

VICOR CORP
Form 10-K/A
June 03, 2014

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

Form 10-K/A
Amendment No. 1

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

For the fiscal year ended December 31, 2013

.. **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)	04-2742817 (IRS employer identification no.)
25 Frontage Road, Andover, Massachusetts (Address of principal executive offices)	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 (Do not check if a smaller reporting company) Smaller Reporting Company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately \$113,649,200 as of June 30, 2013.

On February 28, 2014, there were 26,782,623 shares of Common Stock outstanding and 11,758,218 shares of Class B Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's definitive proxy statement (the Definitive Proxy Statement) to be filed with the Securities and Exchange Commission pursuant to Regulation 14A and relating to the Company's 2014 annual meeting of stockholders are incorporated by reference into Part III.

EXPLANATORY NOTE

Vicor Corporation (Vicor or the Company) is filing this Amendment No. 1 on Form 10-K/A (this Amendment) to its Annual Report on Form 10-K for the year ended December 31, 2013 (the Original Form 10-K) solely for the purpose of correcting typographical errors in Part I, Item 1 Business. Under the heading Business Segments and in the second paragraph under the second bullet point entitled VI Chip Business Unit , the references to the power capability of certain ChiP modules were erroneously written as 1,500 kilowatts and 1,200 kilowatts , but should have been written as 1.5 kilowatts and 1.2 kilowatts , respectively, as corrected in this Amendment.

As required by Rule 12b-15 of the Securities Exchange Act of 1934, this Amendment sets forth an amended Item 1 Business in its entirety and includes new certifications from the Company s principal executive officer and principal financial officer, filed as Exhibits 31.1 and 31.2, hereto.

Except as described above, this Amendment does not modify or update any other disclosures presented in the Original Form 10-K, nor does it reflect events occurring after the filing of the Original Form 10-K. Accordingly, this Amendment should be read in conjunction with the Original Form 10-K and the Company s filings with the Securities and Exchange Commission subsequent to the filing of the Original Form 10-K.

ITEM 1. BUSINESS

Overview

We design, develop, manufacture and market modular components and complete systems for converting, regulating, and controlling electric current. 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 or loads . In many electronic devices, this DC voltage may be further converted to one or more lower voltages required by a range of loads. In equipment utilizing DC voltage from a primary DC source (for example, a generator or battery), the initial DC voltage frequently requires 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.

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

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

The global merchant market for AC-DC and DC-DC power conversion solutions is highly fragmented and made up of many large, diversified manufacturers, as well as many more, smaller manufacturers focused on specialized products or narrowly defined market segments or geographies. The overall market, including those segments in which we compete, are characterized by rapid commoditization and intense price competition.

Our products are sold worldwide to customers ranging from smaller, independent manufacturers of highly specialized electronic devices to larger original equipment manufacturers (OEMs) and their contract manufacturers. Beginning in

2011, we began to shift our focus toward higher volume opportunities with these larger OEMs and their contract manufacturers. We serve customers across a range of industries and geographies.

Since our founding, our strategy has been characterized by differentiation based on superior product performance. We have emphasized innovations in technologies, product design, and packaging. Much of our differentiation has been based on proprietary implementations of high frequency, soft switching topologies enabling DC-DC converter modules that are smaller and more efficient than conventional alternatives and, therefore, less vulnerable to commoditization pressures.

We offer a comprehensive range of component-level building blocks to configure a power system specific to a customer's needs. Since introducing and popularizing the encapsulated brick during the 1980s, our product focus has been on high performance DC-DC switching converters, which provide the transformation, regulation, isolation, filtering, and/or input protection necessary to power and protect sophisticated electronic loads. 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. We target markets and 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.

The market for power supplies and their enabling components regularly evolves in response to advancing technologies and corresponding changes in customer requirements. Throughout our history, we have modified our strategy to adapt to evolving market challenges and opportunities, leveraging our strength in research and development. In response to current trends and changes in customer requirements, we are implementing a strategy addressing both the realities of today's power conversion marketplace and our vision of its long-term direction. Our balanced strategy involves maintaining a profitable legacy business in bricks and brick-based system solutions, while investing in the next generation of power management components incorporating innovations of our VI Chip™ and Picor® subsidiaries.

Our product strategy has been characterized by differentiation based on superior product performance, notably highly differentiated conversion efficiency and power density. Our initial market focus in the 1980s and 1990s was on the rapidly expanding telecommunications infrastructure market, within which we had established a leadership position based on early innovations, many of which were patented. However, during the 2000s, in response to the sudden and sustained decline of the telecommunication infrastructure market, the expiration of many of our patents, the consolidation of numerous competitors, and the commoditization pressures of globalization, we shifted our strategy 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. This strategy remains the basis upon which our Brick Business Unit (BBU) competes.

We believe that traditional power architectures, components, and systems may not provide the performance necessary to address tomorrow's power system requirements, given trends toward lower bus and load voltages, higher currents, more and diverse on-board voltages, and the higher speeds and performance demands of numerous complex loads, as well as the importance of the efficiency with which architectures, components, and systems address these requirements. We also realized the rapid commoditization and intense price competition characterizing the broader market ultimately would impact the performance of our legacy business in bricks and brick-based systems. Based on this outlook, we established the VI Chip and Picor subsidiaries to focus on development of a new approach to power conversion and power management that would reestablish our technological leadership, while providing significant growth opportunities. VI Chip and Picor are offering highly differentiated, highly integrated products that address high volume opportunities. Our goal is to avoid commoditization and pricing pressures by maintaining technological leadership and a compelling value proposition.

Our strategy is supported by our long-standing commitment to research and development of power conversion technologies, advanced packaging and manufacturing, and innovative products. We incurred approximately \$39,900,000, \$38,800,000, and \$39,000,000 in research and development expenses in 2013, 2012, and 2011, respectively, representing approximately 20.0%, 17.7%, and 15.4% of revenues in 2013, 2012, and 2011, respectively. We intend to maintain spending in support of research and development expenses at a level, as a percentage of revenues, consistent with prior periods.

Business Segments

Our business segments are organized by key product lines supporting our balanced strategy:

Brick Business Unit

The BBU segment, our largest, designs, develops, manufactures, and markets power modules in three formats: our well-established encapsulated modules, known as bricks; our line of modular power converters incorporating our VI Chip modules and complementary circuitry into thermally advantageous packaging, which we market as VI Brick™ modules; and our line of intermediate bus converters, also marketed under the VI Brick name, which are open-frame (i.e., not encapsulated) devices. The BBU also designs, develops, manufactures, and markets a line of configurable

products, which are complete DC-input power systems assembled using our modular power components. The BBU also includes the operations of our WestcorTM division, which is focused only on AC-input configurable products, the operations of Vicor Custom PowerTM, which is our turnkey custom power solutions business, and Vicor Japan Company, Ltd. (VJCL), our majority-owned Japanese subsidiary.

Organized around and operating on a mass customization model, the BBU manufactures products based on customer specifications. We believe the BBU offers one of the broadest product lines in our industry, with many thousands of standard combinations of input voltage, output voltage, power level, and accessory components available. Mass customization, with an emphasis on manufacturing efficiency and ongoing cost reduction, allows the BBU, without the need for a significant investment in finished goods inventory, to profitably serve the needs of low volume customers seeking module performance they may not be able to obtain from our larger, volume-oriented competitors. The BBU serves customers across a wide range of market segments, with concentrations in defense electronics, industrial automation and equipment, and rail transportation. While the BBU's customer base is highly fragmented, our diverse customer relationships and the broad range of applications into which our products are designed are typically long in duration. This, along with the breadth of market segments and geographies served, has contributed to the stability of the BBU's performance over the past decade. BBU segment revenue has been negatively impacted in recent years by continued weakness in the defense electronics sector, the continued recession in Europe and slower than expected growth from certain new product opportunities.

The BBU offers an extensive product line, with products well-established as important enabling components of conventional power systems architectures. Seven families of DC-DC converter modules are offered across a wide range of input voltage (10 to 425 volts DC) and output power (10 to 600 watts), allowing end users the ability to select easy to use power component products appropriate to their individual applications. The product families differ in maximum power ratings, performance characteristics, package size, and, in certain cases, characteristics specific to the targeted market. We also offer a range of complementary modules and accessories facilitating customer design of complete power systems. Utilizing our modular power components as core elements, we offer configurable products providing complete power solutions configured to a customer's specific needs. These near-custom products exploit the benefits and flexibility of our modular approach to offer a wider range of power levels at higher performance, higher power density, lower cost, and faster delivery than many competitive offerings. Configurable products are designed, developed and manufactured by the BBU, which offers a range of AC-DC and DC-DC configurable products, by its Westcor division, which focuses on high-power AC-DC configurable products, and by VJCL, which offers configurable products addressing the specific requirements of Japanese customers. The BBU's Vicor Custom Power business designs and manufactures low-volume, high value-add power supplies, utilizing, as is the case with our configurable business, our modular power components as core elements. These custom power supplies are designed to meet customer's specific requirements, which are often associated with the harsh environments of aerospace and defense applications.

VI Chip Business Unit

This segment consists of VI Chip Corporation, a subsidiary of Vicor that designs, develops, manufactures, and markets a range of advanced power conversion components, including those that enable our Factorized Power Architecture™ (FPA), a power system architecture based on proprietary power conversion innovations embodied in a family of highly differentiated modules for implementation of FPA designs. We currently offer the BCM® (Bus Converter Module), an intermediate bus converter; the PRM® (Pre-Regulator Module), a non-isolated regulator; and the VTM® (Voltage Transformation Module), an isolated current multiplier. All three modules are offered in full (i.e., 32.5 by 22.0 by 6.73 mm) and half (i.e., 22.0 by 16.5 by 6.73 mm) sizes. As stated, the BBU offers these VI Chip modules in packages providing thermal advantages and containing complementary circuitry. It is in this packaging we offer the PFM® (Power Factor Module), an isolated AC-DC converter with power factor correction circuitry, and the VI Brick AC Front End module, which integrates filtering, rectification, and transient protection into a complete package.

During 2013, we introduced our latest VI Chip derivation, the ChiP (an acronym for Converter housed in Package), a product platform designed with the goal of setting best-in-class standards for the next generation of scalable power modules. While our original VI Chip modules were designed to facilitate FPA implementations, ChiP modules support all known power distribution architectures. We have designed the ChiP platform to have lower manufacturing costs than the original VI Chip module platform, thereby allowing us to offer highly differentiated products at competitive prices. We have also set forth a product roadmap that contemplates a much wider range of functions and input and output power levels than the original VI Chip module platform. This roadmap includes PFM, BCM, and VTM modules in ChiP packages, as well as the DCM® (Direct Current Module), an isolated DC-DC converter. Package sizes range from 13 by 23 mm to 61 by 23 mm, with current capability up to 180 amps, voltage capability up to 430 volts, and power capability up to 1.5 kilowatts. In addition, the ChiP platform allows for various complementary capabilities, such as telemetry and control features, along with other enabling circuitry, to be incorporated in the module or package. 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 highly differentiated, compelling value proposition. In January 2014, we commercially released our first ChiP product, a bus converter module, targeted at datacenter, telecom, and industrial applications. This module, which measures 63 by 23 by 7.3 mm, supplies 1.2 kilowatts at 48 volts, with 98% peak efficiency, and offers power density we believe to be significantly greater than that of competing solutions. This product is capable of bi-directional operation, to support battery backup and

renewable energy applications, and can be used in multi-unit parallel arrays to provide multi-kilowatt solutions.

VI Chip serves customers across a range of market segments, with concentrations in aerospace and defense electronics, computing (including the datacenter and supercomputer sub-segments), instrumentation and test equipment, and networking. We are also pursuing opportunities for VI Chip in solid state lighting and electric and hybrid vehicles. VI Chip's customer base is concentrated, with a small number of customers, whether OEMs or their contract manufacturers, representing the majority of demand during any period. We expect the broader product offerings enabled by our ChiP platform will allow us to broaden and diversify the VI Chip customer base.

Picor Business Unit

This segment consists of Picor Corporation, a subsidiary of Vicor. Picor is a fables (i.e., it utilizes third parties to manufacture its products) designer, developer, and marketer of high performance integrated circuits and related products for use in a variety of power system applications. Picor develops these products to be incorporated into Vicor's products, to be sold as a complement to our products, or for sale to third parties for separate applications. Much of the differentiation of our BBU and VI Chip products has been a result of implementation of our power conversion innovations in proprietary microcontroller circuitry.

In 2012, Picor accelerated the development of an expanded merchant product line, introducing the first products in a new line of Cool-Power™ non-isolated, point of load regulators incorporating proprietary soft switching topology and Picor's high performance silicon controller architecture. We currently offer 27 variants of our buck (i.e., the device lowers voltage) product, and plan to introduce boost (i.e., the device increases voltage) and buck/boost products. We believe these high performance regulators provide best in class power efficiency, allowing customers to deploy more efficient power distribution designs based on higher input voltages. We believe these products will be an important contributor to our long-term success, as they represent a meaningful element of strategy of offering differentiated solutions across all customer needs, complementing our other component offerings, thereby allowing us to offer a complete solution from AC conversion to DC transformation and regulation at the point of load.

To date, Picor's production largely has been consumed internally. With the recent emphasis on an expanded merchant strategy, Picor is more frequently collaborating with VI Chip in pursuit of high volume opportunities involving highly differentiated solutions utilizing VI Chip and Picor modules. Picor also is pursuing merchant opportunities on its own, as well as working closely with our stocking distribution partners, in pursuit of stand-alone, high volume opportunities. Given the applications for which its merchant products are well-suited, Picor's customers are concentrated in the datacenter and supercomputing segments of the computing market.

See Note 16 *Segment Information* to the Consolidated Financial Statements for certain financial information by business segment.

Applications, Customers, and Backlog

The applications in which our products are used are in the higher-performance, higher-power segments of the power systems market. As stated, the BBU has customers concentrated in defense electronics, industrial automation and equipment, and rail transportation, while VI Chip and Picor have customers concentrated in aerospace and defense electronics, computing (including the datacenter and supercomputer sub-segments), instrumentation and test equipment, and networking. With our strategic emphasis on larger, high-volume customers, we expect to experience a greater concentration of sales among a relative few customers.

For the year ended December 31, 2013, two customers (NuPower Electronic, Ltd. and Tech-Front Computer, Ltd.) accounted for approximately 10.9% and 10.1% of net revenues, respectively, and our five largest customers represented approximately 29.2% of net revenues. For the year ended December 31, 2012, one customer (Foo Kee Electronics, Ltd.) accounted for approximately 10.1% of net revenues, and our five largest customers represented approximately 25.4% of net revenues. For the year ended December 31, 2011, one customer (AcBel Polytech, Inc.) accounted for approximately 14.9% of net revenues, and our five largest customers represented approximately 32.2% of net revenues.

International revenues, as a percentage of total revenues, were approximately 59.5% in 2013, 51.1% in 2012, and 56.9% in 2011, respectively. International sales have increased from historical levels primarily due to higher volumes of shipments to foreign contract manufacturers utilized by domestic 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, 2013, we had a backlog of approximately \$44,659,000, compared to \$31,405,000 as of December 31, 2012. Backlog 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. Historically, the portion of sales booked and shipped in the same quarter has represented less than one-fifth of our quarterly revenue, as we typically only build product to customer specifications upon receipt of a purchase order. Products sold by the BBU typically have a lead time (i.e., the period between receipt of an order and shipment of the product) of less than six weeks. Products sold by VI Chip typically have a lead time in excess of 10 weeks, although lead times have shortened during periods of sustained volume. Picor, given its fables 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.

Competition

The global power conversion industry is highly competitive. The fragmented competitive landscape is made up of many large, diversified manufacturers, as well as many more, smaller manufacturers focused on specialized products or narrowly defined market segments or geographies. Numerous competitors in the market segments in which we compete have significantly greater financial and marketing resources and longer operating histories than we do. Generally, competition is based on product price, product performance, design flexibility (i.e., ease of use), and product availability.

As we shift our strategy to focus more on higher volume OEM opportunities, we are emphasizing the differentiation of our products superior performance, advantageous design flexibility, and lower total cost of ownership, as well as the integration of our products into complete or near-complete solutions for customers power conversion requirements. However, in each of our three business segments, because of the differences in products, targeted customers and applications, and the role of distributors in serving customers, competitive characteristics can vary.

With the BBU, our strategy continues to be based largely on a high level of responsiveness to customer requirements enabled by our mass customization capabilities across what we believe to be among the broadest product lines in the industry. We believe the BBU has a strong competitive position, particularly within a highly fragmented customer base requiring relatively low volumes of high density power system solutions across a variety of input-output configurations. We believe the primary competitive variables in the market segments in which the BBU competes are price and performance, but, along with our mass customization model, we seek to offer differentiating levels of pre-sale and post-sale technical support. The competitive landscape in which the BBU operates is extremely fragmented, but dominated by a number of large global manufacturers possessing financial, operational, and marketing resources far greater than the Company.

With VI Chip, our strategy has been based largely on highly differentiated products offered to customers (e.g., global OEMs in computing, networking, and test and measurement, along with large customers in the defense electronics segment) well-positioned to benefit from the advantages offered by our products. VI Chip currently competes with vendors of switched power component solutions, many of which are the manufacturers with which the BBU competes. Because of its pursuit of higher volume opportunities, VI Chip encounters longer sales cycles and more frequent competition from large global manufacturers in the industry than does the BBU. Further, VI Chip's competitive landscape has broadened to include vendors of solid state (i.e., semiconductor-based) solutions, many of which have significantly broader product lines, well-established customer relationships, and extensive financial, operational, and marketing resources.

Picor also competes with global suppliers of integrated circuits for power conversion applications, many of which have significantly greater financial, operational, and marketing resources, as well as significantly broader product and solution offerings. We believe Picor is developing a strong competitive position based on proprietary topologies, innovative semiconductor design, and SiP packaging. Based on Picor's expanding product roadmap, we anticipate Picor will experience more direct competition with these larger suppliers, as we target their customers with our increasingly silicon-centric power conversion solutions, frequently complemented by VI Chip and VI Brick modules in an integrated power system solution.

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, we have been issued 110 patents, which expire between 2014 and 2031. We also have a number of patent applications pending in the United States, Europe, and Asia. We intend to vigorously protect our rights under

these patents. Although we believe patents are an effective way of protecting our technology, there can be no assurances our patents will prove to be enforceable.

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 owns our patents. Revenues from licensing arrangements have not exceeded 10% of our consolidated revenues in any of the last three fiscal years.

Our Organization

We are headquartered in Andover, Massachusetts, where our manufacturing facilities are located. VI Chip Corporation also is headquartered in Andover, Massachusetts. Picor Corporation is headquartered in North Smithfield, Rhode Island. VLT, Inc. is our wholly-owned licensing subsidiary. VICR Securities Corporation is a subsidiary established to hold certain investment securities. Our Westcor division has a design and assembly facility in Sunnyvale, California. Our six Vicor Custom Power locations are geographically distributed around the United States. VJCL, which is engaged in sales and customer support activities exclusively for the Japanese market, is headquartered in Tokyo, Japan.

As of December 31, 2013, we had 966 full time employees and 36 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).

Sales and Marketing

In 2013, we continued to implement changes to our Sales and Marketing organization, consistent with our 2011 decision to adopt a unified go-to-market strategy and expanded marketing communications effort. During the year, and continuing into the first quarter of 2014, we reorganized our domestic organization, adopting the Technical Support Center model we utilize internationally. Sales, application engineering, and customer support activities are coordinated in Technical Support Centers located in our Andover, Massachusetts, headquarters, Lombard (Chicago), Illinois; and Sunnyvale, California, co-located with our Westcor division. Customer support, market oversight, and management of our foreign distributors takes place in our Technical Support Centers in the following worldwide locations: Hong Kong, China; Shanghai, China; Camberley (London), England; Munich, Germany; Bangalore, India; and Milan, Italy. During 2013, we established a sales office in Seoul, South Korea, and redirected resources from our location in Paris, France, to our Technical Support Centers in Munich and Milan. The activities of all of the above named entities are consolidated in the financial statements presented herein.

Because of the technically complex nature of our products, we maintain an extensive staff of Field Applications Engineers to support our sales activities. Field Application Engineers provide direct technical sales support worldwide by reviewing new applications and technical matters with existing and potential customers, as well as our distributors. Product Line Engineers, located in our Andover headquarters, support Field Application Engineers assigned to all of our Technical Support Centers.

Beginning in 2013, we redirected and expanded Vicor ExpressTM, our in-house distribution group serving customers in the European Union not served by our regional distributors. We are redirecting Vicor Express to focus on customer lead generation through telesales, more robust support of small-volume customers, and close coordination of distributor activities. Similar telesales and customer support efforts are being established in our new domestic Technical Support Centers. Our subsidiary, Vicor B.V., domiciled in the Netherlands, will continue to act as importer of record for direct shipments to customers in the European Union.

In addition to our own sales efforts, we also serve customers through a multi-tiered distribution model. We traditionally have sold our products in North America and South America through a network of independent sales representative organizations and in other areas of the world through independent non-stocking distributors. We announced a stocking distribution relationship with Future Electronics Incorporated in June 2011 and with Digi-Key Corporation in January 2012. We anticipate these relationships will become meaningful contributors to our long-term revenue.

Vicor also reaches customers via our electronic commerce capability through our website, www.vicorpower.com. Registered customers in the U.S., Canada, and certain European countries are able to purchase prototype quantities of selected products online. We expanded our online capabilities in 2013 and intend to enhance existing and add new web-based engineering tools in 2014.

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. In a limited number of circumstances, we have entered into supply contracts with certain high-volume customers calling for extended warranty terms.

Manufacturing, Quality Assurance, and Supply Chain Management

Our BBU and VI Chip manufacturing facilities are located in Andover, Massachusetts, where we are headquartered. Picor, given its fabless model, outsources manufacturing, packaging, and testing of its products.

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, 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 continue to pursue a manufacturing strategy based upon 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 (i.e., extended operation of a product to confirm performance) of our products using automated equipment.

We intend to make continuing investments in automated manufacturing equipment, particularly for our ChiP platform. Based on current estimates of near-term manufacturing volumes, we expect we will invest between \$5 million and \$10 million during 2014 for expansion of our ChiP manufacturing capacity in order to meet anticipated capacity requirements.

Components and materials used in our products are purchased from a variety of 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 suppliers of packaging and test services.

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 Securities Exchange Act of 1934 (the Exchange Act), as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the Securities and Exchange Commission. We also make available on our website our Code of Business Conduct and Ethics, 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.

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: June 3, 2014