types of Awards. The Administrator may grant the following types of awards to eligible individuals:

- Stock Options. A stock option permits the award holder to purchase shares of VI Chip’s common stock in the future at a fixed price. The Administrator has the discretion to determine all terms and conditions of a grant of stock options, including the exercise price, the vesting schedule, and the term of the option, except that the exercise price must be at least equal to the fair market value of a share of VI Chip’s common stock as determined on the date of grant.
- Restricted Stock. A holder of a restricted stock award immediately receives shares of VI Chip’s common stock, which shares are subject to restrictions on transferability and subject to forfeiture based on certain conditional events.
- Unrestricted Stock. The Administrator may also grant unrestricted stock, pursuant to which such recipient may receive shares of stock free of any vesting restrictions.

Effect of Termination of Employment. In general, an award granted under the 2007 VI Chip Plan will be forfeited upon the participant’s termination of employment, subject to certain exceptions found in the 2007 VI Chip Plan.

Change Of Control. The 2007 VI Chip Plan provides that in the event of a merger or other change in control transaction (as defined in the 2007 VI Chip Plan), all stock options will automatically become fully exercisable, and all other awards will become fully vested.

Amendment or Termination of Plan. The Board of Directors of VI Chip may at any time amend or discontinue the 2007 VI Chip Plan and the Administrator may at any time amend or cancel outstanding awards for the purpose of satisfying changes in the law or for any other lawful purpose. However, no such action may be taken which adversely affects any rights under outstanding awards without the holder's consent.

Certain U.S. Federal Tax Implications

The following summarizes certain federal income tax consequences relating to the 2007 VI Chip Plan. The summary is based upon the laws and regulations in effect as of the date of this proxy statement and does not purport to be a complete statement of the law in this area. Furthermore, the discussion below does not address the tax consequences of the receipt or exercise of awards under foreign, state or local tax laws, and such tax laws may not correspond to the federal income tax treatment described herein. The exact federal income tax treatment of transactions under the 2007 VI Chip Plan will vary depending upon the specific facts and circumstances involved and participants are advised to consult their personal tax advisors with regard to all consequences arising from the grant or exercise of awards and the disposition of any acquired shares.

Options. The grant of a stock option under the 2007 VI Chip Plan will create no income tax consequences to the Corporation or the participant. A participant who is granted a non-qualified stock option will generally recognize ordinary compensation income at the time of exercise in an amount equal to the excess of the fair market value of VI Chip's common stock at such time over the exercise price. The Corporation will generally be entitled to a deduction in the same amount and at the same time as ordinary income is recognized by the participant. Upon the participant's subsequent disposition of the shares of VI Chip's common stock received with respect to such stock option, the participant will recognize a capital gain or loss (long-term or short-term, depending on the holding period) to the extent the amount realized from the sale differs from the tax basis, that is the fair market value of VI Chip's common stock on the exercise date.

Restricted Stock. Generally, a participant will not recognize income and the Corporation will not be entitled to a deduction at the time an award of restricted stock is made, unless the participant makes the election described below. A participant who has not made such an election will recognize ordinary income at the time the restrictions on the stock lapse in an amount equal to the fair market value of the restricted stock at such time. The Corporation will generally be entitled to a corresponding deduction in the same amount and at the same time as the participant recognizes income. Any otherwise taxable disposition of the restricted stock after the time the restrictions lapse will result in a capital gain or loss (long-term or short-term, depending on the holding period) to the extent the amount realized from the sale differs from the tax basis, i.e., the fair market value of VI Chip's common stock on the date the restrictions lapse. Dividends paid in cash and received by a participant prior to the time the restrictions lapse will constitute ordinary income to the participant in the year paid and the Corporation will generally be entitled to a corresponding deduction for such dividends. Any dividends paid in stock will be treated as an award of additional restricted stock subject to the tax treatment described herein.

A participant may, within 30 days after the date of the award of restricted stock, elect to recognize ordinary income as of the date of the award in an amount equal to the fair market value of such restricted stock on the date of the award (less the amount, if any, the participant paid for such restricted stock). If the participant makes such an election, then the Corporation will generally be entitled to a corresponding deduction in the same amount and at the same time as the participant recognizes income. If the participant makes the election, then any cash dividends the participant receives with respect to the restricted stock will be treated as dividend income to the participant in the year of payment and will not be deductible by the Corporation. Any otherwise taxable disposition of the restricted stock (other than by forfeiture) will result in a capital gain or loss. If the participant

who has made an election subsequently forfeits the restricted stock, then the participant will not be entitled to deduct any loss. In addition, the Corporation would then be required to include as ordinary income the amount of any deduction the Corporation originally claimed with respect to such shares.

Unrestricted Stock. Generally, a participant will recognize ordinary income, and the Corporation will be entitled to a corresponding deduction in the same amount, at the time an award of unrestricted stock is made. Upon the participant's subsequent disposition of the shares of stock, the participant will recognize a capital gain or loss (long-term or short-term, depending on the holding period) to the extent the amount realized from the sale differs from the tax basis, the fair market value of VI Chip's common stock on the grant date.

Code Section 162(m). Stockholder approval of the 2007 VI Chip Plan at the Annual Meeting will constitute approval of the material terms of the performance goals of the 2007 VI Chip Plan for purposes of qualifying compensation under the 2007 VI Chip Plan as "performance-based" within the meaning of Code Section 162(m). This is important because Section 162(m) of the Code limits the corporate tax deduction to \$1,000,000 for compensation paid annually to any one of the Corporation's Named Executive Officers (other than the Chief Financial Officer), unless the compensation meets certain requirements to qualify as performance-based compensation. One of the requirements that must be satisfied to qualify compensation as performance-based is that the material terms of the performance goals under which the compensation is to be paid be disclosed to and approved by the Corporation's stockholders at least once every five years. Stockholder approval of the 2007 VI Chip Plan will constitute approval of each of the material terms of the 2007 VI Chip Plan for purposes of Section 162(m) of the Code.

New Plan Benefits

The table below sets forth information concerning the option awards that will be granted under the 2007 VI Chip Plan if the Corporation's stockholders approve the 2007 VI Chip Plan.

| <u>Amended and Restated 2007 VI Chip Plan</u> | | |
|---|------------------------------------|--------------------------|
| <u>Name & Position</u> | <u>Strike Price Per Share (\$)</u> | <u>Number of Options</u> |
| Patrizio Vinciarelli <i>Chairman of the Board, President and Chief Executive Officer</i> | \$0.96 | 5,500,000 |
| Michael S. McNamara <i>Corporate Vice President and General Manager, Operations</i> | \$0.96 | 125,000 |
| Joseph A. Jeffery, Jr. <i>Corporate Vice President, Chief Information Officer</i> | \$0.96 | 50,000 |
| Sean Crilly <i>Corporate Vice President, Engineering, Power Systems</i> | \$0.96 | 30,000 |
| Nancy Grava <i>Corporate Vice President, Human Resources</i> | \$0.96 | 30,000 |
| Richard J. Nagel, Jr. <i>Corporate Vice President, Chief Accounting Officer</i> | \$0.96 | 25,000 |
| All executive officers as a group (6 persons) | \$0.96 | 5,760,000 |
| All non-executive directors as a group (0 persons) | | 0 |
| All employees, excluding executive officers, as a group (211 persons) | \$0.96 | 4,075,000 |

Except for awards disclosed above, we cannot currently determine the awards that may be granted under the 2007 VI Chip Plan in the future to the executive officers named in this proxy or to other officers, employees or other persons. The Administrator will make such determinations from time to time.

Vote Required and Recommendation of the Board of Directors

The affirmative vote of a majority in voting power of the Common Stock and Class B Common Stock casting a vote on the proposal at the Annual Meeting, voting together as a single class, is required to approve the

2007 VI Chip Plan, including the terms of the material performance goals under the 2007 VI Chip Plan. Abstentions and broker non-votes will not affect the voting results for this proposal.

THE BOARD RECOMMENDS STOCKHOLDERS VOTE FOR APPROVAL OF THE AMENDED AND RESTATED 2007 VI CHIP PLAN, INCLUDING THE TERMS OF THE MATERIAL PERFORMANCE GOALS UNDER THE 2007 VI CHIP PLAN.

PROPOSAL SIX

**APPROVAL OF THE AMENDED AND RESTATED
2001 STOCK OPTION AND INCENTIVE PLAN OF PICOR CORPORATION**

The Board has proposed approval of the Amended and Restated Picor Corporation 2001 Stock Option and Incentive Plan (the “2001 Picor Plan”).

Stockholder approval of the 2001 Picor Plan will also constitute approval of the material terms of the performance goals under the 2001 Picor Plan for purposes of qualifying options granted under the 2001 Picor Plan as “performance-based” within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”), as described further below.

Summary of the Terms of the 2001 Picor Plan

The following is a summary of the material provisions of the 2001 Picor Plan. A copy of the 2001 Picor Plan is attached hereto as Appendix C and is incorporated by reference herein. This summary is qualified in its entirety by reference to the full and complete text of the 2001 Picor Plan. Any inconsistencies between the summary and the text of the 2001 Picor Plan will be governed by the text of the 2001 Picor Plan.

Eligibility. Any person who is a current or prospective full or part-time officer, employee, consultant or director of Picor and its affiliates, including the Corporation, is eligible for selection by the Administrator for the grant of an award, including an option award, under the 2001 Picor Plan. Currently, there are approximately 54 employees and 5 nonemployee directors eligible to participate in the 2001 Picor Plan. There are currently no other service providers eligible to receive an award under the 2001 Picor Plan.

Administration. Currently, the Board of Directors of Picor has delegated administrative responsibility under the 2001 Picor Plan to the Compensation Committee, with authority to act as the Administrator. The Administrator is authorized, among other things, to select the participants to receive an award under the 2001 Picor Plan, determine the terms of such awards, modify the terms and conditions of any award, and interpret the terms and provisions of the 2001 Picor Plan.

Shares Reserved under the 2001 Picor Plan. Under the 2001 Picor Plan, an aggregate of 20,000,000 shares of Picor common stock were reserved for issuance under the 2001 Picor Plan, subject to the adjustments described below.

The number of shares issued or reserved may be adjusted in certain circumstances, including stock splits, stock dividends, reorganizations, recapitalizations, and similar events. Shares underlying awards that are forfeited, canceled, reacquired by Picor, satisfied without issuance of stock or otherwise terminated will be added back to the shares otherwise available for issuance under the 2001 Picor Plan. As of April 26, 2017, there were 9,529,987 shares subject to outstanding awards under the 2001 Picor Plan (all of which were subject to stock options) and 7,655,533 shares remaining available for future awards under the 2001 Picor Plan. The weighted average exercise price of the outstanding stock options as of such date was \$0.62 and the average remaining term of such stock options was 4.2 years. The fair market value of a share of Picor common stock as of such date was \$0.62.

Award Limits. To qualify options granted under the 2001 Picor Plan as “performance-based” compensation under Section 162(m) of the Code, the 2001 Picor Plan must establish limits on the number of options that may be granted to a particular participant. Under the 2001 Picor Plan, no participant may be granted stock options with respect to more than 1,600,000 shares of Picor common stock in any fiscal year of Picor.

Types of Awards. The Administrator may grant the following types of awards to eligible individuals:

- Stock Options. A stock option permits the award holder to purchase shares of Picor’s common stock in the future at a fixed price. The Administrator has the discretion to determine all terms and conditions of a grant of stock options, including the exercise price, the vesting schedule, and the term of the option, except that the exercise price must be at least equal to the fair market value of a share of Picor’s common stock as determined on the date of grant.
- Restricted Stock. A holder of a restricted stock award immediately receives shares of Picor’s common stock, which shares are subject to restrictions on transferability and subject to forfeiture based on certain conditional events.
- Unrestricted Stock. The Administrator may also grant unrestricted stock, pursuant to which such recipient may receive shares of stock free of any vesting restrictions.

Effect of Termination of Employment. In general, an award granted under the 2001 Picor Plan will be forfeited upon the participant’s termination of employment, subject to certain exceptions found in the 2001 Picor Plan.

Change Of Control. The 2001 Picor Plan provides that in the event of a merger or other change in control transaction (as defined in the 2001 Picor Plan), all stock options will automatically become fully exercisable, and all other awards will become fully vested.

Amendment or Termination of Plan. The Board of Directors of Picor may at any time amend or discontinue the 2001 Picor Plan and the Administrator may at any time amend or cancel outstanding awards for the purpose of satisfying changes in the law or for any other lawful purpose. However, no such action may be taken which adversely affects any rights under outstanding awards without the holder’s consent.

Certain U.S. Federal Tax Implications

The following summarizes certain federal income tax consequences relating to the 2001 Picor Plan. The summary is based upon the laws and regulations in effect as of the date of this proxy statement and does not purport to be a complete statement of the law in this area. Furthermore, the discussion below does not address the tax consequences of the receipt or exercise of awards under foreign, state or local tax laws, and such tax laws may not correspond to the federal income tax treatment described herein. The exact federal income tax treatment of transactions under the 2001 Picor Plan will vary depending upon the specific facts and circumstances involved and participants are advised to consult their personal tax advisors with regard to all consequences arising from the grant or exercise of awards and the disposition of any acquired shares.

Options. The grant of a stock option under the 2001 Picor Plan will create no income tax consequences to the Corporation or the participant. A participant who is granted a non-qualified stock option will generally recognize ordinary compensation income at the time of exercise in an amount equal to the excess of the fair market value of Picor’s common stock at such time over the exercise price. The Corporation will generally be entitled to a deduction in the same amount and at the same time as ordinary income is recognized by the participant. Upon the participant’s subsequent disposition of the shares of Picor’s common stock received with respect to such stock option, the participant will recognize a capital gain or loss (long-term or short-term, depending on the holding period) to the extent the amount realized from the sale differs from the tax basis, that is the fair market value of Picor’s common stock on the exercise date.

Restricted Stock. Generally, a participant will not recognize income and the Corporation will not be entitled to a deduction at the time an award of restricted stock is made, unless the participant makes the election described below. A participant who has not made such an election will recognize ordinary income at the time the restrictions on the stock lapse in an amount equal to the fair market value of the restricted stock at such time. The Corporation will generally be entitled to a corresponding deduction in the same amount and at the same time as the participant recognizes income. Any otherwise taxable disposition of the restricted stock after the time the restrictions lapse will result in a capital gain or loss (long-term or short-term, depending on the holding period) to the extent the amount realized from the sale differs from the tax basis, i.e., the fair market value of Picor's common stock on the date the restrictions lapse. Dividends paid in cash and received by a participant prior to the time the restrictions lapse will constitute ordinary income to the participant in the year paid and the Corporation will generally be entitled to a corresponding deduction for such dividends. Any dividends paid in stock will be treated as an award of additional restricted stock subject to the tax treatment described herein.

A participant may, within 30 days after the date of the award of restricted stock, elect to recognize ordinary income as of the date of the award in an amount equal to the fair market value of such restricted stock on the date of the award (less the amount, if any, the participant paid for such restricted stock). If the participant makes such an election, then the Corporation will generally be entitled to a corresponding deduction in the same amount and at the same time as the participant recognizes income. If the participant makes the election, then any cash dividends the participant receives with respect to the restricted stock will be treated as dividend income to the participant in the year of payment and will not be deductible by the Corporation. Any otherwise taxable disposition of the restricted stock (other than by forfeiture) will result in a capital gain or loss. If the participant who has made an election subsequently forfeits the restricted stock, then the participant will not be entitled to deduct any loss. In addition, the Corporation would then be required to include as ordinary income the amount of any deduction the Corporation originally claimed with respect to such shares.

Unrestricted Stock. Generally, a participant will recognize ordinary income, and the Corporation will be entitled to a corresponding deduction in the same amount, at the time an award of unrestricted stock is made. Upon the participant's subsequent disposition of the shares of stock, the participant will recognize a capital gain or loss (long-term or short-term, depending on the holding period) to the extent the amount realized from the sale differs from the tax basis, the fair market value of Picor's common stock on the grant date.

Code Section 162(m). Stockholder approval of the 2001 Picor Plan at the Annual Meeting will constitute approval of the material terms of the performance goals of the 2001 Picor Plan for purposes of qualifying compensation under the 2001 Picor Plan as "performance-based" within the meaning of Code Section 162(m). This is important because Section 162(m) of the Code limits the corporate tax deduction to \$1,000,000 for compensation paid annually to any one of the Corporation's Named Executive Officers (other than the Chief Financial Officer), unless the compensation meets certain requirements to qualify as performance-based compensation. One of the requirements that must be satisfied to qualify compensation as performance-based is that the material terms of the performance goals under which the compensation is to be paid be disclosed to and approved by the Corporation's stockholders at least once every five years. Stockholder approval of the 2001 Picor Plan will constitute approval of each of the material terms of the 2001 Picor Plan for purposes of Section 162(m) of the Code.

New Plan Benefits

The table below sets forth information concerning the option awards that will be granted under the 2001 Picor Plan if the Corporation's stockholders approve the 2001 Picor Plan.

| <u>Amended and Restated 2001 Picor Plan</u> | | |
|--|--|------------------------------|
| <u>Name & Position</u> | <u>Strike Price Per Share (\$)</u> | <u>Number of Options</u> |
| Claudio Tuozzolo <i>Corporate Vice president and President of Picor Corporation</i> | \$0.62 | 125,000 |
| All executive officers as a group (1 persons) | \$0.62 | 125,000 |
| All non-executive directors as a group (0 persons) | | 0 |
| All employees, excluding executive officers, as a group (31 persons) | \$0.62 | 538,000 |

Except for awards disclosed above, we cannot currently determine the awards that may be granted under the 2001 Picor Plan in the future to the executive officers named in this proxy or to other officers, employees or other persons. The Administrator will make such determinations from time to time.

Vote Required and Recommendation of the Board of Directors

The affirmative vote of a majority in voting power of the Common Stock and Class B Common Stock casting a vote on the proposal at the Annual Meeting, voting together as a single class, is required to approve the 2001 Picor Plan, including the terms of the material performance goals under the 2001 Picor Plan. Abstentions and broker non-votes will not affect the voting results for this proposal.

THE BOARD RECOMMENDS STOCKHOLDERS VOTE FOR APPROVAL OF THE AMENDED AND RESTATED 2001 PICOR PLAN, INCLUDING THE TERMS OF THE MATERIAL PERFORMANCE GOALS UNDER THE 2001 PICOR PLAN.

PROPOSAL SEVEN

APPROVAL OF ADOPTION VICOR CORPORATION 2017 EMPLOYEE STOCK PURCHASE PLAN

The Board is requesting approval by Stockholders of the Corporation's adoption of the Vicor Corporation 2017 Employee Stock Purchase Plan, (the "ESPP"). On April 26, 2017, the Board, with Directors Simms and Tuozzolo abstaining due to their eligibility to participate in the ESPP, approved the adoption of the ESPP. If this proposal is approved, the ESPP will be implemented effective as of the date of the Annual Meeting.

Through voluntary participation in an ESPP satisfying the requirements of Sections 421 and 423 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), an employee subject to U.S. tax law may purchase shares of stock of his or her employer at a discount from the fair market value of those shares and, if certain holding period requirements are met, receive preferred tax treatment upon sale of such shares.

The Board believes the ESPP will become an important part of the Corporation's overall compensation program, as the ESPP is intended to improve the Corporation's ability to attract, retain, and motivate eligible employees, and further align the interests of eligible employees with those of our Stockholders. In its assessment of the ESPP prior to voting on its approval, the full Board assessed, among other considerations: the overall effectiveness of the Corporation's compensation and benefits practices and policies; the historical levels of employee participation in the Corporation's existing stock option plans; the historical price performance of shares of the Corporation's common stock, relative to such plans and participation levels; the potential

participation in the ESPP, reflecting regulatory eligibility requirements, the regulatory limits on employee contributions, and similar plans offered by public companies; the potential dilutive effect of adopting such a plan; and the financial reporting and tax consequences of adopting such a plan. The Board also assessed the implications for compliance with federal tax regulations if participation in such a plan were made available to resident employees of the Corporation's subsidiaries domiciled and operating in foreign jurisdictions.

The Board is seeking Stockholder approval of the ESPP to satisfy requirements of Sections 421 and 423 of the Code, as the Corporation intends for the ESPP to qualify as an "employee stock purchase plan" under Section 423 of the Code. Listing Rule 5635(c)(2) under the Nasdaq Rules states Stockholder approval is not required for a tax qualified, non-discriminatory employee benefit plan (i.e., an employee stock purchase plan meeting the requirements of Section 423 of the Code).

Because the following discussion is limited, it may not contain all the information that a Stockholder may consider important. As such, a Stockholder should read carefully the full plan document, the text of which is attached as Appendix D and incorporated into this Proxy Statement by reference, before deciding how to vote on this proposal.

Summary of Key Terms of the ESPP

The following summary of the key terms of the ESPP is qualified in its entirety by reference to the plan document, attached as Appendix D and incorporated into this Proxy Statement by reference. Certain important terms used in this discussion are defined in the ESPP. Such terms, when used here, are shown initially in quotation marks (e.g., "ESPP Shares," used in reference to shares of the Corporation's Common Stock issued pursuant to the ESPP) and, throughout this summary, reflect the definitions set forth in the full text of the plan document attached as Appendix D.

General. The purpose of the ESPP is to allow eligible employees of the Corporation and its designated subsidiaries (the "Participants," or, if an individual, the "Participant") to voluntarily participate in the ESPP, enabling Participants to purchase shares of the Corporation's Common Stock ("ESPP Shares") at a discount to the market price at the time of such purchase. The ESPP is intended to qualify as an employee stock purchase plan under Section 423 of the Code. Under such a plan, the Participants will not have reportable income, and the Corporation is not entitled to a tax deduction related to compensation, upon the Option grant, the Option exercise, or the purchase of the ESPP Share(s). However, a Participant will recognize federal taxable income in the year in which such ESPP Shares are sold or transferred. (A summary of federal tax consequences is presented below.)

Administration. The ESPP will be administered by the Board, which, by resolution at the time of the ESPP's adoption, designated the Compensation Committee of the Board as the "Administrator" under the ESPP. None of the members of the Compensation Committee is an officer or employee, or former officer or employee, of the Corporation or its subsidiaries. The Administrator has authority to establish rules and procedures for the administration of the ESPP, to interpret the terms of the ESPP, to supervise the ESPP's overall administration and to take any other actions related to the ESPP it deems necessary or advisable. The interpretation and decisions of the Board or the Administrator with regard to the ESPP will be final and conclusive.

Effective Date, Term. Subject to Stockholder approval of the ESPP, the ESPP will become effective as of June 16, 2017, that is, as of the date of the annual meeting of Stockholders of the Corporation. The ESPP will terminate upon the earlier of (i) the date on which all shares of Common Stock available for issuance have been sold pursuant to purchase rights exercised under the ESPP or (ii) the date determined by the Board, in its sole discretion.

Function. The Administrator will determine the Offering Periods for the ESPP, which are currently anticipated to include six distinct, sequential "Offering Periods" of approximately six months each. Each

Offering Period, during which payroll deductions will be held by the Corporation to purchase ESPP Shares on behalf of a Participant, will begin on the designated “Grant Date”. At that time, the Corporation will grant to each Participant an Option exercisable at the end of the Offering Period (on the “Exercise Date”). At the end of the business day on the Exercise Date, the Administrator will determine the “Purchase Price” of an ESPP Share associated with the exercise of that Offering Period’s Option. While the Administrator may determine the length of an Offering Period and the applicable terms associated with an Option, under no circumstances may an Offering Period or an Option’s term exceed 27 months. Subject to Stockholder approval of the ESPP, the first six-month Offering Period is expected to begin on or about September 1, 2017.

Purchase Price. The ESPP provides for calculation of the Purchase Price of an ESPP Share using what is commonly referred to as a “look-back.” Using a “look-back” approach, the Administrator, at the close of business on the Exercise Date, calculates the Purchase Price of an ESPP Share to be issued to the Participant as not less than the lower of (a) eighty-five percent (85.0%) of the “Fair Market Value” on the Grant Date associated with the Offering Period or (ii) eighty-five percent (85.0%) of the Fair Market Value on that Exercise Date. Generally, the Fair Market Value of an ESPP Share will be the reported closing price for a share of Common Stock on the Nasdaq-GS for the date in question or the immediately preceding date. In the event such a closing price is not available for the date in question, the Administrator may utilize any of the valuation methods permitted under Treasury Regulation Section 20.2031-2.

Shares of Common Stock Reserved. Subject to Stockholder approval of this proposal, an aggregate of 2,000,000 shares of Common Stock has been initially reserved for issuance under the ESPP. This initial reserve represents approximately 5.1% of the total number of shares of Common Stock currently outstanding (assuming full conversion of outstanding shares of Class B Common Stock into shares of Common Stock). The shares of Common Stock reserved for purchase under the ESPP will be shares of authorized, but unissued, shares or issued shares held by the Corporation. If purchase rights granted under the ESPP terminate without being exercised, the shares of Common Stock not issued will again become available for purchase under the ESPP. As of April 26, 2017, the fair market value of one share of Common Stock was \$18.55, based upon the closing price for a share of Common Stock on the Nasdaq-GS.

Eligibility. Any common law employee of the Corporation or one of the Corporation’s subsidiaries, to the extent such subsidiary is designated by the Administrator for participation in the ESPP or an Offering (each a “Designated Subsidiary”) who, in judgment of the Administrator (i) is customarily employed by the Company or such Designated Subsidiary for more than 20 hours per week and for more than five months in a calendar year, and (ii) has been so employed for at least the prior six weeks, will be eligible to participate in the ESPP. Notwithstanding the foregoing, employees who are citizens or residents of a jurisdiction other than the United States, may not be able to participate in the ESPP for a given Offering if such participation is prohibited under any applicable law or regulation of such jurisdiction or if compliance with the laws of the foreign jurisdiction would cause the ESPP to violate the Code Section 423 requirements.

If the ESPP is approved by Stockholders, approximately 875 of the employees, including nine of the officers, would initially be eligible to participate in the ESPP. Members of the Board and members of the board(s) of directors of any subsidiary of the Corporation, who are not employees as defined in the plan document, are not eligible to participate in the ESPP. Dr. Vinciarelli, due to his ownership of capital stock representing more than 5.0% of the voting control of the Corporation, shall not be eligible to participate in the ESPP.

Limitations. Notwithstanding any provisions of the ESPP to the contrary, in no event may a Participant purchase more than 2,500 ESPP Shares in any one Offering Period, irrespective of the total value of his or her payroll deductions associated with the Offering Period or the Purchase Price of the ESPP Shares, unless otherwise expressly provided by the Administrator in advance of that Offering Period.

No Participant will be granted an Option under the ESPP causing the Participant’s cumulative rights to purchase shares of the capital stock associated with all statutory options awarded under the terms of all employee

stock purchase plans maintained by the Corporation and its Subsidiaries to exceed \$25,000 of such shares of capital stock (determined at the time such statutory options are granted) for each calendar year.

For any Offering Period, the Administrator may determine that any individuals considered “highly compensated employees,” within the meaning of Section 414(q) of the Code, will be excluded from participating in that Offering Period.

Participation. Each Participant may authorize recurring withholding of an amount, equal to between 1.0% and up to and including 15.0% of his or her “Eligible Compensation” each pay period, to be used to purchase ESPP Shares. The Corporation shall pay no interest on withheld amounts. Participants are permitted to withdraw from the ESPP prior to the last day of an Offering Period. If a Participant does not withdraw from an Offering Period, the amount withheld for the Participant for that Offering Period will be applied automatically to purchase a whole number of ESPP Shares that may be purchased with such amount.

Withdrawal from Participation. A Participant may withdraw from participation in the ESPP at any time by written notice. In addition, a Participant’s participation in the ESPP will immediately terminate upon the Participant’s termination of employment. A Participant who withdraws from an Offering Period and remains eligible for future participation may not re-commence participation within that same Offering Period. Upon withdrawal from an Offering Period, cumulative amounts withheld in anticipation of a purchase of ESPP Shares by a Participant will be delivered to him or her as soon as practicable after such withdrawal. In the event of the termination of a Participant’s employment, cumulative amounts withheld in anticipation of a purchase of ESPP Shares by a Participant will be delivered to him or her as soon as practicable after such termination.

Administrator Adjustment Due to Changes in Capitalization. Upon (i) any reclassification, recapitalization, stock split (including a stock split in the form of a stock dividend) or reverse stock split, (ii) any merger, combination, consolidation, or other reorganization, (iii) any spin-off, split-up, or similar extraordinary dividend distribution in respect of the Common Stock, (iv) any exchange of Common Stock or other securities of the Corporation, or (v) any unusual or extraordinary corporate transaction of a similar nature in respect of the Common Stock, in each case, the Administrator shall equitably and proportionately adjust (1) the number, amount, and type of shares of Common Stock (or other securities) that thereafter may be made the subject of Options (including the specific share limits, maximums, and numbers of shares set forth in the ESPP), (2) the number, amount, and type of shares of Common Stock (or other securities or property) subject to any outstanding Options, (3) the Purchase Price associated with any outstanding Options, and/or (4) the securities, cash, or other property deliverable upon exercise or payment of any outstanding Options, in each case to the extent necessary to preserve (but not increase) the level of incentives intended by the ESPP and the then-outstanding Options.

Administrator Adjustment to Address Merger or Liquidation of Corporation. In the event the Corporation or its Stockholders enter into an agreement to dispose of all or substantially all of the assets or outstanding capital stock of the Corporation by means of a sale, merger, or reorganization in which the Corporation will not be the surviving corporation (other than a reorganization effected primarily to change the jurisdiction in which the Corporation is incorporated, a merger or consolidation with a wholly-owned Subsidiary, or any other transaction in which there is no substantial change in the Stockholders of the Corporation or their relative ownership, regardless of whether the Corporation is the surviving corporation) or in the event the Corporation is liquidated, then all outstanding Options under the Plan shall automatically be exercised immediately prior to the consummation of such sale, merger, reorganization, or liquidation (deemed the end of the Offering Period in such case) by causing all amounts credited to each Participant’s Plan Account to be applied to purchase as many ESPP Shares pursuant to the Participant’s Option as possible at the Purchase Price, subject to the limitations set forth above.

Administrator Adjustment Required to Address Acquisitions, Sales, or Disposals. The Administrator may, in accordance with provisions of Section 423 of the Code, create special Offering Periods for individuals who become eligible to participate in the ESPP solely in connection with the acquisition of another corporation or

business by merger, reorganization, or purchase of assets. Similarly, the Administrator may provide for special Exercise Dates for Participants who will cease to be Participants solely in connection with the sale or other form of disposition of all or a portion of any Designated Subsidiary or a portion of the Corporation by which the Participant is employed.

Amendment and Termination of the ESPP. The Board may, in its sole discretion, amend or terminate the ESPP at any time; provided, however, unless required by law, no amendment may be retroactive or deprive any Participants of amounts credited to his or her withholding account or any validly-purchased ESPP Shares. It is intended, if possible, that any amendments or adjustments (as described herein and in the ESPP) be made in a manner satisfying applicable legal, tax (including, without limitation and as applicable in the circumstances, Section 424 and Section 409A of the Code), and accounting (i.e., financial reporting) requirements. If the Board does not earlier terminate the ESPP, the ESPP shall terminate on the date on which all shares of Common Stock available for issuance have been sold pursuant to purchase rights exercised under the ESPP.

Summary of Federal Income Tax Consequences

The following is only a summary of the principal U.S. federal income tax consequences to a Participant and the Corporation with respect to the ESPP, based on advice received from counsel to the Corporation regarding current federal income tax laws. The information is based on current deferral income tax rules and therefore is subject to change. This summary is not intended to be exhaustive and, among other things, does not discuss the tax consequences of a Participant's death or the income tax laws of any city, state, or foreign country in which the Participant may reside. This summary cannot describe all possible federal tax consequences of the ESPP or such consequences based on particular circumstances. Because the tax consequences of participating in the ESPP may vary with respect to individual circumstances, and because the Code and associated Treasury Regulations are complex and subject to change, an eligible employee should consult with his or her tax advisor as to the federal and other tax consequences of participating in the ESPP.

The ESPP is not qualified under the provisions of Section 401(a) of the Code and is not subject to any of the provisions of the Employee Retirement Income Security Act of 1974, as amended. Options granted pursuant to the ESPP shall be exempt from the application of Section 409A of the Code. Rights granted under the ESPP are intended to qualify for favorable federal income tax treatment associated with rights granted under an employee stock purchase plan that qualifies under provisions of Section 423 of the Code.

Tax Treatment for Participants

A Participant will be taxed on the amounts withheld from a Participant's payroll to be used for the purchase of ESPP Shares as if such amounts were actually received. The Participant will not recognize income upon enrollment in the ESPP, the Grant Date (i.e., when the Option is granted to the Participant by the Corporation), nor the Exercise Date (i.e., when the ESPP Shares are purchased by the Participant through exercise of the Option). However, for the year in which occurs Participant sells or disposes of ESPP Shares, the Participant generally will be subject to federal income tax that may vary in characterization, amount, and timing based on the length of time such ESPP Shares are held by the Participant.

If the ESPP Shares are sold or disposed of earlier than two years after the Grant Date and less than one year after the Exercise Date, the sale or disposition represents a "disqualifying disposition" under the Code. When there is a disqualifying disposition, the Participant generally will recognize ordinary income equal to the excess of the Fair Market Value of the ESPP Shares on the Exercise Date over the Purchase Price paid for those ESPP Shares (i.e., the absolute amount of the price discount at Exercise Date). Any additional gain (or loss) on such sale or disposition will be long-term or short-term capital gain, depending on the length of time the ESPP Shares were held by the Participant.

If the ESPP Shares are sold or disposed of more than two years after the Grant Date and more than one year after the Exercise Date, the Participant will recognize ordinary income for the year in which the sale or disposal

occurs, equal to the *lesser of*: (a) the excess of the Fair Market Value of the ESPP Shares at the time of such sale or disposition over the Purchase Price paid for those ESPP Shares (i.e., the total absolute gain on the sale or disposition); or (b) the excess of the Fair Market Value of the ESPP Shares on Grant Date over the Purchase Price paid for those ESPP Shares. Any further gain (or loss) will be taxed as a long-term capital gain (or loss).

Tax Treatment for the Corporation

If a Participant recognizes ordinary income by selling or disposing of ESPP Shares in a disqualifying disposition, the Corporation generally will be entitled to a tax deduction for compensation expense on its federal tax return equal to the Participant's ordinary income. Otherwise, the Corporation will not be entitled to any federal income tax deduction with respect to the ESPP.

Benefits to Employees

The benefits to be received, if any, by eligible employees under the ESPP will depend on each individual's elections to participate and the fair market value of a share of the Corporation's Common Stock at various dates in the future. The actual number of ESPP Shares any Participant may purchase cannot be determined in advance. Accordingly, it is not possible to determine the benefits that will be received by any participating employee.

Vote Required and Recommendation of the Board of Directors

The affirmative vote of a majority in voting power of the Common Stock and Class B Common Stock casting a vote on the proposal at the Annual Meeting, voting together as a single class, is required to approve the Vicor Corporation 2017 Employee Stock Purchase Plan. Abstentions and broker non-votes will not affect the voting results for this proposal.

THE BOARD RECOMMENDS STOCKHOLDERS VOTE FOR APPROVAL OF THE ADOPTION OF THE VICOR CORPORATION 2017 EMPLOYEE STOCK PURCHASE PLAN.

REPORT OF THE COMPENSATION COMMITTEE

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis ("CD&A") required by Item 402(b) of Regulation S-K for the year ended December 31, 2016, with management. Based on the reviews and discussions referred to above, the Compensation Committee recommended to the Board that the CD&A be included in this Proxy Statement and be incorporated by reference into our Annual Report on Form 10-K for the year ended December 31, 2016, for filing with the SEC and distribution to Stockholders.

Submitted by the Compensation Committee:

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

Compensation Committee Interlocks and Insider Participation

Messrs. Carlson, Eichten, Griffin, and Riddiford serve on the Compensation Committee. Messrs. Carlson, Eichten, Griffin, and Riddiford are independent Directors, and the Board is not aware of any committee interlocks or other relationships that would require disclosure pursuant to Item 407(e)(4) of Regulation S-K.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee oversees the Corporation's financial reporting process on behalf of the Board. 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 and discussed with our independent registered public accounting firm, KPMG, which is responsible for expressing an opinion on the conformity of those audited financial statements with U.S. generally accepted accounting principles, 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"). In addition, the Audit Committee has discussed with KPMG the auditors' independence from management and the Corporation, including the matters in the written disclosures from the independent auditors required by applicable requirements of the PCAOB regarding independent accountant's communications with the audit committee concerning independence. The Audit Committee discussed with KPMG the overall scope and plans for its audit. The Audit Committee periodically meets with KPMG, with and without management present, to discuss the results of its audit, its evaluation of the Corporation's internal controls and the overall quality of the Corporation's financial reporting.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board (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, 2016, for filing with the SEC, which occurred on March 7, 2017.

Submitted by the Audit Committee:

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

Certain Relationships and Related Transactions

The Corporation's policy and procedures with respect to the review, approval, and/or ratification of related party transactions are set forth in the Charter of the Audit Committee 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, whether the transactions are on terms that are fair to the Corporation, and whether appropriate disclosures have been made.

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. Insiders are required by SEC regulations 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, 2016, 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.

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 KPMG as the independent registered public accounting firm for the Corporation for the fiscal year ending December 31, 2016. A representative of KPMG 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 from Stockholders.

The following table summarizes the fees for services rendered by KPMG for the fiscal years ended December 31, 2016 and 2015 in each of the following categories:

| <u>Name</u> | <u>2016</u> | <u>2015</u> |
|--------------------------|--------------------|--------------------|
| Audit Fees | \$1,053,000 | \$1,049,000 |
| Audit Related Fees | 28,000 | 27,000 |
| Tax Fees | 141,000 | 225,000 |
| Total Fees | <u>\$1,222,000</u> | <u>\$1,301,000</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 of 2002), 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 that relate to the audited financial statements.

Audit-Related Fees include services provided in connection with audits of the 401(k) tax-qualified retirement saving plan sponsored by the Corporation.

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

Pursuant to the provisions of the Charter of the Audit Committee, 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 our 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 are required to 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 KPMG for fiscal years 2016 and 2015.

The Audit Committee has selected KPMG as the Corporation's independent registered public accounting firm for the fiscal year ending December 31, 2017.

STOCKHOLDER PROPOSALS

Stockholder proposals intended to be presented at the 2018 Annual Meeting of Stockholders must be received by the Corporation on or before January 1, 2018, in order to be considered for inclusion in the Corporation's proxy statement and form of proxy. 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: James A. Simms, Corporate Secretary, Vicor Corporation, 25 Frontage Road, Andover, Massachusetts 01810. It is suggested that any Stockholder proposal be transmitted by certified mail, return receipt requested.

In addition, our By-Laws provide that, for any Stockholder proposal or Director nomination to be properly presented at the 2018 Annual Meeting of Stockholders, but not for inclusion in our proxy statement and form of proxy, the Stockholder proposal or Director nomination must comply with the requirements set forth in our By-Laws and we must receive notice of the matter not less than 90 nor more than 120 days prior to June 15, 2018. Thus, to be timely, notice of a Stockholder proposal or Director nomination for the 2018 Annual Meeting of Stockholders must be received by our Corporate Secretary no earlier than February 20, 2018 and no later than March 21, 2018. However, if the 2018 Annual Meeting of Stockholders is not scheduled to be held within a period that commences on May 21, 2018 and ends on July 16, 2018, and instead, such meeting is scheduled to be held on a date outside that period, notice of a Stockholder proposal or Director nomination, to be timely, must be received by our Corporate Secretary by the later of 90 days prior to such other meeting date or 10 days following the date such other meeting date is first publicly announced or disclosed.

Notwithstanding the foregoing notice deadlines under our By-Laws, in the event that the number of Directors to be elected to our Board at the 2018 Annual Meeting of Stockholders is increased and either all of the nominees for Director at the 2018 Annual Meeting of Stockholders or the size of the increased Board is not publicly announced or disclosed by us by March 23, 2018, notice will be considered timely, but only with respect to nominees for any new positions created by such increase, if the notice is delivered to our Corporate Secretary no later than 10 days following the first date all such nominees or the size of the increased Board is publicly announced or disclosed.

Proxies solicited by the Board 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 March 24, 2018. 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 March 24, 2018, subject to SEC rules governing the exercise of this authority.

APPENDIX A

Vicor Corporation Amended and Restated 2000 Stock Option and Incentive Plan

SECTION 1. *General Purpose of the Plan; Definitions*

The name of the plan is the Vicor Corporation Amended and Restated 2000 Stock Option and Incentive Plan (the “Plan”). The purpose of the Plan is to encourage and enable those individuals upon whose judgment, initiative, and efforts Vicor Corporation and its subsidiaries (the “Company”) largely depend for the successful conduct of its business to acquire an ownership interest in the Company. It is anticipated providing such individuals with a direct, quantifiable stake in the Company’s welfare will assure a closer identification of their interests with those of the Company and its stockholders, thereby stimulating their efforts on the Company’s behalf and strengthening their desire to remain with the Company.

The following terms shall be defined as set forth below:

“*Act*” means the Securities Exchange Act of 1934, as amended.

“*Administrator*” is defined in Section 2(a).

“*Award*” or “*Awards*,” except when referring to a particular category of grant under the Plan, generally shall include Incentive Stock Options, Non-Qualified Stock Options, Stock Appreciation Rights, Deferred Stock Awards, Restricted Stock Awards, Unrestricted Stock Awards, Performance Share Awards, and Dividend Equivalent Rights.

“*Board*” means the Board of Directors of the Company.

“*Change of Control*” is defined in Section 16.

“*Code*” means the Internal Revenue Code of 1986, as amended, and any successor Code, and related rules, regulations and interpretations.

“*Committee*” means the Committee of the Board referred to in Section 2.

“*Deferred Stock Award*” means Awards granted pursuant to Section 8.

“*Director*” means a member of the Board.

“*Dividend Equivalent Right*” means Awards granted pursuant to Section 11.

“*Effective Date*” means the date on which the Plan is approved by stockholders as set forth in Section 18.

“*Employee*” means any individual employed by the Company or a Subsidiary (defined herein) as the term is defined under the rules contained in Section 3401 of the Code. Neither service as a Director nor payment of a director’s fee by the Company shall be sufficient by itself to constitute “employment” by the Company.

“*Fair Market Value*” of the Stock on any given date means the fair market value of the Stock determined in good faith by the Administrator; provided, however, that (i) if the Stock is admitted to quotation on the National Association of Securities Dealers Automated Quotation System (“NASDAQ”), the Fair Market Value on any given date shall not be less than the average of the highest bid and lowest asked prices of the Stock reported for such date or, if no bid and asked prices were reported for such date, for the last day preceding such date for which such prices were reported, or (ii) if the Stock is admitted to trading on a national securities exchange or the

NASDAQ National Market System, the Fair Market Value on any date shall not be less than the closing price reported for the Stock on such exchange or system for such date or, if no sales were reported for such date, for the last date preceding the date for such a sale was reported.

“*Incentive Stock Option*” means any Stock Option designated and qualified as an “incentive stock option” as defined in Section 422 of the Code.

“*Independent Director*” means a member of the Board who meets the requirements of NASDAQ Rule 5605(a)(2).

“*Non-Qualified Stock Option*” means any Stock Option that is not an Incentive Stock Option.

“*Participant*” means (a) an employee or Director of the Company or its Subsidiaries, or (b) an third-party individual (e.g., an independent consultant or contractor) granted an Award under the terms of this Plan.

“*Performance Share Award*” means Awards granted pursuant to Section 10.

“*Principal Stockholder*” means Patrizio Vinciarelli, members of his immediate family, any trusts of which he is a trustee or in which he or members of his immediate family have substantial beneficial interest, and, upon his death, his executors, administrators, personal representatives, heirs, legatees, or distributees.

“*Restricted Stock Award*” means Awards granted pursuant to Section 7.

“*Secretary*” means the capacity in which the Company’s Chief Financial Officer shall serve in support of the Administrator.

“*Stock*” means the Common Stock, par value \$.01 per share, of the Company, subject to adjustments pursuant to Section 3.

“*Stock Appreciation Right*” means any Award granted pursuant to Section 6.

“*Stock Option*” means any option to purchase shares of Stock granted pursuant to Section 5.

“*Subsidiary*” means a “subsidiary corporation” as defined in Section 424(f) of the Code.

“*Unrestricted Stock Award*” means any Award granted pursuant to Section 9.

SECTION 2. Administration of the Plan

- (a) *Administration.* The Plan shall be administered by the Board, the Compensation Committee thereof, or a sub-committee of the Compensation Committee made up of not less than two Independent Directors (in any case, the “Administrator”). The Company’s Chief Financial Officer shall serve as Secretary to the Administrator, with responsibility for coordination and communication of the undertakings of the Administrator, including the assessment of the implications for financial reporting, if any, prior to the completion of any such undertakings.
- (b) *Powers of Administrator.* The Administrator shall have the power and authority to grant Awards consistent with the terms of the Plan, including the power and authority:
 - (i) to select the individuals to whom Awards may from time to time be granted, based on recommendations of the Company’s senior management;

- (ii) to determine the time or times of grant, and the extent, if any, of Incentive Stock Options, Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Stock Awards, Deferred Stock Awards, Unrestricted Stock Awards, Performance Share Awards, and Dividend Equivalent Rights, or any combination of the foregoing, granted to any one or more individuals;
- (iii) to determine the number of shares of Stock associated with any Award;
- (iv) to determine and modify from time to time the terms and conditions, including restrictions, not inconsistent with the terms of the Plan, of any Award, which terms and conditions may differ among individual Awards and recipients, and to approve the form of written instrument(s) evidencing the Awards;
- (v) to accelerate at any time the exercisability or vesting of all or any portion of any Award;
- (vi) subject to the provisions of Section 5(a)(ii), to extend at any time the period in which Stock Options may be exercised;
- (vii) at any time to adopt, alter, and repeal such rules, guidelines, and practices for administration of the Plan and for its own acts and proceedings as it shall deem advisable; to interpret the terms and provisions of the Plan and any Award (including related written instrument(s)); to make all determinations it deems advisable for the administration of the Plan; to decide all disputes arising in connection with the Plan; and to otherwise supervise the oversight of the Plan by the Secretary.

All decisions and interpretations of the Administrator shall be binding on all Participants and the Company.

- (c) *Delegation of Authority to Grant Awards.* The Administrator, in its discretion, may delegate to the Chief Executive Officer of the Company all or part of the Administrator's authority and duties with respect to the granting of Awards at Fair Market Value, to individuals who are not subject to the reporting and other provisions of Section 16 of the Act or "covered employees" within the meaning of Section 162(m) of the Code; provided, however, any exercise by the Chief Executive Officer of such delegated authority and duties shall be approved by the Administrator prior to completion thereof. Any such delegation by the Administrator shall include a limitation as to the amount of Awards that may be granted during the period of the delegation and shall contain guidelines as to the determination of the exercise price of any Stock Option, the conversion ratio or price of other Awards, and the vesting criteria. The Administrator may revoke or amend the terms of a delegation at any time, but such action shall not invalidate any prior actions of the Administrator's delegate consistent with the terms of the Plan.
- (d) *Indemnification.* Neither the Board, nor the Compensation Committee, nor any member of either or any delegatee thereof, including the Secretary, shall be liable for any act, omission, interpretation, construction, or determination made in good faith in connection with the Plan, and the members of the Board and Compensation Committee (and any delegatee thereof, including the Secretary) shall be entitled in all cases to indemnification and reimbursement by the Company in respect of any claim, loss, damage, or expense (including, without limitation, reasonable attorneys' fees) arising or resulting therefrom to the fullest extent permitted by law and/or under any directors' and officers' liability insurance coverage which may be in effect from time to time.

SECTION 3. *Shares of Stock Issuable Under the Plan; Mergers; Substitution*

- (a) *Stock Issuable.* The maximum number of shares of Stock reserved and available for issuance under the Plan shall be 10,000,000.

Subject to this overall limitation, shares of Stock may be issued up to such maximum number pursuant to any type or types of Award; provided, however, not more than 100,000 shares of Stock shall be issued to any one individual in the form of:

- (i) Stock Options or Stock Appreciation Rights granted during any one calendar year period, and
- (ii) Unrestricted Stock Awards, Restricted Stock Awards, or Performance Share Awards, except to the extent such Awards are granted in lieu of cash compensation or fees, as determined by the Administrator.

The shares of Stock available for issuance under the Plan may be authorized but unissued shares of Stock or shares of Stock reacquired by the Company and held in its treasury. For purposes of calculating the number of shares of Stock available for issuance under the Plan, if any Award is forfeited, canceled, lapses, or terminates for any reason other than exercise, the shares of Stock associated with that Award shall revert to and again become available for issuance under the Plan.

- (b) *Changes in Stock.* If, as a result of any reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split, or other similar change in the Company's capital stock, the outstanding shares of Stock are increased or decreased or are exchanged for a different number or kind of shares or other securities of the Company, or additional shares or new or different shares or other securities of the Company or other non-cash assets are distributed with respect to such shares of Stock or other securities, the Administrator shall make an appropriate or proportionate adjustment in (i) the maximum number of shares reserved for issuance under the Plan, (ii) the number of Stock Options or Stock Appreciation Rights that can be granted to any one individual Participant, (iii) the number and kind of shares or other securities subject to any then outstanding Awards under the Plan, and (iv) the price for each share subject to any then outstanding Stock Options and Stock Appreciation Rights under the Plan, without changing the aggregate exercise price (i.e., the exercise price multiplied by the number of Stock Options and Stock Appreciation Rights) as to which such Stock Options and Stock Appreciation Rights remain exercisable. The adjustment by the Administrator shall be final, binding, and conclusive. No fractional shares of Stock shall be issued under the Plan resulting from any such adjustment, but the Administrator in its discretion may make a cash payment in lieu of fractional shares.

The Administrator may also adjust the number of shares subject to outstanding Awards and the exercise price and the terms of outstanding Awards to take into consideration material changes in accounting practices or principles, extraordinary dividends, acquisitions or dispositions of stock or property, or any other event if it is determined by the Administrator that such adjustment is appropriate to avoid distortion in the operation of the Plan, provided, however, no such adjustment shall be made in the case of an Incentive Stock Option, without the consent of the Participant, if it would constitute a modification, extension or renewal of the Stock Option within the meaning of Section 424(h) of the Code.

- (c) *Mergers and Other Transactions.* In the case of (i) the dissolution or liquidation of the Company, (ii) the sale of all or substantially all of the assets of the Company on a consolidated basis to an unrelated person or entity, (iii) a merger, reorganization or consolidation in which the holders of the Company's outstanding voting power immediately prior to such transaction do not own a majority of the outstanding voting power of the surviving or resulting entity immediately upon completion of such transaction, (iv) the sale of all of the Stock of the Company to an unrelated person or entity, or (v) any other transaction in which the owners of the Company's outstanding voting power prior to such transaction do not own at least a majority of the outstanding voting power of the relevant entity after the transaction (in each case, a "Transaction"), as of the effective date of such Transaction, all Stock Options and Stock Appreciation Rights that are not exercisable shall become fully exercisable and all other Awards which are not vested shall become fully vested, except as the Administrator may otherwise specify with respect to any such other Awards. Upon the effectiveness of the Transaction, the Plan and all outstanding Stock Options, Stock Appreciation Rights, and other Awards granted hereunder shall terminate, unless provision is made in connection with the Transaction for the

assumption of Awards heretofore granted, or the substitution of such Awards of new Awards of the successor entity or parent thereof, with appropriate adjustment as to the number and kind of shares and, if appropriate, the per share exercise prices, as provided in Section 3(b) above. In the event of such termination, each Award recipient shall be permitted to exercise for a period of at least 15 days prior to the date of such termination all outstanding Stock Options and Stock Appreciation Rights held by such Award recipient then exercisable (or that become exercisable upon the effectiveness of the Transaction).

- (d) *Substitute Awards.* The Administrator may grant Awards under the Plan in substitution for Stock and Stock-based awards held by employees of another corporation who become employees of the Company or a Subsidiary as the result of a merger or consolidation of the employing corporation with the Company or a Subsidiary or the acquisition by the Company or a Subsidiary of property or stock of the employing corporation. The Administrator may direct that the substitute awards be granted on such terms and conditions as the Administrator considers appropriate in the circumstances. Any substitute Awards granted under the Plan shall not count against the share limitations set forth in Section 3 (a).

SECTION 4. Eligibility

Individuals eligible for Award(s) under this Plan include (a) Employees and Directors of the Company (or its subsidiaries) and (b) independent third-parties considered by senior management to be significant contributors to the performance of the Company. Such individuals shall be identified periodically by the Company's senior management, which shall recommend to the Administrator the authorization of specific Awards for those individuals. The Administrator shall have sole responsibility for determining the eligibility of any individual subject to the senior management's recommendation.

SECTION 5. Stock Options

Any Stock Option granted under the Plan shall be in such form as the Administrator may from time to time approve.

Stock Options granted under the Plan may be either Incentive Stock Options or Non-Qualified Stock Options. Incentive Stock Options may be granted only to Employees. Non-Qualified Stock Options may be granted to Employees, Directors, or independent third-parties.

No Incentive Stock Option shall be granted under the Plan after March 9, 2012.

To the extent that any Stock Option does not qualify as an Incentive Stock Option, it shall be deemed a Non-Qualified Stock Option.

- (a) *Stock Options Terms and Conditions.* Stock Options granted pursuant to this Section 5(a) shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Administrator shall deem desirable. If the Administrator so determines, Stock Options may be granted in lieu of cash compensation at the Participant's election, subject to such terms and conditions as the Administrator may establish, as well as in addition to other compensation.
 - (i) *Exercise Price.* The exercise price per share for the Stock covered by a Stock Option granted pursuant to this Section 5(a) shall be determined by the Administrator at the time of grant but shall not be less than 100 percent of the Fair Market Value on the date of grant in the case of Incentive Stock Options, or 85 percent of the Fair Market Value on the date of grant, in the case of Non-Qualified Stock Options; provided that, in the case of Non-Qualified Stock Options intended to qualify as performance-based compensation under Section 162(m) of the Code, the exercise price per share shall not be less than 100 percent of the Fair Market Value on the date of grant. If an employee owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than 10 percent of the combined voting power of all classes of stock of the Company

or any parent or subsidiary corporation and an Incentive Stock Option is granted to such employee, the option price of such Incentive Stock Option shall be not less than 110 percent of the Fair Market Value on the grant date.

- (ii) *Stock Option Term.* The term of each Stock Option shall be fixed by the Administrator, but no Incentive Stock Option shall be exercisable more than ten years after the date the option is granted. If an employee owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than 10 percent of the combined voting power of all classes of stock of the Company or a Subsidiary corporation and an Incentive Stock Option is granted to such employee, the term of such option shall be no more than five years from the date of grant.
- (iii) *Exercisability; Rights of a Stockholder.* Stock Options shall become exercisable at such time or times, whether or not in installments, as shall be determined by the Administrator at or after the grant date; provided, however, Stock Options granted in lieu of compensation shall be exercisable in full as of the grant date. The Administrator may at any time accelerate the exercisability of all or any portion of any Stock Option. An Award recipient shall have the rights of a stockholder only as to shares acquired upon the exercise of a Stock Option and not as to unexercised Stock Options.
- (iv) *Method of Exercise.* Stock Options may be exercised in whole or in part, by giving written notice of exercise to the Company, specifying the number of shares to be purchased. Payment of the purchase price may be made by one or more of the following methods:
 - (A) In cash, by certified or bank check or other instrument acceptable to the Administrator;
 - (B) Through the delivery (or attestation to the ownership) of shares of Stock that are not then subject to restrictions under any Company plan and that have been beneficially owned by the Award recipient for at least six months or have been purchased by the Participant on the open market, if permitted by the Administrator in its discretion. Such surrendered shares shall be valued at Fair Market Value on the exercise date; or
 - (C) By the Award recipient delivering to the Company a properly executed exercise notice together with irrevocable instructions to a registered broker-dealer to promptly deliver to the Company cash or a check payable and acceptable to the Company for the purchase price; provided, however, in the event the Award recipient chooses to pay the purchase price as so provided, the Award recipient and the broker-dealer shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Administrator shall prescribe as a condition of such payment procedure.

Payment instruments will be received subject to collection. The delivery of certificates representing the shares of Stock to be purchased pursuant to the exercise of a Stock Option will be contingent upon receipt from the Award recipient (or a purchaser acting in his or her stead in accordance with the provisions of the Stock Option) by the Company of the full purchase price for such shares and the fulfillment of any other requirements contained in the Stock Option or applicable provisions of laws.

- (v) *Annual Limit on Incentive Stock Options.* To the extent required for “incentive stock option” treatment under Section 422 of the Code, the aggregate Fair Market Value (determined as of the time of grant) of the shares of Stock with respect to which Incentive Stock Options granted under this Plan and any other plan of the Company or its parent and subsidiary corporations become exercisable for the first time by an Award recipient during any calendar year shall not exceed \$100,000. To the extent that any Stock Option exceeds this limit, it shall constitute a Non-Qualified Stock Option.
- (b) *“Reload Options”.* At the discretion of the Administrator, Stock Options granted under the Plan may include a “reload” feature pursuant to which an Award recipient exercising a Stock Option by the delivery of a number of shares of Stock in accordance with Section 5(a)(iv)(B) hereof would automatically be granted an additional Stock Option (with an exercise price equal to the Fair Market

Value of the Stock on the date the additional Stock Option is granted and with such other terms as the Administrator may provide) to purchase that number of shares of Stock equal to the number delivered to exercise the original Stock Option with a term equal to the remainder of the original Stock Option term unless the Administrator otherwise determines in the Award Agreement for the original Stock Option grant.

- (c) *Stock Options Granted to Independent Directors.* The Board, in its discretion, may grant Non-Qualified Stock Options to Independent Directors. The terms and conditions of any such grant may vary among individual Independent Directors. The ability of the Board to make such discretionary grants shall be in lieu of any automatic grant of Stock Options under the Company's 1993 Stock Option Plan and 1998 Stock Option and Incentive Plan.
- (d) *Non-transferability of Stock Options.* No Stock Option shall be transferable by the Award recipient otherwise than by will or by the laws of descent and distribution. All Stock Options shall be exercisable, during the Award recipient's lifetime, only by the Award recipient or by the Award recipient's legal representative or guardian in the event of the Award recipient's incapacity. Notwithstanding the foregoing, the Administrator, in its sole discretion, may provide in the Award agreement regarding a given Stock Option that the Award recipient may transfer, without consideration for the transfer, his or her Non-Qualified Stock Options to members of his or her immediate family, to trusts for the benefit of such family members, or to partnerships in which such family members are the only partners, provided the transferee agrees in writing with the Company to be bound by all of the terms and conditions of this Plan, associated documents (e.g., the Stock Option Award Agreement), and the applicable Stock Option.
- (e) *Termination.* Except as may otherwise be provided by the Administrator either in the Award agreement, or subject to Section 14 below, in writing after the Award agreement is issued, an Award recipient's rights in all Stock Options shall automatically terminate upon the Participant's termination of employment (or, in the case of independent third-parties, cessation of the business relationship) with the Company and its Subsidiaries for any reason.

SECTION 6. *Stock Appreciation Rights.*

- (a) *Nature of Stock Appreciation Rights.* A Stock Appreciation Right is an Award entitling the recipient to receive an amount in cash or shares of Stock or a combination thereof having a value equal to the excess of the Fair Market Value of the Stock on the date of exercise over the exercise price Stock Appreciation Right, which price shall not be less than 100 percent of the Fair Market Value of the Stock on the date of grant (or more than the exercise price per share, if the Stock Appreciation Right were granted in tandem with a Stock Option) multiplied by the number of shares of Stock with respect to which the Stock Appreciation Right shall have been exercised, with the Administrator having the right to determine the form of payment.
- (b) *Grant and Exercise of Stock Appreciation Rights.* Stock Appreciation Rights may be granted by the Administrator in tandem with, or independently of, any Stock Option granted pursuant to Section 5 of the Plan. In the case of a Stock Appreciation Right granted in tandem with an Incentive Stock Option, such Stock Appreciation Right may be granted only at the time of the grant of the Incentive Stock Option. In the case of a Stock Appreciation Right granted in tandem with a Non-Qualified Stock Option, such Stock Appreciation Right may be granted either at or after the time of the grant of such Non-Qualified Stock Option.

A Stock Appreciation Right or applicable portion thereof granted in tandem with a Stock Option shall terminate and no longer be exercisable upon the termination or exercise of the related Stock Option.

- (c) *Terms and Conditions of Stock Appreciation Rights.* Stock Appreciation Rights shall be subject to such terms and conditions as shall be determined from time to time by the Administrator, subject to the following:
 - (i) Stock Appreciation Rights granted in tandem with Stock Options shall be exercisable at such time or times and to the extent that the related Stock Options shall be exercisable.
 - (ii) Upon exercise of a Stock Appreciation Right, the applicable portion of any related Stock Option shall be surrendered.
 - (iii) All Stock Appreciation Rights shall be exercisable during the Participant's lifetime only by the Participant or the Participant's legal representative.
- (d) *Termination.* Except as may otherwise be provided by the Administrator either in the Award agreement, or subject to Section 14 below, in writing after the Award agreement is issued, an Award recipient's rights in all Stock Appreciation Rights shall automatically terminate upon the Participant's termination of employment (or cessation of business relationship) with the Company and its Subsidiaries for any reason.

SECTION 7. *Restricted Stock Awards*

- (a) *Nature of Restricted Stock Awards.* A Restricted Stock Award is an Award entitling the recipient to acquire, at par value or such other higher purchase price determined by the Administrator, shares of Stock subject to such restrictions and conditions as the Administrator may determine at the time of grant ("Restricted Stock"). Conditions may be based on continuing employment (or other business relationship) and/or achievement of pre-established performance goals and objectives. The grant of a Restricted Stock Award is contingent on the award recipient executing the Restricted Stock Award agreement. The terms and conditions of each such agreement shall be determined by the Administrator, and such terms and conditions may differ among individual Awards and Participants.
- (b) *Rights as a Stockholder.* Upon execution of a written instrument setting forth the Restricted Stock Award and payment of any applicable purchase price, a Participant shall have the rights of a stockholder with respect to the voting of the Restricted Stock, subject to such conditions contained in the written instrument evidencing the Restricted Stock Award. Unless the Administrator shall otherwise determine, certificates evidencing the Restricted Stock shall remain in the possession of the Company until such Restricted Stock is vested as provided in Section 7(d) below, and the Participant shall be required, as a condition of the grant, to deliver to the Company a form of stock power (endorsed in "blank").
- (c) *Restrictions.* Restricted Stock may not be sold, assigned, transferred, pledged, or otherwise encumbered or disposed of except as specifically provided herein or in the Restricted Stock Award agreement. If a Participant's employment (or other business relationship) with the Company and its Subsidiaries terminates for any reason, the Company shall have the right to repurchase Restricted Stock that has not vested at the time of termination at its original purchase price, from the Participant or the Participant's legal representative.
- (d) *Vesting of Restricted Stock.* The Administrator at the time of grant shall specify the date or dates and/or the attainment of pre-established performance goals, objectives, and other conditions on which the non-transferability of the Restricted Stock and the Company's right of repurchase or forfeiture shall lapse. Subsequent to such date or dates and/or the attainment of such pre-established performance goals, objectives, and other conditions, the shares of Stock on which all restrictions have lapsed shall no longer be Restricted Stock and shall be deemed vested. Except as may otherwise be provided by the Administrator either in the Award agreement or, subject to Section 14 below, in writing after the Award agreement is issued, a Participant's rights in any shares of Restricted Stock that have not vested shall automatically terminate upon the Participant's termination of employment (or other business relationship) with the Company and its Subsidiaries and such shares shall be subject to the Company's right of repurchase as provided in Section 7(c) above.

- (e) *Waiver, Deferral, and Reinvestment of Dividends.* The Restricted Stock Award agreement may require or permit the immediate payment, waiver, deferral, or investment of dividends paid on the Restricted Stock.

SECTION 8. *Deferred Stock Awards*

- (a) *Nature of Deferred Stock Awards.* A Deferred Stock Award is an Award of “phantom stock” units to a Participant, subject to restrictions and conditions as the Administrator may determine at the time of grant. Conditions may be based on continuing employment (or other business relationship) and/or achievement of pre-established performance goals and objectives. The grant of a Deferred Stock Award is contingent on the Participant executing the Deferred Stock Award agreement.

The terms and conditions of each such agreement shall be determined by the Administrator, and such terms and conditions may differ among individual Awards and Participants. At the end of the deferral period, the Deferred Stock Award, to the extent vested, shall be paid to the Participant in the form of shares of Stock.

- (b) *Election to Receive Deferred Stock Awards in Lieu of Compensation.* The Administrator may, in its sole discretion, permit a Participant to elect to receive a portion of his or her cash compensation or Restricted Stock Award otherwise due to such Participant in the form of a Deferred Stock Award. Any such election shall be made in writing and shall be delivered to the Company no later than the date specified by the Administrator and in accordance with rules and procedures established by the Administrator. The Administrator shall have the sole right to determine whether and under what circumstances to permit such elections and to impose such limitations and other terms and conditions thereon as the Administrator deems appropriate.
- (c) *Rights as a Stockholder.* During the deferral period, a Participant shall have no rights as a stockholder; provided, however, the Participant may be credited with Dividend Equivalent Rights with respect to the “phantom stock” units underlying the Deferred Stock Award, subject to such terms and conditions as the Administrator may determine.
- (d) *Restrictions.* A Deferred Stock Award may not be sold, assigned, transferred, pledged, or otherwise encumbered or disposed of during the deferral period.
- (e) *Termination.* Except as may otherwise be provided by the Administrator either in the Award agreement or, subject to Section 14 below, in writing after the Award agreement is issued, a Participant’s right in all Deferred Stock Awards that have not vested shall automatically terminate upon the Participant’s termination of employment (or cessation of business relationship) with the Company and its Subsidiaries for any reason.

SECTION 9. *Unrestricted Stock Awards*

Grant or Sale of Unrestricted Stock. The Administrator may, in its sole discretion, grant (or sell at par value or such higher purchase price determined by the Administrator) an Unrestricted Stock Award to any eligible party pursuant to which such party may receive shares of Stock free of any restrictions (“Unrestricted Stock”) under the Plan. Unrestricted Stock Awards may be granted or sold as described in the preceding sentence in respect of past services or other valid consideration, or in lieu of cash compensation due to such party.

SECTION 10. *Performance Share Awards*

- (a) *Nature of Performance Share Awards.* A Performance Share Award is an Award entitling the recipient to acquire shares of Stock upon the attainment of specified performance goals. The Administrator may make Performance Share Awards independent of or in connection with the granting of any other Award under the Plan. The Administrator, in its sole discretion, shall determine whether and to whom Performance Share Awards shall be made, the performance goals, the periods during which performance is to be measured, and all other limitations and conditions.

- (b) *Rights as a Stockholder.* A recipient of a Performance Share Award shall have the rights of a stockholder only as to shares of Stock actually received under the Plan and not with respect to shares of Stock subject to the Award but not actually received by the Participant. A Participant shall be entitled to receive a stock certificate evidencing the acquisition of shares of Stock under a Performance Share Award only upon satisfaction of all conditions specified in the Performance Share Award Agreement (or in a documented performance plan duly adopted by the Administrator).
- (c) *Termination.* Except as may otherwise be provided by the Administrator either in the Performance Share Award Agreement or, subject to Section 14 below, in writing after the Performance Share Award Agreement is executed, a Participant's rights in all Performance Share Awards shall automatically terminate upon the Participant's termination of employment (or cessation of business relationship) with the Company and its Subsidiaries for any reason.
- (d) *Acceleration, Waiver, Etc.* At any time prior to the Participant's termination of employment (or other business relationship) by the Company and its Subsidiaries, the Administrator, in its sole discretion, may accelerate, waive or, subject to Section 14, amend any or all of the goals, restrictions, or conditions applicable to a Performance Share Award.

SECTION 11. *Dividend Equivalent Rights*

- (a) *Dividend Equivalent Rights.* A Dividend Equivalent Right is an Award entitling the recipient to receive credits based on cash dividends that would have been paid on the shares of Stock specified in the Dividend Equivalent Right (or other Award to which it relates) if such shares of Stock had been issued to and held by the recipient. A Dividend Equivalent Right may be granted hereunder to any Participant as a component of another Award or as a freestanding Award. The terms and conditions of Dividend Equivalent Rights shall be specified in the grant documentation. Dividend equivalents credited to the recipient of a Dividend Equivalent Right may be paid currently or may be deemed to be reinvested in additional shares of Stock, which may thereafter accrue additional equivalents. Any such reinvestment shall be at Fair Market Value on the date of reinvestment or such other price as may then apply under a dividend reinvestment plan sponsored by the Company, if any. Dividend Equivalent Rights may be settled in cash, shares of Stock, or a combination thereof, and in a single installment or multiple installments. A Dividend Equivalent Right granted as a component of another Award may provide that such Dividend Equivalent Right shall be settled upon exercise, settlement, or payment of, or lapse of restrictions on, such other Award, and that such Dividend Equivalent Right shall expire or be forfeited or annulled under the same conditions as such other Award. A Dividend Equivalent Right granted as a component of another Award may also contain terms and conditions different from such other Award.
- (b) *Interest Equivalents.* Any Dividend Equivalent Right Award under this Plan that is settled in whole or in part in cash on a deferred basis may provide in the grant for interest equivalents to be credited with respect to such cash payment. Interest equivalents may be compounded and shall be paid upon such terms and conditions as may be specified by the grant.
- (c) *Termination.* Except as may otherwise be provided by the Administrator either in the Dividend Equivalent Right Award Agreement or, subject to Section 14 below, in writing after the Dividend Equivalent Right Award Agreement is executed, a Participant's rights in all Dividend Equivalent Rights or interest equivalents shall automatically terminate upon the Participant's termination of employment (or cessation of business relationship) with the Company and its Subsidiaries for any reason.

SECTION 12. *Tax Withholding*

- (a) *Payment by Participant.* Each Participant shall, no later than the date as of which the value of an Award, any shares of Stock, or other amounts received thereunder first becomes includable in the gross income of the Participant for Federal income tax purposes, pay to the Company, or make arrangements

satisfactory to the Administrator regarding payment of, any Federal, state, or local taxes of any kind required by law to be withheld with respect to such income. The Company and its Subsidiaries shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Participant. The Company's obligation to deliver stock certificates to any Participant is subject to and conditioned on tax obligations being satisfied by the Participant.

- (b) *Payment in Stock.* Subject to approval by the Administrator, a Participant may elect to have the minimum statutory required tax withholding obligation satisfied, in whole or in part, by (i) authorizing the Company to withhold from shares of Stock to be issued pursuant to any Award a number of shares with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the withholding amount due, or (ii) transferring to the Company shares of Stock owned by the Participant with a minimum aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the minimum statutory withholding amount due.

SECTION 13. *Transfer, Leave of Absence, Etc.*

For purposes of the Plan, the following events shall not be deemed a termination of employment:

- (a) a transfer to the employment of the Company from a Subsidiary or from the Company to a Subsidiary, or from one Subsidiary to another; or
- (b) an approved leave of absence for military service, sickness, or for any other purpose approved by the Company, if the Employee's right to re-employment is guaranteed either by a statute or by contract or under the policy pursuant to which the leave of absence was granted, or if the Administrator otherwise so provides in writing.

SECTION 14. *Amendments and Termination*

The Board may, at any time, amend or discontinue the Plan. The Administrator, at any time, may amend or cancel any outstanding Award for the purpose of satisfying changes in law or for any other lawful purpose, but no such action shall adversely affect rights under any outstanding Award without the Participant's consent. The Administrator may provide substitute Awards at the same or reduced exercise or purchase price or with no exercise or purchase price in a manner not inconsistent with the terms of the Plan, but such price, if any, must satisfy the requirements that would apply to the substitute or amended Award if it were then initially granted under this Plan, but no such action shall adversely affect rights under any outstanding Award without the Participant's consent.

If and to the extent determined by the Administrator to be required by the Code to ensure that Incentive Stock Options granted under the Plan are qualified under Section 422 of the Code or to ensure that compensation earned under Stock Options and Stock Appreciation Rights qualifies as performance-based compensation under Section 162(m) of the Code, if and to the extent intended to so qualify, Plan amendments shall be subject to approval by the Company stockholders entitled to vote at a meeting of stockholders.

Nothing in this Section 14 shall limit the Board's authority to take any action permitted pursuant to Section 3(c).

SECTION 15. *Status of Plan*

With respect to the portion of any Award that has not been exercised and any payments in cash, shares of Stock, or other consideration not received by a Participant, a Participant shall have no rights greater than those of a general creditor of the Company, unless the Administrator shall expressly determine otherwise in connection with any Award or Awards. In its sole discretion, the Administrator may authorize the creation of trusts or other arrangements to meet the Company's obligations to deliver shares of Stock or make payments with respect to Awards hereunder, provided that the existence of such trusts or other arrangements is consistent with the foregoing sentence.

SECTION 16. *Change of Control Provisions*

Upon the occurrence of a Change of Control as defined in this Section 16:

- (a) Except as otherwise provided in the applicable Award Agreement, each outstanding Stock Option and Stock Appreciation Right shall automatically become fully exercisable.
- (b) Each outstanding Restricted Stock Award and Performance Share Award shall be subject to such terms, if any, with respect to a Change of Control as have been provided by the Administrator in the associated Award Agreement, or subject to Section 14 above, in writing after the Award Agreement is executed.
- (c) “*Change of Control*” shall mean the occurrence of any one of the following events:
 - (i) any “*person*,” as such term is used in Sections 13(d) and 14(d) of the Act (other than the Company, any of its Subsidiaries, or any trustee, fiduciary, or other person or entity holding securities under any employee benefit plan or trust of the Company or any of its Subsidiaries), together with all “*affiliates*” and “*associates*” (as such terms are defined in Rule 12b-2 under the Act) of such person, shall become the “*beneficial owner*” (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing 25 percent or more of the combined voting power of the Company’s then outstanding securities having the right to vote in an election of the Company’s Board (“*Voting Securities*”) (in such case other than as a result of an acquisition of securities directly from the Company); or
 - (ii) persons who, as of the Effective Date, constitute the Company’s Board (the “*Incumbent Directors*”) cease for any reason, including, without limitation, as a result of a tender offer, proxy contest, merger, or similar transaction, to constitute at least a majority of the Board, provided that any person becoming a director of the Company subsequent to the Effective Date shall be considered an Incumbent Director if such person’s election was approved by or such person was nominated for election by either (A) a vote of at least a majority of the Incumbent Directors or (B) a vote of at least a majority of the Incumbent Directors who are members of a nominating committee comprised, in the majority, of Incumbent Directors; or
 - (iii) the stockholders of the Company shall approve (A) any consolidation or merger of the Company by which the stockholders of the Company, immediately prior to the consolidation or merger, would not beneficially own (as such term is defined in Rule 13d-3 under the Act), immediately after the consolidation or merger, directly or indirectly, shares representing in the aggregate 50 percent or more of the voting shares of the entity issuing cash or securities in the consolidation or merger (or of its ultimate parent organization, if any), (B) any sale, lease, exchange, or other transfer (in one transaction or a series of transactions contemplated or arranged by any party as a single plan) of all or substantially all of the assets of the Company or (C) any plan or proposal for the liquidation or dissolution of the Company.

Notwithstanding the foregoing, a “*Change of Control*” shall not be deemed to have occurred for purposes of the foregoing clause (i) solely as the result of an acquisition of securities by the Company which, by reducing the number of shares of Voting Securities outstanding, increases the proportionate number of shares of Voting Securities beneficially owned by any person to 25 percent or more of the combined voting power of all then outstanding Voting Securities; provided, however, that if any person referred to in this sentence shall thereafter become the beneficial owner of any additional shares of Voting Securities (other than pursuant to a stock split, stock dividend, or similar transaction or as a result of an acquisition of securities directly from the Company), then a “*Change of Control*” shall be deemed to have occurred for purposes of the foregoing clause (i).

SECTION 17. *General Provisions*

- (a) *No Distribution; Compliance with Legal Requirements.* The Administrator may require each person acquiring shares of Stock pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring the shares without a view to distribution thereof.

No shares of Stock shall be issued pursuant to an Award until all applicable securities laws and other legal and stock exchange or similar requirements have been satisfied. The Administrator may require the placement of stop-orders and restrictive legends on Stock certificates or related Award documentation as it deems appropriate.

- (b) *Delivery of Stock Certificates.* Stock certificates to Participants under this Plan shall be deemed delivered for all purposes when the Company or a stock transfer agent of the Company shall have mailed such certificates in the United States mail, addressed to the Participant, at the Participant's last known address on file with the Company.
- (c) *Other Compensation Arrangements; No Employment Rights.* Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, including trusts, and such arrangements may be either generally applicable or applicable only in specific cases. The adoption of this Plan and the grant of Awards do not confer upon any Employee any right to continued employment with the Company or any Subsidiary.
- (d) *Trading Policy Restrictions.* Stock Option exercises and other transactions associated with Awards under the Plan shall be subject to Company policies associated with insider trading and trading restrictions, as well as terms and conditions established by the Administrator from time to time.
- (e) *Designation of Beneficiary.* Each Participant to whom an Award has been made under the Plan may designate a beneficiary or beneficiaries to exercise any Award or receive any payment under any Award payable on or after the Participant's death. Any such designation shall be on a form provided for that purpose by the Administrator and shall not be effective until receipt is acknowledged by the Administrator. If no beneficiary has been designated by a deceased Participant, or if the designated beneficiaries have predeceased the Participant, the beneficiary shall be the Participant's estate.

SECTION 18. *Effective Date of Plan*

This Plan shall become effective upon approval by the holders of a majority of the votes cast at a meeting of stockholders at which a quorum is present. Subject to such approval by the stockholders and to the requirement that no shares of Stock may be issued hereunder prior to such approval, Stock Options and other Awards may be granted hereunder on and after adoption of this Plan by the Board.

SECTION 19. *Governing Law*

This Plan, all Awards, and actions taken hereunder shall be governed by, and construed in accordance with, the laws of the State of Delaware, applied without regard to conflict of law principles.

On April 26, 2017, the Board approved, subject to Stockholder approval, the amendment and restatement of the Vicor Corporation Amended and Restated 2000 Stock Option and Incentive Plan (the "Vicor 2000 Plan"). The full text of the Vicor 2000 Plan is presented above. Any reference within the text to an "exhibit" or an "attachment" refers to documents associated with the administration of the Vicor 2000 Plan that are not a part of the Vicor 2000 Plan and, therefore, not included in this Proxy Statement.

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APPENDIX B

VI Chip Corporation Amended and Restated 2007 Stock Option and Incentive Plan

SECTION 1. *General Purpose of the Plan; Definitions*

The name of the plan is the VI Chip Corporation Amended and Restated 2007 Stock Option and Incentive Plan (the “Plan”). The purpose of the Plan is to encourage and enable the employees, directors, consultants and other key persons of VI Chip Corporation (the “Company”) and its Affiliates upon whose judgment, initiative and efforts the Company largely depends for the successful conduct of its business to acquire a proprietary interest in the Company. It is anticipated that providing such persons with a direct stake in the Company’s welfare will assure a closer identification of their interests with those of the Company, thereby stimulating their efforts on the Company’s behalf and strengthening their desire to remain with the Company.

The following terms shall be defined as set forth below:

“*Act*” means the Securities Act of 1933, as amended, and the rules and regulations there under.

“*Administrator*” is defined in Section 2(a).

“*Affiliate*” means (1) a corporation which, for purposes of Section 424 of the Code, is a parent or subsidiary of the Company, direct or indirect or (2) a foreign partnership, corporation, firm, joint venture, limited liability company or other entity that, directly or indirectly through one or more intermediaries, is controlled by the Company or its parent, where the term “controlled by” means the possession, direct or indirect, of the power to cause the direction of the management and policies of such entity, whether through ownership of voting interests or voting securities, as the case may be, by contract or otherwise.

“*Award*” or “*Awards*,” except where referring to a particular category of grant under the Plan, shall include Incentive Stock Options, Non-Qualified Stock Options, Restricted Stock Awards, Unrestricted Stock Awards, or any combination of the foregoing.

“*Board*” means the Board of Directors of the Company.

“*Code*” means the Internal Revenue Code of 1986, as amended, and any successor Code, and related rules, regulations and interpretations.

“*Committee*” means the Committee of the Board referred to in Section 2.

“*Compensation Committee*” means the Compensation Committee of the Board of Directors of Vicor Corporation, with the duties and responsibilities set forth in Section 2(a).

“*Director*” means a member of the Board.

“*Effective Date*” means the date on which the Plan is approved by stockholders as set forth in Section 13.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

“*Fair Market Value*” of the Stock on any given date means the calculated hypothetical value of a share of the Stock assuming an arm’s length transaction between willing and informed buyers and sellers, as determined in good faith by the Administrator; provided, however, that if the Stock trades on a national securities exchange, the Fair Market Value on any given date is the closing sale price on such date or, if no such closing sale price

information is available, the average of the highest bid and lowest asked prices for the Stock reported on such date. For any date that is not a trading day, the Fair Market Value of the Stock for such date will be determined by using the closing sale price or the average of the highest bid and lowest asked prices, as appropriate, for the immediately preceding trading day. The Administrator can substitute a particular time of day or other measure of closing sale price if appropriate because of changes in exchange or market procedures. Notwithstanding the foregoing, if the date for which Fair Market Value is determined is the first day when trading prices for the Stock are trading on a national securities exchange, the Fair Market Value shall be the “Price to the Public” (or equivalent) set forth on the cover page for the final prospectus relating to the Company’s Initial Public Offering, if applicable.

“*Incentive Stock Option*” means any Stock Option designated and qualified as an “incentive stock option” as defined in Section 422 of the Code.

“*Initial Public Offering*” means the consummation of the first fully underwritten, firm commitment public offering pursuant to an effective registration statement under the Act covering the offer and sale by the Company of its equity securities, or such other event as a result of or following which the Stock shall be publicly held and the Company required to comply with the registration requirements of the Act.

“*Non-Qualified Stock Option*” means any Stock Option that is not an Incentive Stock Option.

“*Restricted Stock Award*” means Awards granted pursuant to Section 6.

“*Retirement*” means the employee’s termination of employment with the Company and its Affiliates after attainment of the age of 62.5 years.

“*Stock*” means the Common Stock, par value \$.01 per share, of the Company, subject to adjustments pursuant to Section 3.

“*Stock Option*” means any contractual option to purchase shares of Stock granted pursuant to Section 5.

“*Transaction*” is defined in Section 3(c).

“*Unrestricted Stock Award*” means any Award granted pursuant to Section 7.

SECTION 2. Administration of the Plan

- (a) *Administration of Plan.* The Plan shall be administered by the Board or, at the discretion of the Board, a committee of the Board comprised, except as contemplated by Section 2(c), of not less than two directors (in either case, the “Administrator”); provided, however, that for as long as the Company is a subsidiary of Vicor Corporation, the Board shall delegate to the Compensation Committee all administrative and oversight responsibilities in connection with the Plan, including the authority to take all such actions of the Administrator as described herein, and to review and approve actions with respect to the adoption, amendment, and termination of the Plan.
- (b) *Powers of Administrator.* Subject to the provisions set forth immediately above, the Administrator shall have the power and authority to grant Awards consistent with the terms of the Plan, including the power and authority:
 - i. to select the individuals to whom Awards may from time to time be granted;
 - ii. to determine the time or times of grant, and the extent, if any, of Incentive Stock Options, Non-Qualified Stock Options, Restricted Stock Awards, Unrestricted Stock Awards or any combination of the foregoing, granted to any one or more participants;

- iii. to determine the number of shares of Stock to be covered by any Award;
- iv. to determine and modify from time to time the terms and conditions, including restrictions, not inconsistent with the terms of the Plan, of any Award, which terms and conditions may differ among individual Awards and participants, and to approve the form of written instruments evidencing the Awards;
- v. to accelerate at any time the exercisability or vesting of all or any portion of any Award;
- vi. to impose any limitations on Awards granted under the Plan, including limitations on transfers of Awards (or Stock held as a result of exercise of an Award);
- vii. subject to the provisions of Section 5(a)(ii), to extend at any time the period in which Stock Options may be exercised;
- viii. to define and disseminate provisions regarding purchase by the Company of an Award (or Stock held as a result of exercise of a Stock Option), and to exercise such provisions in a reasonable manner;
- ix. to determine at any time whether, to what extent, and under what circumstances distribution or the receipt of an Award and other amounts payable with respect to an Award shall be deferred either automatically or at the election of the grantee and whether and to what extent the Company shall pay or credit amounts constituting interest (at rates determined by the Administrator) or dividends or deemed dividends on such deferrals; and
- x. at any time to adopt, alter and repeal such rules, guidelines and practices for administration of the Plan and for its own acts and proceedings as it shall deem advisable; to interpret the terms and provisions of the Plan and any Award (including related written instruments); to make all determinations it deems advisable for the administration of the Plan; to decide all disputes arising in connection with the Plan; and to otherwise supervise the administration of the Plan.

Notwithstanding the foregoing, prior to the Initial Public Offering, no Award shall be granted under the Plan unless the recipient of such Award has executed and delivered a Stock Restriction Agreement in substantially the form attached hereto as Exhibit A or such other form as the Administrator may determine from time to time.

All decisions and interpretations of the Administrator shall be binding on all persons, including the Company and Plan participants.

- (c) *Indemnification.* Neither the Board nor the Administrator, nor any member of either, shall be liable for any act, omission, interpretation, construction or determination made in good faith in connection with the Plan, and the members of the Board, the Committee and the Compensation Committee shall be entitled in all cases to indemnification and reimbursement by the Company in respect of any claim, loss, damage, judgment, settlement or expense (including, without limitation, reasonable attorneys' fees) arising or resulting there from to the fullest extent permitted by law and/or under any directors' and officers' liability insurance coverage which may be in effect from time to time.

SECTION 3. *Stock Issuable Under the Plan; Mergers; Substitution*

- (a) *Stock Issuable.* The maximum number of shares of Stock reserved and available for issuance under the Plan shall be 14,000,000 shares, subject to adjustment as provided in Section 3(b). For purposes of this limitation, the shares of Stock underlying any Awards which are forfeited, canceled, reacquired by the Company, satisfied without the issuance of Stock or otherwise terminated (other than by exercise) shall be added back to the shares of Stock available for issuance under the Plan. Subject to such overall limitation, shares of Stock may be issued up to such maximum number pursuant to any type or types of Award; provided, however, Stock Options with respect to no more than 5,500,000 shares of Stock may be granted to any one individual participant during any taxable year of the Company. The shares of Stock available for issuance under the Plan may be authorized but unissued shares of Stock or shares of Stock reacquired by the Company and held in its treasury.

- (b) *Changes in Stock.* Subject to Section 3(c) hereof, if, as a result of any reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar change in the Company's capital stock, the outstanding shares of Stock are increased or decreased or are exchanged for a different number or kind of shares or other securities of the Company, or additional shares or new or different shares or other securities of the Company or other non-cash assets are distributed with respect to such shares of Stock or other securities, or, if, as a result of any merger, consolidation or sale of all or substantially all of the assets of the Company, the outstanding shares of Stock are converted into or exchanged for a different number or kind of securities of the Company or any successor entity (or a parent or subsidiary thereof), the Administrator shall make an appropriate or proportionate adjustment in (i) the maximum number of shares reserved for issuance under the Plan, (ii) the number of Stock Options that can be granted to any one individual participant, (iii) the number and kind of shares or other securities subject to any then outstanding Awards under the Plan, and (iv) the exercise price and/or exchange price for each share subject to any then outstanding Stock Options under the Plan, without changing the aggregate exercise price (i.e., the exercise price multiplied by the number of Stock Options) as to which such Stock Options remain exercisable. The adjustment by the Administrator shall be final, binding and conclusive. No fractional shares of Stock shall be issued under the Plan resulting from any such adjustment, but the Administrator in its discretion may make a cash payment in lieu of fractional shares.

The Administrator shall also make an appropriate or proportionate adjustment in the number of shares subject to outstanding Awards and the exercise price and the terms of outstanding Awards to take into consideration material changes in accounting practices or principles, extraordinary dividends, acquisitions or dispositions of stock or property or any other event in order to avoid distortion in the operation of the Plan, provided that no such adjustment shall be made in the case of an Incentive Stock Option, without the consent of the participant, if it would constitute a modification, extension or renewal of the Stock Option within the meaning of Section 424(h) of the Code.

- (c) *Mergers and Other Transactions.* In the case of and subject to the consummation of (i) the dissolution or liquidation of the Company, (ii) the sale of all or substantially all of the assets of the Company on a consolidated basis to an unrelated person or entity, (iii) a merger, reorganization or consolidation in which the holders of the Company's outstanding voting power immediately prior to such transaction do not own a majority of the outstanding voting power of the surviving or resulting entity immediately upon completion of such transaction, (iv) the sale of all or a majority of the outstanding capital stock of the Company to an unrelated person or entity or (v) any other transaction in which the owners of the Company's outstanding voting power prior to such transaction do not own at least a majority of the outstanding voting power of the relevant entity immediately upon completion of the transaction (in each case, a "Transaction"), as of the effective date of such Transaction, all Stock Options that are not exercisable shall become fully exercisable and all other Awards that are not vested shall become fully vested. Upon the effectiveness of the Transaction, the Plan and all outstanding Stock Options issued hereunder shall terminate upon the effective time of any such Transaction, unless provision is made in connection with such Transaction in the sole discretion of the parties thereto for the assumption or continuation of Stock Options theretofore granted (after taking into account any acceleration hereunder) by the successor entity, or the substitution of such Stock Options with new Stock Options of the successor entity or a parent or subsidiary thereof, with such adjustment as to the number and kind of shares and the per share exercise prices as such parties shall agree (after taking into account any acceleration if any, hereunder). In the event of such termination, each holder shall be permitted, within a specified period of time prior to the consummation of the Transaction as determined by the Administrator, to exercise all outstanding Stock Options held by such holder that are then exercisable or will become exercisable as of the effective time of the Transaction; provided, however, that the exercise of Stock Options not exercisable prior to the Transaction shall be subject to the consummation of the Transaction. (The treatment of Restricted Stock Awards in connection with any such transaction shall be as specified in the relevant Award agreement.) Notwithstanding the foregoing, and for the avoidance of doubt, a "Transaction" shall not refer to any merger, reorganization or consolidation of the Company in which the surviving or resulting entity is an Affiliate of the Company at the time of such transaction.

- (d) *Substitute Awards.* The Administrator may grant Awards under the Plan in substitution for Stock and Stock-based awards held by employees, directors or other key persons of another corporation in connection with a merger or consolidation of the employing corporation with the Company or a Affiliate or the acquisition by the Company or a Affiliate of property or stock of the employing corporation. The Administrator may direct that the substitute Awards be granted on such terms and conditions as the Administrator considers appropriate in the circumstances. Any substitute Awards granted under the Plan shall not count against the share limitations set forth in Section 3(a).

SECTION 4. *Eligibility*

Participants in the Plan will be such full or part-time officers, employees, directors, consultants and other key persons (including prospective employees) of the Company and its Affiliates who are responsible for or contribute to the management, growth or profitability of the Company and its Affiliates as are selected from time to time by the Administrator in its sole discretion.

SECTION 5. *Stock Options*

Any Stock Option granted under the Plan shall be in such form as the Administrator may from time to time approve.

Stock Options granted under the Plan may be either Incentive Stock Options or Non-Qualified Stock Options. Incentive Stock Options may be granted only to employees of the Company or any Affiliate that is a “parent corporation” or “subsidiary corporation” within the meaning of Section 424(f) of the Code. To the extent that any Stock Option does not qualify as an Incentive Stock Option, it shall be deemed a Non-Qualified Stock Option.

No Incentive Stock Option shall be granted under the Plan after November 21, 2011.

- (a) *Terms of Stock Options.* Stock Options granted under the Plan shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Administrator shall deem desirable. If the Administrator so determines, Stock Options may be granted in lieu of cash compensation at the participant’s election, subject to such terms and conditions as the Administrator may establish, as well as in addition to other compensation.
- (i) *Exercise Price.* The exercise price per share for the Stock covered by a Stock Option shall be determined by the Administrator at the time of grant but shall not be less than 100 percent of the Fair Market Value on the date of grant. If an employee of the Company or an Affiliate owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than 10 percent of the combined voting power of all classes of stock of the Company or any parent or subsidiary corporation and an Incentive Stock Option is granted to such employee, the exercise price of such Incentive Stock Option shall be not less than 110 percent of the Fair Market Value on the grant date.
- (ii) *Term of Stock Option.* The term of each Stock Option shall be fixed by the Administrator, but no Incentive Stock Option shall be exercisable more than 10 years after the date the Stock Option is granted. If an employee owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than 10 percent of the combined voting power of all classes of stock of the Company or any parent or subsidiary corporation and an Incentive Stock Option is granted to such employee, the term of such Stock Option shall be no more than five years from the date of grant.
- (iii) *Exercisability; Rights of a Stockholder.* Stock Options shall become exercisable at such time or times, whether or not in installments, as shall be determined by the Administrator at or after the grant date; provided, however, that Stock Options granted in lieu of compensation shall be exercisable in full as of the grant date. The Administrator may at any time accelerate the exercisability of all or any portion of any Stock Option. A holder shall have the rights of a stockholder only as to shares of Stock acquired upon the exercise of a Stock Option and not as to unexercised Stock Options.

(iv) *Method of Exercise.* Stock Options may be exercised in whole or in part, by giving written notice of exercise to the Company, specifying the number of shares to be purchased. Payment of the purchase price may be made by one or more of the following methods to the extent provided in the Stock Option Award agreement or as otherwise provided by the Administrator:

- (1) In cash, by certified or bank check or other instrument acceptable to the Administrator;
- (2) If approved by the Administrator, through the delivery (or attestation to the ownership) of shares of Stock that are not then subject to restrictions under any Company plan and that have been beneficially owned by the holder for such period as may be required by the Administrator or have been purchased by the participant on the open market. Such surrendered shares shall be valued at Fair Market Value on the exercise date; or
- (3) If approved by the Administrator, by the holder delivering to the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company for the purchase price; provided that in the event the holder chooses to pay the purchase price as so provided, the holder and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Administrator shall prescribe as a condition of such payment procedure.

Payment instruments will be received subject to collection.

No certificates for shares of Stock so purchased will be issued to holder until the Company has completed all steps required by law to be taken in connection with the issuance and sale of the shares, including without limitation (i) receipt of a representation from the holder at the time of exercise of the Stock Option that the holder is purchasing the shares for the holder's own account and not with a view to any sale or distribution thereof, (ii) the legending of any certificate representing the shares to evidence the foregoing representations and restrictions, and (iii) obtaining from holder payment or provision for all withholding taxes due as a result of the exercise of the Stock Option. The delivery of certificates representing the shares of Stock to be purchased pursuant to the exercise of a Stock Option will be contingent upon receipt from the holder (or a purchaser acting in his or her stead in accordance with the provisions of the Stock Option) by the Company of the full purchase price for such shares and the fulfillment of any other requirements contained in the Stock Option Award agreement or applicable provisions of laws. In the event a holder chooses to pay the purchase price by previously-owned shares of Stock through the attestation method, the shares of Stock transferred to the holder upon the exercise of the Stock Option shall be net of the number of shares attested to.

(v) *Annual Limit on Incentive Stock Options.* To the extent required for "incentive stock option" treatment under Section 422 of the Code, the aggregate Fair Market Value (determined as of the time of grant) of the shares of Stock with respect to which Incentive Stock Options granted under this Plan and any other plan of the Company or its parent and subsidiary corporations become exercisable for the first time by an holder during any calendar year shall not exceed \$100,000. To the extent that any Stock Option exceeds this limit, it shall constitute a Non-Qualified Stock Option.

(b) *Non-transferability of Stock Options.* No Stock Option shall be transferable by the holder otherwise than by will or by the laws of descent and distribution and all Stock Options shall be exercisable, during the holder's lifetime, only by the holder or by the holder's legal representative or guardian in the event of the holder's incapacity. Notwithstanding the foregoing, the Administrator, in its sole discretion, may provide in the Award agreement regarding a given Stock Option that the holder may transfer, without consideration for the transfer, his or her Non-Qualified Stock Options to members of his or her immediate family, to trusts for the benefit of such family members, or to partnerships in which such family members are the only partners, provided that the transferee agrees in writing with the Company to be bound by all of the terms and conditions of this Plan and the applicable Stock Option.

- (c) *Termination.* Except as may otherwise be provided in this Section 5(c) or by the Administrator either in the Award agreement, or subject to Section 10 below, in writing after the Award agreement is issued, a participant's rights in all Stock Options shall automatically terminate upon the participant's termination of employment with the Company and its Affiliates for any reason. Notwithstanding the foregoing, the period within which to exercise the Stock Option shall be modified as set forth below:
- (i) *Termination Due to Death.* If the participant's employment terminates by reason of death, (1) any Stock Option held by the participant, which, but for such participant's death, would have vested and become exercisable on or prior to the first anniversary of such termination, shall become fully exercisable and (2) any Stock Option exercisable at the time of such termination may thereafter be exercised by the participant's legal representative or legatee for a period of 12 months from the date of death or until the Expiration Date, if earlier.
 - (ii) *Termination Due to Disability.* If the participant's employment terminates by reason of Disability (as defined in Section 22(c)(3) of the Code), (1) any Stock Option held by the participant, which, but for such participant's Disability, would have vested and become exercisable on or prior to the first anniversary of such termination, shall become fully exercisable and (2) any Stock Option exercisable at the time of such termination may thereafter be exercised by the participant for a period of 12 months from the date of termination or until the Expiration Date, if earlier. The death of the participant during the 12-month period provided in this Section 5(c)(ii) shall extend such period for another 12 months from the date of death or until the Expiration Date, if earlier.
 - (iii) *Determination of Reason.* The Administrator's determination of the reason for termination of the participant's employment shall be conclusive and binding on the participant and his or her representatives or legatees.

SECTION 6. *Restricted Stock Awards*

- (a) *Nature of Restricted Stock Awards.* A Restricted Stock Award is an Award pursuant to which the Company may, in its sole discretion, grant or sell, at such purchase price as determined by the Administrator, in its sole discretion, shares of Stock subject to such restrictions and conditions as the Administrator may determine at the time of grant ("Restricted Stock"), which purchase price shall be payable in cash or other form of consideration acceptable to the Administrator. Conditions may be based on continuing employment (or other service relationship) and/or achievement of pre-established performance goals and objectives. The terms and conditions of each such agreement shall be determined by the Administrator, and such terms and conditions may differ among individual Awards and recipients.
- (b) *Rights as a Stockholder.* Upon execution of a written instrument setting forth the Restricted Stock Award and payment of any applicable purchase price, a holder shall have the rights of a stockholder with respect to the voting of the Restricted Stock, subject to such conditions contained in the written instrument evidencing the Restricted Stock Award. Unless the Administrator shall otherwise determine, certificates evidencing the Restricted Stock shall remain in the possession of the Company until such Restricted Stock is vested as provided in Section 6(d) below, and the holder shall be required, as a condition of the grant, to deliver to the Company a stock power endorsed in blank.
- (c) *Restrictions.* Restricted Stock may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of except as specifically provided herein or in the Restricted Stock Award agreement. Except as may otherwise be provided by the Administrator either in the Award agreement or, subject to Section 10 below, in writing after the Award agreement is issued, if any, if a holder's employment (or other service relationship) with the Company and its Affiliates terminates for any reason, any Restricted Stock that has not vested at the time of termination shall automatically and without any requirement of notice to such holder from or other action by or on behalf of, the Company be deemed to have been reacquired by the Company at the lesser of its original purchase price or Fair Market Value (determined at the time of termination) from such holder or such holder's legal representative

simultaneously with such termination of employment (or other service relationship), and thereafter shall cease to represent any ownership of the Company by the holder or rights of the holder as a stockholder. Following such deemed reacquisition of unvested Restricted Stock that are represented by physical certificates, a holder shall surrender such certificates to the Company upon request without consideration.

- (d) *Vesting of Restricted Stock.* The Administrator at the time of grant shall specify the date or dates and/or the attainment of predetermined performance goals, objectives and other conditions on which Restricted Stock shall become vested, subject to such further rights of the Company or its assigns as may be specified in the instrument evidencing the Restricted Stock Award.
- (e) *Waiver, Deferral and Reinvestment of Dividends.* The Restricted Stock Award agreement may require or permit the immediate payment, waiver, deferral or investment of dividends paid on the Restricted Stock.

SECTION 7. *Unrestricted Stock Awards*

Grant or Sale of Unrestricted Stock. The Administrator may, in its sole discretion, grant (or sell at such purchase price determined by the Administrator) an Unrestricted Stock Award to any recipient pursuant to which such recipient may receive shares of Stock free of any vesting restrictions (“Unrestricted Stock”) under the Plan. Unrestricted Stock Awards may be granted or sold as described in the preceding sentence in respect of past services or other valid consideration, or in lieu of cash compensation due to such recipient.

SECTION 8. *Tax Withholding*

- (a) *Payment by Participant.* Each holder shall, no later than the date as of which the value of an Award or of any Stock or other amounts received there under first becomes includable in the gross income of the holder for Federal income tax purposes, pay to the Company, or make arrangements satisfactory to the Administrator regarding payment of, any Federal, state, or local taxes of any kind required by law to be withheld with respect to such income. The Company and its Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the holder. The Company’s obligation to deliver stock certificates is subject to and conditioned on tax obligations being satisfied by the recipient.
- (b) *Payment in Stock.* Subject to approval by the Administrator, a recipient may elect to have the minimum required tax withholding obligation satisfied, in whole or in part, by (i) authorizing the Company to withhold from shares of Stock to be issued pursuant to any Award a number of shares with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the withholding amount due, or (ii) transferring to the Company shares of Stock owned by the participant with a minimum aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the minimum withholding amount due.

SECTION 9. *Transfer, Leave of Absence, Etc.*

For purposes of the Plan, the following events shall not be deemed a termination of employment:

- (a) a transfer to the employment of the Company from a Affiliate or from the Company to a Affiliate, or from one Affiliate to another; or
- (b) an approved leave of absence for military service or sickness, or for any other purpose approved by the Company, if the employee’s right to re-employment is guaranteed either by a statute or by contract or under the policy pursuant to which the leave of absence was granted or if the Administrator otherwise so provides in writing.

SECTION 10. *Amendments and Termination*

The Board may, at any time, amend or discontinue the Plan and the Administrator may, at any time, amend or cancel any outstanding Award for the purpose of satisfying changes in law or for any other lawful purpose, but

no such action shall adversely affect rights under any outstanding Award without the holder's consent. The Administrator may provide substitute Awards at the same or reduced exercise or purchase price or with no exercise or purchase price in a manner not inconsistent with the terms of the Plan, but such price, if any, must satisfy the requirements which would apply to the substitute or amended Award if it were then initially granted under this Plan, but no such action shall adversely affect rights under any outstanding Award without the holder's consent. If and to the extent determined by the Administrator to be required by the Code to ensure that Incentive Stock Options granted under the Plan are qualified under Section 422 of the Code or to ensure that compensation earned under Stock Options qualifies as performance-based compensation under Section 162(m) of the Code, if and to the extent intended to so qualify, Plan amendments shall be subject to approval by the Company or an Affiliate's stockholders, as applicable, entitled to vote at a meeting of stockholders. Payment of amounts intended to qualify as performance-based compensation under Section 162(m) of the Code shall be contingent on applicable stockholder approval. Nothing in this Section 10 shall limit the Board's authority to take any action permitted pursuant to Section 3(c).

SECTION 11. *Status of Plan*

With respect to the portion of any Award that has not been exercised and any payments in cash, Stock or other consideration not received, a recipient shall have no rights greater than those of a general creditor of the Company unless the Administrator shall otherwise expressly determine in connection with any Award or Awards. In its sole discretion, the Administrator may authorize the creation of trusts or other arrangements to meet the Company's obligations to deliver Stock or make payments with respect to Awards hereunder, provided that the existence of such trusts or other arrangements is consistent with the foregoing sentence.

SECTION 12. *General Provisions*

- (a) *No Distribution; Compliance with Legal Requirements.* The Administrator may require each person acquiring Stock pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring the shares without a view to distribution thereof.

No shares of Stock shall be issued pursuant to an Award until all applicable securities law and other legal and stock exchange or similar requirements have been satisfied. The Administrator may require the placing of such stop-orders and restrictive legends on certificates for Stock and Awards as it deems appropriate.
- (b) *Delivery of Stock Certificates.* Stock certificates under this Plan shall be deemed delivered for all purposes when the Company or a stock transfer agent of the Company shall have mailed such certificates in the United States mail, addressed to the recipient, at the recipient's last known address on file with the Company.
- (c) *Other Compensation Arrangements; No Employment Rights.* Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, including trusts, and such arrangements may be either generally applicable or applicable only in specific cases. The adoption of this Plan and the grant of Awards do not confer upon any employee any right to continued employment with the Company or any Affiliate.
- (d) *Trading Restrictions.* Stock Option exercises and other Awards under the Plan shall be subject to the Company's trading restrictions, terms and conditions, including, without limitation, the restrictions, terms and conditions set forth in a Stock Restriction Agreement executed and delivered pursuant to Section 2 hereof, as may be established or required by the Administrator, or in accordance with policies set by the Administrator, from time to time.
- (e) *Designation of Beneficiary.* Each recipient to whom an Award has been made under the Plan may designate a beneficiary or beneficiaries to exercise any Award or receive any payment under any Award payable on or after the recipient's death. Any such designation shall be on a form provided for that purpose by the Administrator and shall not be effective until received by the Administrator. If no beneficiary has been designated by a deceased recipient, or if the designated beneficiaries have predeceased the recipient, the beneficiary shall be the recipient's estate.

SECTION 13. *Effective Date of Plan*

This Plan shall become effective upon approval by the stockholders in accordance with applicable law. Subject to such approval by the stockholders and to the requirement that no Stock may be issued hereunder prior to such approval, Stock Options and other Awards may be granted hereunder on and after adoption of this Plan by the Board.

SECTION 14. *Governing Law*

This Plan and all Awards and actions taken there under shall be governed by, and construed in accordance with, the laws of the State of Delaware, applied without regard to conflict of law principles.

On April 26, 2017, the Board approved the adoption, subject to Stockholder approval, of the VI Chip Corporation Amended and Restated 2007 Stock Option and Incentive Plan (the “2007 VI Chip Plan”). The full text of the 2007 VI Chip Plan is presented above. Any reference within the text to an “exhibit” or an “attachment” refers to documents associated with the administration of the 2007 VI Chip Plan that are not a part of the 2007 VI Chip Plan and, therefore, not included in this Proxy Statement.

APPENDIX C

Picor Corporation Amended and Restated 2001 Stock Option and Incentive Plan

SECTION 1. *General Purpose of the Plan: Definitions*

The name of the plan is the Picor Corporation Amended and Restated 2001 Stock Option and Incentive Plan (the “Plan”). The purpose of the Plan is to encourage and enable the employees, directors, consultants and other key persons of Picor Corporation (the “Company”) and its Affiliates upon whose judgment, initiative and efforts the Company largely depends for the successful conduct of its business to acquire a proprietary interest in the Company. It is anticipated that providing such persons with a direct stake in the Company’s welfare will assure a closer identification of their interests with those of the Company, thereby stimulating their efforts on the Company’s behalf and strengthening their desire to remain with the Company.

The following terms shall be defined as set forth below:

“*Act*” shall mean the Securities Act of 1933, as amended, and the rules and regulations thereunder.

“*Administrator*” is defined in Section 2(a).

“*Affiliate*” shall mean (1) a corporation which, for purposes of Section 424 of the Code, is a parent or subsidiary of the Company, direct or indirect or (2) a foreign partnership, corporation, firm, joint venture, limited liability company or other entity that, directly or indirectly through one or more intermediaries, is controlled by the Company or its parent, where the term “controlled by” means the possession, direct or indirect, of the power to cause the direction of the management and policies of such entity, whether through ownership of voting interests or voting securities, as the case may be, by contract or otherwise.

“*Award*” or “*Awards*” shall mean, except where referring to a particular category of grant under the Plan, shall include Incentive Stock Options, Non-Qualified Stock Options, Restricted Stock Awards, Unrestricted Stock Awards, or any combination of the foregoing.

“*Board*” shall mean the Board of Directors of the Company.

“*Code*” shall mean the Internal Revenue Code of 1986, as amended, and any successor Code, and related rules, regulations and interpretations.

“*Committee*” shall mean the Committee of the Board referred to in Section 2.

“*Compensation Committee*” shall mean the Compensation Committee of the Board of Directors of Vicor Corporation, with the duties and responsibilities set forth in Section 2(a).

“*Effective Date*” shall mean the date on which the Plan is approved by stockholders as set forth in Section 13.

“*Exchange Act*” shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

“*Fair Market Value*” shall mean the value of the Stock on any given date representing the calculated hypothetical value of a share of the Stock, assuming an arm’s length transaction between willing and informed buyers and sellers, as determined in good faith by the Administrator; provided, however, that if the Stock trades on a national securities exchange, the Fair Market Value on any given date is the closing sale price on such date or, if no such closing sale price information is available, the average of the highest bid and lowest asked prices for the Stock reported on such date. For any date that is not a trading day, the Fair Market Value of the Stock for

such date will be determined by using the closing sale price or the average of the highest bid and lowest asked prices, as appropriate, for the immediately preceding trading day. The Administrator can substitute a particular time of day or other measure of closing sale price if appropriate because of changes in exchange or market procedures. Notwithstanding the foregoing, if the date for which Fair Market Value is determined is the first day when trading prices for the Stock are trading on a national securities exchange, the Fair Market Value shall be the “Price to the Public” (or equivalent) set forth on the cover page for the final prospectus relating to the Company’s Initial Public Offering, if applicable.

“*Incentive Stock Option*” shall mean any Stock Option designated and qualified as an “incentive stock option” as defined in Section 422 of the Code.

“*Initial Public Offering*” shall mean the consummation of the first fully underwritten, firm commitment public offering pursuant to an effective registration statement under the Act covering the offer and sale by the Company of its equity securities, or such other event as a result of or following which the Stock shall be publicly held and the Company required to comply with the registration requirements of the Act.

“*Non-Qualified Stock Option*” shall mean any Stock Option that is not an Incentive Stock Option.

“*Restricted Stock Award*” shall mean Awards granted pursuant to Section 6.

“*Stock*” shall mean the Common Stock, par value \$.01 per share, of the Company, subject to adjustments pursuant to Section 3.

“*Stock Option*” shall mean any contractual option to purchase shares of Stock granted pursuant to Section 5.

“*Transaction*” is defined in Section 3(c).

“*Unrestricted Stock Award*” shall mean any Award granted pursuant to Section 7.

SECTION 2. *Administration of the Plan: Administrator Authority to Select Participants and Determine Awards*

- (a) *Administration of Plan.* The Plan shall be administered by the Board or, at the discretion of the Board, a committee of the Board comprised, except as contemplated by Section 2(c), of not less than two directors (in either case, the “Administrator”); provided, however, that for as long as the Company is a subsidiary of Vicor Corporation, the Board shall delegate to the Compensation Committee all administrative and oversight responsibilities in connection with the Plan, including the authority to take all such actions of the Administrator as described herein, and to review and approve actions with respect to the adoption, amendment, and termination of the Plan.
- (b) *Powers of Administrator.* The Administrator shall have the power and authority to grant Awards consistent with the terms of the Plan, including the power and authority:
 - (i) to select the individuals to whom Awards may from time to time be granted;
 - (ii) to determine the time or times of grant, and the extent, if any, of Incentive Stock Options, Non-Qualified Stock Options, Restricted Stock Awards, Unrestricted Stock Awards or any combination of the foregoing, granted to any one or more participants;
 - (iii) to determine the number of shares of Stock to be covered by any Award;
 - (iv) to determine and modify from time to time the terms and conditions, including restrictions, not inconsistent with the terms of the Plan, of any Award, which terms and conditions may differ among individual Awards and participants, and to approve the form of written instruments evidencing the Awards;

- (v) to accelerate at any time the exercisability or vesting of all or any portion of any Award;
- (vi) to impose any limitations on Awards granted under the Plan, including limitations on transfers of Awards (or Stock held as a result of exercise of an Award);
- (vii) subject to the provisions of Section 5(a)(ii), to extend at any time the period in which Stock Options may be exercised;
- (viii) to define and disseminate provisions regarding purchase by the Company of an Award (or Stock held as a result of exercise of a Stock Option), and to exercise such provisions in a reasonable manner;
- (ix) to determine at any time whether, to what extent, and under what circumstances distribution or the receipt of an Award and other amounts payable with respect to an Award shall be deferred either automatically or at the election of the grantee and whether and to what extent the Company shall pay or credit amounts constituting interest (at rates determined by the Administrator) or dividends or deemed dividends on such deferrals; and
- (x) at any time to adopt, alter and repeal such rules, guidelines and practices for administration of the Plan and for its own acts and proceedings as it shall deem advisable; to interpret the terms and provisions of the Plan and any Award (including related written instruments); to make all determinations it deems advisable for the administration of the Plan; to decide all disputes arising in connection with the Plan; and to otherwise supervise the administration of the Plan.

Notwithstanding the foregoing, prior to the Initial Public Offering, no Award shall be granted under the Plan unless the recipient of such Award has executed and delivered a Stock Restriction Agreement in substantially the form attached hereto as Exhibit 2 or such other form as the Administrator may determine from time to time. If no evidence of execution such form can be found at the time of exercise of a Stock Option, the recipient of the Award shall execute the form attached hereto as Exhibit 2 before a certificate for the shares of Stock purchased will be issued.

All decisions and interpretations of the Administrator shall be binding on all persons, including the Company and Plan participants.

- (c) **Indemnification.** Neither the Board nor the Administrator, nor any member of either, shall be liable for any act, omission, interpretation, construction or determination made in good faith in connection with the Plan, and the members of the Board, the Committee and the Compensation Committee shall be entitled in all cases to indemnification and reimbursement by the Company in respect of any claim, loss, damage, judgment, settlement or expense (including, without limitation, reasonable attorneys' fees) arising or resulting therefrom to the fullest extent permitted by law and/or under any directors' and officers' liability insurance coverage which may be in effect from time to time.

SECTION 3. *Stock Issuable Under the Plan; Mergers; Substitution*

- (a) ***Stock Issuable.*** The maximum number of shares of Stock reserved and available for issuance under the Plan shall be 20,000,000 shares, subject to adjustment as provided in Section 3(b). For purposes of this limitation, the shares of Stock underlying any Awards which are forfeited, canceled, reacquired by the Company, satisfied without the issuance of Stock or otherwise terminated (other than by exercise) shall be added back to the shares of Stock available for issuance under the Plan. Subject to such overall limitation, shares of Stock may be issued up to such maximum number pursuant to any type or types of Award; provided, however, Stock Options with respect to no more than 1,600,000 shares of Stock may be granted to any one individual participant during any taxable year of the Company. The shares of Stock available for issuance under the Plan may be authorized but unissued shares of Stock or shares of Stock reacquired by the Company and held in its treasury.
- (b) ***Changes in Stock.*** Subject to Section 3(c) hereof, if, as a result of any reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar change in the Company's capital stock, the outstanding shares of Stock are increased or decreased or are exchanged

for a different number or kind of shares or other securities of the Company, or additional shares or new or different shares or other securities of the Company or other non-cash assets are distributed with respect to such shares of Stock or other securities, or, if, as a result of any merger, consolidation or sale of all or substantially all of the assets of the Company, the outstanding shares of Stock are converted into or exchanged for a different number or kind of securities of the Company or any successor entity (or a parent or subsidiary thereof), the Administrator shall make an appropriate or proportionate adjustment in (i) the maximum number of shares reserved for issuance under the Plan, (ii) the number of Stock Options that can be granted to any one individual participant, (iii) the number and kind of shares or other securities subject to any then outstanding Awards under the Plan, and (v) the exercise price and/or exchange price for each share subject to any then outstanding Stock Options under the Plan, without changing the aggregate exercise price (i.e., the exercise price multiplied by the number of Stock Options) as to which such Stock Options remain exercisable. The adjustment by the Administrator shall be final, binding and conclusive. No fractional shares of Stock shall be issued under the Plan resulting from any such adjustment, but the Administrator in its discretion may make a cash payment in lieu of fractional shares.

The Administrator shall also make an appropriate or proportionate adjustment in the number of shares subject to outstanding Awards and the exercise price and the terms of outstanding Awards to take into consideration material changes in accounting practices or principles, extraordinary dividends, acquisitions or dispositions of stock or property or any other event in order to avoid distortion in the operation of the Plan, provided that no such adjustment shall be made in the case of an Incentive Stock Option, without the consent of the participant, if it would constitute a modification, extension or renewal of the Stock Option within the meaning of Section 424(h) of the Code.

- (c) *Mergers and Other Transactions.* In the case of and subject to the consummation of (i) the dissolution or liquidation of the Company, (ii) the sale of all or substantially all of the assets of the Company on a consolidated basis to an unrelated person or entity, (iii) a merger, reorganization or consolidation in which the holders of the Company's outstanding voting power immediately prior to such transaction do not own a majority of the outstanding voting power of the surviving or resulting entity immediately upon completion of such transaction, (iv) the sale of all or a majority of the outstanding capital stock of the Company to an unrelated person or entity or (v) any other transaction in which the owners of the Company's outstanding voting power prior to such transaction do not own at least a majority of the outstanding voting power of the relevant entity immediately upon completion of the transaction (in each case, a "Transaction"), as of the effective date of such Transaction, all Stock Options that are not exercisable shall become fully exercisable and all other Awards that are not vested shall become fully vested. Upon the effectiveness of the Transaction, the Plan and all outstanding Stock Options issued hereunder shall terminate upon the effective time of any such Transaction, unless provision is made in connection with such Transaction in the sole discretion of the parties thereto for the assumption or continuation of Stock Options theretofore granted (after taking into account any acceleration hereunder) by the successor entity, or the substitution of such Stock Options with new Stock Options of the successor entity or a parent or subsidiary thereof, with such adjustment as to the number and kind of shares and the per share exercise prices as such parties shall agree (after taking into account any acceleration if any, hereunder). In the event of such termination, each holder shall be permitted, within a specified period of time prior to the consummation of the Transaction as determined by the Administrator, to exercise all outstanding Stock Options held by such holder that are then exercisable or will become exercisable as of the effective time of the Transaction; provided, however, that the exercise of Stock Options not exercisable prior to the Transaction shall be subject to the consummation of the Transaction. (The treatment of Restricted Stock Awards in connection with any such transaction shall be as specified in the relevant Award agreement.) Notwithstanding the foregoing, and for the avoidance of doubt, a "Transaction" shall not refer to any merger, reorganization or consolidation of the Company in which the surviving or resulting entity is an Affiliate of the Company at the time of such transaction.

- (d) *Substitute Awards.* The Administrator may grant Awards under the Plan in substitution for Stock and Stock-based awards held by employees, directors or other key persons of another corporation in connection with a merger or consolidation of the employing corporation with the Company or a Affiliate or the acquisition by the Company or a Affiliate of property or stock of the employing corporation. The Administrator may direct that the substitute Awards be granted on such terms and conditions as the Administrator considers appropriate in the circumstances. Any substitute Awards granted under the Plan shall not count against the share limitations set forth in Section 3(a).

SECTION 4. *Eligibility*

Participants in the Plan will be such full or part-time officers, employees, directors, consultants and other key persons (including prospective employees) of the Company and its Affiliates who are responsible for or contribute to the management, growth or profitability of the Company and its Affiliates as are selected from time to time by the Administrator in its sole discretion.

SECTION 5. *Stock Options*

Any Stock Option granted under the Plan shall be in such form as the Administrator may from time to time approve.

Stock Options granted under the Plan may be either Incentive Stock Options or Non-Qualified Stock Options. Incentive Stock Options may be granted only to employees of the Company or any Affiliate that is a “parent corporation” or “subsidiary corporation” within the meaning of Section 424(f) of the Code. To the extent that any Stock Option does not qualify as an Incentive Stock Option, it shall be deemed a Non-Qualified Stock Option.

No Incentive Stock Option shall be granted under the Plan after November 21, 2011.

- (a) *Terms of Stock Options.* Stock Options granted under the Plan shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Administrator shall deem desirable. If the Administrator so determines, Stock Options may be granted in lieu of cash compensation at the participant’s election, subject to such terms and conditions as the Administrator may establish, as well as in addition to other compensation.

Terms of an individual Stock Option award shall be set forth in a Stock Option Award Agreement executed at the time of the award, a copy of which is set forth herein as Exhibit 1, between the participant (i.e., the recipient of the award) and the Company.

- (i) *Exercise Price.* The exercise price per share for the Stock covered by a Stock Option shall be determined by the Administrator at the time of grant but shall not be less than 100 percent of the Fair Market Value on the date of grant. If an employee of the Company or an Affiliate owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than 10 percent of the combined voting power of all classes of stock of the Company or any parent or subsidiary corporation and an Incentive Stock Option is granted to such employee, the exercise price of such Incentive Stock Option shall be not less than 110 percent of the Fair Market Value on the grant date.
- (ii) *Term of Stock Option.* The term of each Stock Option shall be fixed by the Administrator, but no Incentive Stock Option shall be exercisable more than 10 years after the date the Stock Option is granted. If an employee owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than 10 percent of the combined voting power of all classes of stock of the Company or any parent or subsidiary corporation and an Incentive Stock Option is granted to such employee, the term of such Stock Option shall be no more than five years from the date of grant.

- (iii) Exercisability; Rights of a Stockholder. Stock Options shall become exercisable at such time or times, whether or not in installments, as shall be determined by the Administrator at or after the grant date; provided, however, that Stock Options granted in lieu of compensation shall be exercisable in full as of the grant date. The Administrator may at any time accelerate the exercisability of all or any portion of any Stock Option. A holder shall have the rights of a stockholder only as to shares of Stock acquired upon the exercise of a Stock Option and not as to unexercised Stock Options.
- (iv) Method of Exercise. Stock Options may be exercised, in whole or in part, by giving written notice of exercise to the Company, specifying the number of shares to be purchased. Payment of the purchase price may be made by one or more of the following methods to the extent provided in the Stock Option Award agreement or as otherwise provided by the Administrator:
- (1) In cash, by certified or bank check or other instrument acceptable to the Administrator;
 - (2) If approved by the Administrator, through the delivery (or attestation to the ownership) of shares of Stock that are not then subject to restrictions under any Company plan and that have been beneficially owned by the holder for such period as may be required by the Administrator or have been purchased by the participant on the open market. Such surrendered shares shall be valued at Fair Market Value on the exercise date;
 - (3) If approved by the Administrator, through full or partial “net settlement”, whereby the holder instructs the Administrator to utilize some portion of the gain realized on exercise (i.e., the excess of the Fair Value of the share(s) of Stock purchased over the aggregate Exercise Price) to fund (i) the purchase of the share(s) of Stock (i.e., the Exercise Price per share multiplied by the number of shares to be purchased), (ii) the taxes due on the exercise, if any, or (iii) a combination of (i) and (ii), resulting in settlement by issuance of that number of shares of Stock representing the net value of the exercise after deduction of the value of (i) and/or (ii), provided, however, such “net settlement” will only be permitted for the exercise of a Stock Option in the tenth year of its term; or
 - (4) If approved by the Administrator, by the holder delivering to the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company for the purchase price; provided that in the event the holder chooses to pay the purchase price as so provided, the holder and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Administrator shall prescribe as a condition of such payment procedure.

Payment instruments will be received subject to collection.

No certificates for shares of Stock so purchased will be issued to holder until the Company has completed all steps required by law to be taken in connection with the issuance and sale of the shares, including without limitation: (i) receipt of an executed Share Transfer Restriction Agreement (presented herein as Exhibit 2) or similar form acceptable to the Administrator including a representation from the holder at the time of exercise of the Stock Option that the holder is purchasing the shares for the holder’s own account and not with a view to any sale or distribution thereof; (ii) the printing of a legend on any certificate representing the shares to evidence the foregoing representations and restrictions; and (iii) obtaining from holder payment or provision for all withholding taxes due as a result of the exercise of the Stock Option. The delivery of certificates representing the shares of Stock to be purchased pursuant to the exercise of a Stock Option will be contingent upon receipt from the holder (or a purchaser acting in his or her stead in accordance with the provisions of the Stock Option) by the Company of the full purchase price for such shares and the fulfillment of any other requirements contained in the Stock Option Award Agreement or applicable provisions of laws. In the event a holder chooses to pay the purchase price by previously-owned shares of Stock through the attestation method, the shares of Stock transferred to the holder upon the exercise of the Stock Option shall be net of the number of shares to which the holder has attested ownership.

- (v) *Annual Limit on Incentive Stock Options.* To the extent required for “incentive stock option” treatment under Section 422 of the Code, the aggregate Fair Market Value (determined as of the time of grant) of the shares of Stock with respect to which Incentive Stock Options granted under this Plan and any other plan of the Company or its parent and subsidiary corporations become exercisable for the first time by an holder during any calendar year shall not exceed \$100,000. To the extent that any Stock Option exceeds this limit, it shall constitute a Non-Qualified Stock Option.
- (e) *Non-transferability of Stock Options.* No Stock Option shall be transferable by the holder otherwise than by will or by the laws of descent and distribution and all Stock Options shall be exercisable, during the holder’s lifetime, only by the holder or by the holder’s legal representative or guardian in the event of the holder’s incapacity. Notwithstanding the foregoing, the Administrator, in its sole discretion, may provide in the Award agreement regarding a given Stock Option that the holder may transfer, without consideration for the transfer, his or her Non-Qualified Stock Options to members of his or her immediate family, to trusts for the benefit of such family members, or to partnerships in which such family members are the only partners, provided that the transferee agrees in writing with the Company to be bound by all of the terms and conditions of this Plan and the applicable Stock Option.
- (f) *Termination.* Except as may otherwise be provided in this Section 5(c) or by the Administrator either in the Award agreement, or subject to Section 10 below, in writing after the Award agreement is issued, a participant’s rights in all Stock Options shall automatically terminate upon the participant’s termination of employment with the Company and its Affiliates for any reason. Notwithstanding the foregoing, the period within which to exercise the Stock Option shall be modified as set forth below:
 - (i) *Termination Due to Death.* If the participant’s employment terminates by reason of death, (1) any Stock Option held by the participant, which, but for such participant’s death, would have vested and become exercisable on or prior to the first anniversary of such termination, shall become fully exercisable and (2) any Stock Option exercisable at the time of such termination may thereafter be exercised by the participant’s legal representative or legatee for a period of 12 months from the date of death or until the Expiration Date, if earlier.
 - (ii) *Termination Due to Disability.* If the participant’s employment terminates by reason of Disability (as defined in Section 22(c)(3) of the Code), (1) any Stock Option held by the participant, which, but for such participant’s Disability, would have vested and become exercisable on or prior to the first anniversary of such termination, shall become fully exercisable and (2) any Stock Option exercisable at the time of such termination may thereafter be exercised by the participant for a period of 12 months from the date of termination or until the Expiration Date, if earlier. The death of the participant during the 12-month period provided in this Section 5(c)(ii) shall extend such period for another 12 months from the date of death or until the Expiration Date, if earlier.
 - (iii) *Determination of Reason.* The Administrator’s determination of the reason for termination of the participant’s employment shall be conclusive and binding on the participant and his or her representatives or legatees.

SECTION 6. *Restricted Stock Awards*

- (a) *Nature of Restricted Stock Awards.* A Restricted Stock Award is an Award pursuant to which the Company may, in its sole discretion, grant or sell, at such purchase price as determined by the Administrator, in its sole discretion, shares of Stock subject to such restrictions and conditions as the Administrator may determine at the time of grant (“Restricted Stock”), which purchase price shall be payable in cash or other form of consideration acceptable to the Administrator. Conditions may be based on continuing employment (or other service relationship) and/or achievement of pre-established performance goals and objectives. The terms and conditions of each such agreement shall be determined by the Administrator, and such terms and conditions may differ among individual Awards and recipients.

- (b) Rights as a Stockholder. Upon execution of a written instrument setting forth the Restricted Stock Award and payment of any applicable purchase price, a holder shall have the rights of a stockholder with respect to the voting of the Restricted Stock, subject to such conditions contained in the written instrument evidencing the Restricted Stock Award. Unless the Administrator shall otherwise determine, certificates evidencing the Restricted Stock shall remain in the possession of the Company until such Restricted Stock is vested as provided in Section 6(d) below, and the holder shall be required, as a condition of the grant, to deliver to the Company a stock power endorsed in blank.
- (c) Restrictions. Restricted Stock may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of except as specifically provided herein or in the Restricted Stock Award agreement. Except as may otherwise be provided by the Administrator either in the Award agreement or, subject to Section 10 below, in writing after the Award agreement is issued, if any, if a holder's employment (or other service relationship) with the Company and its Affiliates terminates for any reason, any Restricted Stock that has not vested at the time of termination shall automatically and without any requirement of notice to such holder from or other action by or on behalf of, the Company be deemed to have been reacquired by the Company at the lesser of its original purchase price or Fair Market Value (determined at the time of termination) from such holder or such holder's legal representative simultaneously with such termination of employment (or other service relationship), and thereafter shall cease to represent any ownership of the Company by the holder or rights of the holder as a stockholder. Following such deemed reacquisition of unvested Restricted Stock that are represented by physical certificates, a holder shall surrender such certificates to the Company upon request without consideration.
- (d) Vesting of Restricted Stock. The Administrator at the time of grant shall specify the date or dates and/or the attainment of predetermined performance goals, objectives and other conditions on which Restricted Stock shall become vested, subject to such further rights of the Company or its assigns as may be specified in the instrument evidencing the Restricted Stock Award.
- (e) Waiver, Deferral and Reinvestment of Dividends. The Restricted Stock Award agreement may require or permit the immediate payment, waiver, deferral or investment of dividends paid on the Restricted Stock.

SECTION 7. *Unrestricted Stock Awards*

Grant or Sale of Unrestricted Stock. The Administrator may, in its sole discretion, grant (or sell at such purchase price determined by the Administrator) an Unrestricted Stock Award to any recipient pursuant to which such recipient may receive shares of Stock free of any vesting restrictions ("Unrestricted Stock") under the Plan. Unrestricted Stock Awards may be granted or sold as described in the preceding sentence in respect of past services or other valid consideration, or in lieu of cash compensation due to such recipient.

SECTION 8. *Tax Withholding*

- (a) Payment by Participant. Each holder shall, no later than the date as of which the value of an Award or of any Stock or other amounts received thereunder first becomes includable in the gross income of the holder for Federal income tax purposes, pay to the Company, or make arrangements satisfactory to the Administrator regarding payment of, any Federal, state, or local taxes of any kind required by law to be withheld with respect to such income. The Company and its Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the holder. The Company's obligation to deliver share certificates is subject to and conditioned on tax obligations being satisfied by the recipient.
- (b) Payment in Stock. Subject to approval by the Administrator, a recipient may elect to have the minimum required tax withholding obligation satisfied, in whole or in part, by (i) authorizing the Company to withhold from shares of Stock to be issued pursuant to any Award a number of shares with an

aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the withholding amount due, or (ii) transferring to the Company shares of Stock owned by the participant with a minimum aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the minimum withholding amount due.

SECTION 9. *Transfer, Leave of Absence, Etc.*

For purposes of the Plan, the following events shall not be deemed a termination of employment:

- (a) a transfer to the employment of the Company from a Affiliate or from the Company to a Affiliate, or from one Affiliate to another; or
- (b) an approved leave of absence for military service or sickness, or for any other purpose approved by the Company, if the employee's right to re-employment is guaranteed either by a statute or by contract or under the policy pursuant to which the leave of absence was granted or if the Administrator otherwise so provides in writing.

SECTION 10. *Amendments and Termination*

The Board may, at any time, amend or discontinue the Plan and the Administrator may, at any time, amend or cancel any outstanding Award for the purpose of satisfying changes in law or for any other lawful purpose, but no such action shall adversely affect rights under any outstanding Award without the holder's consent. The Administrator may provide substitute Awards at the same or reduced exercise or purchase price or with no exercise or purchase price in a manner not inconsistent with the terms of the Plan, but such price, if any, must satisfy the requirements which would apply to the substitute or amended Award if it were then initially granted under this Plan, but no such action shall adversely affect rights under any outstanding Award without the holder's consent. If and to the extent determined by the Administrator to be required by the Code to ensure that Incentive Stock Options granted under the Plan are qualified under Section 422 of the Code or to ensure that compensation earned under Stock Options qualifies as performance-based compensation under Section 162(m) of the Code, if and to the extent intended to so qualify, Plan amendments shall be subject to approval by the Company or an Affiliate's stockholders, as applicable, entitled to vote at a meeting of stockholders. Payment of amounts intended to qualify as performance-based compensation under Section 162(m) of the Code shall be contingent on applicable stockholder approval. Nothing in this Section 10 shall limit the Board's authority to take any action permitted pursuant to Section 3.

SECTION 11. *Status of Plan*

With respect to the portion of any Award that has not been exercised and any payments in cash, Stock or other consideration not received, a recipient shall have no rights greater than those of a general creditor of the Company unless the Administrator shall otherwise expressly determine in connection with any Award or Awards. In its sole discretion, the Administrator may authorize the creation of trusts or other arrangements to meet the Company's obligations to deliver Stock or make payments with respect to Awards hereunder, provided that the existence of such trusts or other arrangements is consistent with the foregoing sentence.

SECTION 12. *General Provisions*

- (a) *No Distribution; Compliance with Legal Requirements.* The Administrator may require each person acquiring Stock pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring the shares without a view to distribution thereof. No shares of Stock shall be issued pursuant to an Award until all applicable securities law and other legal and stock exchange or similar requirements have been satisfied. The Administrator may require the placing of such stop-orders and restrictive legends on certificates for Stock and Awards as it deems appropriate.
- (b) *Delivery of Stock Certificates.* Stock certificates under this Plan shall be deemed delivered for all purposes when the Company or a stock transfer agent of the Company shall have mailed such certificates in the United States mail, addressed to the recipient, at the recipient's last known address on file with the Company.

- (c) *Other Compensation Arrangements; No Employment Rights.* Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, including trusts, and such arrangements may be either generally applicable or applicable only in specific cases. The adoption of this Plan and the grant of Awards do not confer upon any employee any right to continued employment with the Company or any Affiliate.
- (d) *Trading Restrictions.* Stock Option exercises and other Awards under the Plan shall be subject to the Company's trading restrictions, terms and conditions, including, without limitation, the restrictions, terms and conditions set forth in a Share Transfer Restriction Agreement executed and delivered pursuant to Section 2 hereof (presented herein as Exhibit 2), as may be established or required by the Administrator, or in accordance with policies set by the Administrator, from time to time.
- (e) *Designation of Beneficiary.* Each recipient to whom an Award has been made under the Plan may designate a beneficiary or beneficiaries to exercise any Award or receive any payment under any Award payable on or after the recipient's death. Any such designation shall be on a form provided for that purpose by the Administrator and shall not be effective until received by the Administrator. If no beneficiary has been designated by a deceased recipient, or if the designated beneficiaries have predeceased the recipient, the beneficiary shall be the recipient's estate.

SECTION 13. *Effective Date of Plan*

This Plan shall become effective upon approval by the stockholders in accordance with applicable law. Subject to such approval by the stockholders and to the requirement that no Stock may be issued hereunder prior to such approval, Stock Options and other Awards may be granted hereunder on and after adoption of this Plan by the Board.

SECTION 14. *Governing Law*

This Plan and all Awards and actions taken thereunder shall be governed by, and construed in accordance with, the laws of the State of Delaware, applied without regard to conflict of law principles.

On April 26, 2017, the Board approved the adoption, subject to Stockholder approval, of the Picor Corporation Amended and Restated 2001 Stock Option and Incentive Plan (the "2001 Picor Plan"). The full text of the 2001 Picor Plan is presented above. Any reference within the text to an "exhibit" or an "attachment" refers to documents associated with the administration of the 2001 Picor Plan that are not a part of the 2001 Picor Plan and, therefore, not included in this Proxy Statement.

APPENDIX D

Vicor Corporation 2017 Employee Stock Purchase Plan

SECTION 1. *Purpose of the Plan.*

The purpose of the Plan is to encourage and enable employees of the Corporation and certain of its Subsidiaries to voluntarily acquire proprietary interests in the Corporation through the ownership of shares of the Common Stock of the Corporation. The Corporation intends for the Plan to qualify as an “employee stock purchase plan” under Section 423 of the Code. Although the Corporation makes no undertaking to maintain, nor representation it will maintain, such qualified status of the Plan, the provisions of the Plan shall be construed so as to extend and limit participation in a manner consistent with the requirements of that section of the Code.

SECTION 2. *Definitions.*

Unless otherwise provided in the Plan, capitalized terms, when used herein, shall have the following respective meanings:

“Administrator” shall mean the Board, the Compensation Committee of the Board, or any other duly authorized delegate appointed by the Board.

“Adoption Date” shall mean the date of the Vicor Corporation Annual Meeting of Shareholders scheduled for June 16, 2017, or such date immediately thereafter as determined by the Administrator, upon which the Plan shall be adopted if such adoption is approved by shareholders at such annual meeting.

“Applicable Laws” shall mean all applicable securities, tax, and securities trading exchange laws, regulations, and rules, including, but not limited to, U.S. state corporate laws, U.S. federal and state securities laws, the Code, the rules of any stock exchange or quotation system on which shares of the Common Stock are listed or quoted, and the applicable securities, tax, and securities exchange laws, regulations, and rules of any other country or jurisdiction in which Options are granted under the Plan or where Eligible Employees reside, as such laws, regulations, and rules shall be in effect from time to time.

“Board” shall mean the Corporation’s Board of Directors.

“Code” shall mean the U.S. Internal Revenue Code of 1986, as amended, and the regulations and interpretations promulgated thereunder.

“Common Stock” shall mean the Corporation’s common stock, \$0.01 par value per share. For purposes of the Plan, Common Stock shall refer to the total number of such shares outstanding assuming the conversion of all outstanding shares of the Corporation’s Class B Common Stock into shares of Common Stock. As of March 31, 2017, 27,346,172 shares of Common Stock were outstanding and 11,758,218 shares of Class B Common Stock were outstanding. The Corporation’s shares of Common Stock are registered with the Securities and Exchange Commission and are listed on the Market. Shares of Class B Common Stock are neither registered nor listed, and are subject to transfer restrictions under the Corporation’s Restated Certificate of Incorporation.

“Contributions” shall mean the after-tax payroll deductions from a Participant’s Eligible Compensation to fund the exercise of Options granted pursuant to the Plan.

“Corporation” shall mean Vicor Corporation, a Delaware corporation.

“Designated Subsidiaries” shall mean any Subsidiary designated by the Administrator from time to time, the Eligible Employees of which may participate in the Plan. A listing of Designated Subsidiaries shall be maintained by the Administrator as Exhibit A to the Plan, which Exhibit may be updated by the Administrator from time to time.

“Designated Transfer Agent” shall mean the Corporation’s share registrar and transfer agent, supervising the issuance of ESPP Shares and documenting the ownership and transfers of outstanding ESPP Shares. The Designated Transfer Agent shall initially be Computershare Trust Company, N.A., but may be changed by the Administrator in its sole discretion.

“Designated Broker” shall mean the agent designated by the Administrator to maintain ESPP Share Accounts on behalf of Participants who have purchased shares of Common Stock under the Plan. The Designated Broker shall initially be E*Trade Financial Corporation (or a broker-dealer subsidiary thereof), but may be changed by the Administrator in its sole discretion.

“ESPP Share Account” shall mean an individual trading and custodial account into which common stock purchased with Contributions at the end of an Offering Period are held on behalf of a Participant.

“Eligible Compensation” shall mean, unless otherwise determined by the Administrator from time to time, the Eligible Employee’s cash compensation, paid through the payroll system of the Corporation or a Designated Subsidiary, for personal services actually rendered in the course of employment with the Corporation or a Designated Subsidiary, before withholding for payment of income taxes, Social Security and Medicare (“FICA”), and federal unemployment taxes (“FUTA”). Eligible Compensation shall be limited to amounts received by the Eligible Employee during the period he or she is participating in the Plan and includes salary and other wages, amounts contributed by the Eligible Employee to any benefit plan maintained by the Corporation or a Designated Subsidiary (including contributions to a 401(k) plan or deductions under Section 125 plans), overtime pay, commissions (net of draws against commissions), shift premiums, sick pay, vacation pay, holiday pay, and shutdown pay, except to the extent the exclusion of any such item (or a sub-set of any such item) is specifically directed by the Administrator for all Eligible Employees for an Offering Period. Notwithstanding the preceding, Eligible Compensation does not include any incentive or other bonus payments (unless the inclusion of any incentive or other bonus payment is specifically directed by the Administrator for all Eligible Employees for an Offering Period), remuneration paid in a form other than cash, fringe benefits (including car allowances and relocation payments), expense reimbursement, long-term disability payments, workmen’s compensation payments, welfare benefits, and any contributions that the Corporation or any Designated Subsidiary makes to any benefit plan (including a 401(k) plan or any other health, welfare, or retirement plan).

“Eligible Employee” shall mean any individual who is a common law employee providing services to the Corporation or a Subsidiary and is customarily employed for more than twenty (20) hours per week and more than five (5) months in any calendar year by the Corporation or Subsidiary; provided, however, such individual has been so employed for at least six (6) weeks before the beginning of an Enrollment Period. For the avoidance of doubt, a member of the Board or the Board of Directors of a Subsidiary who is not a full-time employee of the Corporation or a Subsidiary is not an Eligible Employee. The Administrator, in its discretion, may modify the definition of an Eligible Employee (on a uniform and nondiscriminatory basis or as otherwise permitted by Treasury Regulation Section 1.423-2), prior to the start of any Enrollment Period, for Options to be granted on the subsequent Grant Date associated with a specific Offering. For any Offering Period, the Administrator may determine that any Eligible Employees considered “highly compensated employees,” within the meaning of Section 414(q) of the Code, shall be excluded from participating in that Offering Period.

“Enrollment Agreements” shall mean the agreements, as determined by the Administrator, between an Eligible Employee, the Corporation, and, in association with the Participant’s ESPP Share Account in such written or electronic format (including Internet-based applications administered by third parties), pursuant to participation in the Plan. Executable documents considered to be Enrollment Agreements may include the Enrollment and Payroll Deduction Authorization Agreement, the Designation of Beneficiary, the Deduction Change Election, and the Withdrawal Election.

“Enrollment Period” shall mean the period beginning thirty (30) calendar days before and concluding ten (10) calendar days prior to a Grant Date, during which Eligible Employees may elect to participate in an Offering

Period by submitting executed Enrollment Agreements to the Administrator (or its duly authorized delegate). The Administrator shall provide reasonable notice to Eligible Employees of a pending Enrollment Period. The Administrator also may change the duration and timing of Enrollment Periods from time to time in order to accommodate holidays and similar events or as otherwise deemed necessary or advisable.

“ESPP Share” shall mean a single, whole share of Common Stock purchased under the terms of and the process defined by this Plan.

“Exercise Date” shall mean the last Trading Day of an Offering Period and refers to the date upon which the Option(s) granted to a Participant shall be exercised at the Purchase Price calculated, resulting in the purchase by the Participant of ESPP Shares. The Exercise Date also represents (i) the expiration date of the Option(s) associated with that Offering Period and, as such, (ii) the end of that Offering Period.

“Fair Market Value” shall mean, unless otherwise determined or provided by the Administrator utilizing the valuation methods permitted under U.S. Treasury Regulation Section 20.2031-2, the Market’s reported closing price (in regular trading) for a share of Common Stock for the date in question or, if no sales of Common Stock were reported by the Market on that date, the last price (in regular trading) for a share of Common Stock on the Market for the immediately preceding day on which sales of Common Stock were reported by the Market.

“Grant Date” shall mean the first Trading Day of each Offering Period, as designated by the Administrator and consistent with U.S. Treasury Regulation Section 1.423-2(h)(3).

“Market” shall mean the National Market System of the NASDAQ Stock Market, or such other securities exchange on which the shares of Common Stock are listed for trading.

“Offering” shall mean an offer by the Corporation under the Plan of an Option that may be exercised during the specifically-associated Offering Period.

“Offering Period” shall mean the period, established in advance by the Administrator, under no circumstances exceeding twenty-seven (27) months, during which Contributions shall be collected to purchase ESPP Shares pursuant to an Offering. Unless otherwise established by the Administrator prior to the start of an Offering Period, each Offering Period shall be of approximately six (6) months duration, with the first such Offering Period under the Plan intended to begin on or about September 1 and end on the last business day of the immediately following January, and the second such Offering Period intended to begin on or about March 1 with subsequent Offering Periods following the same six (6) month sequence.

“Option” shall mean the right granted to Participants to purchase ESPP Shares pursuant to an Offering. Such rights will be “book-entry” only, in that the specific terms and information associated with the grant of the Option will be recorded in the internal books and records of the Corporation, and the contractual existence of the Option will be evidenced by the Enrollment Agreement documents executed between the Participant and the Corporation.

“Outstanding Election” shall mean (i) a Participant’s then-current election to purchase ESPP Shares at the conclusion of an Offering Period, or (ii) that part of such an election not cancelled (including voluntary cancellation under Section 7 and deemed cancellation under Sections 8 and 13) prior to the close of business on the last Trading Day of the Offering Period or such other date as determined by the Administrator.

“Participant” shall mean an Eligible Employee who has elected voluntarily to participate in an Offering pursuant to Section 5.

“Plan” shall mean this *Vicor Corporation 2017 Employee Stock Purchase Plan*, as it may be amended from time to time.

“Plan Account” shall mean a bookkeeping account established, maintained, and controlled by the Corporation, on its internal books and records, to record the amount of funds accumulated pursuant to the Plan and, for a brief period between the Exercise Date and the Settlement Date, to record the number of ESPP Shares purchased by each Participant.

“Purchase Price” shall mean the price per ESPP Share purchased for an Offering Period, determined by the Administrator at the close of business on the Exercise Date; such Purchase Price shall not be less than the lower of (i) eighty-five percent (85%) of the Fair Market Value on the Grant Date or (ii) eighty-five percent (85%) of the Fair Market Value on the Exercise Date.

“Settlement Date” shall mean that date upon which purchase by the Participant of ESPP Shares is completed, in that the ESPP Shares have been recorded in a Participant’s ESPP Share Account, are owned by the Participant, and are available for sale.

“Subsidiary” shall mean any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation if each of the corporations other than the last corporation in the unbroken chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of capital stock in one of the other corporations in such chain. A corporation attaining the status of a Subsidiary on a date after the Adoption Date shall be considered a Subsidiary commencing as of such date.

“Termination of Service” shall mean, with respect to the Plan, a cessation of the employee-employer relationship between the Eligible Employee and the Corporation or a Designated Subsidiary for any reason, (i) including but not by way of limitation, (A) a termination by resignation, discharge, disability, retirement, or death, (B) the disaffiliation of a Subsidiary (i.e., a transaction by which the employer of the Eligible Employee is no longer a Subsidiary), (C) unless otherwise determined or provided by the Administrator, a transfer of employment to a Subsidiary not identified as a Designated Subsidiary as of the first day immediately following the three (3) month period following such transfer, but (ii) excluding (D) such termination when there is a simultaneous reemployment of the Eligible Employee by the Corporation or a Designated Subsidiary, and (E) a leave of absence, such as family leave, medical leave, personal leave, and military leave, if the leave has been approved by the Corporation or the Designated Subsidiary (provided, however, if the period of approved leave exceeds three (3) months, and the Eligible Employee’s right to reemployment is not guaranteed either by statute or by contract, the employee-employer relationship will be deemed to have terminated on the first day immediately following such three (3) month approved leave).

“Trading Day” shall mean a day on which the Market is open for trading or, if the Common Stock is not listed on an established exchange, a business day, as determined by the Administrator in good faith.

SECTION 3. *Administration of the Plan.*

The Administrator shall have the authority and responsibility for the operation and administration of the Plan. Subject to the provisions set forth herein, the Administrator shall have full authority, in its sole discretion, to take any actions it deems necessary or advisable for the administration of the Plan, including, but not limited to:

- A. Interpreting the Plan and defining, adopting, and rescinding policies, rules and procedures it deems appropriate to implement the Plan, including modifying any outstanding Option, as it may deem advisable or necessary to comply with Applicable Laws, and making all other decisions relating to the operation of the Plan;
- B. Scheduling Grant Dates, Exercise Dates, and Offering Periods;
- C. Establishing minimum and maximum Contribution rates;

- D. Establishing new or modifying existing limits on the number of ESPP Shares an Eligible Employee may elect to purchase with respect to any Offering Period, provided such limits are announced prior to the associated Offering Period and applicable to all Eligible Employees;
- E. Entering into contracts with the Designated Transfer Agent, Designated Broker and any other third-party service providers in support of the Plan's functions, including administration of Participant's ESPP Share Accounts;
- F. Adopting such policies, rules, sub-plans and procedures, as may be deemed necessary or appropriate to comply with the laws of other countries, while maintaining the qualified status of the Plan under Section 423 of the Code; and
- G. Establishing the exchange ratio applicable to amounts associated with Contributions made by Eligible Employees, if any, if such Contributions are made in a currency other than U.S. dollars.

The determinations of the Administrator under the Plan shall be final, conclusive, and binding on all persons. Neither the Administrator, the Board, the Compensation Committee of the Board, any other committee appointed by the Board, nor any of their agents or designees shall be liable for any act, failure to act, or determination made in good faith with respect to the Plan.

SECTION 4. *Shares of Common Stock Issuable and Reserved.*

- A. Subject to the adjustments addressed in Section 13, the maximum aggregate number of ESPP Shares that may be issued under this Plan shall be 2,000,000 shares of Common Stock, as such shares are defined, on a fully converted basis, in Section 2. As of the date on which the Board approved the Plan, April 26, 2017, the number of shares of Common Stock outstanding, on a fully converted basis, was 39,115,110.
 - 1. In the event the Administrator determines the number of shares of Common Stock then available for issuance under the Plan may be insufficient to meet the ESPP Share issuance requirements of an Offering Period the Administrator, without Participant consent, shall make a pro-rata allocation of the aggregate number of ESPP Shares to be purchased by Participants pursuant to the Plan for that Offering Period in as uniform and equitable manner as is reasonably practicable. In such circumstance, the Administrator shall provide written notice to each Participant of the reduction of the number of ESPP Shares to be purchased on the Exercise Day for that Offering Period and refund in cash each Participants' Plan Account balances associated with such pro-rata allocation as soon as practicable. Such balances shall not be applied toward the following Offering Period.
 - 2. If, during an Offering Period, the Administrator determines some or all of the ESPP Shares to be purchased by Participants on the last day of an Offering Period (i) would not be issued pursuant to an effective Form S-8 registration statement, and/or (ii) would not be issued in accordance with Applicable Laws (or would require approval by any regulatory body prior to issuance), the Administrator, without Participant consent, may terminate any outstanding Offering Period (and the Options granted pursuant thereto). In such circumstance, the Administrator shall provide written notice to each Participant of the termination and refund in cash each Participants' Plan Account balances associated with such Offering Period(s) as soon as practicable. Such balances shall not be applied toward the following Offering Period.
- B. The shares of Common Stock reserved for issuance pursuant to this Plan shall be authorized but unissued shares (i.e., newly issued shares) or shares held by the Corporation (i.e., treasury shares), and shall be registered under the terms of the Securities Act of 1933 via the filing by the Corporation of a Form S-8 as soon as practicable on or after the Adoption Date.
- C. If any Option granted under the Plan is terminated, for any reason, without having been exercised, the shares of Common Stock not issued as ESPP Shares under such Option shall again become available for issuance under the Plan).

SECTION 5. *Participation in the Plan.*

A. Enrollment.

An Eligible Employee may become a Participant for an Offering Period by completing and signing the Enrollment Agreements and timely submitting such documents to the Corporation (or the Corporation's designee), in the format and pursuant to the process as set forth by the Administrator, during the Enrollment Period prior to the commencement of the Offering Period to which it relates (i.e., the period beginning thirty (30) calendar days before and concluding ten (10) calendar days prior to a Grant Date associated with the next Offering Period, unless otherwise determined by the Administrator).

Such Enrollment Agreements shall contain the authorization of payroll deductions described in Section 7. The initial payroll deduction authorization will be effective for the first Offering Period following the submission of the Enrollment Agreements and all subsequent Offering Periods as provided by Section 7, until such payroll deduction:

1. Is modified through execution and submission of a Deduction Change Election;
2. Is terminated through execution and submission of a Withdrawal Election;
3. Is terminated due to the Participant's Termination of Service, as described in Section 8; or
4. Is terminated because the Participant is otherwise ineligible to participate in the Plan.

B. Automatic Re-Enrollment of Participant.

Following the conclusion of each successive Offering Period, each Participant shall be automatically re-enrolled in the following Offering Period at the applicable rate of payroll deductions in effect on the last Trading Day of the concluding Offering Period or otherwise as provided under Section 7, unless:

1. The Participant has elected to withdraw from the Plan in accordance with Section 7;
2. Termination of Service of the Participant, as described in Section 8, during the then-current Offering Period;
3. The Administrator, in accordance with Section 4, determines the number of shares of Common Stock available for issuance under the Plan is insufficient to meet the requirements of the anticipated exercise of Options on the Exercise Date associated with the current Offering Period;
4. The Plan will terminate at the conclusion of the concluding Offering Period; or
5. The Participant is otherwise ineligible to participate in the following Offering Period.

Notwithstanding the foregoing, the Administrator may require current Participants to complete and submit new Enrollment Agreements at any time it deems necessary or desirable to facilitate the administration of the Plan.

C. Designation of Beneficiary.

1. By the end of the initial Enrollment Period, a Participant must file with the Corporation (or its duly authorized delegate) a written designation (i.e., a Designation of Beneficiary) of a beneficiary who shall receive, in the event of the Participant's death, any cash from the Participant's Plan Account and/or any ESPP Shares purchased and held in the Participant's ESPP Share Account.
2. The Designation of Beneficiary may be changed by the Participant at any time by delivering written notice to the Corporation, or its duly authorized delegate (i.e., a revised Designation of Beneficiary).
3. In the event of the death of a Participant, and in the absence of a beneficiary validly designated under the Plan who is living at the time of the Participant's death, the Administrator shall deliver any cash from the Participant's Plan Account and/or any ESPP Shares purchased and held in the Participant's ESPP Share Account to the surviving legal spouse (if any) of the Participant, or if there is no surviving legal spouse, to the executor(s) of the Participant's estate.

SECTION 6. *Limitations on Participation.*

A. Limit on Number of ESPP Shares Purchased.

Any provisions of the Plan to the contrary notwithstanding, in no event may a Participant purchase more than 2,500 ESPP Shares in any one Offering Period, irrespective of the value of the Participant's Plan Account associated with the Offering Period or the Purchase Price of the ESPP Shares on the last day of the Offering Period, unless otherwise expressly provided by the Administrator in advance of that Offering Period.

B. Limit on Aggregate Annual Value Under All Qualified Plans.

Any provisions of the Plan to the contrary notwithstanding, no Participant shall be granted an Option under this Plan causing the Participant's cumulative rights to purchase shares of Common Stock associated with all statutory options awarded under the terms of all employee stock purchase plans maintained by the Corporation and its Subsidiaries (as defined within U.S. Treasury Regulations Section 1.421-1(b)) to exceed a total Fair Market Value of twenty-five thousand dollars (\$25,000) of such shares of Common Stock (determined at the time such statutory options are granted) for each calendar year.

C. Limit on Aggregate Voting Power.

Any provisions of the Plan to the contrary notwithstanding, no Eligible Employee shall be granted an Option under the Plan to the extent, immediately after such grant, the Eligible Employee (or any other person whose ownership would be attributed to such Eligible Employee pursuant to Treasury Regulations Section 1.423-2(d)) would own capital stock of the Corporation or of any Subsidiary (and/or hold outstanding options to purchase shares of such capital stock) possessing five percent (5.0%) or more of the total combined voting power or value of all classes of the capital stock of the Corporation or any Subsidiary.

SECTION 7. *Participant's Payroll Deductions; Changes; Withdrawal.*

A. Range of Deductions.

Each Participant's Enrollment Agreements shall contain a payroll deduction authorization pursuant to which he or she shall elect to have a designated whole percentage of Eligible Compensation between one percent (1.0%) and fifteen percent (15.0%) deducted on each payday during the Offering Period from his or her Eligible Compensation and credited to the Participant's Plan Account for the purchase of ESPP Shares or such other designation as permitted by the Administrator. For avoidance of doubt, the dollar value of the deduction each payroll period from the Participant's net pay (i.e., the amount paid to the Participant after withholding for income taxes, FICA, and FUTA) will be based on the product of the percentage designated by the Participant and his or her Eligible Compensation (i.e., his or her gross pay for the period before withholding of any amounts due for income taxes, FICA, and FUTA).

B. Timing of Deductions.

Payroll deductions shall begin on the date of the first scheduled payday after the Grant Date of the first Offering Period to which the Enrollment Agreements relate (or as soon as administratively practicable thereafter) and shall continue each scheduled payday through the payday ending coincident with or immediately prior to the applicable Exercise Date for the applicable Offering Period. The amounts so deducted may be commingled with the general assets of the Corporation and used for general corporate purposes and shall not be required to be held in a trust fund or in any segregated account, unless otherwise required under Applicable Law.

C. No Separate Plan Account Contributions.

Participants shall not be permitted to make any separate cash payments (i.e., payments outside of the payroll deduction process) into their Plan Account for the purchase of ESPP Shares. Notwithstanding the foregoing, if Applicable Laws in a particular jurisdiction prohibit payroll deductions or otherwise restrict participation as defined by the Plan, a Participant may elect to participate in an Offering Period

through Contributions to his or her Plan Account in a format and pursuant to a process acceptable to the Administrator. In order to maintain Plan qualification under Section 423 of the Code, any such Participant shall be deemed to participate in a separate offering under the Plan, unless the Administrator otherwise expressly provides.

D. Insufficient Amounts for Deductions.

If, in any payroll period, a Participant has insufficient funds (after other authorized deductions) to permit deduction of the full amount of the Participant's Outstanding Election, then (i) the payroll deduction election for such payroll period shall be reduced, without Participant consent, to the amount of pay remaining, if any, after all other authorized deductions, and (ii) the percentage or dollar amount of Eligible Compensation shall be deemed to have been reduced by the amount of the reduction in the payroll deduction election for such payroll period. Deductions of the full amount originally elected by the Participant will recommence as soon as the Participant's pay is sufficient to permit such payroll deductions; provided, however, no additional amounts will be deducted to satisfy the Outstanding Election.

E. Corporation Adjustments to Participant's Rate of Deductions.

Notwithstanding the foregoing, the Corporation may adjust a Participant's payroll deductions at any time during an Offering Period to the extent necessary to maintain compliance with Section 423 of the Code and the limitations of Section 6. Payroll deductions will recommence and be made in accordance with the Outstanding Election in place prior to such adjustment, starting with the first Offering Period beginning in the next calendar year (or such other time as is determined by the Administrator), unless the Participant:

1. Withdraws in accordance with Paragraph I of this Section 7;
2. Is withdrawn from the Plan in accordance with Section 8;
3. Modifies an Outstanding Election to bring such election into compliance with Section 423 of the Code or the limitations of Section 6 through execution and submission of a Deduction Change Election; or
4. Is otherwise ineligible to participate in the Plan.

F. No Increase of Participant's Deduction Rate During Offering Period.

A Participant may not increase the percentage rate at which his or her payroll deductions are made during the current Offering Period. As provided by Paragraph H of this Section 7, a Participant may submit to the Corporation (or its duly authorized delegate) a new Deduction Change Election to modify the percentage rate of payroll deductions for a later Offering Period.

G. Decreasing Deduction Rate During Offering Period.

A Participant may elect to decrease the percentage rate of payroll deductions during an Offering Period by submitting to the Corporation (or its duly authorized delegate) a new Deduction Change Election at any time prior to the tenth (10th) calendar day prior to the associated Exercise Date. A Participant shall be entitled to make such election only once during any Offering Period.

Any such payroll deduction change will be effective as soon as administratively practicable thereafter and will remain in effect for successive Offering Periods as provided in Section 7, unless the Participant:

1. Submits, as provided by Paragraph H of this Section 7, a new Deduction Change Election for a later Offering Period requesting a change in percentage rate of payroll deduction;
2. Elects to withdraw from the Plan in accordance with Paragraph I of this Section 7;
3. Is withdrawn from the Plan in accordance with Section 8; or
4. Is otherwise ineligible to participate in the Plan.

H. Changes to Payroll Deduction Rates for Future Offering Periods.

A Participant may increase or decrease his or her rate of payroll deductions to be effective for an upcoming Offering Period by completing and filing with the Corporation (or its duly authorized delegate) a new Deduction Change Election authorizing the payroll deductions during the Enrollment Period for such upcoming Offering Period.

I. Withdrawal from Current Offering Period (i.e., After Applicable Grant Date).

A Participant may withdraw from any Offering Period after the applicable Grant Date (i.e., the beginning of the associated Offering Period), in whole, but not in part, at any time prior to the tenth (10th) calendar day prior to the associated Exercise Date, by submitting the required Withdrawal Election to the Corporation (or its duly authorized delegate), in the format and following the process set forth by the Administrator.

If a Participant withdraws from an Offering Period, the Participant's Option awarded on the associated Grant Date for that Offering Period will automatically be terminated, and the Corporation will refund in cash the Participant's entire Plan Account balance, as soon as practicable thereafter.

A Participant's withdrawal from a particular Offering Period shall be irrevocable. If a Participant wishes to participate in a subsequent Offering Period, he or she must re-enroll in the Plan by submitting new Enrollment Agreements in accordance with Section 5.

J. Effect of Financial Hardship Distribution.

A Participant who receives a financial hardship distribution from a qualified cash or deferred arrangement (as described in Section 401(k) of the Code) that is maintained by the Corporation or a Designated Subsidiary may not contribute to the Plan for a period of six (6) months after receipt of the financial hardship distribution. The Participant must submit new Enrollment Forms to recommence Contributions to the Plan after receiving such a financial hardship distribution.

K. No Interest Paid on Accumulated Contributions.

No interest shall be paid on Contributions held in a designated Plan Account for the purchase of ESPP Shares, unless otherwise determined necessary by the Administrator.

SECTION 8. *Deemed Withdrawals.*

A. Termination of Service.

In the event of a Participant's Termination of Service:

1. Any outstanding Option held by the Participant shall immediately terminate;
2. The Participant shall be withdrawn from the Plan; and
3. The Participant shall receive a refund of the amount then credited to the Participant's Plan Account.

B. Death of a Participant.

If a Participant dies:

1. Any outstanding Option held by the Participant shall immediately terminate;
2. The Participant shall be withdrawn from the Plan; and
3. As soon as administratively practicable after the Participant's death, the amount then credited to the Participant's Plan Account shall be remitted to the executor, administrator, or other legal representative of the Participant's estate or, if the Administrator permits a beneficiary designation, to the beneficiary or beneficiaries designated by the Participant, provided such designation of beneficiary has been filed with the Corporation or the Corporation's designee prior to the Participant's death.

If such executor, administrator, or other legal representative of the Participant's estate has not been appointed (to the knowledge of the Corporation), or if the beneficiary or beneficiaries are no longer living at the time of the Participant's death, the Corporation, in its discretion, may deliver the outstanding Plan Account balance to the spouse or to any one or more dependents or relatives of the Participant or to such other person as the Administrator may designate.

SECTION 9. *Option Grant and Exercise.*

A. Grant of Option.

On each Grant Date, each Participant shall automatically be granted by the Corporation an Option, recorded on a book-entry basis, to purchase as many whole ESPP Shares as the Participant may be able to purchase with the value of the accumulated Contributions credited to the Participant's Plan Account during the applicable Offering Period, subject to any applicable limitations provided herein. When the Option grant is recorded by the Corporation, the Fair Market Value associated with the Grant Date also is recorded.

The Option is granted by the Corporation to the Participant on the Grant Date for no consideration. While such Option shall have a non-cash compensatory value, calculated and recognized by the Corporation as an expense for financial reporting purposes, such value only is associated with the exercise of the Option by the Participant to purchase ESPP Shares at the Purchase Price. Unless so exercised, the Option has no other value to the Participant, as (i) the Participant may withdraw from an Offering Period, thereby terminating the associated Option and receiving the full value of all Contributions made during the Offering Period, (ii) the Option may not be transferred, and (iii) the Option only may be exercised by the Participant on the Option's Exercise Date. Accordingly, the Corporation shall not record any value associated with the Option in the Participant's Plan Account, nor shall it otherwise accrue or recognize any value of the Option for the benefit of the Participant.

B. No Transfer of Option.

A Participant may not sell, pledge, assign, or transfer an Option in any manner. If a Participant attempts to do so in violation of this Section 9, such Option shall immediately terminate, and the Participant shall immediately receive a refund of the amount then credited to the Participant's Plan Account.

C. Exercise of Option.

Unless a Participant withdraws from the Plan no later than the tenth (10th) calendar day prior to the Exercise Date, as provided in Section 7, the Participant's Option shall be exercised automatically on the Exercise Date by the Administrator, which shall record the Fair Market Value associated with such exercise.

SECTION 10. *Issuance, Purchase, and Delivery of ESPP Shares.*

A. Purchase Price Determination.

At the close of business on an Exercise Date, the Administrator shall have determined the Purchase Price.

B. Issuance Procedure.

As soon as practicable after determination of the Purchase Price:

1. The Administrator shall calculate the whole number of ESPP Shares to be issued by the Corporation to each Participant, based on the Participant's accumulated Contributions in his or her Plan Account, subject to the volume limitations of Section 6, in exchange for the accumulated Contributions in his or her Plan Account. Each Participant's purchase of that whole number of ESPP Shares, as well as the Purchase Price calculated, shall be recorded in the Participant's Plan Account from the Exercise Date (or as soon as practicable after determination of the Purchase Price) until the Settlement Date.

2. As soon as practicable after determination of the whole number of ESPP Shares issued to and purchased by a Participant, the Administrator shall inform the Designated Transfer Agent and Designated Broker of the necessary information describing each Participant's purchase of ESPP Shares and instruct the Designated Transfer Agent and the Designated Broker to execute certain processes and transactions on behalf of the Corporation and each Participant to arrange for delivery of the Participant's purchased ESPP Shares into the ESPP Share Account established for such Participant. Participants shall not have any voting, dividend or other rights of a shareholder with respect to shares of Common Stock subject to an Option granted hereunder until such shares have been delivered pursuant to this Section 10.
3. No fractional ESPP Shares will be issued or purchased. Any payroll deductions not applied to the purchase of ESPP Shares on any Exercise Date shall be promptly refunded to the Participant following the last day of the Offering Period; provided that any amount representing a fractional ESPP Share shall be retained in the Participant's Plan Account and applied to the Plan Account's value for the next Offering Period. No cash from a Participant's Plan Account shall be transferred to his or her ESPP Share Account.

SECTION 11. *Responsibility for Withholding*

At the time the Option is exercised, in whole or in part, or at the time some or all the ESPP Shares issued under the Plan are sold or disposed of, the Participant must make adequate provision for the federal, state, or other tax withholding and payment obligations, if any, that arise upon the exercise of the Option or the sale or disposition of the ESPP Shares. At any time, the Corporation may, but shall not be obligated to, withhold from the Participant's pay the amount necessary for the Corporation to meet applicable withholding obligations, including any withholding required to make available to the Corporation any tax deductions or benefits attributable to the sale or disposition of the ESPP Shares by the Participant.

Each Participant shall give the Corporation prompt written notice if the Participant sells or otherwise disposes of any ESPP Share within (ii) two years of the Grant Date of the Option exercised to acquire the ESPP Share or (ii) within one year of the Exercise Date of the Option exercised to acquire the ESPP Share.

SECTION 12. *Participant Rights.*

A. No Rights to Employment.

Neither the action of the Corporation in establishing the Plan, nor any action taken under the Plan by the Board or the Administrator, nor any provision of the Plan itself, shall be construed so as to grant any person the right to remain in the employ of the Corporation or any Subsidiary for any period of specific duration, and such person's employment may be terminated at any time, with or without cause.

B. Rights as Unsecured Creditor.

Until ESPP Shares are issued by the Corporation and recorded in the Participant's ESPP Share Account, Participants will only have the rights of an unsecured creditor of the Corporation. All payroll deductions received or held by the Corporation under the Plan on its internal books and records may be used by the Corporation for any corporate purpose, and the Corporation is not obligated to segregate funds associated with payroll deductions from the Corporation's general funds.

C. Rights as Shareholder.

A Participant will not be a shareholder or have any rights as a shareholder with respect to the Options granted under the Plan to the Participant until the associated ESPP Shares are purchased, pursuant to the exercise of the Options, and such ESPP Shares are (i) recorded on the Corporation's books and records in the Participant's name, and (ii) issued and transferred to the Participant's ESPP Share Account.

D. Equal Rights and Privileges.

Notwithstanding any provision of the Plan to the contrary and in accordance with Section 423 of the Code, all Eligible Employees who are granted Options under the Plan shall have the same rights and privileges, except for differences that are required in order to comply with the Applicable Laws of a foreign jurisdiction or are otherwise consistent with Code Section 423(b)(5).

SECTION 13. *Subsequent Adjustments.*

A. Changes in Capitalization.

Subject to Section 4, upon (or, as may be necessary to effect the adjustment, immediately prior to): (i) any reclassification, recapitalization, stock split (including a stock split in the form of a stock dividend or reverse stock split), (ii) any merger, combination, consolidation, or other reorganization, (iii) any spin-off, split-up, or similar extraordinary dividend distribution in respect of the Common Stock, (iv) any exchange of Common Stock or other securities of the Corporation, or (v) any unusual or extraordinary corporate transaction of a similar nature in respect of the Common Stock, in each case, then the Administrator shall equitably and proportionately adjust (1) the number, amount, and type of shares of Common Stock (or other securities) that thereafter may be made the subject of Options (including the specific share limits, maximums, and numbers of shares set forth elsewhere in the Plan), (2) the number, amount, and type of shares of Common Stock (or other securities or property) subject to any outstanding Options, (3) the Purchase Price associated with any outstanding Options, and/or (4) the securities, cash, or other property deliverable upon exercise or payment of any outstanding Options, in each case to the extent necessary to preserve (but not increase) the level of incentives intended by the Plan and the then-outstanding Options.

It is intended, if possible, any adjustments contemplated by the preceding paragraph be made in a manner satisfying applicable legal, tax (including, without limitation and as applicable in the circumstances, Section 424 of the Code and Section 409A of the Code), and accounting (i.e., financial reporting) requirements.

Without limiting the generality of Section 4, any good faith determination by the Administrator as to whether an adjustment is required in the circumstances pursuant to this Section 13, and the extent and nature of any such adjustment, shall be final, conclusive, and binding on all persons.

B. Changes Required to Address Merger or Liquidation of Corporation.

In the event the Corporation or its shareholders enter into an agreement to dispose of all or substantially all of the assets or outstanding capital stock of the Corporation by means of a sale, merger, or reorganization in which the Corporation will not be the surviving corporation (other than a reorganization effected primarily to change the jurisdiction in which the Corporation is incorporated, a merger or consolidation with a wholly-owned Subsidiary, or any other transaction in which there is no substantial change in the shareholders of the Corporation or their relative ownership, regardless of whether the Corporation is the surviving corporation) or in the event the Corporation is liquidated, then all outstanding Options under the Plan shall automatically be exercised immediately prior to the consummation of such sale, merger, reorganization, or liquidation (deemed the end of the Offering Period in such case) by causing all amounts credited to each Participant's Plan Account to be applied to purchase as many ESPP Shares pursuant to the Participant's Option as possible at the Purchase Price, subject to the limitations of Section 6.

C. Changes Required to Address Acquisitions, Sales, or Disposals.

The Administrator may, in accordance with provisions of Section 423 of the Code, create special Offering Periods for individuals who become Eligible Employees solely in connection with the acquisition of another Corporation or business by merger, reorganization, or purchase of assets, and notwithstanding Section 7, may provide for special purchase dates for Participants who will cease to be

Eligible Employees solely in connection with the sale or other form of disposition of all or a portion of any Designated Subsidiary or a portion of the Corporation, which Offering Periods and purchase rights granted pursuant thereto shall, notwithstanding anything stated herein, be subject to such terms and conditions as the Administrator considers appropriate.

SECTION 14. *Plan Amendment, Suspension, and Termination.*

The Plan shall terminate upon the earlier of (i) the date on which all shares available for issuance under the Plan shall have been sold pursuant to purchase rights exercised under the Plan, or (ii) the date determined by the Board, in its sole discretion. In addition, the Board may alter, amend, suspend, or terminate the Plan at any time and in any manner it deems necessary or advisable; provided, however, no such action shall adversely affect any then outstanding Options under the Plan unless such action is required to comply with Applicable Laws; and provided, further, no such action of the Board shall be effective without the approval of the Corporation's shareholders if such approval is required by Applicable Laws. Upon the termination of the Plan, all outstanding purchase rights shall terminate and any balance in a Participant's Plan Account shall be refunded to him or her as soon as practicable thereafter.

SECTION 15. *Rules for Foreign Jurisdictions.*

Notwithstanding any provision to the contrary in this Plan, the Administrator may adopt rules or procedures relating to the operation and administration of the Plan to accommodate the specific requirements of local laws and procedures for jurisdictions outside of the U.S. Without limiting the generality of the foregoing, the Administrator specifically is authorized to adopt rules, procedures, and sub-plans regarding, without limitation, eligibility to participate, the definition of Eligible Compensation, processing of payroll deductions, making of Contributions (including, without limitation, in forms other than payroll deductions), establishment of bank or trust accounts to hold payroll deductions, payment of interest on amounts held pending the purchase of ESPP Shares, conversion of local currency, obligations to pay payroll tax, determination of beneficiary-designation requirements, withholding procedures and handling of ESPP Share issuances, all of which may vary according to local requirement. Notwithstanding the foregoing, to the extent such varying provisions are not in accordance with Code Section 423(b), the individuals affected by such varying regulations shall be deemed not to be Eligible Employees.

SECTION 16. *Government Approvals or Consents.*

This Plan and any offering and sales of ESPP Shares or delivery of ESPP Shares under this Plan to Participants hereunder are subject to any governmental or regulatory approvals or consents that may be or become applicable in connection therewith.

SECTION 17. *Governing Law.*

The Plan shall be governed by, and construed in accordance with, the laws of the Commonwealth of Massachusetts and applicable U.S. Federal laws.

On April 26, 2017, the Board approved the adoption of the Vicor Corporation 2017 Employee Stock Purchase Plan, which shall govern all grants of Options as to which ESPP Shares are to be delivered, on or after the date of stockholder approval of adoption of the Plan. The full text of the Plan is presented above.

Exhibit A to Vicor Corporation 2017 Employee Stock Purchase Plan

Designated Subsidiaries

| <u>Designated Subsidiary</u> | <u>Incorporation</u> |
|----------------------------------|----------------------|
| Picor Corporation | Delaware, USA |
| VI Chip Corporation | Delaware, USA |
| VLT, Inc. | California, USA |
| Vicor Development Corporation | Delaware, USA |
| Freedom Power Systems, Inc. | Delaware, USA |
| Granite Power Technologies, Inc. | Delaware, USA |
| Northwest Power, Inc. | Delaware, USA |

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, 2016

**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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 and non-voting common equity of the registrant held by non-affiliates (for this purpose, persons and entities other than executive officers and directors) of the registrant, as of the registrant's most recently completed second fiscal quarter (June 30, 2016) was approximately \$163,529,000.

| <u>Title of Each Class</u> | <u>Number of Shares of Common Stock Outstanding as of February 28, 2017</u> |
|----------------------------|---|
| Class A Common Stock | 27,321,277 |
| Class B Common Stock | 11,758,218 |

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 2017 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 and subsidiaries.

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 “Exchange Act”). 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 transition of our business strategically and organizationally from serving a large number of relatively low volume customers across diversified markets and geographies to serving a small number of relatively large volume customers, typically concentrated in computing and communications; the level of customer orders overall and, in particular, from large customers and the delivery lead times associated therewith; the financial and operational impact of customer changes to shipping schedules; the derivation of a portion of our sales in each quarter from orders booked in the same quarter; our ongoing development of power conversion architectures, switching topologies, packaging technologies, and products; our plans to invest in expanded manufacturing capacity and the timing and location thereof; our continued success depending in part on our ability to attract and retain qualified personnel; our belief cash generated from operations and the total of our cash and cash equivalents will be sufficient to fund operations for the foreseeable future; our belief that we have limited exposure to currency risks; our intentions regarding the declaration and payment of cash dividends; our intentions regarding protecting our rights under our patents; and our expectation that no current litigation or claims will have a material adverse impact on our 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: 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 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 served markets and geographies; improve manufacturing and operating efficiencies; successfully enforce our intellectual property rights; successfully defend outstanding litigation; hire and retain key personnel; and maintain an effective system of internal controls over financial reporting. 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 U.S. Securities and Exchange Commission (“SEC”) 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, except as required by law.

ITEM 1. BUSINESS

Overview

Vicor Corporation designs, develops, manufactures, and markets modular power components and power systems for converting, regulating, and controlling electric current. We consider power components analogous to building blocks, and our strategy is based largely on products, performing distinct functions, that can be flexibly combined to enable a complete power system. We serve customers with applications for which the high

conversion efficiency (i.e., the ratio of output power in watts to the power consumed by the device) and high power density (i.e., the amount of power in watts divided by the volume of the device) of our products are well suited. We also offer a range of higher value-added standard products (our “Configurable” product line) and custom system design and manufacturing capabilities. Both our Configurable products and custom systems leverage the superior performance of our modular power components.

In the market segments we serve, we position the Company as a vendor of power components that can be utilized individually, given their market-leading performance, or combined, given their level of integration, to create highly-differentiated power management solutions. We articulate this positioning through our “Power Component Design Methodology”, which is our approach to providing our customers the modular products, design tools, and support to enable the rapid design of comprehensive power conversion and management systems.

Our website, www.vicorpower.com, sets forth detailed information describing our Power Component Design Methodology, all of our products, the applications for which they may be used, and our suite of design tools. 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.

We are headquartered in Andover, Massachusetts, where our manufacturing facility is located. We conduct business primarily through the activities of our Brick Business Unit (“BBU”), established in 2005, and our two operating subsidiaries, Picor Corporation, established in 2001, and VI Chip Corporation, established in 2007. Picor Corporation relocated its headquarters from North Smithfield, Rhode Island, to Lincoln, Rhode Island in January 2017. Picor Corporation also has personnel based in Andover, Massachusetts. VI Chip Corporation is headquartered in Andover, Massachusetts, where its manufacturing facilities are co-located with those of the BBU.

Our Vicor Custom Power™ locations are geographically distributed across the United States and all are incorporated in Delaware. In March 2016, we acquired 100% ownership of certain operating assets and cash of our consolidated subsidiary, Converpower Corporation, in which we held a 49% ownership interest. In December 2015, we completed the statutory merger of one Vicor Custom Power subsidiary, Mission Power Solutions, Inc., with and into another subsidiary, Northwest Power, Inc., after which we closed the Mission Power Solutions location. Also in December 2015, we sold our 49% ownership interest in Aegis Power Systems, Inc. to Aegis Power Systems, thereby ending our formal relationship with the subsidiary. The consolidated financial statements presented herein reflect these transactions.

Internationally, we conduct business through subsidiaries incorporated in or branch offices established in individual countries. Vicor Japan Company, Ltd. (“VJCL”), our majority-owned Japanese subsidiary, which is engaged in sales and customer support activities exclusively for the Japanese market, is headquartered in Tokyo, Japan. Vicor B.V., a wholly-owned subsidiary incorporated in the Netherlands, serves as our European distribution center. We have established individual subsidiaries or branch offices to conduct the activities of Technical Support Centers (“TSCs”) located outside of the United States.

VLT, Inc., incorporated in California, is our wholly-owned licensing subsidiary. VICR Securities Corporation, incorporated in Massachusetts, is a subsidiary established to hold certain investment securities.

Our subsidiaries and their legal domicile are set forth in Exhibit 21.1 to this Annual Report on Form 10-K. The activities of all of the above named entities are consolidated in the financial statements presented herein.

We were incorporated in Delaware in 1981. Shares of our Common Stock were listed on the NASDAQ National Market System in April 1990 under the ticker symbol VICR, and we completed an initial public offering of our shares in May 1991.

Market Background and Our Strategy

In electrically-powered devices utilizing alternating current (“AC”) voltage from a primary AC 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 and devices (known as “loads”). In many electronic devices, this DC voltage may be further converted to one or more higher or lower voltages required by a range of loads. In equipment utilizing DC voltage from a primary DC source (for example, a battery), the initial DC voltage similarly may require further conversion to one or more 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 numerous application-specific configurations. We believe our product offering is among the most comprehensive in the market segments we serve.

Since the Company was founded, our product strategy has been driven by innovations in design, largely enabled by our focus on the development of differentiated technologies, often implemented in proprietary semiconductor circuitry. Many of our products incorporate patented or proprietary implementations of high-frequency switching topologies, which enable the design of converter modules 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.

Our strategy, competitive positioning, and product offerings, all based on highly differentiated product performance, have anticipated the evolution of system power architectures. As system designs advanced along with the demands of the loads powered, the inherent limitations of historically accepted system power architectures have caused designers to seek out improved solutions.

In 1984, we introduced a significant enhancement of the standardized DC-DC converter: the fully-encapsulated “brick” module. Our innovative, patented technology utilized our implementation of zero current soft switching topology to deliver unprecedentedly high switching frequencies and, in turn, unprecedented power density. Superior conversion efficiency, overall performance improvements, and full encapsulation (which provided shielding from environmental influences) contributed to significant enhancement of thermal performance characteristics, an important competitive advantage. Such thermal performance enhancement has been critical to the differentiation 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.

The brick module integrated transformation, regulation, isolation, filtering, and/or input protection into a single device, thereby driving the adoption of the Distributed Power Architecture (“DPA”). The dominant system power architecture up until that time, the Centralized Power Architecture (“CPA”), generates all system voltages centrally and distributes these voltages to loads using individual distribution buses (i.e., a conductive circuit, generally made of copper). CPA became expensive and impractical for electronic systems increasingly characterized by widely distributed loads requiring lower voltages, higher currents, and higher speeds. DPA, enabled by the brick concept, allows the distribution of one DC voltage system-wide and downstream conversion of that voltage, with a brick, at a specific load. This approach allows electricity to be distributed through a complex system in the most efficient manner, at a uniform higher voltage (typically 48 volts), thereby dramatically reducing distribution and conversion losses, lowering copper consumption, and significantly increasing design flexibility. With patented advances in switching topology and converter design, Vicor became a leading vendor of brick DC-DC converters in the 1980s and 1990s, particularly within the telecommunications infrastructure segment of the market.

With the advent of enterprise computing in the 1990s, the limitations of DPA became apparent, as the number of different loads on a system board increased beyond the level for which DPA and bricks were well-suited. The Intermediate Bus Architecture (“IBA”), a multi-stage extension of DPA, addressed the space

constraints, performance requirements, and cost challenges of highly complex system boards by further separating the functions of DC conversion carried out by the brick, which in IBA is replaced by an isolated bus converter delivering a stepped-down (i.e., reduced), unregulated voltage to a non-isolated point-of-load regulator. For computing and, later, networking applications, IBA was more scalable and cost-efficient, as numerous brick DC-DC converters on a system board were replaced by one brick DC-DC converter, providing one system-wide distributed voltage, accompanied by numerous, lower-cost bus converters providing an intermediate bus voltage, typically from 5 to 14 volts, to point-of-load regulators.

Two significant industry changes coincided with the broad adoption of IBA in the late 1990s and the early 2000s. The first change was the significant decline of the telecommunications infrastructure segment that represented our primary focus, while the second change was a pronounced shift toward product commoditization, primarily driven by globalization. These two changes had an interrelated impact on our strategy, as the primary driver of IBA adoption was initial cost reduction, not system conversion efficiency. As such, IBA was broadly implemented using 12 volt distribution, not the more efficient 48 volt distribution, our core competency.

Unwilling to pursue rapidly commoditized market opportunities, notably in IBA, and unwilling to relocate our manufacturing to lower-cost countries, we shifted our strategy and operations in the 2000s to emphasize “mass customization”, using highly automated, efficient, domestic manufacturing to serve customers with product design and performance requirements, across a wide range of worldwide market segments, that could not be met by high-volume oriented competitors. We focused on applications, largely implementations of DPA, for which our brick DC-DC converters were well-suited, in market segments such as aerospace and defense electronics, industrial automation and equipment, instrumentation and test equipment, and transportation (e.g., rail). This strategy has been the basis upon which the BBU has competed since this strategic and operational shift. The customers served range from independent manufacturers of highly specialized electronic devices to larger original equipment manufacturers (“OEMs”) and their contract manufacturers.

During the 2000s, we embarked on a long-term strategy based on our belief that our competitors’ products and existing system power architectures, notably IBA, would not meet evolving market requirements, notably system conversion efficiency. Over the last decade, we have invested significantly in the development of new power component technologies and product concepts addressing two meaningful market trends, the first toward higher required conversion efficiencies, and the second toward higher currents, more and diverse on-board voltages, and the higher performance demands of numerous complex loads. Reflecting the versatile, building block approach of our Power Component Design Methodology, in 2003 we introduced our Factorized Power Architecture™ (“FPA”), an innovative, component-based approach to flexible, rapid system design, based on separate components optimized to perform a specific function. We continue to believe FPA represents a compelling architectural alternative to other architectural implementations, as it offers superior conversion efficiency, higher power density, improved system responsiveness, and an attractive total cost of ownership, while offering design flexibility. FPA increases total system conversion efficiency by separating power conversion stages, reducing the number of stages required (i.e., duplicated functions requiring separate components), reducing system distribution losses, and reducing power dissipation at the point-of-load.

To support implementation of FPA, we introduced our initial range of VI Chip modules exploiting our proprietary expertise in soft switching topologies and control, power semiconductors, materials, and packaging: the PRM® (Pre-Regulator Module), a non-isolated buck-boost regulator; the BCM® (Bus Converter Module), an isolated, fixed ratio intermediate bus voltage converter; and the VTM® (Voltage Transformation Module), an isolated current multiplier (i.e., voltage converter). The VTM and BCM utilize on our Sine Amplitude Converter™ switching topology, a patented fixed-frequency implementation of zero current / zero voltage soft switching, while the PRM is based on our proprietary implementation of zero voltage soft switching (“ZVS”), which is optimized for buck-boost voltage regulation. All three products incorporate technologies for which we have been issued patents or have patent applications pending.

Beginning in 2011, we began to shift our strategic focus toward higher-volume opportunities with global OEMs and their contract manufacturers, as FPA and VI Chip modules offered superior power density, conversion

efficiency, and thermal management characteristics for board-based, rack-mounted point-of-load applications, notably for microprocessors requiring tightly regulated high currents. FPA and our first-generation VI Chip modules were adopted by customers for use in demanding applications, most notably supercomputing, sophisticated test instrumentation, and defense electronics. However, broader adoption was inhibited by cost considerations and, to a lesser extent, a narrow product range.

In response, we undertook development of a substantially improved product platform, which we introduced in 2013. Our “ChiP” platform (ChiP is an acronym for “Converter housed in Package™”) specifically was designed to be a scalable, leveragable module format with lower manufacturing costs. ChiPs are offered in the same functional families as the earlier VI Chip modules, using the same advanced switching topologies, but, because of the format’s design flexibility and improved manufacturability, we are able to offer much broader ranges of performance specifications within existing and new functional families. Because ChiPs were designed to be manufactured with lower costs, we are able to profitably sell ChiPs and ChiP-based solutions at competitive prices, on a cents-per-watt basis, comparable to prices of alternative commodity products. While our first-generation VI Chip modules were designed to facilitate FPA implementations, ChiP modules support all known power distribution architectures, including FPA, thereby expanding our addressable market opportunity (i.e., the range of customer applications across which our products can be used).

At the same time, our Picor subsidiary undertook development of a high-performance family of point-of-load regulators, in “SiP” (System in Package LGA package) format, to be integrated into our expanded product portfolio, truly enabling comprehensive power management solutions to point(s)-of-load. These Cool-Power® point-of-load regulators have been designed to meet the requirements of high-volume OEMs for cost-effectiveness, design flexibility, and high performance.

In 2014, we introduced the “VIA” packaging concept (VIA is an acronym for “Vicor Integrated Adaptor™”), a rugged, double-sided package for ChiP modules integrating complementary components, circuitry, and superior thermal management. In 2016, we completed the installation of our first dedicated manufacturing line exclusively for the VIA packaging concept. The VIA package provides customers an advanced, turn-key solution for their demanding power needs, cost-effectively accelerating design cycles and time-to-market, while providing superior power density. The VIA package is particularly differentiated by the flexibility it provides designers, as it offers substantial thermal advantages, and its form factor allows a broad range of installation options. We consider the VIA package to be strategically important, as it has been designed to be used in the widest range of power system architectures and applications, as well as serving as the packaging platform for our line of ChiP-based AC-DC front end converters, a critical element of our comprehensive product portfolio enabling highly-differentiated power management solutions from the AC or DC source to the point(s)-of-load. The VIA package enables us to target applications ranging from those addressed by our legacy brick products to the most challenging emerging applications.

With the introduction of innovative new products, we began executing a transitional go-to-market strategy based on our Power Component Design Methodology, exploiting our historical strengths, while addressing both the realities of today’s power conversion marketplace and our vision of its long-term direction. This strategy involves maintaining a profitable legacy business in bricks and brick-based system solutions, while investing in and transitioning to a new, advanced product portfolio based largely on the ChiP platform, targeting high growth opportunities.

Today, we target well-defined applications for which the high conversion efficiency and high power density of our products are well suited within the following industrial and military market segments: aerospace and aviation; defense electronics; enterprise and high performance computing (including large scale datacenters and supercomputers); industrial automation, instrumentation, and test equipment; medical diagnostics; telecommunications and network equipment and infrastructure; and vehicles and transportation infrastructure. With our new, advanced products, we also are pursuing opportunities in emerging market segments, including: autonomous vehicles; hybrid and electric vehicles; commercial solid state lighting; and 380 volt DC-based facility infrastructure (also referred to as “HVDC” (for high voltage DC distribution) or “micro-grids”).

Our competitive positioning has been, and will continue to be, supported by our long-standing commitment to research and development of power conversion technologies, advanced packaging and manufacturing, and innovative approaches to solving customer problems. We incurred approximately \$41,848,000, \$41,472,000, and \$41,479,000 in research and development expenses in 2016, 2015, and 2014, respectively, representing approximately 20.9%, 18.8%, and 18.4% of revenues in 2016, 2015, and 2014, respectively.

As stated, our strategy involves maintaining high levels of customer engagement and support, which has resulted in significant expansion of our sales and application engineering infrastructure over historical levels, notably in high growth regions of the world such as China, Korea, and India. We incurred approximately \$37,967,000, \$37,336,000, and \$38,056,000 in marketing and sales expenses in 2016, 2015, and 2014, respectively, representing approximately 19.0%, 17.0%, and 16.9% of revenues in 2016, 2015, and 2014, respectively.

We intend to maintain spending in support of research and development and marketing and sales at levels, on an absolute basis, consistent with prior periods. If we successfully execute our strategy, we believe our revenue should increase and, if so, the percentages of revenue represented by spending on research and development and marketing and sales should decline.

Competition

Despite significant consolidation of our competitors, the growth of large-scale, low-cost competitors, and increased application overlap with vendors of solutions based on semiconductors and discrete components, the global merchant market for AC-DC and DC-DC power conversion solutions remains fragmented, with over 1,000 merchant vendors. The market is made up of many large, diversified manufacturers, as well as many smaller manufacturers focused on specialized products or narrowly defined market segments or geographies. The overall market, including those segments in which we compete, is characterized by rapid commoditization and intense price competition.

Although numerous third party industry studies estimate the total global merchant market for AC-DC and DC-DC switching power supplies to exceed \$20 billion of annual revenue, representing approximately two-thirds of the total annual consumption of switching power supplies (i.e., the sum of merchant and captive volumes consumed), the Company competes in smaller, well-defined industrial and military market segments. We believe AC-DC power supplies represent more than 85% of the total merchant market, reflecting a wide range of battery charging applications, primarily in the consumer, mobile device, and office computing segments (commodity segments in which we do not compete, together representing more than 50% of the total merchant market). Based on our own assessment of the segments in which we do compete, we estimate our aggregate addressable market opportunity within the AC-DC portion of the merchant market approaches \$1 billion annually, while we estimate our aggregate addressable market opportunity within the DC-DC portion of the merchant market exceeds \$3 billion annually.

Despite our relative position in the overall merchant market, our small historical presence in the AC-DC portion of the merchant market, and the competitive presence of numerous, far larger vendors in the market segments we serve, we believe we are consistently among the largest volume vendors of solutions for the conversion, regulation, and control of DC-DC current, particularly in the market segments we serve. However, numerous competitors in these market segments have significantly greater financial and marketing resources and longer operating histories than we do.

The competitive characteristics of market segments we serve with our transitional go-to-market strategy may vary. Generally, competition is based on product price, product performance, design flexibility (i.e., ease of use), and product availability. We seek to position ourselves with customers across all market segments served in a manner that reduces our vulnerability to commoditization. As we shift our strategy to focus more on higher volume OEM opportunities, we are emphasizing what we believe are our sustainable competitive advantages: the differentiation of our products' superior performance and power densities; a compelling value proposition based

on lower total cost of ownership enabled by superior power conversion efficiencies; and the advantageous design flexibility enabled by our products and tools. The BBU, given its history, continues to compete on the basis of differentiated responsiveness to individual customer requirements enabled by our mass customization capabilities, largely with brick DC-DC converters. However, the BBU is pursuing opportunities for which our new products are appropriate, particularly with VIA packaged ChiPs.

Our VI Chip and Picor subsidiaries, given our focus on higher-volume OEM opportunities with our new, innovative products, seek to build customer awareness and acceptance of our products and value propositions through the high levels of customer engagement and support described above. VI Chip and Picor are pursuing applications with these OEMs and their contract manufacturers in market segments for which the advantages of our new products are most compelling. In particular, we are marketing FPA, enabled by our new products, as an alternative to IBA and other distributed architectures, primarily in enterprise computing (notably for large-scale datacenter and supercomputing applications). A complement to this customer-specific effort is the ongoing development of collaborative relationships with influential suppliers to our OEM customers.

Our Products

Reflecting our Power Component Design Methodology, we offer a comprehensive range of individual, highly integrated building blocks enabling design of a power system specific to a customer's needs. Since introducing and popularizing the encapsulated brick package format during the 1980s, our product focus has been on high performance DC-DC switching converters providing the transformation, regulation, isolation, filtering, and/or input protection necessary to power and protect sophisticated electronic loads. With the development of FPA, VI Chip modules, Picor point-of-load regulators, and, most recently, ChiP modules and the VIA packaging platform, we believe we offer the most advanced range of high-performance power components in the industry. A secondary and highly complementary product strategy has been to vertically integrate our component-level building blocks into complete power systems representing turnkey AC-DC and DC-DC solutions for our customers' power needs.

Reflecting our history and direction, we broadly categorize our products as either "legacy" or "advanced", generally based on design, performance, and form factor considerations, as well as the range of applications for which the products are appropriate.

Legacy Products

The following product groups include those that historically generated the majority of our revenue. Some of our brick product lines have been in production for over a decade, reflecting the long-established relationships we have with many customers and the long-standing suitability of our products to their demanding applications. Their generally long lifecycles and well-established share of targeted market segments provide the competitive foundation and organizational resources for our transitional go-to-market strategy.

- *Bricks (Modular DC-DC Converters and Complementary Components)*

We offer brick modules as DC-DC converters, as well as complementary components providing AC line rectification, input filtering, power factor correction, and transient protection. All of our brick modules are encapsulated with a dielectric, thermally-conductive material, thereby providing electrical insulation, thermal conductivity, and environmental protection of the electronic circuitry. These products are well-established as important, reliable elements of conventional power systems architectures.

The BBU currently offers seven families of high power density, component-level DC-DC converters, representing what we believe to be the broadest selection of DC-DC converter modules in the industry: the VI-200™, VI-J00™, MI-200™, MI-J00™, and the FasTrak™ module line, our highest volume products, made up of the Maxi, Mini, and Micro product families. All of our DC-DC converters are based on our proprietary approach to resonant soft switching, enabling high efficiencies and power

densities. Wide ranges of input voltage (from nine to 425 volts), output voltages (from two to 54 volts), and output power (up to 600 watts) are offered, allowing end users to select components appropriate to their individual applications. The products differ in temperature grades, maximum power ratings, performance characteristics, pin configuration, and, in certain cases, characteristics specific to the targeted market. Brick DC-DC converters are offered in sizes, depending on family, ranging from 116.9 x 61.0 x 12.7 mm (full brick), to 57.9 x 61.0 x 12.7 mm (half brick), to 57.9 x 36.8 x 12.7 mm (quarter brick).

Products from our broad line of complementary components are used to condition and/or filter the input and output voltages of the brick DC-DC converter. Generally, these components address customer requirements at the AC current source, upstream from our DC-DC converters, providing rectification of the AC current, input filtering, inrush limiting, and transient protection. An example of such a complementary product is our HAM™ (Harmonic Attenuator Module), a front end providing power factor correction. The HAM utilizes a proprietary zero current switching boost converter, allowing it to provide output power of up to 675 watts and DC output voltage of 365 volts.

We also offer numerous accessories (for example, base plates and heat sinks) to meet customer requirements.

These products are generally targeted at applications requiring high performance and reliability in the following market segments: aerospace and aviation; defense electronics; industrial automation, instrumentation, and test equipment; medical diagnostics; telecommunications infrastructure; and vehicles and transportation infrastructure.

- *Open-Frame Intermediate Bus Converters*

We offer an extensive line of open-frame (i.e., not encapsulated) intermediate bus converters (“IBCs”) for implementation of multi-stage power conversion. These devices utilize the same Sine Amplitude Converter switching topology utilized in our VTM and BCM modules in the VI Chip and ChiP formats. These low profile, isolated, fixed-ratio IBCs conform to industry standard quarter-brick and eighth-brick sizes, but offer increased capabilities and exceptional performance.

These devices typically are used in telecommunications and networking equipment applications. Because our IBCs represent pin compatible upgrades for existing designs, a customer, for example, can replace a competitor’s quarter-brick unit with our eighth-brick converter, using half the available space, while meaningfully improving system performance.

- *Cool-Power High Density ZVS DC-DC Converters*

We offer a family of isolated DC-DC converters delivering up to 60 watts in a very small (22 x 16.5 x 6.7 mm) surface-mount package. Because these small devices are packaged in the VI Chip over-molded package, they are able to withstand harsh environments in applications for which space is limited and light weight is advantageous (e.g., aerospace, aviation, and defense electronics). These high density converter modules are offered in three input voltages: 48 volt nominal for communication applications; 28 volt nominal for rugged high temperature or military applications; and 24 volt nominal for industrial applications.

Cool-Power converters utilize our proprietary zero voltage soft switching topology (“ZVS”) to achieve high-switching frequencies enabling best-in-class power density, while reducing input and output filtering requirements.

- *Configurable Products*

Utilizing our modular brick components to drive system function, we offer numerous higher valued-added standard products we configure to a customer’s specific needs, often with multiple voltage outputs. These near-custom products exploit the benefits and flexibility of our modular approach to offer higher performance, higher power densities, lower costs, and faster delivery than many competitive offerings. These AC-DC and DC-DC configurable products are designed, developed, and manufactured by the BBU.

Our highest volume configurable product, the FlatPAC™, is representative of our approach to integrating our power components to create high-performance solutions. FlatPACs, available in thousands of configurations in three package variants based on the number of DC output voltages, are complete, conductively-cooled AC-DC conversion solutions comprised of our VI-200 DC-DC converter modules and our complementary components, described above, providing rectification and filtering of the AC input voltage.

Our configurable products typically are used in a range of CPA and distributed power architecture implementations in defense electronics, industrial and transportation applications, as well as medical instrumentation.

- *Custom Power Systems*

Certain customers rely on us to design, develop, and manufacture custom power systems to meet performance and/or form factor requirements that cannot be met with off-the-shelf system solutions. These low-volume, high value-add products frequently are designed to function reliably in the harsh environments associated with aerospace, aviation, and defense applications, but also are used in applications ranging from industrial equipment to medical instrumentation. By utilizing our modular components to drive system function, we have been able to meet such customers' needs with reliable, high power density, turnkey solutions.

Advanced Products

The following product groups include those that reflect our vision of the direction of the market segments we serve with our Power Component Design Methodology. Many of these products are targeted toward FPA implementations, but our more recently introduced products are suitable for other distributed architectures.

- *ChiPs (Modular Power Components)*

In 2013, our VI Chip Corporation subsidiary introduced the ChiP platform, designed to be a scalable, leveragable module format with lower manufacturing costs. We believe the ChiP platform establishes best-in-class standards for a new generation of scalable power modules, while expanding our capability range and, in turn, our addressable market opportunity. Combining advanced proprietary magnetic structures, power semiconductors, and microcontrollers in a high density interconnect substrate, the ChiP delivers superior thermal management characteristics, allowing customers to achieve low cost power system solutions with previously unattainable system efficiency, size, and weight. ChiP modules also have lower manufacturing costs than our original VI Chips, thereby allowing us to offer highly differentiated products, not only with superior total cost of ownership over time, but at attractive initial price points. Our goal is to offer ChiP modules and solutions on a cents per watt basis near or equivalent to the prices of competitive product offerings, thereby presenting customers with a compelling value proposition.

ChiPs are produced in the same functional families as our earlier VI Chip FPA modules (i.e., PRM, BCM, and VTM), but today we offer five package sizes ranging from 6 by 23 mm to 61 by 23 mm. We currently offer over 100 specific ChiP module variants, reflecting the multiple configurations, based on dimensions, lead formats, and performance specifications, enabled by the flexible module format. During 2016, we continued to introduce ChiP modules, adding 32 new products and 128 additional variants within the product families. Based on our current design and development activities, we anticipate, in 2017, further expansion of the range of package sizes, board or chassis mounting alternatives, lead formats, and performance characteristics of our ChiP product offerings. We plan to target a number of these new product families and variants at segments and applications that, if successfully penetrated, should expand the size of our addressable markets.

ChiP modules are targeted at sophisticated applications, regardless of the power distribution architecture, for which their high level of performance and form factor differentiation is appropriate. Across distributed power system architectures, ChiPs are targeted at: aerospace and aviation (e.g., for

use in unmanned aerial vehicles, due to their conversion efficiency, reliability, small form factor, and light weight); computing (e.g., for source to point-of-load solutions in servers deployed in datacenters, due to their conversion efficiency and flexibility of use, which contribute to lower total cost of ownership); defense electronics (e.g., for use in airborne, seaborne, or field radar, due to their high power capabilities, conversion efficiency, ruggedness, and reliability); industrial automation, instrumentation, and test equipment (e.g., for use in semiconductor testing, due to their power density and tight current regulation); telecommunications and networking infrastructure (e.g., for use in pole-mounted small-cell base stations in urban environments, due to their form factor, reliability, and cost/performance profile); and vehicles (e.g., in hybrid electric vehicles, due to their form factor, light weight, differentiated performance, and cost/performance profile). As stated, we also are pursuing applications with OEMs and their contract manufacturers in market segments for which the advantages of ChiPs are most compelling.

- *VIAs (Vicor Integrated Adapter Package)*

The VIA platform is a rugged, double-sided, copper-alloy package for ChiP modules, integrating complementary components, circuitry, and superior thermal management through conductive cooling. In 2016, we completed installation of our first dedicated manufacturing line exclusively for the VIA packaging concept.

We consider the VIA platform to be important to our transitional go-to-market strategy, as it has been designed to enable the use of ChiP modules across the widest range of power system architectures, power levels, and applications. It is an easy-to-use power management solution, providing customers an advanced, turn-key solution for their demanding power needs, cost-effectively accelerating design cycles and time-to-market, while providing superior power density. The VIA platform is particularly differentiated by the flexibility it provides designers, as it offers substantial thermal advantages and its form factor allows a broad range of installation options. In numerous applications, the package simplifies thermal design considerations and, in some instances, eliminates the need for a fan for convection cooling, improving overall system reliability and further minimizing the power system footprint. Offered in board and chassis mount configurations, all VIA packages have a vertical dimension of 9.3 mm and a width of 35.5 mm, and, depending on the packaged ChiP module and its functionality, range in length from 72.0 to 141.4 mm.

The VIA platform facilitates our latest AC front-end solution, based on the ChiP PFM[®] (Power Factor Module). The VIA PFM represents a significant improvement over our legacy front-end solutions, thereby enhancing our positioning as a supplier of highly-differentiated power management solutions from the AC source to the point(s) of load. The VIA PFM achieves a market-leading power density of 127 W/in³, supplying an isolated DC output of either 24 or 48 volts, at up to 400 watts, from a universal AC input. It operates with active power factor correction at 93% peak conversion efficiency, which is an unprecedented level for an AC-DC converter of this size and power density. Combining the VIA PFM with our small AIM[™] (“AC Input Module”), which provides AC rectification, filtering, transient protection, and inrush limiting capabilities, creates a high-performance AC-DC front-end solution with an unmatched size profile. This solution is especially well-suited for emerging applications with size constraints, including small-cell base stations and commercial LED lighting.

The VIA platform also facilitates the VIA DCM, which is an important product for executing our strategic transition. We currently offer seven variants of the VIA DCM. The product family integrates filtering, output voltage regulation, circuitry protection, and a control interface, giving the VIA DCM the function of a conventional brick DC-DC converter, while offering higher conversion efficiency, superior power density, and the design flexibility described above. As such, we are positioning the VIA DCM as a successor to our legacy brick DC-DC converters, notably in advanced, challenging applications. However, the VIA DCM also is positioned as an innovative, high-performance element of our Power Component Design Methodology, as it has been designed to be integrated with our other products to facilitate design of comprehensive power system solutions.

- *Cool-Power® ZVS Modules (System-in-Package Point-of-Load Regulators)*

Our Cool-Power brand of non-isolated, point-of-load regulators currently consists of an expanding portfolio of buck (i.e., the device steps down voltage) and buck-boost (i.e., the device lowers or increases voltage) regulators.

We believe Cool-Power buck regulators provide best in class conversion efficiency (up to 98%), allowing customers to deploy more efficient designs, regardless of power system architecture, based on the compatibility of these point-of-load regulators with higher, more efficient input voltages. Operating from nominal input voltages of 12, 24, or 48 volts, these regulators are optimized for applications requiring high conversion efficiency and power density, such as computer and graphic processors.

The high conversion efficiency of our Cool-Power regulators is enabled by our proprietary ZVS topology, which minimizes switching losses, while maximizing dynamic response to line and load transients. Along with ZVS control circuitry, the advanced design of Cool-Power regulators incorporates proprietary power semiconductors, all within a high-density, surface-mount package.

Cool-Power regulators are competitively well-positioned to address market trends toward higher required conversion efficiencies and higher currents at the point-of-load. The addition of buck-boost variants expands our capabilities to include loads powered by batteries, which are subject to varying voltage delivery over their discharge cycle. We believe these products will be an important contributor to our long-term success, as they represent a meaningful element of our Power Component Design Methodology, enabling comprehensive, highly integrated solutions for FPA and other distributed architectural implementations, fulfilling our strategic commitment to offering integrated solutions all the way from the source to the point-of-load. Our success to date with these products has frequently been when they have been part of an integrated FPA solution, delivering a tightly regulated voltage to a downstream VTM serving as a current multiplier, which in turn delivers low voltage, high amperage, regulated current to the point-of-load, typically a microprocessor. Our 48 volt to point-of-load solutions for datacenter servers is representative of such an integrated FPA solution.

- *Power Path Management Components*

Our Picor subsidiary offers a limited range of specialized components for circuit protection, all of which are characterized by small size, ease-of-use, and differentiated performance. The highest volume products are QuietPower® filters for input filtering of electro-magnetic interference and output noise (i.e., ripple attenuation).

We consider these products to be a valuable complement to our Power Component Design Methodology, despite their relatively small sales volumes, as they enable customers, assisted by our application engineers, to source from Vicor their complete solution to power conversion and management.

- *VI Chips (Modular Power Components)*

We continue to offer the first generation of VI Chip PRM, BCM, and VTM modules, in full (32.5 by 22.0 by 6.73 mm) and half (22.0 by 16.5 by 6.73 mm) sizes, targeting FPA implementations. These products remain compelling solutions for certain applications, notably in defense electronics, medical instrumentation, and test and measurement applications.

With the expansion of ChiP product families, we anticipate our sales of the first generation of VI Chips will be limited to shipments to existing customers during the life cycles of the applications into which these products have been designed. We expect the life cycles of many of these applications may continue for several years.

Patents and Intellectual Property

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 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 switching 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.

In the United States, as of December 31, 2016, we have been issued 102 total patents, which expire between 2017 and 2035. We also have a number of patent applications pending in the United States and certain countries of Europe and Asia. We have vigorously protected our rights under these patents and will continue to do so. Although we believe patents are an effective way of protecting our technology, there can be no assurances our patents will prove to be enforceable in any given jurisdiction.

In addition to generating revenue from product sales, we seek to license our intellectual property. 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 is the assignee for our patents that may be subject to licensing. Revenues from licensing arrangements have not exceeded 10% of our consolidated revenues in any of the last three fiscal years.

Customers and Backlog

The applications in which our products are used are in the higher-performance, higher-power segments of the market segments we serve. The BBU has customers concentrated in aerospace and aviation, defense electronics, industrial automation and equipment, medical diagnostics, rail transportation, and test and measurement instrumentation. VI Chip and Picor have customers concentrated in the datacenter and supercomputer segments of the computing market, although they also target applications in aerospace and aviation, defense electronics, networking equipment, solid state lighting, test and measurement instrumentation, and transportation (electric and hybrid vehicles and autonomous vehicles). With our strategic emphasis on larger, high-volume customers, we expect to experience a greater concentration of sales among relatively fewer customers.

For the year ended December 31, 2016, one customer, NuPower Electronic, Ltd., accounted for approximately 16.4% of net revenues, and our five largest customers represented approximately 26.5% of net revenues. For the year ended December 31, 2015, one customer, NuPower Electronic, Ltd., accounted for approximately 16.2% of net revenues, and our five largest customers represented approximately 33.4% of net revenues. For the year ended December 31, 2014, one customer (NuPower Electronic, Ltd.) accounted for approximately 14.7% of net revenues, and our five largest customers represented approximately 32.6% of net revenues.

International revenues, as a percentage of total revenues, were approximately 59.4%, 59.6%, and 60.5% in 2016, 2015, and 2014, respectively. Net revenues from customers in China, our largest international market, accounted for approximately 32.1% of total net revenues in 2016, approximately 34.2% in 2015, and approximately 32.3% in 2014, respectively. International sales have increased from historical levels primarily due to higher volumes of shipments to foreign contract manufacturers, many of which are located in China, utilized by domestic and international OEMs. As we have substantially expanded our sales and customer support activities and resources internationally, particularly in Asia, we expect international sales to continue to increase as a percentage of total revenue.

As of December 31, 2016, we had a backlog of approximately \$48,371,000, compared to \$39,073,000 as of December 31, 2015. Backlog, as presented here, consists of orders for products for which shipment is scheduled

within the following 12 months, subject to normal customer cancellation policies. A portion of our revenue in any quarter is, and will continue to be, derived from orders booked and shipped in the same quarter. Over the past two years, the portion of sales booked and shipped in the same quarter has represented less than two-fifths of our quarterly revenue, as we typically only build products to customer specifications upon receipt of a purchase order (i.e., we typically do not maintain significant inventories of finished goods for the BBU and VI Chip). Products sold by the BBU may have a lead time (i.e., the period between receipt of an order and shipment of the product) of up to six weeks, although the average lead time for 2016 was less than four weeks. Products sold by VI Chip typically have a lead time in excess of eight weeks. Lead times for the BBU and VI Chip may shorten (and have shortened) during periods of sustained volume. Picor, given its fabless model, builds inventories based on expected customer demand and orders from stocking distribution partners. As such, the portion of sales booked and shipped in the same quarter can vary considerably depending on the relative volumes of BBU, VI Chip, and Picor products booked within the quarter.

Sales and Marketing

We reach and serve customers through several channels: a direct sales force; a network of independent sales representative organizations in North America and South America; independent, authorized non-stocking distributors in Europe and Asia; and three authorized stocking distributors world-wide, Digi-Key Corporation, Future Electronics Incorporated, and Mouser Electronics, Inc. These channels are supported by regional TSCs, each offering application engineering and sales support for customers and our channel partners. Domestic TSCs are located in: Andover, Massachusetts; Lombard, Illinois; and Santa Clara, California. International TSCs are located in: Beijing, China; Hong Kong, China; Shanghai, China; Shenzhen, China; Munich, Germany; Bangalore, India; Milan, Italy; Taipei, Taiwan (Republic of China); Seoul, South Korea; and Camberley, United Kingdom. Customers do not place purchase orders with TSCs, but either directly with the Company or with our distributors. In Japan, customers place purchase orders with VJCL or authorized distributors.

Because of the technically complex nature of our products and the applications they address, we maintain an extensive staff of Field Applications Engineers to support our own sales and customer support activities, as well as those of our channel partners. Field Application Engineers, based in our TSCs, provide direct technical support worldwide by reviewing new applications and technical matters with existing and potential customers, as well as our channel partners. Product Line Engineers, located in our Andover headquarters, support Field Application Engineers assigned to all of our TSCs.

Vicor also reaches customers through the recently-expanded electronic commerce capabilities of our website, www.vicorpower.com. Registered customers in the United States, Canada, and certain European countries are able to purchase prototype quantities of selected products online. We intend to expand these capabilities to allow for higher-volume purchases.

Our web-based resources are an important element of our efforts to interact and support customers. Within our website, *PowerBench*[™] is a workspace of tools and references allowing engineers to select, architect, and implement power systems using Vicor's products. During 2016, we continued to enhance our highly differentiated *Whiteboard*[™] tool, which allows users to configure and analyze their own power system designs or those from an extensive library of designs addressing a wide range of applications. Users can modify the operating condition for each component of their design to match the intended application and perform efficiency and loss analysis of individual components and the full power system. We are aggressively expanding the range and capabilities of engineering tools we make available online to customers and prospective customers.

In 2016, we reorganized our approach to how we address new, low volume customers not already served by our regional distributors in European Union member countries. We discontinued our distributor support initiative, which had been an effort to address the needs of small-volume customers targeted for transition to distributors as their purchase volumes increased. Previously, such customers had placed orders via telephone or email, denominated in Euros or Pounds Sterling, with Vicor B.V., which served as importer of record for shipments by Vicor from Andover, Massachusetts. European TSCs participating in the initiative did not record

any revenue associated with shipments from Vicor to Vicor B.V. for subsequent delivery to customers. The early-stage, low volume customers previously served by this initiative now are referred by us to either our website or a distributor for order placement.

We generally sell our products on the basis of our standard terms and conditions, and we most commonly warrant our products for a period of two years. Effective January 1, 2017, we extended the warranty period to three years for a range of H Grade, M Grade and MI Family DC-DC converters, input filters, output filters, and front ends sold after that date. In a limited number of circumstances, we have entered into supply contracts with certain high-volume customers calling for extended warranty terms. With our distribution partners, we also enter into contracts providing for our product warranties to transfer to the end customer upon final sale of our product(s) by the stocking distributor.

Manufacturing, Quality Assurance, and Supply Chain Management

Our BBU and VI Chip manufacturing facilities are co-located in Andover, Massachusetts, where we are headquartered. Picor, given its fabless model, outsources manufacturing, packaging, and testing of its products under contract to partners in the United States and Asia.

Our primary 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 or over-molding of converter subassemblies and assemblies; final environmental stress screening of certain products; and product inspection and testing using automated equipment. These processes are largely automated, but their labor components require relatively high levels of skill and training.

We pursue a manufacturing strategy based upon production flexibility and the continuous improvement of product quality, volume throughput, and reduced manufacturing costs. Product quality and reliability are 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 and temperature cycling (i.e., extended operation of a product to confirm performance) of our products using automated equipment.

We continue to make investments in automated manufacturing equipment, particularly for our ChiP modules and VIA packaging platforms. Based on current estimates of ChiP and VIA manufacturing volumes and our capacity requirements, we do not expect to incur capital expenditures during 2017 significantly higher than we incurred during recent years.

Components and materials used in our products are purchased from a variety of domestic and international vendors. Most of the components are available from multiple sources, whether directly from suppliers or indirectly through distributors. 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, and we maintain robust data on our inventories in order to support our quality assurance procedures. Picor, given its fabless model, relies on a limited number of wafer foundries and providers of packaging and test services. Our proprietary switching controllers were designed by and are sourced through Picor, which relies on these wafer foundries and service providers for supply continuity and sufficiency of these critical semiconductor devices.

See Note 17 — *Segment Information* to the Consolidated Financial Statements for certain financial information associated with the operations and manufacturing activities of our business segments.

Employees

As of December 31, 2016, we had 959 full time employees and 12 part time employees. None of our employees are subject to a collective bargaining agreement. 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”).

Available Information

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 Exchange Act, as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the SEC. We also make available on our website our Code of Business Conduct, as well as the charters for the Audit and Compensation Committees of our Board of Directors.

While our website sets forth extensive information, including information regarding our products and the applications in which they may be used, such information 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.

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 Exchange Act. 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 operating results, including revenues, gross margins, operating expenses, and net income (loss), have fluctuated on a quarterly and annual basis. Our focus on higher volume opportunities with OEMs and their contract manufacturers has caused the impact of a relative few such customers to disproportionately influence our operating results. Unanticipated delays in purchase orders from and shipments to these customers have resulted in lower revenue, contributing to our recent operating losses. We cannot predict when, or if, we will return to profitability. Our future operating results may be materially affected by a number of factors, many of which are beyond our control, including:

- changes in demand for our products and for our customers' end-products incorporating our products, as well as our ability to respond efficiently to such changes in demand, including changes in order lead times and the volume of product for which orders are received and the product shipped within an individual quarter;
- our ability to manage our supply chain, inventory levels, and our own manufacturing capacity or that of third-party partners, particularly in the event of delays or cancellation of significant customer orders;
- 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 products;
- our ability to provide and maintain a high level of support to an increasing number of demanding, high volume customers;
- the ability of our third party suppliers, service subcontractors, and manufacturers to supply us with sufficient quantities of high quality products, components, and/or services on a timely basis;
- the effectiveness of our efforts to continuously reduce product costs and manage operating expenses;
- our ability to utilize our manufacturing facilities and personnel at efficient levels, maintaining production capacity and manufacturing yields;
- the timing of our new product introductions and our ability to meet customer expectations for timely delivery of fully qualified products;
- the timing of new product introductions or other competitive actions (e.g., product price reductions) by our competitors;
- the ability to hire, retain, and motivate qualified employees to meet the demands of our customers;
- intellectual property disputes;
- potential significant litigation-related costs;
- adverse economic conditions in the United States and those international markets in which we operate;
- adverse budgetary conditions within the U.S. government, particularly the Department of Defense, which continue to influence spending on current and anticipated programs into which we sell or anticipate to sell our products;
- costs related to compliance with increasing worldwide governance, quality, environmental, and other regulations; and

- the effects of events outside of our control, including natural disasters, public health emergencies, terrorist activities, political risks, international conflicts, information security breaches, communication interruptions, and other *force majeure*.

As a result of these and other factors, we cannot assure you 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.

Because of the factors set forth below, among others, the trading price of our Common Stock has fluctuated and may continue to fluctuate significantly:

- volatility of the financial markets;
- uncertainty regarding the prospects of domestic and foreign economies, including currency exchange rates;
- uncertainty regarding domestic and international political conditions, including tax and tariff policies;
- actual or anticipated fluctuations in our operating performance or that of our competitors;
- the performance and prospects of our major customers;
- announcements by us or our competitors of significant new products, technical innovations, or litigation;
- 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.

We do not actively communicate with investment analysts and, as a consequence, we are not aware of earnings estimates or supporting investment research coverage of Vicor and our Common Stock. While we seek to be transparent in our financial reporting, public statements, and related disclosures, the absence of research coverage may limit investor interest in our Common Stock. Because our 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 our Board of Directors that we have adequate capital to fund anticipated operating requirements and that excess cash is available for distribution to stockholders 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.

The ownership of our Common Stock is concentrated between Dr. Vinciarelli and a limited number of institutional investors. As of December 31, 2016, Dr. Vinciarelli owned 9,828,272 shares of our Common Stock, as well as 11,023,648 shares of our unregistered Class B Common Stock (convertible on a one-for-one basis into registered shares of Common Stock), together representing 54.5% of total 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.

Dr. Vinciarelli owns 93.8% 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 majority of the balance of Class B shares

issued and outstanding. As such, Dr. Vinciarelli, controlling in aggregate 82.7% of our outstanding voting securities, has effective control of our governance.

Global economic uncertainty could materially and adversely affect our business and consolidated operating results.

Disruption and further deterioration of global economic conditions, including relative strength of the U.S. Dollar, 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.

We compete with many companies possessing far greater resources.

Some of our competitors have far 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 VI Chip and Picor product lines, we increasingly are competing with global manufacturers of power management products with far larger organizations and broader semiconductor-based product lines. 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 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 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. Our future operating results are dependent on the growth in such customers' businesses and on our ability to profitably develop and deliver products meeting customer requirements.

The power system industry and the industries in which many of our customers operate are characterized by intense competition, rapid technological change, quickened 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, while at the same time sustaining the performance of the BBU, which manufactures and markets our lines of legacy brick products. The development of 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. Although we have introduced many products over the past three years, there can be no assurance we will be able to continue to develop and introduce new and improved products in a timely or efficient manner. Similarly, there can be no assurance recently introduced or to be developed products will achieve customer 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 increase the possibility 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.

We are shifting our go-to-market strategy to focus on larger opportunities with global OEMs and their contract manufacturers. Our growth is therefore dependent on: the pace at which these OEMs develop their own new products, the acceptance of our products by these OEMs, and the success of the OEM products incorporating our new products. If we fail to anticipate changes in our customers' businesses and their changing product needs or do not successfully identify and enter new markets, our results of operations and financial position could be negatively impacted. We cannot assure you the markets we serve will grow in the future, our existing and new products will meet the requirements of these markets, or we can maintain adequate gross margins or operating profits in these markets.

Our operating results recently have been influenced by a limited number of customers, and our future results may be similarly influenced.

Since it was established in 2007, our VI Chip subsidiary has derived a substantial portion of its revenue in any given year from one customer, whether through sales directly to the customer or indirectly to the customer's contract manufacturers. Similarly, our Picor subsidiary has derived a substantial portion of its third-party revenue from a limited number of customers, including those customers served by VI Chip. This concentration of revenue is a reflection of the relatively early stage of adoption of the technologies, architectures, and products offered by these subsidiaries, and their targeting of market leading innovators as initial customers. Our current sales and marketing efforts, in part, are focused on accelerating the adoption of VI Chip and Picor products by a diversified customer base across a number of identified market segments. However, we cannot assure you our new strategy will be successful and such diversification of customers will be achieved.

Further stagnation of spending by the U.S. Department of Defense or a pronounced shift in the nature of such spending may negatively influence our operating results.

Customers in the defense electronics segment historically have contributed a meaningful portion of our revenue, primarily in the BBU, which sells military-grade brick modules and, through our Vicor Custom Power businesses, customer-specific systems incorporating our brick modules, primarily for C4I (*Command, Control, Communications, Computing, and Intelligence*) applications. However, shifts in Department of Defense spending priorities and ongoing budget constraints have contributed to a decline in such revenue as a percentage of our consolidated revenue. Additional risks to our defense electronics volume has been associated with the organizational structure, capacity, and ownership of our Vicor Custom Power businesses. In March 2016, we acquired 100% ownership of certain operating assets and cash of our consolidated subsidiary, Converpower Corporation, in which we held a 49% ownership interest, transferring operations to Granite Power Technologies, Inc., a wholly-owned subsidiary we established to assume the operations of a previously unincorporated Vicor Custom Power location (i.e., a division). Converpower ceased operations in December 2015. In December 2015, we completed the statutory merger of one Vicor Custom Power subsidiary, Mission Power Solutions, Inc. with and into another subsidiary, Northwest Power, Inc., after which we closed the Mission Power Solutions location. Also in December 2015, we sold our 49% ownership interest in Aegis Power Systems, Inc. to Aegis Power Systems, thereby ending our formal relationship with the subsidiary. We undertook these transactions in order to consolidate our custom organization, reduce manufacturing capacity, and reduce our cost structure. If the performance of the remaining three Vicor Custom Power subsidiaries does not improve as expected, we may choose to further consolidate our locations or otherwise rationalize our associated cost structure, which may impact our ability to compete cost effectively in this market segment.

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 operating results.

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 require raw materials supplied by a limited number of vendors and, in some instances, a single vendor. During certain periods, key components or materials 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 has, in the past, negatively impacted our sales and operating results and could do so again. We may choose, and have chosen, to mitigate this risk by increasing the levels of inventory for certain materials and components. Such increased inventory levels may increase the potential risk for excess or obsolete inventories, should our forecasts fail to materialize or if there are negative factors impacting our customers' end markets, leading to order cancellation. If we identify excess inventory or determine certain inventory is obsolete (i.e., unusable), we may record additional inventory reserves (i.e., expenses representing the write-off of the excess or obsolete inventory), which could have an adverse effect on our gross margins and on our operating results.

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

We depend on third-party vendors and subcontractors to supply components, assemblies, and services used in our products, some of which are supplied by a single vendor, and have experienced shortages of certain semiconductor components, incurred additional and unexpected costs to address the shortages, and experienced delays in production and shipping. 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 revenue, we likely will need to identify and qualify new suppliers and subcontractors to supplant or replace existing suppliers and subcontractors which is a time-consuming and expensive process. In addition, any qualification of new suppliers may require customers of our products utilizing products and services from new suppliers and service providers to undergo a re-qualification process. Such circumstances likely would lead to disruptions in our production, increased production costs, delays in shipping to our customers, and/or increases in prices paid to third parties for products and services.

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

For the years ended December 31, 2016, 2015, and 2014, our revenues from sales outside the United States were 59.4%, 59.6%, and 60.5%, respectively, of the Company's total revenues. Net revenues from customers in China, our largest international market, accounted for approximately 32.1% of total net revenues in 2016, approximately 34.2% in 2015, and approximately 32.3% in 2014, respectively. We expect international sales will continue to be a significant component of total sales, since many of the global manufacturers we target as customers increasingly utilize offshore contract manufacturers and rely upon those contract manufacturers to place orders directly with us. We also expect international revenue from our distributors to increase.

While our currency risks are limited, as our sales are denominated in U.S. Dollars worldwide, with the exception of sales by VJCL and Vicor B.V., our international activities expose us to special risks including, but not limited to, regulatory requirements, economic and political instability, transportation delays, foreign currency controls and market fluctuations, trade barriers and tariffs, and unfavorable shifts in foreign exchange rates. In addition, our international customers' business may be negatively affected by economic sanctions, as were imposed in 2014 by the U.S. Department of the Treasury against certain Russian entities to which we had sold products in the past. Sudden or unexpected changes in the foregoing could have a material adverse effect on our operating results.

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 replicate, or may be unable to acquire patents in the future, all of which 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 financial costs in the defense of our patented technologies and have devoted and expect to devote significant resources to these efforts which, if unsuccessful, may have a material adverse effect on our operating results and financial position.

We face intellectual property infringement claims that could be disruptive to operations and costly to resolve and may encounter similar infringement claims in the future.

The power supply industry is characterized by vigorous protection and pursuit of intellectual property rights. We have in the past and 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. Such assertions, if publicly disclosed, have in the past and may in the future inhibit the willingness of potential customers to purchase certain of our products. 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, extend over a lengthy period of time, and divert the attention of key personnel. An adverse outcome in these types of matters could have a material adverse impact on our operating results and financial condition.

Please see Part I, Item 3 — "Legal Proceedings" for information regarding current litigation related to our intellectual property.

Any expenses or liability resulting from the outcome of litigation could adversely affect our operating results and financial condition.

From time to time, we may be subject to claims or litigation, including intellectual property litigation as described elsewhere in this Annual Report on Form 10-K. Any such claims or litigation may be time-consuming and costly, divert management resources, require us to change our products, or have other adverse effects on our business. Any of the foregoing could have a material adverse effect on our operating results and could require us to pay significant monetary damages.

The outcomes of legal proceedings and claims brought against us are subject to significant uncertainty. An estimated loss from a loss contingency such as a legal proceeding or claim is accrued by a charge to income if it is considered probable an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. Disclosure of a contingency is required if there is at least a reasonable possibility that a loss has been incurred. In determining whether a loss should be accrued, we evaluate, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. Changes in these factors could materially impact our financial statements. As of December 31, 2016, our evaluation led us to conclude no accrual of a loss contingency was warranted.

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

We have in the past and 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. Effective January 1, 2017, we extended the warranty period to three years for a range of H Grade, M Grade and MI Family DC-DC converters, input filters, output filters, and front ends sold after that date. In a limited number of circumstances, we have entered into supply contracts with certain high-volume customers calling for extended warranty terms. With our distribution partners, we also enter into contracts providing for our product warranties to transfer to the end customer upon final sale of our product(s) by the stocking distributor.

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 contain defects, or have 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. We are currently party to a limited number of supply agreements with certain customers contractually committing us to warranty and indemnification requirements exceeding those to which we have been exposed in the past. While we maintain insurance coverage for such exposure, we could incur significant financial cost beyond the limits of such coverage, as well as operational disruption and damage to our competitive position and image if faced with a significant product warranty or other claim.

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.

Extended interruption of production at our manufacturing facility in Andover, Massachusetts, could materially reduce our revenue and increase costs.

All modular power components, whether for direct sale to customers or for sale to our subsidiaries for incorporation into their respective products, as well as all configurable 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. While we have never experienced any meaningful interruption of manufacturing in our history, any prolonged inability to utilize all or a significant portion of our Andover facility could have a material adverse effect on our results of operations.

Disruption of our information technology infrastructure could adversely affect our business.

We depend heavily on our computing and communications infrastructure to achieve our business objectives, particularly for email communications, financial and operational record keeping, and our computer-integrated manufacturing processes that control all aspects of our operations in our manufacturing facility in Andover, Massachusetts. If a problem occurs impairing this infrastructure, the resulting disruption could impede our ability to record or process orders, manufacture and ship in a timely manner, or otherwise carry on business in the normal course. Since 2012, we have experienced no interruption of our computing and communications capabilities. While we carry business interruption insurance that would mitigate financial losses from such an

interruption to an extent, such insurance may be insufficient to compensate us for the potentially significant amounts incurred. Any such events, if prolonged, could have a material and adverse effect on our operating results and financial condition.

Our systems are designed to protect us from network security breaches and associated disruptions. However, we remain vulnerable to computer viruses and related software-based challenges to the integrity of our systems, unauthorized or illegal break-ins or malicious network hacking, equipment or software sabotage, acts of vandalism to our systems by third parties, and, in the extreme, forms of cyber-terrorism. Our security measures or those of our third-party service providers may not detect or prevent such network security breaches or associated disruptions. Also, we provide confidential information to third-party business partners in certain circumstances when doing so is necessary to conduct business. While we employ confidentiality agreements to protect such information, our own security measures or those of our third-party service providers may not be sufficient to protect such information in the event the computing infrastructure of these third-party business partners is compromised. Security breaches of our computing and communications infrastructure or that of a third-party business partner could result in the misappropriation or unauthorized release of confidential information belonging to us or to our employees, partners, customers or suppliers, which could result in an interruption to our operations, result in a violation of privacy or other laws, expose us to a risk of litigation, or damage our reputation, any of which could have a material and adverse effect on our operating results and financial condition.

If we fail to maintain an effective system of internal controls over financial reporting 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 us to produce reliable financial reports and is an important part of our 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 over financial reporting.

We have an ongoing program to perform the system and process evaluation and testing necessary to comply with the requirements of the Sarbanes-Oxley Act and to continuously improve and, when necessary, 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 our Chief Executive Officer, Chief Financial Officer, or independent registered public accounting firm determines 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 SEC 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 Stock to decline or limit our access to capital.

New regulations related to conflict minerals could adversely impact our business.

The Dodd-Frank Wall Street Reform and Consumer Protection Act contains provisions to improve transparency and accountability concerning the supply of certain minerals, known as conflict minerals (including gold, tantalum, tin, and tungsten, and their related ores), originating from the Democratic Republic of Congo (“DRC”) and adjoining countries. As a result, in August 2012 the SEC released final rules for annual disclosure and reporting for those companies who use conflict minerals mined from the DRC and adjoining countries in

their products. We began to implement processes within our supply chain to comply these rules beginning in 2012 and filed our initial Form SD in May 2014. There have been and will continue to be costs associated with complying with these disclosure requirements, including due diligence to determine the sources of conflict minerals used in our products and other potential changes to products, processes, or sources of supply as a consequence of such verification activities. The implementation of these rules could adversely affect the sourcing, supply, and pricing of materials used in our products. As there may be only a limited number of suppliers offering “conflict free” conflict minerals, we cannot be sure that we will be able to obtain necessary conflict minerals from such suppliers in sufficient quantities or at competitive prices. Also, we may face reputational challenges if we determine that certain of our products contain minerals not determined to be conflict free or if we are unable to sufficiently verify the origins for all conflict minerals used in our products through the procedures we may implement.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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 administrative personnel and is used by and supports all business segments. We also own a building of approximately 230,000 square feet in Andover, Massachusetts, which houses all Massachusetts manufacturing activities.

In December 2014, we completed the consolidation of manufacturing Westcor’s products, from a single-story industrial building of approximately 31,000 square feet in Sunnyvale, California, to our manufacturing facility in Andover, Massachusetts. The Sunnyvale building was purchased in 1994 and is carried on our consolidated balance sheet at a net book value, as of December 31, 2016, of approximately \$631,000. In February 2016, we executed a long-term lease with a corporate tenant, who occupied the building beginning in June 2016.

All other domestic and foreign facilities are leased from third-party lessors on arms’ length terms. We believe our owned and leased facilities are adequate for our present needs and expect them to remain adequate for the foreseeable future.

ITEM 3. LEGAL PROCEEDINGS

On January 28, 2011, SynQor, Inc. (“SynQor”) filed a complaint for patent infringement against Ericsson, Inc. (“Ericsson”), Cisco Systems, Inc. (“Cisco”) and Vicor in the U.S. District Court for the Eastern District of Texas (the “Texas Action”). Ericsson and Cisco subsequently settled with SynQor and are no longer parties to the Texas Action. With respect to Vicor, SynQor’s complaint in the Texas Action alleged that our products, including but not limited to unregulated bus converters used in intermediate bus architecture power supply systems, infringe SynQor’s U.S. patent numbers 7,072,190, 7,272,021, and 7,564,702 (“the ‘190 patent”, “the ‘021 patent” and “the ‘702 patent”, respectively). SynQor’s complaint sought an injunction against further infringement and an award of unspecified compensatory and enhanced damages, interest, costs and attorney fees. On September 20, 2011, SynQor filed an amended complaint in the Texas Action that further alleged that our products, including, but not limited to, unregulated bus converters used in intermediate bus architecture power supply systems, infringe SynQor’s U.S. patent number 8,023,290 (“the ‘290 patent”). We responded to SynQor’s amended complaint in the Texas Action by denying our products infringe any of the SynQor patents, and asserting that the SynQor patents are invalid. We further alleged that the SynQor ‘290 patent is unenforceable due to inequitable conduct by SynQor or its agents during the examination of the ‘290 patent at the United States Patent and Trademark Office (“USPTO”). We have also asserted counterclaims seeking damages against SynQor for deceptive trade practices and tortious interference with prospective economic advantage arising from SynQor’s attempted enforcement of its patents against us.

We have initiated administrative review proceedings at the USPTO challenging the validity of certain claims of the SynQor patents asserted in the Texas Action, including all claims that were asserted against us by SynQor. Regarding the '190 patent, the Patent Trial and Appeal Board ("PTAB") of the USPTO issued a decision upholding the validity of the '190 patent claims. That decision was appealed by us to the United States Court of Appeals for the Federal Circuit ("the Federal Circuit"), which issued a decision on March 13, 2015 reversing the PTAB, determining that certain claims were invalid, and remanding the matter to the PTAB for further proceedings. On May 2, 2016, the PTAB issued a decision determining that all but one of the remaining claims of the '190 patent were invalid and remanding the remaining claim to a patent examiner for further examination, where it remains under review. In addition, on that date, the PTAB issued decisions finding all challenged claims of SynQor's '021 patent invalid and upholding the validity of all challenged claims of SynQor's '702 and '290 patents. We have filed an appeal with the Federal Circuit from the PTAB's decision upholding the validity of the challenged claims of the '702 and '290 patents. SynQor has filed an appeal with the Federal Circuit from the PTAB's decision that the challenged claims of the '021 patent are invalid. Decisions in these appeals are expected later in 2017. On May 23, 2016, the Texas Court issued an order staying the Texas Action until the completion of all of the administrative review proceedings concerning the asserted SynQor patents, including any appeals from such proceedings to the Federal Circuit.

We continue to believe none of our products, including our unregulated bus converters, infringe any valid claim of the asserted SynQor patents, either alone or when used in an intermediate bus architecture implementation, including such use by Cisco. We believe SynQor's claims lack merit and, therefore, continue to vigorously defend ourselves against SynQor's patent infringement allegations. We do not believe a loss is probable for this matter. If a loss were to be incurred, however, we cannot estimate the amount of possible loss or range of possible loss at this time.

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

ITEM 4. *MINE SAFETY DISCLOSURES*

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

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>2016</u> | <u>High</u> | <u>Low</u> |
|----------------------|-------------|------------|
| First Quarter | \$10.60 | \$ 7.19 |
| Second Quarter | 11.06 | 8.94 |
| Third Quarter | 12.16 | 9.74 |
| Fourth Quarter | 16.05 | 11.50 |
| | | |
| <u>2015</u> | <u>High</u> | <u>Low</u> |
| First Quarter | \$15.79 | \$10.77 |
| Second Quarter | 17.21 | 11.73 |
| Third Quarter | 11.89 | 8.93 |
| Fourth Quarter | 10.66 | 8.96 |

As of February 28, 2017, there were 153 holders of record of our Common Stock and 13 holders of record of our Class B Common Stock. These numbers do not reflect persons or entities that hold their shares in nominee or "street name" through various brokerage firms.

Dividend Policy

We do not have a policy mandating the declaration of cash dividends at any particular time or on a regular basis. We did not pay cash dividends on our Common Stock for the years ended December 31, 2016 or 2015.

Dividends are declared periodically, only at the discretion of our Board of Directors, and any such declaration depends on actual cash from operations, our financial condition and capital requirements, the recommendation of our management, and any other factors the Board of Directors may consider relevant at the time.

From time to time, excess cash held at the subsidiary level is transferred to the Company via cash dividends declared by the subsidiary. Because we have owned 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 years ended December 31, 2016 and 2015, one of our subsidiaries paid a total of \$750,000 and \$250,000 in cash dividends, respectively, all of which was paid to us. Dividends paid to outside shareholders of our subsidiaries are accounted for as a reduction in noncontrolling interest.

Issuer Purchases of Equity Securities

| <u>Period</u> | <u>Total Number of Shares Purchased</u> | <u>Average Price Paid per Share</u> | <u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u> | <u>Maximum Number (of Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs</u> |
|-----------------------------|---|---|---|---|
| October 1 — 31, 2016 | — | \$— | — | \$8,541,000 |
| November 1 — 30, 2016 | — | \$— | — | \$8,541,000 |
| December 1 — 31, 2016 | — | \$— | — | \$8,541,000 |
| Total | — | \$— | — | \$8,541,000 |

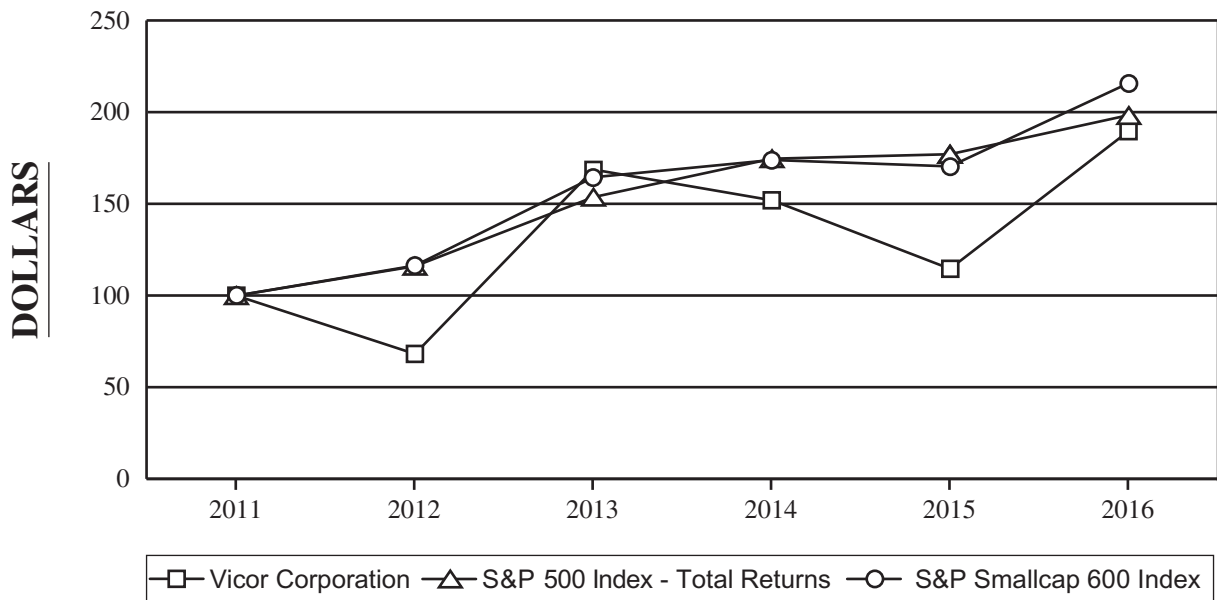
In November 2000, our Board of Directors authorized the repurchase of up to \$30,000,000 of our Common Stock (the “November 2000 Plan”). The November 2000 Plan authorizes us to make such repurchases from time to time in the open market or through privately negotiated transactions. The timing and amounts of Common Stock repurchases are at the discretion of management based on its view of economic and financial market conditions.

Stockholder Return Performance Graph

The graph set forth below presents the cumulative, five-year stockholder return for each of the Company'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, 2011, 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**



| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|------------------------|----------|----------|----------|----------|----------|----------|
| Vicor Corporation | \$100.00 | \$ 68.09 | \$168.59 | \$152.01 | \$114.57 | \$189.70 |
| S&P 500 Index | \$100.00 | \$116.00 | \$153.57 | \$174.60 | \$177.01 | \$198.18 |
| S&P SmallCap 600 Index | \$100.00 | \$116.33 | \$164.38 | \$173.84 | \$170.41 | \$215.67 |

Our equity plan information required by this item is incorporated by reference to the information in Part III, Item 12 of this Annual Report on Form 10-K.

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data with respect to our statements of operations for the years ended December 31, 2016, 2015, and 2014, and with respect to our balance sheet as of December 31, 2016 and 2015, are derived from our audited Consolidated Financial Statements, which appear elsewhere in this Annual Report on Form 10-K. The following selected consolidated financial data with respect to our statements of operations for the years ended December 31, 2013 and 2012, and with respect to our balance sheets as of December 31, 2014, 2013, and 2012, are derived from our Consolidated Financial Statements, which are not included herein. The data should be read in conjunction with the Consolidated Financial Statements, related notes and other financial information included herein.

| <u>Statement of Operations Data</u> | <u>Year Ended December 31,</u> | | | | |
|---|---------------------------------------|-------------|-------------|-------------|-------------|
| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
| | (In thousands, except per share data) | | | | |
| Net revenues | \$200,280 | \$220,194 | \$225,731 | \$199,160 | \$218,507 |
| Loss from operations | (6,314) | (267) | (14,763) | (20,467) | (2,785) |
| Consolidated net income (loss) | (6,261) | 5,159 | (14,070) | (23,504) | (3,798) |
| Net income (loss) attributable to noncontrolling interest | (14) | 232 | (183) | 136 | 279 |
| Net income (loss) attributable to Vicor Corporation | (6,247) | 4,927 | (13,887) | (23,640) | (4,077) |
| Net income (loss) per share — basic and diluted attributable to Vicor Corporation | (0.16) | 0.13 | (0.36) | (0.60) | (0.10) |
| Weighted average shares — basic | 38,842 | 38,754 | 38,569 | 39,195 | 41,811 |
| Weighted average shares — diluted | 38,842 | 39,146 | 38,569 | 39,195 | 41,811 |

| <u>Balance Sheet Data</u> | <u>As of December 31,</u> | | | | |
|-----------------------------|---------------------------|-------------|-------------|-------------|-------------|
| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
| | (In thousands) | | | | |
| Working capital | \$ 89,545 | \$ 94,905 | \$ 90,321 | \$ 97,869 | \$128,498 |
| Total assets | 154,067 | 157,545 | 155,542 | 165,640 | 202,581 |
| Total liabilities | 23,050 | 21,460 | 24,990 | 23,303 | 20,608 |
| Total equity | 131,017 | 136,085 | 130,552 | 142,337 | 181,973 |

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 power systems for converting, regulating, and controlling electric current. We also license certain rights to our technology in return for recurring royalties. The principal customers for our power converters and systems are large original equipment manufacturers (“OEMs”) and their contract manufacturers, and smaller, lower volume users. We serve a broad range of market segments and geographies worldwide.

We have organized our business segments according to our key product lines. Reflecting our history and direction, we broadly categorize our products as either “legacy” or “advanced”, generally based on design, performance, and form factor considerations, as well as the range of applications for which the products are appropriate.

The BBU segment designs, develops, manufactures and markets our legacy lines of DC-DC converters and configurable products, as well as complementary components providing AC line rectification, input filtering, power factor correction, and transient protection. The BBU segment also includes the BBU business conducted through VJCL and our Vicor Custom Power subsidiaries. The BBU has customers concentrated in aerospace and aviation, defense electronics, industrial automation and equipment, medical diagnostics, rail transportation, and test and measurement instrumentation.

As previously disclosed, on March 30, 2016, we acquired 100% ownership of certain operating assets and cash of Converpower Corporation (“Converpower”). We also entered into a license with Converpower allowing us to continue manufacturing certain products and supporting existing customers. With the closing of the Converpower transaction, we completed the consolidation of our Vicor Custom Power operations into three wholly-owned subsidiaries.

The VI Chip segment consists of our subsidiary, VI Chip Corporation, which designs, develops, manufactures, and markets many of our advanced power component products. The VI Chip segment also includes VI Chip business conducted in Japan through VJCL. VI Chip generally targets large, high-volume customers concentrated in the datacenter and supercomputer segments of the computing market, although we also target applications in aerospace and aviation, defense electronics, electric and hybrid vehicles, instrumentation and test equipment, and networking equipment.

The Picor segment consists of our subsidiary, Picor Corporation, which designs, develops, and markets integrated circuits and related solid-state products for use in a variety of power management and power system applications. Picor is a “fabless manufacturer,” as its products are manufactured, assembled, packaged, and tested by third parties. Picor develops products for use in our BBU and VI Chip modules, to be sold as complements to our BBU and VI Chip products, or for sale to third parties for separate (i.e., stand-alone) applications, often integrated with VI Chip products to represent a customer solution, particularly in the datacenter and supercomputer segments of the computing market.

Our consolidated results for 2016, particularly our decreased revenue and profitability, continue to be impacted by the general weakness of demand for our legacy products due to global macroeconomic uncertainty. Customer interest in our expanding portfolio of advanced products continues to increase, but we are encountering longer sales cycles than originally anticipated, attributable, in part, to the same macroeconomic trends and industry-specific conditions influencing bookings and sales of our legacy product lines. In addition, for the latter half of 2015 and throughout 2016, demand for our 48 volt to point-of-load solutions for datacenter servers was influenced by customer supply chain matters, notably scheduling delays associated with the release of next generation computer processors. However, since the first quarter of 2016, these solutions received significant, high profile recognition from customers, user groups, and trade publications, leading to increased design activities and design wins with an expanded range of customers. We believe this heightened visibility, along with the implied endorsements of our solutions, has contributed to shortened sales cycles for our advanced products.

We believe the following factors influenced our results for the year ended December 31, 2016, and may continue to influence our results for the foreseeable future:

- Global demand for our legacy brick converters, configurable products, and associated components remains unpredictable and at volumes lower than historical trend, given the macroeconomic variables underlying customer confidence across the industries and geographies we serve. Our legacy products are commonly used in high-value capital goods and sizeable infrastructure projects, the end demand for which has lagged, reflecting low-growth economies and budgetary uncertainty. Although we have completed initiatives to reduce our exposure to certain problematic market segments, notably the custom portion of defense electronics, we expect to experience relatively flat aggregate demand for the BBU until customer outlooks improve.
- Our profitability is closely aligned with production volumes. We manufacture our products in Andover, Massachusetts, in a state-of-the-art, highly automated factory. While direct labor and associated costs are scaled with volume, extended periods of low activity and/or small production runs contribute to lower profitability, largely due to lower absorption of overhead expenses, which are less flexible and less scalable, given the sophistication and complexity of our manufacturing processes. An additional influence on product-level profitability has been the availability and delivery timing of certain materials and components we use in our products. Due to the same economic uncertainty we and our customers are experiencing, our suppliers are facing production and scheduling challenges. While we

closely monitor our supply chain and our raw materials requirements, we are susceptible to production delays and added costs associated with unforeseen supply chain disruption.

- We have focused our organization on the promising opportunities for our advanced products, in which we have invested a substantial amount of research and development effort and dollars. Many of these opportunities are in the early phases of market exposure, and we are committed to expanding our product lines and our ability to serve and support customers in pursuit of these opportunities. As such, our operating costs have been high, relative to revenue levels, and likely will remain relatively high until revenue from our legacy products recovers and revenue from our newer advanced products increases on a sustained basis.
- Customer adoption of certain new products has been delayed by unanticipated market influences beyond our control. For example, our leadership position in the transition of datacenter computing to 48 volt to point-of-load solutions using our Factorized Power Architecture was the basis for our expectation of an earlier, higher-volume uptake of such solutions and our decisions to focus our resources on such opportunities. However, delays in the transition of processor generations and associated supply chain disruption caused repeated delays in customer purchase orders. We continue to believe our new products, notably our 48 volt to point-of-load solutions for datacenters, will be adopted in volume by multiple, leading customers, particularly in light of various announcements during the first and second quarters of 2016 from two industry trade organizations regarding adoption and support of 48 Volt bus architectures. However, we cannot control the actions by, nor the timing, of our customers, their contract manufacturers, or the significant vendors also participating in the market.
- Recent consolidated financial results have been influenced by operational changes and restructuring initiatives. During the first quarter of 2016, we completed the consolidation of our Vicor Custom Power operations, reducing our six domestic locations to three. While this consolidation disrupted the sales, bookings, and manufacturing patterns of the custom operations for the fourth quarter of 2015 and the first quarter of 2016, we believe we currently are achieving our competitive and performance goals.
- During the third quarter of 2016, we reversed approximately \$768,000 of stock-based compensation expense related to certain VI Chip performance-based stock options. This resulted in decreases to cost of revenues of \$86,000, selling, general, and administrative expense of \$516,000, and research and development expense of \$166,000 in the third quarter of 2016. (See Note 3 to the Consolidated Financial Statements).

Financial Highlights:

- Net revenues decreased 9.0% to \$200,280,000 for 2016, from \$220,194,000 for 2015, primarily due to an 8.7% decrease in overall BBU bookings for 2016 compared to 2015. While VI Chip and Picor bookings increased year over year, a large portion of their respective bookings in the third and fourth quarter of 2016 was scheduled for shipment in 2017, mitigating the impact of the increased bookings on 2016 revenue.
- Export sales, as a percentage of total revenues, represented approximately 59.4% in 2016 and 59.6% in 2015.
- Gross margin decreased to \$91,209,000 for 2016, from \$99,518,000 for 2015, due primarily to lower production volumes associated with the decrease in net revenues.
- Gross margin, as a percentage of net revenues, increased to 45.5% for 2016 from 45.2% for 2015. The gross margin percentage improved, despite lower net revenues, due to a more favorable product mix and lower charges for warranty reserves.
- Backlog, representing the total of orders for products received for which shipment is scheduled within the next 12 months, was approximately \$48,371,000 at the end of 2016, as compared to \$39,073,000 at the end of 2015. The increase in backlog was due to increased VI Chip and Picor bookings in the second half of 2016, compared to the second half of 2015, partially offset by lower BBU bookings.

- Operating expenses for 2016 decreased \$2,262,000, or 2.3%, to \$97,523,000 from \$99,785,000 for 2015, due to a decrease in selling, general, and administrative expenses of \$2,638,000, partially offset by an increase in research and development expense of \$376,000.
- The primary components of the decrease in selling, general and administrative expenses were declines in compensation expenses of \$1,077,000, commission expenses of \$748,000, and legal fees of \$734,000.
- Lower compensation expenses were due to a reversal of stock-based compensation expense related to certain VI Chip performance-based stock options in the third quarter of 2016, as noted above, the impact of the consolidation of our Vicor Custom Power operations, and the final shutdown of Westcor operations.
- The primary elements of the increase in research and development expenses were project and pre-production materials of \$1,214,000, and compensation expenses of \$502,000, partially offset by decreases in deferred costs of \$774,000, depreciation and amortization of \$357,000, and facilities expenses of \$221,000.
- We recorded a gain from equity method investment of \$4,999,719 in the third quarter of 2015 when Intersil Corporation (“Intersil”) acquired Great Wall Semiconductor Corporation (“GWS”). See Note 8 to the Consolidated Financial Statements for additional details.
- We reported a net loss for 2016 of \$(6,247,000), as compared to net income of \$4,927,000 for 2015, and a net loss per share of \$(0.16) for 2016, as compared to net income per diluted share of \$0.13 for 2015.
- In 2016, depreciation and amortization totaled \$8,438,000, and capital additions were \$8,428,000, compared to \$9,142,000 and \$9,090,000, respectively, for 2015.
- Inventories increased by approximately \$3,694,000, or 15.8%, to \$27,136,000 at the end of 2016, as compared to \$23,442,000 at the end of 2015. This increase was primarily associated with increases in VI Chip and Picor inventories of \$2,959,000 and \$1,799,000, respectively, to meet increased bookings for the two segments, partially offset by a decrease in BBU inventories of \$1,064,000.

The following table sets forth certain items of selected consolidated financial information as a percentage of net revenues for the years shown, 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.

| | Year Ended December 31, | | |
|--|--------------------------------|-------------|-------------|
| | 2016 | 2015 | 2014 |
| Net revenues | 100.0% | 100.0% | 100.0% |
| Gross margin | 45.5% | 45.2% | 43.0% |
| Selling, general and administrative expenses | 27.8% | 26.5% | 30.2% |
| Research and development expenses | 20.9% | 18.8% | 18.4% |
| Loss before income taxes | (3.0)% | (0.1)% | (6.4)% |

Critical Accounting Policies and Estimates

Management’s Discussion and Analysis of Financial Condition and Results of Operations is based upon 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, expenses, and related disclosures of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates and assumptions, and our associated judgments, including those related to inventories, income taxes, contingencies, and litigation.

We base our estimates, assumptions, and judgments on historical experience, knowledge of current conditions, and on various other factors we believe 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. We also have other policies we consider key accounting policies, such as our policy for revenue recognition, including the deferral of revenue on sales to distributors until the products are sold to the end user. However, the application of these other policies does not require us to make significant estimates and assumptions difficult to support quantitatively.

Inventories

We employ a variety of methodologies to estimate allowances for our inventory for estimated obsolescence or unmarketable inventory, based upon our existing backlog, historical consumption, and assumptions about future demand and market conditions. For BBU products produced at our Andover facility, our principal manufacturing location, the methodology used compares on-hand quantities to projected demand and historical consumption, such that amounts of inventory on hand in excess of a three-year projected consumption or three-year historical consumption, whichever is higher, are fully reserved. VI Chip and Picor use two-year projected and historical consumption assumptions. 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 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.

Income Taxes

We make certain estimates, assumptions, and judgments in determining income tax expense for financial statement reporting purposes. These estimates, assumptions, and judgments occur in the calculation of tax credits, benefits, and deductions, and in the calculation of certain assets and liabilities that arise from differences in the timing and of the recognition of revenue and expense for tax and financial statement purposes, as well as the interest and penalties relating to uncertain tax positions. Significant changes to these estimates, assumptions, and judgments may result in an increase or decrease to our tax provision in a subsequent period.

Significant management judgment also is required in determining whether deferred tax assets will be realized in full or in part. We assess the need for a valuation allowance on a quarterly basis. We record a valuation allowance to reduce our deferred tax assets to the amount we believe is more likely than not to be realized. In assessing the need for a valuation allowance, we consider all positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and past financial performance. Currently, we maintain a valuation allowance against all domestic net deferred tax assets and the majority of foreign net deferred tax assets. The valuation allowances 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. If and when we determine the valuation allowance should be released (i.e., reduced), the adjustment would result in a tax benefit reported in that period's Consolidated Statements of Operations, the effect of which would be an increase in reported net income. A portion of such an adjustment may be accounted for through an increase to "Additional paid-in capital", a component of Stockholders' Equity. The amount of any such tax benefit associated with release of our valuation allowance in a particular quarter may be material.

We follow a two-step process to determine the amount of tax benefit to recognize in our financial statements for tax positions taken on tax returns. The first step is to evaluate the tax position to determine the likelihood it would be sustained upon examination by a tax authority. If the tax position is deemed "more-likely-than-not" to be sustained, the second step is to assess the tax position to determine the amount of tax 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 estimates, assumptions, and judgments made by us change, the unrecognized tax benefits may have to be adjusted, and such adjustments may be material.

Contingencies

From time to time, we receive notices of product failure claims, notices of infringement of patent or other intellectual property rights of others, or notices associated with other claims. In January 2011, we were named in a lawsuit for patent infringement (See Part I, Item 3 — “Legal Proceedings”) that is ongoing. We assess each notice and associated 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 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 such a loss (i.e., we establish a loss contingency). In determining the amount of the loss to be recorded, we consider advice received from experts in the specific matter, current status of legal proceedings (if any), prior case history, comparable precedent litigation, and other factors. Should the estimates, assumptions, and judgments made by us change, we may need to record additional losses (i.e., add to our loss contingency) that may be material.

New Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (“FASB”) that we adopt as of the specified effective date. Unless otherwise discussed, we believe the impact of recently issued accounting standards will not have a material impact on our future financial condition and results of operations. See Note 2 — *Impact of recently issued accounting standards*, to the Consolidated Financial Statements for a description of recently issued and adopted accounting pronouncements, including the dates of adoption and expected impact on our financial position and results of operations.

Revenue Recognition

In May 2014, the FASB issued new guidance for revenue recognition, which will require an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The new guidance, which includes several amendments, will replace most existing revenue recognition guidance in U.S. Generally Accepted Accounting Principles when it becomes effective which will be, for us, on January 1, 2018. The new standard permits the use of either the retrospective or cumulative effect transition method. As described in Note 2 — Significant Accounting Policies, *Revenue Recognition*, of the Notes to the Consolidated Financial Statements, we defer revenue and the related cost of sales on shipments to stocking distributors until the distributors resell the products to their customers. Upon adoption of the new guidance, we will no longer be permitted to defer revenue until sale by the stocking distributor to the end customer, but rather, will be required to estimate the effects of returns and allowances provided to stocking distributors and record revenue at the time of sale to the stocking distributor. We currently plan to utilize the cumulative effect transition method for adoption of the standard. Upon adoption, we will recognize the cumulative effect of adopting this guidance as an adjustment to the balance of retained earnings as of January 1, 2018. We are continuing to evaluate the future impact and method of adoption the new guidance will have on our consolidated financial statements and related disclosures.

Year ended December 31, 2016 compared to Year ended December 31, 2015

Net revenues for 2016 were \$200,280,000, a decrease of \$19,914,000 or 9.0%, as compared to \$220,194,000 for 2015.

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

| | <u>2016</u> | <u>2015</u> | <u>Increase (decrease)</u> | |
|---------------|------------------|------------------|----------------------------|---------------|
| | | | <u>\$</u> | <u>%</u> |
| BBU | \$151,429 | \$173,108 | \$(21,679) | (12.5)% |
| VI Chip | 38,369 | 35,198 | 3,171 | 9.0% |
| Picor | 10,482 | 11,888 | (1,406) | (11.8)% |
| Total | <u>\$200,280</u> | <u>\$220,194</u> | <u>\$(19,914)</u> | <u>(9.0)%</u> |

The overall year to year decrease in consolidated net revenues was primarily due to an 8.7% decrease in overall BBU bookings for 2016 compared to 2015. While VI Chip and Picor bookings increased year over year, a large portion of their respective bookings in the third and fourth quarter of 2016 was scheduled for shipment in 2017, mitigating the impact of the increased bookings on 2016 revenue. Customer bookings patterns continue to be unpredictable, particularly with the VI Chip and Picor segments. The decrease in BBU revenues was primarily attributable to a decrease in BBU module and configurable product revenues of approximately \$18,225,000 and a decrease in Vicor Custom Power revenues of \$5,440,000, due to the consolidation of operations noted above.

Gross margin for 2016 decreased \$8,309,000, or 8.3%, to \$91,209,000 from \$99,518,000 in 2015. Gross margin as a percentage of net revenues increased to 45.5% in 2016 from 45.2% in 2015. The lower gross margin dollars is primarily due to the lower net revenues, while the higher gross margin percentage was primarily due to a more favorable product mix and lower charges for warranty reserves in 2016 compared to 2015.

Income (loss) from operations by segment for the years ended December 31 were as follows (dollars in thousands):

| | <u>2016</u> | <u>2015</u> | <u>Increase (decrease)</u> | |
|-----------------|-------------------|-----------------|----------------------------|-------------------|
| | | | <u>\$</u> | <u>%</u> |
| BBU | \$ 11,750 | \$ 21,743 | \$(9,993) | (46.0)% |
| VI Chip | (16,494) | (21,040) | 4,546 | 21.6% |
| Picor | (637) | (290) | (347) | (119.7)% |
| Corporate | (933) | (680) | (253) | (37.2)% |
| Total | <u>\$ (6,314)</u> | <u>\$ (267)</u> | <u>\$(6,047)</u> | <u>(2,264.8)%</u> |

The decrease in BBU operating profit in 2016 compared to 2015 was primarily due to a decrease in revenues and related decrease in gross margin, partially offset by decreases in operating expenses. The primary decreases in operating expenses were compensation expenses, commissions expense, and legal fees. Compensation and other operating expenses have decreased in part due to the Westcor consolidation and the consolidation of our Vicor Custom Power operations discussed above. The decrease in commissions expense is primarily attributable to the decrease in net revenues subject to commissions. Legal fees, which are charged to the BBU segment, are associated with the ongoing patent infringement litigation. The decrease in VI Chip operating loss in 2016 compared to 2015 was due to the increase in revenues and the related increase in gross margin, along with the reversal of approximately \$768,000 of stock-based compensation expense related to certain VI Chip performance-based stock options in the third quarter of 2016. The VI Chip segment continues to incur significant operating losses as revenue volume and related gross margins are not sufficient to cover fixed manufacturing costs and operating expenses, particularly research and development expenses. The cash needs for each segment are primarily for working capital and capital expenditures. Positive cash flow from BBU historically has funded, and is expected to continue to fund, VI Chip and Picor operations, as well as the capital expenditures for all segments for the foreseeable future.

Selling, general, and administrative expenses were \$55,675,000 for 2016, a decrease of \$2,638,000, or 4.5%, as compared to \$58,313,000 for 2015. As a percentage of net revenues, selling, general, and administrative expenses increased to 27.8% in 2016 from 26.5% in 2015, primarily due to the decrease in net revenues.

The components of the \$2,638,000 decrease in selling, general, and administrative expenses were as follows (dollars in thousands):

| | <u>Increase (decrease)</u> | |
|-------------------------------------|----------------------------|---------------|
| Compensation | \$(1,077) | (3.1)%(1) |
| Commissions expense | (748) | (17.4)%(2) |
| Legal fees | (734) | (31.9)%(3) |
| Depreciation and amortization | (148) | (5.2)%(4) |
| Supplies expense | (138) | (25.3)%(5) |
| Project expenses | (132) | (73.5)%(6) |
| Computer expenses | (52) | (5.2)% |
| Employment recruiting | (40) | (15.3)% |
| Travel expenses | 300 | 11.3%(7) |
| Outside services | 362 | 22.1%(8) |
| Other, net | <u>(231)</u> | (3.0)% |
| | <u><u>\$(2,638)</u></u> | <u>(4.5)%</u> |

- (1) Decrease primarily attributable to the reversal of VI Chip performance-based stock compensation expense (see Note 3 to the Consolidated Financial Statements), the consolidation of Westcor operations, and the consolidation of our Vicor Custom Power operations, partially offset by annual compensation adjustments in May 2016.
- (2) Decrease primarily attributable to the decrease in net revenues subject to commissions.
- (3) Decrease attributable to reduced activity associated with the patent infringement claims filed against us during the first quarter of 2011 by SynQor. See Note 16 to the Consolidated Financial Statements.
- (4) Decrease attributable to certain Corporate segment fixed assets becoming fully depreciated during 2016.
- (5) Decrease primarily attributable to a decrease in spending by the VI Chip segment.
- (6) Decrease primarily attributable to a decrease in spending by the BBU segment.
- (7) Increase primarily attributable to increased travel by our sales and marketing personnel.
- (8) Increase primarily attributable to an increase in the use of outside consultants at certain international locations.

Research and development expenses increased \$376,000, or 0.9%, to \$41,848,000 in 2016 from \$41,472,000 in 2015. As a percentage of net revenues, research and development increased to 20.9% in 2016 from 18.8% in 2015, primarily due to the decrease in net revenues.

The components of the \$376,000 increase in research and development expenses were as follows (in thousands):

| | <u>Increase (decrease)</u> | |
|--|----------------------------|-------------|
| Project and pre-production materials | \$1,214 | 26.5%(1) |
| Compensation | 502 | 1.8%(2) |
| Computer expenses | 91 | 22.7% |
| Outside services | (86) | (9.7)% |
| Facilities expenses | (221) | (10.2)%(3) |
| Depreciation and amortization | (357) | (14.8)%(4) |
| Deferred costs | (774) | (474.7)%(5) |
| Other, net | <u>7</u> | 0.3% |
| | <u><u>\$ 376</u></u> | <u>0.9%</u> |

- (1) Increase primarily attributable to increases in spending by the BBU and VI Chip segments.
- (2) Increase primarily attributable to annual compensation adjustments in May 2016.
- (3) Decrease primarily attributable to a decrease in utilities and building maintenance expenses.
- (4) Decrease attributable to certain BBU segment fixed assets becoming fully depreciated during 2016.
- (5) Decrease primarily attributable to an increase in deferred costs capitalized for certain non-recurring engineering projects for which the related revenues have been deferred.

The significant changes in the components of “Other income (expense), net” for the years ended December 31 were as follows (in thousands):

| | <u>2016</u> | <u>2015</u> | <u>Increase (decrease)</u> |
|---|---------------|--------------|--------------------------------|
| Rental income | \$ 462 | \$ — | \$ 462 |
| Foreign currency losses, net | (268) | (161) | (107) |
| Interest income | 68 | 47 | 21 |
| Credit gains on available for sale securities | 13 | 12 | 1 |
| (Loss) gain on disposal of equipment | (4) | 60 | (64) |
| Other | 13 | 67 | (54) |
| | <u>\$ 284</u> | <u>\$ 25</u> | <u>\$ 259</u> |

During the second quarter of 2016, we began recognizing rental income under a new leasing agreement with a third party for the former Westcor facility. Our exposure to market risk for fluctuations in foreign currency exchange rates relates primarily to the operations of VJCL, for which the functional currency is the Japanese Yen. The functional currency of the subsidiaries in Europe and other subsidiaries in Asia is the U.S. Dollar. While our Vicor B.V. operation also potentially exposes us to exchange rate risk, as that subsidiary’s sales are denominated in Euros and Pounds Sterling, any periodic gains or losses associated with exchange rate fluctuations are small, given the small U.S. Dollar value of shipments we make to Vicor B.V.

Loss before income taxes was \$(6,030,000) in 2016, as compared to \$(242,000) in 2015.

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

| | <u>2016</u> | <u>2015</u> |
|--|-------------|-------------|
| Provision (benefit) for income taxes | \$231 | \$ (401) |
| Effective income tax rate | 3.8% | (165.7)% |

For the years ended December 31, 2016 and 2015, no tax benefit could be recognized for the majority of our losses due to a full valuation allowance against all domestic deferred tax assets. The tax provision for both years includes estimated federal, state and foreign income taxes and, in 2015, estimated federal and state income taxes for one noncontrolling interest subsidiary. In 2016, in connection with the acquisition of 100% ownership of certain operating assets and cash of Converpower Corporation, the related deferred tax liability for unremitted earnings of \$55,000 was reversed and recorded as a discrete benefit in the first quarter of 2016 (see Note 9 to the Consolidated Financial Statements). In 2015, we recognized a tax benefit of approximately \$555,000 as a discrete item in the fourth quarter of 2015 for the release of certain tax reserves, due to entering into voluntary disclosure agreements with several states. In addition, in connection with the sale of our 49% interest in a noncontrolling interest subsidiary, Aegis Power Systems, Inc., the related deferred tax liability for unremitted earnings of \$274,000 was reversed and recorded as a deferred tax benefit in the fourth quarter of 2015 (see Note 9 to the Consolidated Financial Statements). We continue to maintain a full valuation allowance against all

domestic net deferred tax assets and the majority of foreign net deferred tax assets. The effective tax rate was lower in 2016 than 2015 as the loss before income taxes and before the gain from sale of equity method investments was significantly higher in 2016 than in 2015.

In September 2015, Intersil acquired GWS. At that time, our gross investment in non-voting convertible preferred stock of GWS totaled \$4,999,719, giving us an approximately 27% ownership interest in GWS. We received cash consideration of \$4,999,719 for our investment from Intersil, representing full preference value of our shares of non-voting convertible preferred stock of GWS. Since the investment in GWS had previously been written down to zero, the full amount of the consideration was recorded as a gain from sale of equity method investment in the third quarter of 2015. (See Note 8 to the Consolidated Financial Statements for additional information.)

Net loss per share attributable to Vicor Corporation was \$(0.16) for the year ended December 31, 2016, compared to net income per diluted share of \$0.13 for the year ended December 31, 2015.

Year ended December 31, 2015 compared to Year ended December 31, 2014

Net revenues for 2015 were \$220,194,000, a decrease of \$5,537,000 or 2.5%, as compared to \$225,731,000 for 2014.

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

| | 2015 | 2014 | Increase (decrease) | |
|---------------|------------------|------------------|---------------------|---------------|
| | | | \$ | % |
| BBU | \$173,108 | \$184,224 | \$(11,116) | (6.0)% |
| VI Chip | 35,198 | 32,929 | 2,269 | 6.9% |
| Picor | 11,888 | 8,578 | 3,310 | 38.6% |
| Total | <u>\$220,194</u> | <u>\$225,731</u> | <u>\$ (5,537)</u> | <u>(2.5)%</u> |

The overall year to year decrease in BBU net revenues was primarily due to a 8.2% decrease in bookings in 2015 compared to 2014. The decrease in BBU revenues was primarily attributable to decreases in BBU revenues of approximately \$4,481,000, Vicor Custom Power revenues of approximately \$3,507,000, and VJCL revenues of approximately \$3,100,000. While bookings declined across all three segments on a year over year basis, VI Chip and Picor revenues increased due to strong bookings in the latter half of 2014, particularly from the two segments' major datacenter customer.

Gross margin for 2015 increased \$2,398,000, or 2.5%, to \$99,518,000 from \$97,120,000 in 2014. Gross margin as a percentage of net revenues increased to 45.2% in 2015 from 43.0% in 2014. The increases in gross margin and gross margin percentage were primarily due to the increase in VI Chip and Picor net revenues, particularly due to a larger proportion of higher margin Picor products. In addition, the gross margin for BBU products remained relatively flat, despite their decrease in net revenues, due to average selling price improvements across several BBU programs, along with realizing the full benefit of the Westcor consolidation into Andover manufacturing.

Income (loss) from operations by segment for the years ended December 31 were as follows (dollars in thousands):

| | 2015 | 2014 | Increase | |
|-----------------|-----------|-------------|-----------|-------|
| | | | \$ | % |
| BBU | \$ 21,743 | \$ 15,499 | \$ 6,244 | 40.3% |
| VI Chip | (21,040) | (29,015) | 7,975 | 27.5% |
| Picor | (290) | (407) | 117 | 28.7% |
| Corporate | (680) | (840) | 160 | 19.0% |
| Total | \$ (267) | \$ (14,763) | \$ 14,496 | 98.2% |

The increase in BBU operating profit in 2015 compared to 2014 was due to decreases in operating expenses, partially offset by decreases in revenues and the related gross margin. The primary decreases in operating expenses were legal fees and compensation expenses. Legal fees, which are charged to the BBU segment, are associated with the ongoing patent infringement litigation. The decrease in legal fees continued the trend begun in the fourth quarter of 2014 associated with continued delays in the expected trial date related to the SynQor litigation. Compensation and other operating expenses have decreased in part due to the Westcor consolidation discussed above.

Selling, general, and administrative expenses were \$58,313,000 for 2015, a decrease of \$9,884,000, or (14.5)%, as compared to \$68,197,000 for 2014. As a percentage of net revenues, selling, general, and administrative expenses decreased to 26.5% in 2015 from 30.2% in 2014.

The components of the \$9,884,000 decrease in selling, general, and administrative expenses were as follows (dollars in thousands):

| | Increase (decrease) | |
|---------------------------------------|---------------------|----------------|
| Legal fees | \$(8,621) | (78.9)%(1) |
| Compensation | (1,064) | (3.0)%(2) |
| Commissions expense | (310) | (6.7)%(3) |
| Travel expenses | (280) | (9.5)%(4) |
| Advertising expenses | (234) | (9.6)%(5) |
| Business taxes and fees | 83 | 16.0% |
| Outside services | 130 | 8.1% |
| Audit, tax, and accounting fees | 145 | 8.1% |
| Facilities expenses | 145 | 10.0% |
| Other, net | 122 | 2.0% |
| | <u>\$(9,884)</u> | <u>(14.5)%</u> |

- (1) Decrease attributable to reduced activity associated with the patent infringement claims filed against us during the first quarter of 2011 by SynQor. See Note 16 to the Consolidated Financial Statements.
- (2) Decrease primarily attributable to the decrease in bonuses and the consolidation of Westcor operations.
- (3) Decrease primarily attributable to the decrease in net revenues subject to commissions.
- (4) Decrease primarily attributable to decreased travel by our sales and marketing personnel.
- (5) Decrease primarily attributed to decreases in sales support expenses, direct mailings, and advertising in trade publications.

Research and development expenses decreased \$7,000, or 0.0%, to \$41,472,000 in 2015 from \$41,479,000 in 2014. As a percentage of net revenues, research and development increased to 18.8% in 2015 from 18.4% in 2014, primarily due to the decrease in net revenues.

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

| | <u>2015</u> | <u>2014</u> | <u>Increase (decrease)</u> |
|---|--------------|---------------|----------------------------|
| Foreign currency losses, net | \$(161) | \$(196) | \$ 35 |
| Gain on disposal of equipment | 60 | 22 | 38 |
| Interest income | 47 | 80 | (33) |
| Credit gains on available for sale securities | 12 | 311 | (299) |
| Other | <u>67</u> | <u>51</u> | <u>16</u> |
| | <u>\$ 25</u> | <u>\$ 268</u> | <u>\$(243)</u> |

We assess the value of our investment portfolio of auction rate securities each quarter, and record any credit gains or losses calculated as a component of “Other income (expense), net”. Our exposure to market risk fluctuations in foreign currency exchange rates relate primarily to the operations of VJCL, for which the functional currency is the Japanese Yen. The functional currency of all other subsidiaries in Europe and Asia is the U.S. Dollar. While our Vicor B.V. operation also potentially exposes us to exchange rate risk, as that subsidiary’s sales are denominated in Euros and Pounds Sterling, any periodic gains or losses associated with exchange rate fluctuations are small, given the small U.S. Dollar value of shipments we make to Vicor B.V. The decrease in interest income for the period was due to lower average balances on our long-term investments, as well as a general decrease in interest rates earned on these investments.

Loss before income taxes was \$(242,000) in 2015, as compared to \$(14,495,000) in 2014.

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

| | <u>2015</u> | <u>2014</u> |
|-------------------------------------|-------------|-------------|
| Benefit for income taxes | \$ (401) | \$(425) |
| Effective income tax rate | (165.7)% | (2.9)% |

For the years ended December 31, 2015 and 2014, no tax benefit could be recognized for the majority of our losses due to a full valuation allowance against all domestic deferred tax assets. In 2015, we recognized a tax benefit of approximately \$555,000 as a discrete item in the fourth quarter of 2015 for the release of certain tax reserves, due to entering into voluntary disclosure agreements with several states. In addition, in connection with the sale of our 49% interest in a noncontrolling interest subsidiary, Aegis Power Systems, Inc., the related deferred tax liability for unremitted earnings of \$274,000 was reversed and recorded as a deferred tax benefit in the fourth quarter of 2015 (see Note 9 to the Consolidated Financial Statements). In 2014, we recognized a tax benefit of approximately \$552,000 as a discrete item in the third quarter of 2014 for the release of certain income tax reserves, due to the completion of an Internal Revenue Service examination of its 2010 and 2011 federal corporate income tax returns during the quarter. The tax benefits in both years were partially offset by estimated federal and state taxes for one noncontrolling interest subsidiary as well as estimated state and foreign taxes in jurisdictions in which we do not have net operating loss carryforwards. We continue to maintain a full valuation allowance against all domestic net deferred tax assets and, in 2015, established a valuation allowance against the majority of foreign net deferred tax assets. The effective tax rate was higher in 2015 than 2014 as the loss before income taxes and before the gain from sale of equity method investments was significantly lower in 2015 than in 2014.

In September 2015, Intersil acquired GWS. At that time, our gross investment in non-voting convertible preferred stock of GWS totaled \$4,999,719, representing an approximately 27% ownership preference in GWS. We received cash consideration from Intersil of \$4,999,719, representing full preference value of the shares of

non-voting convertible preferred stock of GWS we owned. Since the investment in GWS had previously been reduced to zero, the full amount of the consideration was recorded as a gain from sale of equity method investment in the third quarter of 2015. See Note 8 to the Consolidated Financial Statements for additional information.

Net income (loss) of noncontrolling interest increased by \$415,000 for 2015 to \$232,000, as compared to \$(183,000) for 2014. This increase was due to the increase in net income during 2015 recorded by entities in which others held an equity interest (i.e., three Vicor Custom Power subsidiaries and VJCL).

Net income per diluted share attributable to Vicor Corporation was \$0.13 for the year ended December 31, 2015, compared to net loss per share of \$(0.36) for the year ended December 31, 2014. The increase in net income per diluted share was due in part to the acquisition of GWS by Intersil and the resulting gain from sale of equity method investment recorded by us, as discussed above.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2016, we had \$56,170,000 in cash and cash equivalents. The ratio of current assets to current liabilities was 5.0:1 at December 31, 2016, as compared to 5.6:1 at December 31, 2015. Working capital decreased \$5,360,000 to \$89,545,000 at December 31, 2016 from \$94,905,000 at December 31, 2015.

The primary working capital changes were due to the following (in thousands):

| | <u>Increase (decrease)</u> |
|---|----------------------------|
| Cash and cash equivalents | \$(6,810) |
| Accounts receivable | (766) |
| Inventories | 3,694 |
| Other current assets | 148 |
| Accounts payable | (118) |
| Accrued compensation and benefits | (616) |
| Accrued expenses | 389 |
| Accrued severance charges | 195 |
| Income taxes payable | (61) |
| Deferred revenue | <u>(1,415)</u> |
| | <u>\$ (5,360)</u> |

The primary sources of cash for the year ended December 31, 2016, were \$544,000 from operating activities and \$1,584,000 of proceeds from the issuance of Common Stock associated with the exercise of options for the purchase of shares of our Common Stock. The primary use of cash for the year ended December 31, 2016, was the purchase of equipment of \$8,428,000.

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 of such repurchases and the number of shares purchased in each transaction are at the discretion of management based on its view of economic and financial market conditions. We did not repurchase shares of Common Stock under the November 2000 Plan during the year ended December 31, 2016. As of December 31, 2016, we had approximately \$8,541,000 remaining for share purchases under the November 2000 Plan.

During the years ended December 31, 2016 and 2015, one of our subsidiaries paid a total of \$750,000 and \$250,000 in cash dividends, respectively, all of which were paid to us.

As of December 31, 2016, we had no off-balance sheet arrangements.

The table below summarizes our contractual obligations as of December 31, 2016 (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 | <u>\$4,771</u> | <u>\$1,572</u> | <u>\$1,569</u> | <u>\$699</u> | <u>\$931</u> |

Our primary liquidity needs are for making continuing investments in manufacturing equipment. We believe cash generated from operations and the total of our cash and cash equivalents will be sufficient to fund planned operations and capital equipment purchases for the foreseeable future. We have approximately \$2,393,000 of capital expenditure commitments, principally for manufacturing equipment, as of December 31, 2016.

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 fluctuations in foreign currency exchange rates. As our cash and cash equivalents consist principally of cash accounts and 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. As of December 31, 2016, our long-term investment portfolio, recorded on our Consolidated Balance Sheet as “Long-term investments, net”, consisted of a single auction rate security with a par value of \$3,000,000, purchased through and held in custody by a broker-dealer affiliate of Bank of America, N.A., that has experienced failed auctions (the “Failed Auction Security”) since February 2008. While the Failed Auction Security is Aaa/AA+ rated by major credit rating agencies, collateralized by student loans and guaranteed by the U.S. Department of Education under the Federal Family Education Loan Program, continued failure to sell at its periodic auction dates (i.e., reset dates) could negatively impact the carrying value of the investment, in turn leading to impairment charges in future periods. Periodic changes in the fair value of the Failed Auction Security attributable to credit loss (i.e., risk of the issuer’s default) are recorded through earnings as a component of “Other income (expense), net”, with the remainder of any periodic change in fair value not related to credit loss (i.e., temporary “mark-to-market” carrying value adjustments) recorded in “Accumulated other comprehensive (loss) income”, a component of Stockholders’ Equity. Should we conclude a decline in the fair value of the Failed Auction Security is other than temporary, such losses would be recorded through earnings as a component of “Other income (expense), net”. We do not believe there was an “other-than-temporary” decline in value in this security as of December 31, 2016.

We estimate our annual interest income would change by approximately \$30,000 in 2016 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, for which the functional currency is the Japanese Yen, and changes in the relative value of the Yen to the U.S. Dollar. Relative to our Yen exposure as of December 31, 2016, we estimate a 10% unfavorable movement in the value of the Yen relative to the U.S. Dollar would increase our foreign currency loss by approximately \$188,000. As the functional currency of all other subsidiaries in Europe and Asia is the U.S. Dollar, we believe risk to fluctuations in foreign currency exchange rates is not significant, as these operations do not incur material foreign exchange exposures.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Vicor Corporation:

We have audited the accompanying consolidated balance sheets of Vicor Corporation and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income (loss), cash flows, and equity for each of the years in the three-year period ended December 31, 2016. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule listed in Item 15(a)(2). These consolidated financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and the 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, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated 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's internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 7, 2017 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Boston, Massachusetts
March 7, 2017

VICOR CORPORATION
CONSOLIDATED BALANCE SHEETS
December 31, 2016 and 2015
(In thousands, except per share data)

| | 2016 | 2015 |
|---|-------------------|-------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 56,170 | \$ 62,980 |
| Accounts receivable, less allowance of \$153 in 2016 and \$171 in 2015 | 25,216 | 25,982 |
| Inventories, net | 27,136 | 23,442 |
| Other current assets | 3,250 | 3,102 |
| Total current assets | 111,772 | 115,506 |
| Long-term deferred tax assets | 38 | 15 |
| Long-term investments, net | 2,508 | 2,866 |
| Property, plant and equipment, net | 37,574 | 37,450 |
| Other assets | 2,175 | 1,708 |
| Total assets | \$ 154,067 | \$ 157,545 |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 7,588 | \$ 7,470 |
| Accrued compensation and benefits | 8,965 | 8,349 |
| Accrued expenses | 2,179 | 2,568 |
| Accrued severance charges | — | 195 |
| Income taxes payable | 92 | 31 |
| Deferred revenue | 3,403 | 1,988 |
| Total current liabilities | 22,227 | 20,601 |
| Long-term deferred revenue | 374 | 468 |
| Contingent consideration obligations | 253 | 144 |
| Long-term income taxes payable | 196 | 192 |
| Deferred income taxes | — | 55 |
| Total liabilities | 23,050 | 21,460 |
| Commitments and contingencies (Note 16) | | |
| 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, 11,758,218 shares issued and outstanding in 2016 and 2015 | 118 | 118 |
| Common Stock: 1 vote per share, \$.01 par value, 62,000,000 shares authorized | | |
| 38,922,489 shares issued and 27,251,003 shares outstanding (38,705,564 shares | | |
| issued and 27,034,078 shares outstanding in 2015) | 397 | 395 |
| Additional paid-in capital | 176,344 | 174,337 |
| Retained earnings | 93,438 | 99,685 |
| Accumulated other comprehensive loss | (561) | (577) |
| Treasury stock at cost: 11,671,486 shares in 2016 and 2015 | (138,927) | (138,927) |
| Total Vicor Corporation stockholders' equity | 130,809 | 135,031 |
| Noncontrolling interest | 208 | 1,054 |
| Total equity | 131,017 | 136,085 |
| Total liabilities and equity | \$ 154,067 | \$ 157,545 |

See accompanying notes.

VICOR CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 2016, 2015 and 2014
(In thousands, except per share amounts)

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-------------------|-----------------|--------------------|
| Net revenues | \$200,280 | \$220,194 | \$225,731 |
| Cost of revenues | 109,071 | 120,676 | 128,611 |
| Gross margin | 91,209 | 99,518 | 97,120 |
| Operating expenses: | | | |
| Selling, general and administrative | 55,675 | 58,313 | 68,197 |
| Research and development | 41,848 | 41,472 | 41,479 |
| Severance and other charges | — | — | 2,207 |
| Total operating expenses | <u>97,523</u> | <u>99,785</u> | <u>111,883</u> |
| Loss from operations | (6,314) | (267) | (14,763) |
| Other income (expense), net: | | | |
| Total unrealized (losses) gains on available-for-sale securities, net | (18) | (49) | 750 |
| Portion of gains (losses) recognized in other comprehensive income (loss) | 31 | 61 | (439) |
| Net credit gains recognized in earnings | 13 | 12 | 311 |
| Other income (expense), net | <u>271</u> | <u>13</u> | <u>(43)</u> |
| Total other income (expense), net | <u>284</u> | <u>25</u> | <u>268</u> |
| Loss before income taxes | (6,030) | (242) | (14,495) |
| Less: Provision (benefit) for income taxes | 231 | (401) | (425) |
| Gain from sale of equity method investment, net of tax | — | 5,000 | — |
| Consolidated net income (loss) | (6,261) | 5,159 | (14,070) |
| Less: Net income (loss) attributable to noncontrolling interest | <u>(14)</u> | <u>232</u> | <u>(183)</u> |
| Net income (loss) attributable to Vicor Corporation | <u>\$ (6,247)</u> | <u>\$ 4,927</u> | <u>\$ (13,887)</u> |
| Net income (loss) per common share attributable to Vicor Corporation: | | | |
| Basic | \$ (0.16) | \$ 0.13 | \$ (0.36) |
| Diluted | \$ (0.16) | \$ 0.13 | \$ (0.36) |
| Shares used to compute net income (loss) per common share attributable to Vicor Corporation: | | | |
| Basic | 38,842 | 38,754 | 38,569 |
| Diluted | 38,842 | 39,146 | 38,569 |

See accompanying notes.

VICOR CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
Years Ended December 31, 2016, 2015 and 2014
(In thousands)

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-------------------------|-----------------------|--------------------------|
| Consolidated net income (loss) | \$(6,261) | \$5,159 | \$(14,070) |
| Foreign currency translation gains (losses), net of tax benefit (1) | 52 | (52) | (410) |
| Unrealized (losses) gains on available-for-sale securities, net of tax (1) | (31) | (59) | 429 |
| Other comprehensive income (loss) | <u>21</u> | <u>(111)</u> | <u>19</u> |
| Consolidated comprehensive income (loss) | (6,240) | 5,048 | (14,051) |
| Less: Comprehensive income (loss) attributable to noncontrolling interest | <u>(9)</u> | <u>227</u> | <u>(219)</u> |
| Comprehensive income (loss) attributable to Vicor Corporation | <u><u>\$(6,231)</u></u> | <u><u>\$4,821</u></u> | <u><u>\$(13,832)</u></u> |

-
- (1) The deferred tax assets associated with cumulative foreign currency translation gains (losses) and cumulative unrealized losses on available for sale securities are completely offset by a tax valuation allowance as of December 31, 2016, 2015, and 2014. Therefore, there is no income tax benefit (provision) recognized for the three years ended December 31, 2016.

See accompanying notes.

VICOR CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016, 2015 and 2014
(In thousands)

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-------------------|-----------------|------------------|
| Operating activities: | | | |
| Consolidated net income (loss) | \$ (6,261) | \$ 5,159 | \$ (14,070) |
| Adjustments to reconcile consolidated net income (loss) to net cash provided by operating activities: | | | |
| Depreciation and amortization | 8,438 | 9,142 | 9,805 |
| Gain from sale of equity method investment | — | (5,000) | — |
| Increase in other assets | (505) | — | — |
| Gain from disposition of consolidated subsidiary | — | (28) | — |
| Stock-based compensation expense | 506 | 1,782 | 1,634 |
| Increase (decrease) in long-term income taxes payable | 4 | (675) | (472) |
| Deferred income taxes | (78) | (183) | 18 |
| Decrease in long-term deferred revenue | (94) | (139) | (139) |
| Loss (gain) on disposal of equipment | 4 | (60) | (22) |
| (Benefit) provision for doubtful accounts | (22) | (18) | 66 |
| Credit gain on available for sale securities | (13) | (12) | (311) |
| Change in current assets and liabilities, net | (1,435) | 1,499 | 5,682 |
| Net cash provided by operating activities | <u>544</u> | <u>11,467</u> | <u>2,191</u> |
| Investing activities: | | | |
| Additions to property, plant and equipment | (8,428) | (9,090) | (7,128) |
| Sales and maturities of investments | — | 360 | 3,460 |
| Purchases of investments | — | — | (340) |
| Proceeds from sale of equity method investment | — | 5,000 | — |
| Deconsolidation of subsidiary | — | (392) | — |
| Proceeds from sale of equipment | 2 | 60 | 22 |
| Increase in other assets | (93) | (204) | (43) |
| Net cash used for investing activities | <u>(8,519)</u> | <u>(4,266)</u> | <u>(4,029)</u> |
| Financing activities: | | | |
| Proceeds from issuance of Common Stock | 1,584 | 820 | 788 |
| Acquisition of noncontrolling interest | (372) | (216) | — |
| Payment of contingent consideration obligations | (99) | — | — |
| Noncontrolling interest dividends paid | — | — | (162) |
| Net cash provided by financing activities | <u>1,113</u> | <u>604</u> | <u>626</u> |
| Effect of foreign exchange rates on cash | 52 | (12) | 60 |
| Net (decrease) increase in cash and cash equivalents | <u>(6,810)</u> | <u>7,793</u> | <u>(1,152)</u> |
| Cash and cash equivalents at beginning of period | <u>62,980</u> | <u>55,187</u> | <u>56,339</u> |
| Cash and cash equivalents at end of period | <u>\$56,170</u> | <u>\$62,980</u> | <u>\$ 55,187</u> |
| Change in assets and liabilities, excluding effects of disposition of consolidated subsidiary: | | | |
| Accounts receivable | \$ 780 | \$ 2,201 | \$ (1,151) |
| Inventories, net | (3,677) | 1,880 | 3,202 |
| Other current assets | (158) | (111) | 1,029 |
| Accounts payable and accrued liabilities | 339 | (1,301) | 300 |
| Accrued severance charges | (195) | (1,709) | 1,855 |
| Income taxes payable | 61 | (10) | 26 |
| Deferred revenue | 1,415 | 549 | 421 |
| | <u>\$ (1,435)</u> | <u>\$ 1,499</u> | <u>\$ 5,682</u> |
| Supplemental disclosures: | | | |
| Cash paid during the year for income taxes, net of refunds | \$ 230 | \$ 675 | \$ (1,529) |

See accompanying notes.

VICOR CORPORATION
CONSOLIDATED STATEMENTS OF EQUITY
Years Ended December 31, 2016, 2015 and 2014
(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, 2013 | \$118 | \$392 | \$169,474 | \$108,645 | \$(526) | \$(138,927) | \$139,176 | \$ 3,161 | \$142,337 |
| Sales of Common Stock | | 1 | 787 | | | | 788 | | 788 |
| Noncontrolling interest dividends paid | | | | | | | | (162) | (162) |
| Stock-based compensation expense | | | 1,634 | | | | 1,634 | | 1,634 |
| Other | | | 6 | | | | 6 | | 6 |
| Components of comprehensive income, net of tax | | | | | | | | | |
| Net loss | | | | (13,887) | | | (13,887) | (183) | (14,070) |
| Other comprehensive income (loss) | | | | | 55 | | 55 | (36) | 19 |
| Total comprehensive loss | | | | | | | (13,832) | (219) | (14,051) |
| Balance on December 31, 2014 | 118 | 393 | 171,901 | 94,758 | (471) | (138,927) | 127,772 | 2,780 | 130,552 |
| Sales of Common Stock | | 2 | 818 | | | | 820 | | 820 |
| Acquisition of noncontrolling interest | | | (144) | | | | (144) | (216) | (360) |
| Disposition of consolidated subsidiary | | | (5) | | | | (5) | (1,737) | (1,742) |
| Stock-based compensation expense | | | 1,782 | | | | 1,782 | | 1,782 |
| Net settlement stock option exercises | | | (22) | | | | (22) | | (22) |
| Other | | | 7 | | | | 7 | | 7 |
| Components of comprehensive income, net of tax | | | | | | | | | |
| Net income | | | | 4,927 | | | 4,927 | 232 | 5,159 |
| Other comprehensive loss | | | | | (106) | | (106) | (5) | (111) |
| Total comprehensive income | | | | | | | 4,821 | 227 | 5,048 |
| Balance on December 31, 2015 | 118 | 395 | 174,337 | 99,685 | (577) | (138,927) | 135,031 | 1,054 | 136,085 |
| Sales of Common Stock | | 2 | 1,587 | | | | 1,589 | | 1,589 |
| Acquisition of noncontrolling interest | | | (81) | | | | (81) | (837) | (918) |
| Stock-based compensation expense | | | 506 | | | | 506 | | 506 |
| Net settlement stock option exercises | | | (5) | | | | (5) | | (5) |
| Components of comprehensive income, net of tax | | | | | | | | | |
| Net income | | | | (6,247) | | | (6,247) | (14) | (6,261) |
| Other comprehensive income | | | | | 16 | | 16 | 5 | 21 |
| Total comprehensive income | | | | | | | (6,231) | (9) | (6,240) |
| Balance on December 31, 2016 | \$118 | \$397 | \$176,344 | \$ 93,438 | \$(561) | \$(138,927) | \$130,809 | \$ 208 | \$131,017 |

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 components and power systems for converting, regulating and controlling electric current. The Company also licenses certain rights to its technology in return for recurring royalties. The principal markets for the Company’s power converters and systems are large original equipment manufacturers (“OEMs”) 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. Two of the Company’s subsidiaries were not majority owned by the Company prior to 2016, and a third was not majority owned prior to March 31, 2016. Prior to the transactions described in Note 9, these entities were consolidated by the Company as management believed that the Company had the ability to exercise control over their activities and operations.

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 and assumptions relate to the useful lives of fixed assets and identified intangible assets, recoverability of long-lived assets, fair value of 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 based on these estimates and assumptions, and such differences may be material to the financial statements.

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.

The Company defers revenue and the related cost of sales on shipments to stocking distributors until the distributors resell the products to their customers. The agreements with these stocking distributors allow them to receive price adjustment credits or to return qualifying products for credit, as determined by the Company, in order to reduce the amounts of slow-moving, discontinued, or obsolete product from their inventory. These stocking distributors are also granted price adjustment credits in the event of a price decrease subsequent to the date the product was shipped and invoiced to the stocking distributor. Given the uncertainties associated with the levels of price adjustment credits to be granted to stocking distributors, the sales price to the stocking distributor is not fixed or determinable until the stocking distributor resells the products to its customers. Therefore, the Company defers revenue and the related cost of sales on shipments to stocking distributors until the stocking distributors resell the products to their customers. Accordingly, the Company’s revenue fully reflects end-customer purchases and is not impacted by stocking distributor inventory levels. Agreements with stocking distributors limit returns of qualifying product to the Company to a certain percentage of the value of the

VICOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Company's shipments to that stocking distributor during the prior quarter. In addition, stocking distributors are allowed to return unsold products if the Company terminates the relationship with the stocking distributor. Title to the inventory transferred to the stocking distributor at the time of shipment or delivery to the stocking distributor, as well as payment from the stocking distributor, are due in accordance with the Company's standard payment terms. These payment terms are not contingent upon the stocking distributors' sale of the products to their end-customers. Upon title transfer to stocking distributors, the Company reduces inventory for the cost of goods shipped, the margin (i.e., revenues less cost of revenues) is recorded as deferred revenue, and an account receivable is recorded. As of December 31, 2016, the Company had gross deferred revenue of approximately \$3,337,000 and gross deferred cost of revenues of approximately \$1,445,000 under agreements with stocking distributors (\$2,042,000 and \$882,000, respectively, as of December 31, 2015).

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 Company enters into arrangements containing multiple elements that may include a combination of non-recurring engineering services ("NRE"), prototype units, and production units. The Company has determined NRE and prototype units represent one unit of accounting and production units represent a separate unit of accounting, based on an assessment of the respective standalone value. The Company defers revenue recognition for NRE and prototype units until completion of the final milestone under the NRE arrangement, which is generally the delivery of the prototype. Recognition generally takes place within six to twelve months of the initiation of the arrangement. Revenue for the production units is recognized upon shipment, consistent with other product revenue summarized above. During 2016, 2015, and 2014, revenue recognized under multi-element arrangements accounted for less than 3% of net revenues.

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.

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 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 (expense), net. Foreign currency losses included in other income (expense), net, were approximately \$(268,000), \$(161,000), and \$(196,000) in 2016, 2015, and 2014, respectively.

Cash and cash equivalents

Cash and cash equivalents include funds held in disbursement (i.e., 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, approximating market value. The Company's money market securities, which are classified as cash equivalents on the balance sheet, are purchased and redeemed at par value. Their estimated fair value is equal to their cost, and, due to the nature of the securities and their classification as cash equivalents, there are no unrealized gains or losses recorded at the balance sheet dates.

VICOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Long-term investments

The Company's principal sources of liquidity are its existing balances of cash and cash equivalents, as well as cash generated from operations. Consistent with the guidelines of the Company's investment policy, 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 long-term investments are classified as available-for-sale 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 Total 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 credit default risk probabilities and changes in credit ratings, among other factors.

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 (expense), 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.

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 carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of the short maturity of these financial instruments.

VICOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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, although there have been circumstances when the Company has required cash in advance (i.e., a partial down-payment) to facilitate orders in excess of a customer's established credit limit. To date, such amounts have not been material.

Inventories

Inventories are valued at the lower of cost (determined using the first-in, first-out method) or net realizable value. Fixed production overhead is allocated to the inventory cost per unit based on the normal capacity of the production facilities. Abnormal production costs, including fixed cost variances from normal production capacity, if any, are charged to cost of revenues in the period incurred. All shipping and handling costs incurred in connection with the sale of products are included in cost of revenues.

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, historical consumption and expected market conditions. If the Company's estimated demand and/or market expectations 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 risk

Financial instruments potentially subjecting the Company to significant concentrations of credit risk consist principally of cash and cash equivalents, of which a significant portion is held by one financial institution, long-term investments, and trade accounts receivable. The Company maintains cash and cash equivalents and certain other financial instruments with various large financial institutions. Generally, amounts invested with these financial institutions are in excess of federal deposit insurance limits. The Company has not experienced any losses in such accounts, and management believes the Company is not exposed to significant credit risk. The Company's long-term investments consist of highly rated (Aaa/AA+) municipal and corporate debt securities which, as of December 31, 2016, consist of a single auction rate security with a par value of \$3,000,000, which is collateralized by student loans. Through December 31, 2016, auctions held for the Company's auction rate security have failed. The funds associated with an auction rate security that has 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 the 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.

The Company's products are sold worldwide to customers ranging from smaller, independent manufacturers of highly specialized electronic devices, to larger OEMs and their contract manufacturers. The Company's Brick Business Unit ("BBU") has customers concentrated in aerospace and aviation, defense electronics, industrial automation and equipment, medical diagnostics, rail transportation, and test and measurement instrumentation. The Company's VI Chip and Picor subsidiaries have customers concentrated in the datacenter and supercomputer segments of the computing market, although they also target applications in aerospace and aviation, defense

VICOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

electronics, networking equipment, solid state lighting, test and measurement instrumentation, and transportation (electric and hybrid vehicles and autonomous vehicles). While, overall, the Company has a broad customer base and sells into a variety of industries, VI Chip and Picor have derived a substantial portion of their revenue from a limited number of customers. This concentration of revenue is a reflection of the relatively early stage of adoption of the technologies, architectures and products offered by these subsidiaries, and their targeting of market leading innovators as initial customers. 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, 2016 and 2015, one customer accounted for approximately 14.2% and 21.9%, respectively, of trade account receivables.

During 2016, 2015, and 2014, one customer accounted for approximately 16.4%, 16.2%, and 14.7% of net revenues, respectively. International sales, based on customer location, as a percentage of total net revenues, were approximately 59.4% in 2016, 59.6% in 2015, and 60.5% in 2014. Net revenues from customers in China, our largest international market, accounted for approximately 32.1% of total net revenues in 2016, approximately 34.2% in 2015, and approximately 32.3% in 2014, respectively.

Components and materials used in the Company's products are purchased from a variety of vendors. While most of the components are available from multiple sources, some key components for certain VI Chip and Picor products, in particular, are supplied by single vendors. In instances of single source items, the Company maintains levels of inventories management considers appropriate to enable meeting the delivery requirements of customers. If suppliers or subcontractors cannot provide their products or services on time or to the required specifications, the Company may not be able to meet the demand for its products and its delivery times may be negatively affected.

Long-lived assets

The Company reviews property, plant and equipment and finite-lived intangible assets for impairment whenever events or changes in circumstances indicate the carrying value of such assets may not be recoverable. Management determines whether the carrying value of an asset or asset group is recoverable based on comparison to the undiscounted expected future cash flows the assets are expected to generate over their remaining economic lives. If an asset value is not recoverable, the impairment loss is equal to the amount by which the carrying value of the asset exceeds its fair value, which is determined by either a quoted market price, if any, or a value determined by utilizing a discounted cash flow technique. Evaluation of impairment of long-lived assets requires estimates of future operating results that are used in the preparation of the expected future undiscounted cash flows. Actual future operating results and the remaining economic lives of our long-lived assets could differ from the estimates used in assessing the recoverability of these assets. These differences could result in impairment charges, which could be material.

Intangible assets

Values assigned to patents are amortized using the straight-line method over periods ranging from three to 20 years. Patents and other intangible assets are included in "Other assets" in the accompanying Consolidated Balance Sheets.

Advertising expense

The cost of advertising is expensed as incurred. The Company incurred \$1,818,000, \$1,762,000, and \$1,832,000 in advertising costs during 2016, 2015 and 2014, respectively.

VICOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Product warranties

The Company generally offers a two-year warranty for all of its products, though it is party to a limited number of supply agreements with certain customers contractually committing the Company to warranty and indemnification requirements exceeding those to which the Company has been exposed in the past. Effective January 1, 2017, the Company extended the warranty period to three years for certain military grade products sold after that date. The Company provides for the estimated cost of product warranties at the time product revenue is recognized. Factors influencing 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 warranty reserves and adjusts the amounts as necessary. Warranty obligations are included in "Accrued expenses" in the accompanying Consolidated Balance Sheets.

Legal Costs

Legal costs in connection with litigation are expensed as incurred.

Net income (loss) per common share

The Company computes basic net income (loss) per share using the weighted average number of common shares outstanding and diluted net income (loss) 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 basic and diluted net income (loss) per share for the years ended December 31 (in thousands, except per share amounts):

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|------------------|----------------|------------------|
| Numerator: | | | |
| Net income (loss) attributable to Vicor Corporation | \$ (6,247) | \$ 4,927 | \$(13,887) |
| Denominator: | | | |
| Denominator for basic net income (loss) per share-weighted average shares (1) | 38,842 | 38,754 | 38,569 |
| Effect of dilutive securities: | | | |
| Employee stock options (2) | — | 392 | — |
| Denominator for diluted net income (loss) per share-adjusted weighted-average shares and assumed conversions (3) | <u>38,842</u> | <u>39,146</u> | <u>38,569</u> |
| Basic net income (loss) per share | <u>\$ (0.16)</u> | <u>\$ 0.13</u> | <u>\$ (0.36)</u> |
| Diluted net income (loss) per share | <u>\$ (0.16)</u> | <u>\$ 0.13</u> | <u>\$ (0.36)</u> |

- (1) Denominator represents weighted average number of Common Shares and Class B Common Shares outstanding.
- (2) Options to purchase 1,696,222, 238,792, and 1,895,675 shares of Common Stock in 2016, 2015, and 2014, respectively, were not included in the calculation of net income (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.

VICOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 expected to be in effect when the temporary differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance if management determines it is more likely than not that some portion or all of the deferred tax assets will not be realized. All deferred tax assets and liabilities are classified as noncurrent.

The Company follows a two-step process to determine the amount of tax benefit to recognize. The first step is to evaluate the tax position to determine the likelihood it would be sustained upon examination by a tax authority. If the tax position is deemed “more-likely-than-not” to be sustained, the second step is to assess the tax position to determine the amount of tax benefit to be recognized in the financial statements. The amount of the benefit that may be recognized is the largest amount that possesses 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. The unrecognized tax benefits, including accrued interest and penalties, if any, are included in “Long-term income taxes payable” in the accompanying Consolidated Balance Sheets.

Stock-based compensation

The Company uses the Black-Scholes option-pricing model to calculate the grant-date fair value of stock option awards, whether they possess time-based vesting provisions or performance-based vesting provisions. For stock options with time-based vesting provisions, the calculated compensation expense, net of expected forfeitures, 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. For stock options with performance-based vesting provisions, compensation expense, net of expected forfeitures, when recognized, is recognized over the relevant performance period.

Comprehensive income (loss)

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, net of tax.

Impact of recently issued accounting standards

In August 2016, the Financial Accounting Standards Board (“FASB”) issued guidance to clarify how certain cash receipts and cash payments should be presented in the statement of cash flows. These include debt prepayment, settlement of zero-coupon debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, distributions received from equity method investees and beneficial interests in securitization transactions. The new guidance is effective for interim and annual reporting periods beginning after December 15, 2017, with early adoption permitted. The Company has not yet determined the impact this new guidance will have on its consolidated financial statements and related disclosures.

In June 2016, the FASB issued new guidance which will require measurement and recognition of expected credit losses on certain types of financial instruments. It also modifies the impairment model for available-for-sale debt securities and provides for a simplified accounting model for purchased financial assets

VICOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

with credit deterioration since their origination. The new guidance is effective for interim and annual reporting periods beginning after December 15, 2019, with early adoption permitted. It is required to be applied on a modified-retrospective approach with certain elements being adopted prospectively. The Company has not yet determined the impact this new guidance will have on its consolidated financial statements

In March 2016, the FASB issued new guidance for employee share-based payment accounting, which makes several modifications to existing guidance related to the accounting for forfeitures, employer tax withholding on share-based compensation and the financial statement presentation of excess tax benefits or deficiencies. This new guidance also clarifies the statement of cash flows presentation for certain components of share-based awards. In terms of the accounting for forfeitures, the new guidance allows an option for them to either be estimated, as currently required, or recognized when they occur. The Company will continue to estimate forfeitures. The standard is effective for interim and annual reporting periods beginning after December 15, 2016, with early adoption permitted. The Company does not anticipate the new guidance will have a material impact on its consolidated financial statements and related disclosures.

In February 2016, the FASB issued new guidance for lease accounting, which will require lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new guidance establishes a right-of-use model (“ROU”) that will require a lessee to recognize a ROU asset and a lease liability on the balance sheet for all leases with a term longer than twelve months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. For lessors, the guidance modifies the classification criteria and accounting for sales-type and direct financing leases. The new standard is effective for interim and annual periods beginning after December 15, 2018, with early adoption permitted. The Company plans to adopt the new guidance effective January 1, 2019. The new standard must be adopted using a modified retrospective transition which includes certain practical expedients. The Company has not yet determined the impact this new guidance will have on its consolidated financial statements and related disclosures.

In July 2015, the FASB issued new guidance for inventory accounting, which will require companies to measure in scope inventory at the lower of cost or net realizable value. Current guidance requires an entity to measure inventory at the lower of cost or market. The new guidance does not apply to inventory that is measured using last-in, first-out (“LIFO”) or retail inventory methods. The guidance applies to all other inventory, which includes inventory that is measured using first-in, first-out (“FIFO”), which the Company employs, or average cost methods. The new guidance will be effective for the Company on January 1, 2017, and is to be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The Company does not anticipate the new guidance will have a material impact on its consolidated financial statements and related disclosures.

In May 2014, the FASB issued new guidance for revenue recognition, which will require an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The new guidance, which includes several amendments, will replace most existing revenue recognition guidance in U.S. Generally Accepted Accounting Principles when it becomes effective which will be, for the Company, on January 1, 2018. The new standard permits the use of either the retrospective or cumulative effect transition method. As described in Note 2 — Significant Accounting Policies, *Revenue Recognition*, of these Notes to the Consolidated Financial Statements, the Company defers revenue and the related cost of sales on shipments to stocking distributors until the distributors resell the products to their customers. Upon adoption of the new guidance, the Company will no longer be permitted to defer revenue until sale by the stocking distributor to the end customer, but rather, will be required to estimate the effects of returns and allowances provided to stocking distributors and record revenue at the time of sale to the stocking distributor. The Company currently plans to utilize the cumulative effect transition method for adoption of the standard. Upon adoption, the Company will recognize the cumulative effect of adopting this guidance as an adjustment to the balance of

VICOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

retained earnings as of January 1, 2018. The Company is continuing to evaluate the future impact and method of adoption the new guidance will have on its consolidated financial statements and related disclosures.

Other new pronouncements issued but not effective until after December 31, 2016 are not expected to have a material impact on the Company's consolidated financial statements.

3. STOCK-BASED COMPENSATION AND EMPLOYEE BENEFIT PLANS

Vicor currently grants options for the purchase of common stock (i.e., "stock options") under the following equity compensation plans that are stockholder-approved:

Amended and Restated 2000 Stock Option and Incentive Plan (the "2000 Plan") — Under the 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. 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 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 10 years from the date of grant.

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") — Under the 2001 Picor Plan, the Board of Directors of Picor may grant equity-based awards associated with 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. No incentive stock options have been granted since November 11, 2011, and no such options were outstanding as of December 31, 2015. Non-qualifying stock options may be granted to employees at a price at least equal to the fair market value per share of Picor Common Stock, based on judgments made by Picor's Board of Directors on the date of grant. All stock option awards must be approved by both the Picor Board of Directors and the Compensation Committee of the Company's Board of Directors. A total of 20,000,000 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 10 years from the date of grant.

VI Chip Corporation ("VI Chip"), 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:

2007 Stock Option and Incentive Plan, as amended (the "2007 VI Chip Plan") — Under the 2007 VI Chip Plan, the Board of Directors of VI Chip may grant equity-based awards associated with VI 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. No incentive stock options have been granted since November 11, 2011, and no such options were outstanding as of December 31, 2016. Non-qualifying stock options may be granted to employees at a price at least equal to the fair market value per share of the VI Chip Common Stock, based on judgments made by VI Chip's Board of Directors on the date of grant. A total of 12,000,000 shares of VI Chip Common Stock have

VICOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

been reserved for issuance under the 2007 VI Chip Plan. The period of time during which an option may be exercised and the vesting periods are determined by the VI Chip Board of Directors. The term of each option may not exceed 10 years from the date of grant.

All time-based (i.e., non-performance-based) options for the purchase of Vicor common stock are granted at an exercise price equal to or greater than the market price for Vicor common stock at the date of the grant. All time-based (i.e., non-performance-based) options for the purchase of VI Chip or Picor common stock are granted at an exercise price equal to or greater than the estimated fair market value of the respective share price, based on a value calculated using a discounted cash flow model at the date of grant consistent with the requirements of Section 409A of the Internal Revenue Code.

On December 31, 2010, the Company granted 2,984,250 non-qualified stock options under the 2007 VI Chip Plan with performance-based vesting provisions tied to achievement of certain margin targets by VI Chip Corporation. As of December 31, 2010, the Company determined it was probable the margin targets would be achieved and, accordingly, began recording stock-based compensation expense relating to these options beginning January 1, 2011. During the third quarter of 2016, the Company determined the margin targets would not be met prior to the expiration date of the corresponding options, as VI Chip's revenue growth has been below levels necessary to achieve the targets. As a result, the Company reversed approximately \$768,000 of previously recorded stock-based compensation expense in the third quarter of 2016, representing all expense taken for these performance-based options through June 30, 2016. This resulted in decreases in cost of revenues of \$86,000, selling, general and administrative expense of \$516,000, and research and development expense of \$166,000 in the third quarter of 2016.

During the fourth quarter of 2014, the Company, in effect, cancelled certain stock options previously awarded to three corporate officers in 2013 and awarded to those officers new stock options representing an equivalent value, as calculated using the Black-Scholes option-pricing model. Subsequent to the 2013 awards, the Company determined those grants exceeded the limit on the number of stock options that may be granted to an individual in a year, according to the terms of the 2000 Plan. In connection with this action, recorded for financial reporting purposes as a modification of existing options, a total of 129,028 stock options awarded in 2013 were cancelled and a total of 150,355 new stock options were awarded. The cancellation of the 2013 stock options and the award of new stock options did not have a material impact on the Company's results of operations.

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

| | 2016 | 2015 | 2014 |
|---|--------------|----------------|----------------|
| Cost of revenues | \$ 95 | \$ 230 | \$ 183 |
| Selling, general and administrative | 412 | 1,246 | 1,176 |
| Research and development | (1) | 306 | 275 |
| Total stock-based compensation | \$506 | \$1,782 | \$1,634 |

The decrease in stock-based compensation expense in 2016 compared to 2015 was primarily due to the reversal of previously recorded stock-based compensation for VI Chip performance-based options, described above.

VICOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The fair value for options awarded for the years shown below was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

| | Non Performance- based Stock Options | | |
|-----------------------------------|---|--------------------|--------------------|
| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| <u>Vicor:</u> | | | |
| Risk-free interest rate | 1.5% | 2.0% | 2.2% |
| Expected dividend yield | — | — | — |
| Expected volatility | 45% | 51% | 52% |
| Expected lives (years) | 7.2 | 7.2 | 6.6 |
| <u>VI Chip:</u> | | | |
| Risk-free interest rate | 1.7% | 2.1% | 2.3% |
| Expected dividend yield | — | — | — |
| Expected volatility | 34% | 37% | 41% |
| Expected lives (years) | 6.5 | 6.5 | 6.5 |
| <u>Picor:</u> | | | |
| Risk-free interest rate | 1.5% | 1.9% | 2.2% |
| Expected dividend yield | — | — | — |
| Expected volatility | 42% | 41% | 42% |
| Expected lives (years) | 6.5 | 6.5 | 6.5 |

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 and VI Chip — Picor and VI Chip use 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, if any, and dividing that result by the closing stock price on the date of that dividend declaration. Dividends are not paid on options.

Picor and VI Chip — Picor and VI Chip have not and do 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 six 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.

VICOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VI Chip — As VI Chip is a nonpublic entity, historical volatility information is not available. An industry sector index of 11 publicly traded fabless semiconductor firms was developed for calculating historical volatility for VI 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 this historical data is currently the best estimate of the expected term of options, and all groups of the Company’s employees exhibit similar exercise behavior.

Picor and VI Chip — Due to the lack of historical information, the “simplified” method as prescribed by the Securities and Exchange Commission is used to determine the expected term.

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. The forfeiture analysis is re-evaluated annually 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.

Vicor — The Company currently expects, for Vicor options, based on an analysis of historical forfeitures, approximately 86% of its options will actually vest. An annual forfeiture rate of 5.00% has been applied to all unvested options as of December 31, 2016. For 2015 and 2014, the Company expected 88% and 78%, respectively, of its options would actually vest and applied an annual forfeiture rate of 4.25% and 8.00%, respectively.

Picor — The Company currently expects, for Picor options, based on an analysis of historical forfeitures, approximately 92% of its options will actually vest. An annual forfeiture rate of 2.50% has been applied to all unvested options as of December 31, 2016. For 2015 and 2014, the Company expected 93% and 92%, respectively, of its options would actually vest and applied an annual forfeiture rate of 2.50% and 2.75%, respectively.

VI Chip — The Company currently expects, for VI Chip options, based on an analysis of historical forfeitures, approximately 76% of its options will actually vest. An annual forfeiture rate of 9.00% has been applied to all unvested options as of December 31, 2016. For 2015 and 2014, the Company expected 78% and 77%, respectively, of its options would actually vest and applied an annual forfeiture rate of 8.50% and 7.75%, respectively.

VICOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Vicor Stock Options

A summary of the activity under Vicor's stock option plans as of December 31, 2016 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, 2015 | 1,848,067 | \$ 8.57 | | |
| Granted | 83,817 | \$10.32 | | |
| Forfeited and expired | (18,737) | \$ 9.21 | | |
| Exercised | <u>(216,925)</u> | \$ 7.25 | | |
| Outstanding on December 31, 2016 | <u>1,696,222</u> | \$ 8.82 | 6.83 | \$10,661 |
| Exercisable on December 31, 2016 | <u>730,388</u> | \$ 7.74 | 6.51 | \$ 5,375 |
| Vested or expected to vest as of December 31, 2016 (1) | <u>1,646,808</u> | \$ 8.76 | 6.82 | \$10,437 |

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

As of December 31, 2015 and 2014 the Company had options exercisable for 565,861 and 306,173 shares respectively, for which the weighted average exercise prices were \$7.24 and \$6.90, respectively.

During the years ended December 31, 2016, 2015, and 2014 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 \$1,392,000, \$928,000, and \$751,000, respectively. The total amount of cash received by the Company from options exercised in 2016, 2015, and 2014, was \$1,572,000, \$805,000, and \$788,000, respectively. The total grant-date fair value of stock options that vested during the years ended December 31, 2016, 2015, and 2014 was approximately \$365,000, \$1,194,000, and \$1,096,000, respectively.

As of December 31, 2016, there was \$870,000 of total unrecognized compensation cost related to unvested non-performance based awards for Vicor. That cost is expected to be recognized over a weighted-average period of 1.5 years for those awards. The expense will be recognized as follows: \$490,000 in 2017, \$245,000 in 2018, \$103,000 in 2019, \$28,000 in 2020, and \$4,000 in 2021.

The weighted-average fair value of Vicor options granted was \$4.94, \$6.76, and \$5.50, in 2016, 2015, and 2014, respectively.

VICOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Picor Stock Options

A summary of the activity under the 2001 Picor Plan as of December 31, 2016 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, 2015 | 9,725,067 | \$0.62 | | |
| Granted | 603,000 | \$0.88 | | |
| Forfeited and expired | (113,560) | \$0.65 | | |
| Exercised | <u>(683,520)</u> | \$0.88 | | |
| Outstanding on December 31, 2016 | <u>9,530,987</u> | \$0.62 | 4.56 | \$1,262 |
| Exercisable on December 31, 2016 | <u>7,915,219</u> | \$0.62 | 4.09 | \$1,030 |
| Vested or expected to vest as of December 31, 2016 (1) | <u>9,470,822</u> | \$0.62 | 4.54 | \$1,256 |

(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, 2015 and 2014, Picor had options exercisable for 8,053,490 and 6,643,377 shares, respectively, for which the weighted average exercise prices were \$0.64 and \$0.67, respectively.

During the years ended December 31, 2016 and 2015, the total intrinsic value of Picor options exercised was \$24,000 and \$72,000, respectively. The total amount of cash received by Picor from options exercised in 2016 and 2015 was \$17,000 and \$14,000, respectively. There were no Picor options exercised in 2014. The total grant-date fair value of stock options that vested during the years ended December 31, 2016, 2015, and 2014 was approximately \$155,000, \$39,000, and \$0, respectively.

As of December 31, 2016, there was \$285,000 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 2.8 years for all Picor awards. The expense will be recognized as follows: \$116,000 in 2017, \$78,000 in 2018, \$45,000 in 2019, \$29,000 in 2020, and \$17,000 in 2021.

The weighted-average fair value of Picor options granted was \$0.26 in 2016, \$0.48 in 2015, and \$0.19 in 2014.

VICOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VI Chip Stock Options

A summary of the activity under the 2007 VI Chip Plan as of December 31, 2016 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, 2015 | 10,097,500 | \$1.00 | | |
| Granted | 5,000 | \$1.00 | | |
| Forfeited and expired | (168,750) | \$1.00 | | |
| Exercised | — | \$ — | | |
| Outstanding on December 31, 2016 (1) | <u>9,933,750</u> | \$1.00 | 1.88 | \$— |
| Exercisable on December 31, 2016 | <u>7,074,650</u> | \$1.00 | 0.88 | \$— |
| Vested or expected to vest as of December 31, 2016 (2) | <u>9,747,034</u> | \$1.00 | 1.83 | \$— |

- (1) Of the total VI Chip options outstanding on December 31, 2016, 5,500,000 options had been granted to Dr. Vinciarelli, the Company's Chief Executive Officer.
- (2) 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, 2015 and 2014, VI Chip had options exercisable for 7,042,600 and 7,377,950 shares, respectively, for which the weighted average exercise price was \$1.00.

There were no VI Chip options exercised in 2016 and 2014. The total intrinsic value of VI Chip options exercised in 2015 was zero. The total amount of cash received by VI Chip from options exercised in 2015 was \$1,000.

As of December 31, 2016, there was \$51,000 of total unrecognized compensation cost related to unvested share-based awards for VI Chip. That cost is expected to be recognized over a weighted-average period of 2.1 years for all VI Chip awards. The expense will be recognized as follows: \$39,000 in 2017, and \$12,000 in 2018.

The weighted-average fair value of VI Chip options granted was \$0.01, \$0.01, and \$0.02 in 2016, 2015, and 2014, respectively.

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 in amounts representing from 1% to 80% 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 contributions to the plan were approximately \$882,000, \$854,000, and \$877,000 in 2016, 2015, and 2014, respectively.

VICOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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, 2016, 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. LONG-TERM INVESTMENTS

As of December 31, 2016 and 2015, the Company held one auction rate security that had experienced failed auctions of \$3,000,000 at par value, which was purchased through and is held by a broker-dealer affiliate of Bank of America, N.A. (the "Failed Auction Security"). The Failed Auction Security held by the Company is Aaa/AA+ rated by the major credit rating agencies, is collateralized by student loans, and is guaranteed by the U.S. Department of Education under the Federal Family Education Loan Program. Management is not aware of any reason to believe the issuer of the Failed Auction Security is presently at risk of default. The interest rate for the security is reset at regular intervals ranging from seven to 28 days. The auction rate security held by the Company traded at par prior to February 2008 and is callable at par at the option of the issuer. Through December 31, 2016, the Company has continued to receive interest payments on the Failed Auction Security in accordance with the terms of its indenture. Management believes the Company ultimately should be able to liquidate the Failed Auction Security without significant loss primarily due to the overall quality of the issue held and the collateral securing the substantial majority of the underlying obligation. However, current conditions in the auction rate securities market have led management to conclude the recovery period for the Failed Auction Security exceeds 12 months. As a result, the Company continued to classify the Failed Auction Security as long-term as of December 31, 2016.

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

| <u>December 31, 2016</u> | <u>Cost</u> | <u>Gross Unrealized Gains</u> | <u>Gross Unrealized Losses</u> | <u>Estimated Fair Value</u> |
|--|-------------------|---------------------------------------|--|---------------------------------|
| Failed Auction Security | \$3,000 | \$— | \$492 | \$2,508 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| | | | | |
| <u>December 31, 2015</u> | <u>Cost</u> | <u>Gross Unrealized Gains</u> | <u>Gross Unrealized Losses</u> | <u>Estimated Fair Value</u> |
| Failed Auction Security | \$3,000 | \$— | \$474 | \$2,526 |
| Brokered certificates of deposit | 340 | — | — | 340 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| | \$3,340 | \$— | \$474 | \$2,866 |

As of December 31, 2016 and 2015, the Failed Auction Security had 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, 2016, by contractual maturities, are shown below (in thousands):

| | <u>Cost</u> | <u>Estimated Fair Value</u> |
|------------------------------------|-------------------|---------------------------------|
| Due in twenty to forty years | \$3,000 | \$2,508 |
| | <u> </u> | <u> </u> |

Based on the fair value measurements described in Note 5, the fair value of the Failed Auction Security on December 31, 2016, with a par value of \$3,000,000, was estimated by the Company to be approximately \$2,508,000. The gross unrealized loss of \$492,000 on the Failed Auction Security consists of two types of

VICOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

estimated loss: an aggregate credit loss of \$59,000 and an aggregate temporary impairment of \$433,000. 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 security, 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 auction rate securities held by the Company for the years ended December 31 (in thousands):

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|--------------|--------------|--------------|
| Balance at the beginning of the period | \$ 72 | \$ 84 | \$ 395 |
| Reductions in the amount related to credit gain for which other-than-temporary impairment was not previously recognized | (13) | (12) | (39) |
| Reductions for securities sold during the period | — | — | (272) |
| Balance at the end of the period | <u>\$ 59</u> | <u>\$ 72</u> | <u>\$ 84</u> |

At this time, the Company has no intent to sell the Failed Auction Security and does not believe it is more likely than not the Company will be required to sell the security. If current market conditions deteriorate further, the Company may be required to record additional unrealized losses. If the credit rating of the security deteriorates, the Company may be required to adjust the carrying value of the investment 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 cash equivalents and its expected operating cash flows, management does not anticipate the current lack of liquidity associated with the Failed Auction Security held will affect the Company’s ability to execute its current operating plan.

5. 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 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.

Assets and liabilities measured at fair value on a recurring basis included the following as of December 31, 2016 (in thousands):

| | Using | | | |
|--|--|---|--|---|
| | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total Fair Value as of December 31, 2016 |
| Cash equivalents: | | | | |
| Money market funds | \$10,114 | \$— | \$ — | \$10,114 |
| Long-term investments: | | | | |
| Failed Auction Security | — | — | 2,508 | 2,508 |
| Liabilities: | | | | |
| Contingent consideration obligations | — | — | (253) | (253) |

VICOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Assets measured at fair value on a recurring basis included the following as of December 31, 2015 (in thousands):

| | Using | | | Total Fair Value as of December 31, 2015 |
|-------------------------------------|---|---|---|--|
| | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | |
| Cash equivalents: | | | | |
| Money market funds | \$10,412 | \$ — | \$ — | \$10,412 |
| Long-term investments: | | | | |
| Failed Auction Security | — | — | 2,526 | 2,526 |
| Brokered certificates of deposit | — | 340 | — | 340 |
| Liabilities: | | | | |
| Contingent consideration obligation | — | — | (144) | (144) |

The Company has classified its contingent consideration obligations as Level 3 because the fair value for this liability was determined using unobservable inputs. The liability was based on estimated sales of legacy products over the period of royalty payments at the royalty rate (see Note 9), discounted using the Company's estimated cost of capital.

The Company has classified its brokered certificates of deposit as Level 2 because the fair value for these investments was determined utilizing observable inputs from non-active markets. The fair values fluctuate with changes in market interest rates obtained from information available in publicly quoted markets. Management tested the reported fair values by comparing them to net present value calculations utilizing a discount rate based on U.S. Treasury bill and bond yields for similar maturities.

As of December 31, 2016, there was insufficient observable auction rate security market information available to determine the fair value of the Failed Auction Security using Level 1 or Level 2 inputs. As such, the Company's investment in the Failed Auction Security was deemed to require valuation using Level 3 inputs. Management, after consulting with advisors, valued the Failed Auction Security 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 this security as of December 31, 2016. 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 2.0%; the rate of return required by investors to own this type of security in the current environment, which we estimate to be 5.0% above the risk free rate of return; and an estimated timeframe of three to five years for successful auctions for this type of security to occur. 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 (the "Penalty Rate"); 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. In developing its estimate of the rate of return required by investors to own these securities, management compared the Penalty Rate of the Failed Auction Security with yields of actively traded long-term bonds with similar characteristics and, reflecting the limited liquidity for auction rate securities and the discounts to par value seen in recent tender offers by issuers and arm's length market transactions between informed buyers and sellers,

VICOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

estimated the implied yield (i.e., the discount to par value) necessary to complete a sale of the Failed Auction Security. Management has calculated an increase or decrease in the liquidity risk premium of 5.0% referenced above of 1.0% (i.e., 100 basis points) as used in the model, would decrease or increase, respectively, the fair value of the Failed Auction Security by approximately \$100,000.

For purposes of the valuation process for the Failed Auction Security, “management” consists of senior members of the Company’s finance department. The fair value measurements for the Failed Auction Security are reviewed and updated on a quarterly basis. The calculations are prepared by the Company’s Corporate Controller, in conjunction with information provided by its valuation advisors, and include the development and substantiation of the unobservable inputs. The methodology, assumptions, and calculations are reviewed and approved by the Company’s Chief Financial Officer and Chief Accounting Officer.

The significant unobservable inputs used in the fair value measurement of the Company’s Failed Auction Security are the cumulative probability of earning the maximum rate until maturity, the cumulative probability of principal return prior to maturity, the cumulative probability of default, the liquidity risk premium, and the recovery rate in default. Significant increases (decreases) in any of those inputs in isolation would result in changes in fair value measurement. Significant increases (decreases) in the cumulative probability of earning the maximum rate until maturity, the cumulative probability of principal return prior to maturity, and the recovery rate in default would result in a higher (lower) fair value measurement, while increases (decreases) in the cumulative probability of default and the liquidity risk premium would result in a (lower) higher fair value measurement.

Generally, the interrelationships are such that a change in the assumption used for the cumulative probability of principal return prior to maturity is accompanied by a directionally similar change in the assumption used for the cumulative probability of earning the maximum rate until maturity and a directionally opposite change in the assumptions used for the cumulative probability of default and the liquidity risk premium. The recovery rate in default is somewhat independent and based upon the securities’ specific underlying assets and published recovery rate indices.

Quantitative information about Level 3 fair value measurements as of December 31, 2016 are as follows (dollars in thousands):

| | <u>Fair Value</u> | <u>Valuation Technique</u> | <u>Unobservable Input</u> | <u>Weighted Average</u> |
|-----------------------------------|-------------------|----------------------------|---|-------------------------|
| Failed Auction Security | \$2,508 | Discounted cash flow | Cumulative probability of earning the maximum rate until maturity | 0.04% |
| | | | Cumulative probability of principal return prior to maturity | 93.72% |
| | | | Cumulative probability of default | 6.24% |
| | | | Liquidity risk premium | 5.00% |
| | | | Recovery rate in default | 40.00% |

The change in the estimated fair value calculated for the investment valued on a recurring basis utilizing Level 3 inputs (i.e., the Failed Auction Security) for the year ended December 31, 2016 was as follows (in thousands):

| | |
|--|----------------|
| Balance at the beginning of the period | \$2,526 |
| Credit gain on available- for- sale security included in Other income (expense), net | 13 |
| Loss included in Other comprehensive income (loss) | <u>(31)</u> |
| Balance at the end of the period | <u>\$2,508</u> |

VICOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The change in the estimated fair value calculated for the liabilities valued on a recurring basis utilizing Level 3 inputs (i.e., the Contingent consideration obligations) for the year ended December 31, 2016 was as follows (in thousands):

| | |
|--|--------------|
| Balance at the beginning of the period | \$144 |
| Obligation incurred upon acquisition of noncontrolling interest (see Note 9) | 208 |
| Payments | <u>(99)</u> |
| Balance at the end of the period | <u>\$253</u> |

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the year ended December 31, 2016.

6. INVENTORIES

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

| | <u>2016</u> | <u>2015</u> |
|-----------------|-----------------|-----------------|
| Raw materials | \$18,648 | \$16,257 |
| Work-in-process | 3,361 | 2,879 |
| Finished goods | <u>5,127</u> | <u>4,306</u> |
| Net balance | <u>\$27,136</u> | <u>\$23,442</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 39 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):

| | <u>2016</u> | <u>2015</u> |
|---|------------------|------------------|
| Land | \$ 2,089 | \$ 2,089 |
| Buildings and improvements | 43,950 | 44,647 |
| Machinery and equipment | 237,434 | 231,305 |
| Furniture and fixtures | 5,656 | 5,652 |
| Construction in-progress and deposits | <u>2,471</u> | <u>3,839</u> |
| | 291,600 | 287,532 |
| Accumulated depreciation and amortization | <u>(254,026)</u> | <u>(250,082)</u> |
| Net balance | <u>\$ 37,574</u> | <u>\$ 37,450</u> |

Depreciation expense for the years ended December 31, 2016, 2015 and 2014 was approximately \$8,304,000, \$9,028,000, and \$9,833,000 respectively. As of December 31, 2016, the Company had approximately \$2,393,000 of capital expenditure commitments.

8. OTHER INVESTMENTS

In September 2015, Intersil Corporation (“Intersil”) acquired, through a statutory merger, Great Wall Semiconductor Corporation (“GWS”), in which the Company held non-voting convertible preferred stock. GWS

VICOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

and its subsidiary designed and sold semiconductors, conducted research and development activities, and developed and licensed patents. A director of the Company was the founder, Chairman of the Board, President and Chief Executive Officer (“CEO”), as well as the majority voting shareholder, of GWS. The Company accounted for its investment in GWS under the equity method. The Company determined, while GWS was a variable interest entity, the Company was not the primary beneficiary. The key factors in the Company’s assessment were that the CEO of GWS had: (i) the power to direct the activities of GWS that most significantly impact its economic performance, and (ii) an obligation to absorb losses or the right to receive benefits from GWS, respectively, that could potentially be significant to GWS.

At the time of the merger transaction, the Company’s gross investment totaled \$4,999,719. However, during the fourth quarter of 2008, the Company determined a decline in value judged to be other-than-temporary had occurred and, as such, the investment’s recorded value on the Consolidated Balance Sheet, as of December 31, 2008, was reduced to zero. Management’s decision to reduce the remaining investment balance to zero at that time was based on GWS’ continued operating losses, the impact of the global economic crisis on the current and short-term outlook for its operations, a negative working capital position as of December 31, 2008, and a valuation based on discounted cash flows.

Under the terms of the merger agreement between GWS and Intersil, and in accordance with the terms of the shareholder agreement under which the Company made its investments, all preferred stock was redeemed at full preference value (i.e., purchased for cash equal to the original investment amount). This redemption was effected through the exchange of a share of preferred stock for (a) the right to receive the preference value in cash upon surrender of the preferred shares and (b) the non-transferable right to receive certain cash payments as additional consideration, after a period of 16 months, associated with (i) the release by Intersil of some or all of the \$2,625,000 portion of total consideration held in escrow by Intersil for potential funding of indemnification and related obligations made by GWS and its selling shareholders and (ii) additional consideration of up to \$4,000,000, payable in the event Intersil achieved certain revenue goals related to GWS products. Immediately after the closing of the merger transaction, the Company received the full preference value, equal to its gross investment in GWS. Because the net investment on the Company’s Consolidated Balance Sheet had a value of zero, the full preference value was recorded as a gain from sale of equity method investment in the third quarter of 2015. Just prior to the merger, the Company also received, as a dividend from GWS, shares of an entity in which GWS held an investment. Such shares were deemed by the Company to have a value of zero on the date of receipt.

While the Company’s shares of preferred stock were never converted into shares of non-voting common stock, as provided for in the terms of the shareholder agreement under which the Company made its investment, the proportionate share of the contingent amounts described above was calculated assuming such a conversion, resulting in a *pro forma* proportionate share for the Company of any amounts paid of 27.0%. The Company will record its proportionate share of any additional consideration when it is determined to be realizable. As a former stockholder of GWS, the Company is subject to the indemnification provisions in the merger agreement, as noted above. In certain cases, the Company’s indemnification obligation can extend to the full amount of the merger consideration received by the Company, however, the Company believes the likelihood of any such indemnification obligation occurring is remote.

The Company and GWS were parties to an intellectual property cross-licensing agreement, a license agreement, and two supply agreements, under which the Company purchased certain components from GWS. Intersil, through the merger transaction, has assumed all of GWS’ rights and obligations under these agreements. Company purchases from GWS totaled approximately \$1,662,000 for the nine months ended September 30, 2015, the approximate time of the sale, and \$2,146,000 in 2014.

VICOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. NONCONTROLLING INTEREST TRANSACTIONS

On March 30, 2016, the Company acquired 100% ownership of certain operating assets and cash of its consolidated subsidiary, Converpower Corporation (“Converpower”), in which it held a 49% ownership interest. The operating assets and cash were acquired in exchange for the Company’s common shares representing that 49% interest and the aggregate dollar amount of royalty payments to be made by the Company to Converpower. The transaction was executed through a newly-formed, wholly-owned subsidiary, Granite Power Technologies, Inc. (“GPT”), the business operations of which had formerly existed as a division of Vicor Corporation. The shares of Converpower common stock held by the Company were contributed to GPT prior to the transaction. At the same time that it entered into the Asset Purchase Agreement associated with this transaction, the Company and Converpower entered into a license agreement providing the Company the right to continue manufacturing certain Converpower products in exchange for payment of royalties, quarterly through June 30, 2021, equal to a percentage of the revenue generated by the manufacture and sale of these products by GPT. The estimated present value of total future royalties, included in “Contingent consideration obligations” in the accompanying Consolidated Balance Sheet as of December 31, 2016, is \$167,000 (initially \$208,000, as of March 31, 2016). Although the Company exchanged its shares representing its 49% equity interest in Converpower, it acquired 100% control of the business operations. Accordingly, this transaction was accounted for as an acquisition of a noncontrolling interest (i.e., an equity transaction). As such, the noncontrolling interest balance in equity associated with Converpower was reduced to zero, and the additional paid-in capital account was reduced by \$208,000, the estimated present value of total future royalties as of March 31, 2016. As a result of the transactions associated with the consolidation of the Converpower operation into GPT, the Company’s aggregate balance of cash, short-term interest receivable, and long-term investments on its Consolidated Balance Sheet as of March 31, 2016, declined by approximately \$718,000. No amounts were recorded in the Consolidated Statement of Operations related to these transactions.

On December 28, 2015, the Company sold its 49% ownership interest in Aegis Power Systems, Inc. (“APS”) to the 51% noncontrolling interest holder for approximately \$1,698,000. The amount of the proceeds approximated the Company’s share of the net equity of APS, resulting in a gain of approximately \$28,000, which was recorded in Other income (expense), net in the accompanying Consolidated Statements of Operations. As a result of the transaction, cash of approximately \$2,090,000 and other net assets of approximately \$1,317,000 of APS were fully deconsolidated from the Company’s consolidated balance sheet as of December 31, 2015. After the sale, APS operates independently from the Company, and may purchase the Company’s products going forward, on an arms-length basis.

Also on December 28, 2015, the Company acquired the noncontrolling interest holder’s 18% ownership interest in Mission Power Solutions, Inc. (“MPS”) for approximately \$216,000, which equaled the noncontrolling interest holder’s share of the net equity of MPS. This transaction was achieved through a statutory merger of MPS with and into an existing Vicor Custom Power wholly-owned subsidiary, Northwest Power, Inc. (“NPI”). In addition to the payment noted above, the selling principal will be eligible to receive quarterly royalty payments through June 30, 2021 equal to a percentage of the revenue generated by the sale of certain MPS legacy products to be manufactured by NPI going forward. The estimated obligation for total future royalties, recorded as Contingent consideration obligation in the accompanying Consolidated Balance Sheets, was approximately \$144,000 as of December 31, 2015. Royalty payments of approximately \$58,000 were made during 2016. The acquisition of the noncontrolling interest holder’s 18% ownership interest was accounted for as an equity transaction, and therefore, the noncontrolling interest balance in equity for this subsidiary was reduced to zero. The excess of the acquisition amount, which is inclusive of the cash paid and the value of the contingent consideration obligation, over the noncontrolling interest balance in equity, was recorded as a charge to additional paid-in capital.

VICOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The respective noncontrolling interest holders of APS, Converpower, and MPS served as key employees of each company prior to the transactions described above.

10. INTANGIBLE ASSETS

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

| | 2016 | 2015 |
|--------------------------------|-------------|-------------|
| Patent costs | \$ 2,427 | \$ 2,525 |
| Accumulated amortization | (1,598) | (1,583) |
| | \$ 829 | \$ 942 |

Definite lived intangible assets, such as patent rights, are amortized and tested for impairment if a triggering event occurs.

Amortization expense was approximately \$134,000, \$145,000 and \$170,000 in 2016, 2015 and 2014, respectively. The estimated future amortization expense from patent assets held as of December 31, 2016, is projected to be \$129,000, \$113,000, \$106,000, \$102,000 and \$92,000, in fiscal years 2017, 2018, 2019, 2020, and 2021, respectively.

11. SEVERANCE AND OTHER CHARGES

In July 2014, the Company’s management authorized the consolidation of the manufacturing of its Westcor division products, of the BBU segment, announcing its intent to transfer those operations from Westcor’s Sunnyvale, California facility to the Company’s primary manufacturing facility in Andover, Massachusetts, by the end of 2014. As a result, the Company recorded a pre-tax charge of \$2,207,000 in the second half of 2014, primarily for the cost of severance and other employee-related costs involving cash payments based on each employee’s respective length of service. The Company also incurred other costs related to the relocation of the manufacturing operations, primarily freight costs for the transfer of inventories and equipment, and employee travel expenses, of which approximately \$303,000 was expensed in the second half of 2014. The related liability is presented as “Accrued severance charges” in the Consolidated Balance Sheets.

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

| | |
|---------------------------------------|----------|
| Balance as of December 31, 2014 | \$ 1,904 |
| Payments | (1,709) |
| Balance as of December 31, 2015 | 195 |
| Payments | (195) |
| Balance as of December 31, 2016 | \$ — |

VICOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. PRODUCT WARRANTIES

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

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|---------------|---------------|---------------|
| Balance at the beginning of the period | \$ 585 | \$ 204 | \$ 283 |
| Accruals for warranties for products sold in the period | 358 | 715 | 281 |
| Fulfillment of warranty obligations | (527) | (334) | (350) |
| Revisions of estimated obligations | <u>(202)</u> | <u>—</u> | <u>(10)</u> |
| Balance at the end of the period | <u>\$ 214</u> | <u>\$ 585</u> | <u>\$ 204</u> |

13. STOCKHOLDERS' EQUITY

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.

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 2016, 2015, and 2014. On December 31, 2016 the Company had approximately \$8,541,000 available for share repurchases under the November 2000 Plan.

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 at the time. Common Stock and Class B Common Stock participate in dividends and earnings equally.

During the years ended December 31, 2016 and 2015, one subsidiary paid a total of \$750,000 and \$250,000, in cash dividends, respectively, all of which were paid to the Company. During the year ended December 31, 2014, two subsidiaries paid a total of \$3,900,000 in cash dividends, of which \$3,738,000 was paid to the Company and \$162,000 was paid to outside shareholders. Dividends paid to outside shareholders of our subsidiaries are accounted for as a reduction in noncontrolling interest.

On December 31, 2016, 2015, and 2014 there were 14,377,880, 14,594,805, and 14,719,889, respectively, shares of Vicor Common Stock reserved for issuance for Vicor stock options and upon conversion of Class B Common Stock.

VICOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. OTHER INCOME (EXPENSE), NET

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

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|---------------|--------------|---------------|
| Rental income | \$ 462 | \$ — | \$ — |
| Foreign currency losses, net | (268) | (161) | (196) |
| Interest income | 68 | 47 | 80 |
| Credit gains on available for sale securities | 13 | 12 | 311 |
| (Loss) gain on disposal of equipment | (4) | 60 | 22 |
| Other | 13 | 67 | 51 |
| | <u>\$ 284</u> | <u>\$ 25</u> | <u>\$ 268</u> |

During the second quarter of 2016, the Company began recognizing rental income under a new leasing agreement with a third party for the former Westcor facility.

15. INCOME TAXES

The tax provision is based on the annual effective tax rate for the year, which includes estimated federal, state and foreign income taxes on the Company's pre-tax income and, in 2015 and 2014, estimated federal and state income taxes for certain noncontrolling interest subsidiaries that were not part of the Company's consolidated income tax returns. The tax provisions also may include discrete items, principally related to tax credits, increases or decreases in tax reserves, tax provision vs. tax return differences and accrued interest for potential liabilities.

The reconciliation of the federal statutory rate on the loss before income taxes and before the gain from sale of equity method investment to the effective income tax rate for the years ended December 31 is as follows:

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-------------|-----------------|---------------|
| Statutory federal tax rate | (34.0)% | (34.0)% | (34.0)% |
| State income taxes, net of federal income tax benefit | 1.9 | 46.4 | 0.8 |
| (Decrease) increase in valuation allowance | 46.5 | (138.4) | 46.9 |
| Tax credits | (13.6) | 29.9 | (12.4) |
| Capital gain on sale to noncontrolling interest | 3.9 | 237.8 | — |
| Permanent items | 0.9 | 21.2 | 0.4 |
| Decrease in unremitted Vicor Custom Power earnings | (0.9) | (108.7) | — |
| Foreign rate differential and deferred items | (0.8) | (18.2) | (0.3) |
| Book income attributable to noncontrolling interest | 0.1 | 47.0 | (0.6) |
| Decrease in tax reserves | — | (248.6) | (3.7) |
| Other | (0.2) | (0.1) | — |
| | <u>3.8%</u> | <u>(165.7)%</u> | <u>(2.9)%</u> |

In 2016, 2015, and 2014, the Company could not recognize a tax benefit for the majority of its losses due to a full valuation allowance against all domestic deferred tax assets, as described below.

In 2016, in connection with the Company's acquisition of 100% ownership of certain operating assets and cash of Converpower, the related deferred tax liability for unremitted earnings of \$55,000 was reversed and recorded as a discrete benefit in the first quarter of 2016 (see Note 9).

VICOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In 2015, the Company entered into voluntary disclosure agreements with several states. As a result, the Company recognized a tax benefit of approximately \$555,000 as a discrete item in the fourth quarter of 2015 for the release of tax reserves. In addition, in connection with the Company's sale of its 49% interest in APS, recognized as a capital gain, the related deferred tax liability for unremitted earnings of \$274,000 was reversed and recorded as a deferred tax benefit in the fourth quarter of 2015 (see Note 9).

During the third quarter of 2014, the Company recognized a tax benefit of approximately \$552,000 as a discrete item for the release of certain income tax reserves, due to the completion of an Internal Revenue Service examination of its 2010 and 2011 federal corporate income tax returns during the quarter.

For financial reporting purposes, income (loss) before income taxes and before the gain from sale of equity method investment for the years ended December 31 include the following components (in thousands):

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|----------------|------------------|-----------------|-------------------|
| Domestic | \$(6,034) | \$ 1,373 | \$(14,223) |
| Foreign | 4 | (1,615) | (272) |
| | <u>\$(6,030)</u> | <u>\$ (242)</u> | <u>\$(14,495)</u> |

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

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---------------|--------------|----------------|----------------|
| Current: | | | |
| Federal | \$ — | \$ 144 | \$(690) |
| State | 172 | (473) | 147 |
| Foreign | 137 | 111 | 124 |
| | 309 | (218) | (419) |
| Deferred: | | | |
| Federal | (55) | (274) | (6) |
| Foreign | (23) | 91 | — |
| | (78) | (183) | (6) |
| | <u>\$231</u> | <u>\$(401)</u> | <u>\$(425)</u> |

As discussed in Note 8, the Company recorded a gain from equity method investment in the third quarter of 2015 for cash consideration received equal to its gross investment in GWS of \$4,999,719 for the full preference value of its non-voting convertible preferred stock upon GWS' acquisition by Intersil, as the value of the investment for financial reporting purposes was zero. For income tax purposes, though, the tax basis of the investment was \$4,999,719 at the time of the redemption as it was not previously deducted for tax purposes and, therefore, there was no gain or loss on the transaction for income tax purposes.

The Company intends to continue to reinvest certain of its foreign earnings indefinitely. Accordingly, no U.S. income taxes have been provided for approximately \$909,000 of unremitted earnings of international subsidiaries. As of December 31, 2016, the amount of unrecognized deferred tax liability on these earnings was \$80,000.

VICOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Significant components of the Company's deferred tax assets and liabilities as of December 31 were as follows (in thousands):

| | <u>2016</u> | <u>2015</u> |
|---|-----------------|-----------------|
| Deferred tax assets: | | |
| Research and development tax credit carryforwards | \$ 13,967 | \$ 12,503 |
| Net operating loss carryforwards | 4,902 | 3,393 |
| Stock-based compensation | 4,066 | 3,993 |
| Inventory reserves | 3,143 | 2,979 |
| Vacation accrual | 1,928 | 1,768 |
| Investment tax credit carryforwards | 1,576 | 1,399 |
| Alternative minimum tax credit carryforward | 340 | 340 |
| Deferred revenue | 154 | 192 |
| Unrealized loss on investments | 136 | 149 |
| Warranty reserves | 73 | 202 |
| Bad debt reserves | 52 | 58 |
| Other | 331 | 735 |
| Total deferred tax assets | <u>30,668</u> | <u>27,711</u> |
| Less: Valuation allowance for deferred tax assets | <u>(29,274)</u> | <u>(25,862)</u> |
| Net deferred tax assets | 1,394 | 1,849 |
| Deferred tax liabilities: | | |
| Prepaid expenses | (654) | (713) |
| Depreciation | (406) | (787) |
| Patent amortization | (296) | (334) |
| Unremitted Vicor Custom Power earnings | — | (55) |
| Total deferred tax liabilities | <u>(1,356)</u> | <u>(1,889)</u> |
| Net deferred tax assets (liabilities) | <u>\$ 38</u> | <u>\$ (40)</u> |

As of December 31, 2016, the Company has a valuation allowance of approximately \$29,274,000 primarily against all domestic net deferred tax assets and the majority of foreign net deferred tax assets, for which realization cannot be considered more likely than not at this time. Management assesses the need for the valuation allowance on a quarterly basis. In assessing the need for a valuation allowance, the Company considers all positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and past financial performance. The Company remains in a significant cumulative loss position as of December 31, 2016 and, as a result, management believes a full valuation allowance against all domestic net deferred tax assets is warranted as of December 31, 2016. 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. If and when the Company determines the valuation allowance should be released (i.e., reduced), the adjustment would result in a tax benefit reported in that period's Consolidated Statements of Operations, the effect of which would be an increase in reported net income. A portion of such an adjustment may be accounted for through an increase to "Additional paid-in capital", a component of Stockholders' Equity. The amount of any such tax benefit associated with release of our valuation allowance in a particular quarter may be material.

As a result of certain realization requirements under the stock-based compensation guidance, the table of deferred tax assets and liabilities shown above does not include certain deferred tax assets as of December 31, 2016, that arose directly from tax deductions related to stock-based compensation greater than stock-based

VICOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

compensation recognized for financial reporting. Equity will be increased, net of any valuation allowance, by \$3,485,000 if and when such deferred tax assets are ultimately realized. Beginning in 2017, upon the adoption of new guidance for employee share-based accounting described in Note 2 — Significant Accounting Policies — *Impact of recently issued accounting standards*, this amount will be allocated and added to the deferred tax assets for research and development tax credit carryforwards and net operating loss carryforwards, but will be fully offset by the valuation allowance for deferred tax assets. The Company uses ASC 740 ordering when determining when excess tax benefits have been realized.

The research and development tax credit carryforwards expire beginning in 2017 for state purposes and in 2022 for federal purposes. The Company has federal net operating loss carryforwards which expire beginning in 2033, as well as net operating loss carryforwards in certain states, which expire beginning in 2017 through 2036.

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

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|--------------|---------------|----------------|
| Balance on January 1 | \$830 | \$1,254 | \$2,072 |
| Additions based on tax provisions related to the current year | 125 | 120 | 161 |
| Reductions for tax positions of prior years | — | — | (967) |
| Settlements | — | (480) | — |
| Lapse of statute | (9) | (64) | (12) |
| Balance on December 31 | <u>\$946</u> | <u>\$ 830</u> | <u>\$1,254</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, as of December 31, 2016, 2015, and 2014 of \$946,000, \$830,000, and \$1,254,000, respectively, if recognized, may decrease the Company's income tax provision and effective tax rate. None of the unrecognized tax benefits as of December 31, 2016, 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. During the years ended December 31, 2016, 2015, and 2014, the Company recognized approximately \$6,000, \$21,000, and \$32,000, respectively, in net interest expense. As of December 31, 2016 and 2015, the Company had accrued approximately \$25,000 and \$24,000, respectively, for the potential payment of interest.

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 2013 and 2015 and 2007 through 2015, respectively. In addition, the 2003, 2004, and 2007 tax years resulted in losses. These years may also be subject to examination since the losses were carried forward and utilized in future years.

The Company's subsidiary in Italy, Vicor Italy S.r.l. ("Vicor Italy"), underwent during 2014 a tax inspection for tax years 2009 through 2013, covering corporation, regional and value added taxes. Vicor Italy received a preliminary tax audit report dated June 30, 2014. The Company filed a response to the preliminary tax audit report in the third quarter of 2014. The statute of limitations for the tax authorities in Italy to file an assessment, if any, expired on December 31, 2015 for tax year 2009 and on December 31, 2016 for tax year 2010. While management believes it is too early to determine the likelihood or amount of potential liability at this time, it does not believe the ultimate impact of this matter will be material to the Company's financial statements.

VICOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other than the Vicor Italy matter discussed above there are no other income tax examinations or audits currently in process.

16. COMMITMENTS AND CONTINGENCIES

The Company leases certain of its office 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> | |
|---------------------|---------|
| 2017 | \$1,572 |
| 2018 | 1,013 |
| 2019 | 556 |
| 2020 | 411 |
| 2021 and thereafter | 1,219 |

Rent expense was approximately \$1,866,000, \$1,902,000 and \$1,824,000 in 2016, 2015 and 2014, respectively. The Company also pays tenant-related executory costs such as taxes, maintenance, and insurance.

On January 28, 2011, SynQor, Inc. (“SynQor”) filed a complaint for patent infringement against Ericsson, Inc. (“Ericsson”), Cisco Systems, Inc. (“Cisco”) and the Company in the U.S. District Court for the Eastern District of Texas (the “Texas Action”). Ericsson and Cisco subsequently settled with SynQor and are no longer parties to the Texas Action. With respect to the Company, SynQor’s complaint in the Texas Action alleged that the Company’s products, including but not limited to unregulated bus converters used in intermediate bus architecture power supply systems, infringe SynQor’s U.S. patent numbers 7,072,190, 7,272,021, and 7,564,702 (“the ‘190 patent”, “the ‘021 patent” and “the ‘702 patent”, respectively). SynQor’s complaint sought an injunction against further infringement and an award of unspecified compensatory and enhanced damages, interest, costs and attorney fees. On September 20, 2011, SynQor filed an amended complaint in the Texas Action that further alleged that the Company’s products, including, but not limited to, unregulated bus converters used in intermediate bus architecture power supply systems, infringe SynQor’s U.S. patent number 8,023,290 (“the ‘290 patent”). The Company responded to SynQor’s amended complaint in the Texas Action by denying its products infringe any of the SynQor patents, and asserting that the SynQor patents are invalid. The Company has further alleged that the SynQor ‘290 patent is unenforceable due to inequitable conduct by SynQor or its agents during the examination of the ‘290 patent at the United States Patent and Trademark Office (“USPTO”). The Company has also asserted counterclaims seeking damages against SynQor for deceptive trade practices and tortious interference with prospective economic advantage arising from SynQor’s attempted enforcement of its patents against the Company.

The Company has initiated administrative review proceedings at the USPTO challenging the validity of certain claims of the SynQor patents asserted in the Texas Action, including all claims that were asserted against the Company by SynQor. Regarding the ‘190 patent, the Patent Trial and Appeal Board (“PTAB”) of the USPTO issued a decision upholding the validity of the ‘190 patent claims. That decision was appealed by the Company to the United States Court of Appeals for the Federal Circuit (“the Federal Circuit”), which issued a decision on March 13, 2015 reversing the PTAB, determining that certain claims were invalid, and remanding the matter to the PTAB for further proceedings. On May 2, 2016, the PTAB issued a decision determining that all but one of the remaining claims of the ‘190 patent were invalid and remanding the remaining claim to a patent examiner for further examination, where it remains under review. In addition, on that date, the PTAB issued decisions finding all challenged claims of SynQor’s ‘021 patent invalid and upholding the validity of all challenged claims of SynQor’s ‘702 and ‘290 patents. The Company has filed an appeal with the Federal Circuit from the PTAB’s

VICOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

decision upholding the validity of the challenged claims of the '702 and '290 patents. SynQor has filed an appeal with the Federal Circuit from the PTAB's decision that the challenged claims of the '021 patent are invalid. Decisions in these appeals are expected later in 2017. On May 23, 2016, the Texas Court issued an order staying the Texas Action until the completion of all of the administrative review proceedings concerning the asserted SynQor patents, including any appeals from such proceedings to the Federal Circuit.

The Company continues to believe none of its products, including its unregulated bus converters, infringe any valid claim of the asserted SynQor patents, either alone or when used in an intermediate bus architecture implementation, including such use by Cisco. The Company believes SynQor's claims lack merit and, therefore, continues to vigorously defend itself against SynQor's patent infringement allegations. The Company does not believe a loss is probable for this matter. If a loss were to be incurred, however, the Company cannot estimate the amount of possible loss or range of possible loss at this time.

In addition to the SynQor matter, 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 will have a material adverse impact on the Company's financial position or results of operations.

17. SEGMENT INFORMATION

The Company has organized its business segments according to its key product lines. The BBU segment designs, develops, manufactures, and markets the Company's modular DC-DC converters and configurable products, and also includes the entities comprising Vicor Custom Power, the BBU operations of VJCL, and the operations of the Company's Westcor division through its closure in December 2014. The VI Chip segment includes VI Chip Corporation, which designs, develops, manufactures, and markets many of the Company's advanced power component products. The VI Chip segment also includes the VI Chip business conducted through VJCL. The Picor segment consists of Picor Corporation, which designs, develops, manufactures, and markets integrated circuits and related products for use in a variety of power management and power system applications. The Picor segment develops these products for use in the Company's BBU and VI Chip modules, to be sold as complements to the Company's BBU and VI Chip products, or for sale to third parties for separate (i.e., stand-alone) applications.

The Company's Chief Executive Officer (i.e., the 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. The Corporate segment consists of those operations and assets shared by all segments. The costs of certain centralized executive and administrative functions are recorded in this segment, as are certain shared assets, most notably cash and cash equivalents, deferred tax assets, long-term investments, the Company's facilities in Massachusetts, real estate, and other assets. The Company's accounting policies and method of presentation for segments are consistent with that used throughout the Consolidated Financial Statements.

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>VI Chip</u> | <u>Picor</u> | <u>Corporate</u> | <u>Eliminations</u> | <u>Total</u> |
|---|------------|----------------|--------------|------------------|---------------------|--------------|
| | (1) | | | | | |
| 2016: | | | | | | |
| Net revenues | \$151,428 | \$ 39,947 | \$16,684 | \$ — | \$ (7,779) | \$200,280 |
| Income (loss) from operations | 11,750 | (16,494) | (637) | (933) | — | (6,314) |
| Total assets | 196,987 | 21,389 | 8,583 | 73,253 | (146,145) | 154,067 |
| Depreciation and amortization | 4,258 | 2,235 | 545 | 1,400 | — | 8,438 |
| 2015: | | | | | | |
| Net revenues | \$173,064 | \$ 36,688 | \$17,304 | \$ — | \$ (6,862) | \$220,194 |
| Income (loss) from operations | 21,743 | (21,040) | (290) | (680) | — | (267) |
| Total assets | 170,939 | 15,577 | 5,369 | 81,824 | (116,164) | 157,545 |
| Depreciation and amortization | 4,538 | 2,740 | 442 | 1,422 | — | 9,142 |
| 2014: | | | | | | |
| Net revenues | \$184,224 | \$ 34,701 | \$15,570 | \$ — | \$ (8,764) | \$225,731 |
| Income (loss) from operations | 15,499 | (29,015) | (407) | (840) | — | (14,763) |
| Total assets | 151,923 | 17,677 | 5,691 | 75,758 | (95,507) | 155,542 |
| Depreciation and amortization | 4,711 | 3,265 | 410 | 1,419 | — | 9,805 |

(1) The elimination for net revenues is principally related to inter-segment revenues of Picor to BBU and VI Chip and for inter-segment revenues of VI Chip to BBU. The elimination for total assets is principally related to inter-segment accounts receivable due to BBU for the funding of VI Chip and Picor operations.

18. 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> |
|---|--------------|---------------|--------------|---------------|--------------|
| 2016: | | | | | |
| Net revenues | \$46,027 | \$52,941 | \$53,227 | \$48,085 | \$200,280 |
| Gross margin | 19,316 | 24,471 | 25,923 | 21,499 | 91,209 |
| Consolidated net income (loss) | (5,376) | (550) | 2,351 | (2,686) | (6,261) |
| Net income (loss) attributable to noncontrolling interest | (25) | (6) | 15 | 2 | (14) |
| Net income (loss) attributable to Vicor Corporation | (5,351) | (544) | 2,336 | (2,688) | (6,247) |
| Net income (loss) per share attributable to Vicor Corporation: | | | | | |
| Basic and diluted | (0.14) | (0.01) | 0.06 | (0.07) | (0.16) |

VICOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

| | <u>First</u> | <u>Second</u> | <u>Third</u> | <u>Fourth</u> | <u>Total</u> |
|--|--------------|---------------|--------------|---------------|--------------|
| 2015: | | | | | |
| Net revenues | \$64,017 | \$56,119 | \$48,664 | \$51,394 | \$220,194 |
| Gross margin | 28,891 | 26,510 | 21,286 | 22,831 | 99,518 |
| Consolidated net income (loss) | 3,442 | 771 | 2,609 | (1,663) | 5,159 |
| Net income (loss) attributable to noncontrolling interest | 71 | (34) | 106 | 89 | 232 |
| Net income (loss) attributable to Vicor Corporation | 3,371 | 805 | 2,503 | (1,752) | 4,927 |
| Net income (loss) per share attributable to Vicor Corporation: | | | | | |
| Basic and diluted | 0.09 | 0.02 | 0.06 | (0.05) | 0.13 |

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Attached as exhibits to this Annual Report on 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. 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. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits 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. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. We recognize any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and we necessarily apply our judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of the Company’s disclosure controls and procedures as of December 31, 2016, the Chief Executive Officer and Chief Financial Officer concluded, as of such date, the Company’s disclosure controls and procedures were effective at the reasonable assurance level.

(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; (a) pertaining to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets; (b) providing 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) providing 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, 2016, the end of our fiscal year. Management based its assessment on criteria established in *Internal Control — Integrated Framework (2013)* 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, 2016.

The effectiveness of our internal control over financial reporting as of December 31, 2016 has been audited by KPMG LLP, our independent registered public accounting firm, as stated in their report which is included immediately below.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Vicor Corporation:

We have audited Vicor Corporation's internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Vicor Corporation's 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 the Company'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, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included 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 maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (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, 2016 and 2015, and the related consolidated statements of operations, comprehensive income (loss), cash flows, and equity for each of the years in the three-year period ended December 31, 2016, and our report dated March 7, 2017 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Boston, Massachusetts
March 7, 2017

(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, 2016, 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, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Incorporated by reference from the Company's Definitive Proxy Statement for its 2017 annual meeting of stockholders.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference from the Company's Definitive Proxy Statement for its 2017 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 2017 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 2017 annual meeting of stockholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Incorporated by reference from the Company's Definitive Proxy Statement for its 2017 annual meeting of stockholders.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(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* | • VI Chip Corporation Amended 2007 Stock Option and Incentive Plan (11) |
| 10.10* | • Form of Non-Qualified Stock Option Agreement under the VI Chip Corporation Amended 2007 Stock Option and Incentive Plan (10) |
| 10.11* | • Form of Incentive Stock Option Agreement under the VI Chip Corporation Amended 2007 Stock Option and Incentive Plan (11) |
| 10.12* | • Form of Stock Restriction Agreement under the VI Chip Corporation Amended 2007 Stock Option and Incentive Plan (11) |
| 21.1 | • Subsidiaries of the Company (12) |
| 23.1 | • Consent of KPMG LLP (12) |
| 31.1 | • Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act (12) |
| 31.2 | • Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act (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) |
| 101 | • The following material from the Company's Annual Report on Form 10-K, for the year ended December 31, 2016, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Comprehensive Income (Loss); (iv) the Consolidated Statements of Cash Flows; (v) the Consolidated Statements of Equity; and (vi) the Notes to Consolidated Financial Statements. |

* Indicates a management contract or compensatory plan or arrangement required to be filled pursuant to Item 15(b) of Form 10-K.

- (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 (File No. 0-18277), 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 (File No. 0-18277) 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 (File No. 0-18277) 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 (File No. 0-18277) 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 (File No. 0-18277) and incorporated herein by reference.
- (10) Filed as an exhibit to the Company's Current Report on Form 8-K, dated June 6, 2007 (File No. 0-18277) and incorporated herein by reference.
- (11) Filed as an exhibit to the Company's Current Report and Form 8-K, dated March 6, 2008 (File No. 0-18277) incorporated herein by reference.
- (12) Filed herewith.

ITEM 16. Form 10-K Summary

None.

VICOR CORPORATION
SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
Years ended December 31, 2016, 2015 and 2014

| <u>Description</u> | <u>Balance at Beginning of Period</u> | <u>Charge (Recovery) 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, 2016 | \$171,000 | \$(22,000) | \$ 4,000 | \$153,000 |
| December 31, 2015 | 183,000 | 18,000 | (30,000) | 171,000 |
| December 31, 2014 | 198,000 | 66,000 | (81,000) | 183,000 |

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

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 7, 2017

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> |
|--|---|---------------|
| /s/ Patrizio Vinciarelli Patrizio Vinciarelli | President, Chief Executive Officer and Chairman of the Board (Principal Executive Officer) | March 7, 2017 |
| /s/ James A. Simms James A. Simms | Chief Financial Officer and Vice President (Principal Financial Officer and Principal Accounting Officer) | March 7, 2017 |
| /s/ Estia J. Eichten Estia J. Eichten | Director | March 7, 2017 |
| /s/ David T. Riddiford David T. Riddiford | Director | March 7, 2017 |
| /s/ Barry Kelleher Barry Kelleher | Director | March 7, 2017 |
| /s/ Samuel J. Anderson Samuel J. Anderson | Director | March 7, 2017 |
| /s/ Claudio Tuozzolo Claudio Tuozzolo | Director | March 7, 2017 |
| /s/ Jason L. Carlson Jason L. Carlson | Director | March 7, 2017 |
| /s/ Liam K. Griffin Liam K. Griffin | Director | March 7, 2017 |
| /s/ H. Allen Henderson H. Allen Henderson | Director | March 7, 2017 |

EXHIBIT 21.1**SUBSIDIARIES OF THE COMPANY**

| <u>Name</u> | <u>State or Jurisdiction of Incorporation</u> |
|--|---|
| Picor Corporation | Delaware, USA |
| VI Chip Corporation | Delaware, USA |
| VLТ, 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 Trading (Shanghai) Limited | China |
| Vicor Development Corporation | Delaware, USA |
| Freedom Power Systems, Inc. | Delaware, USA |
| Granite Power Technologies, Inc. | Delaware, USA |
| Northwest Power, Inc. | Delaware, USA |

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 officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 7, 2017

/s/ Patrizio Vinciarelli

Patrizio Vinciarelli
Chief Executive Officer

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 officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 7, 2017

/s/ James A. Simms

James A. Simms

Vice President, Chief Financial Officer

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, 2016 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 7, 2017

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, 2016 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 7, 2017

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.

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 "Exchange Act"). 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 transition of our business strategically and organizationally from serving a large number of relatively low volume customers across diversified markets and geographies to serving a small number of relatively large volume customers, typically concentrated in computing and communications; the level of customer orders overall and, in particular, from large customers and the delivery lead times associated therewith; the financial and operational impact of customer changes to shipping schedules; the derivation of a portion of our sales in each quarter from orders booked in the same quarter; our ongoing development of power conversion architectures, switching topologies, packaging technologies, and products; our plans to invest in expanded manufacturing capacity and the timing and location thereof; our continued success depending in part on our ability to attract and retain qualified personnel; our belief cash generated from operations and the total of our cash and cash equivalents will be sufficient to fund operations for the foreseeable future; our belief that we have limited exposure to currency risks; our intentions regarding the declaration and payment of cash dividends; our intentions regarding protecting our rights under our patents; and our expectation that no current litigation or claims will have a material adverse impact on our 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: 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 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 served markets and geographies; improve manufacturing and operating efficiencies; successfully enforce our intellectual property rights; successfully defend outstanding litigation; hire and retain key personnel; and maintain an effective system of internal controls over financial reporting, 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, except as required by law.

Common Stock

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

Transfer Agent

Computershare Trust Company NA
College Station, Texas, 1.877.282.1169

Counsel

Foley & Lardner LLP
Boston, Massachusetts

Auditors

KPMG LLP
Boston, Massachusetts

Corporate Officers

Sean Crilly

Corporate Vice President, Engineering, Power Systems

Philip D. Davies

Corporate Vice President, Global Sales and Marketing

Nancy L. Grava

Corporate Vice President, Human Resources

Alex Gusinov

Corporate Vice President, Engineering, Power Components

Joseph A. Jeffery, Jr.

Corporate Vice President, Chief Information Officer

Michael S. McNamara

Corporate Vice President, General Manager, Operations

Richard J. Nagel, Jr.

Corporate Vice President, Chief Accounting Officer

James A. Simms

Corporate Vice President, Chief Financial Officer,
Treasurer, & Secretary

Claudio Tuozzolo

Corporate Vice President & President, Picor Corporation

Patrizio Vinciarelli, Ph.D.

Chairman of the Board, President & Chief Executive Officer

Board of Directors

Samuel J. Anderson

Chairman of the Board, President & Chief Executive Officer
IceMOS Technology Corporation

Jason L. Carlson

Chief Executive Officer
congatec, AG

Estia J. Eichten, Ph.D.

Senior Scientist
Fermi National Accelerator Laboratory

Liam K. Griffin

President & Chief Executive Officer
Skyworks Solutions, Inc.

H. Allen Henderson

Retired and Former Corporate Vice President & President, VLT, Inc.

Barry Kelleher

Retired and Former Corporate Vice President & President,
Brick Business Unit

David T. Riddiford

Private Investor

James A. Simms

Corporate Vice President, Chief Financial Officer,
Treasurer, & Secretary

Claudio Tuozzolo

Corporate Vice President & President, Picor Corporation

Patrizio Vinciarelli, Ph.D.

Chairman of the Board, President & Chief Executive Officer

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