

NVE CORP /NEW/
Form 10-Q
January 23, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended **December 31, 2007**

or

☐ 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: **000-12196**

NVE Corporation

(Exact name of registrant as specified in its charter)

Minnesota

(State or other jurisdiction of incorporation or
organization)

41-1424202

(I.R.S. Employer Identification No.)

11409 Valley View Road, Eden Prairie, Minnesota

(Address of principal executive offices)

55344

(Zip Code)

(952) 829-9217

Registrant's telephone number, including area code

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.
Common Stock, \$0.01 Par Value - 4,638,683 shares outstanding as of January 18, 2008

**NVE CORPORATION
QUARTERLY REPORT ON FORM 10-Q
TABLE OF CONTENTS**

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Balance Sheets

Statements of Income for the Quarters Ended December 31, 2007 and 2006

Statements of Income for the Nine Months Ended December 31, 2007 and 2006

Statements of Cash Flows

Notes to Financial Statements

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Item 4. Controls and Procedures

PART II. OTHER INFORMATION

Item 1A. Risk Factors

Item 6. Exhibits

SIGNATURES

Table of Contents**PART I--FINANCIAL INFORMATION****Item 1. Financial Statements.**

NVE CORPORATION		
BALANCE SHEETS		
DECEMBER 31 AND MARCH 31, 2007		
	(Unaudited) Dec. 31, 2007	March 31, 2007*
	-----	-----
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,251,701	\$ 397,423
Marketable securities, short term	1,693,149	982,415
Accounts receivable, net of allowance for uncollectible accounts of \$15,000	2,182,762	2,005,005
Inventories	2,493,812	2,016,858
Deferred tax assets	473,289	1,328,106
Prepaid expenses and other assets	839,037	333,587
	-----	-----
Total current assets	8,933,750	7,063,394
Fixed assets		
Machinery and equipment	5,061,407	4,458,948
Leasehold improvements	436,794	413,482
	-----	-----
	5,498,201	4,872,430
Less accumulated depreciation	4,173,394	3,834,683
	-----	-----
Net fixed assets	1,324,807	1,037,747
Marketable securities, long term	20,109,098	16,909,353
	-----	-----
Total assets	\$ 30,367,655	\$ 25,010,494
	=====	=====
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Accounts payable	\$ 435,175	\$ 502,595
Accrued payroll and other	550,276	590,287
Deferred revenue	237,101	29,357
	-----	-----
Total current liabilities	1,222,552	1,122,239
Shareholders equity		
Common stock	46,387	46,274
Additional paid-in capital	18,533,940	18,289,248
Accumulated other comprehensive loss	(6,641)	(84,282)
Retained earnings	10,571,417	5,637,015
	-----	-----
Total shareholders equity	29,145,103	23,888,255
	-----	-----
Total liabilities and shareholders equity	\$ 30,367,655	\$ 25,010,494
	=====	=====

*The March 31, 2007 Balance Sheet is derived from the audited financial statements contained in our Annual Report on Form 10-K for the fiscal year ended March 31, 2007.

See accompanying notes.

Table of Contents

NVE CORPORATION
STATEMENTS OF INCOME
QUARTERS ENDED DECEMBER 31, 2007 AND 2006
(Unaudited)

	Quarter Ended December 31 2007	2006
	-----	-----
Revenue		
Product sales	\$ 4,249,809	\$ 3,402,937
Contract research and development	515,716	459,112
	-----	-----
Total revenue	4,765,525	3,862,049
Cost of sales	1,663,045	1,385,163
	-----	-----
Gross profit	3,102,480	2,476,886
Expenses		
Selling, general, and administrative	492,771	479,387
Research and development	347,344	544,779
	-----	-----
Total expenses	840,115	1,024,166
	-----	-----
Income from operations	2,262,365	1,452,720
Interest income	259,865	157,337
Other income	62,930	-
	-----	-----
Income before taxes	2,585,160	1,610,057
Provision for income taxes	882,867	558,504
	-----	-----
Net income	\$ 1,702,293	\$ 1,051,553
	=====	=====
Net income per share - basic	\$ 0.37	\$ 0.23
	=====	=====
Net income per share - diluted	\$ 0.36	\$ 0.22
	=====	=====
Weighted average shares outstanding		
Basic	4,637,275	4,620,835
Diluted	4,764,430	4,786,868

See accompanying notes.

Table of Contents

NVE CORPORATION
 STATEMENTS OF INCOME
 NINE MONTHS ENDED DECEMBER 31, 2007 AND 2006
 (Unaudited)

	Nine Months Ended Dec. 31 2007	2006
Revenue		
Product sales	\$12,830,771	\$10,233,325
Contract research and development	1,648,657	1,662,287
Total revenue	14,479,428	11,895,612
Cost of sales	4,956,973	4,224,165
Gross profit	9,522,455	7,671,447
Expenses		
Selling, general, and administrative	1,631,936	1,421,332
Research and development	1,169,018	1,641,637
Total expenses	2,800,954	3,062,969
Income from operations	6,721,501	4,608,478
Interest income	731,243	418,683
Interest expense	-	(589)
Other income	62,930	25,246
Income before taxes	7,515,674	5,051,818
Provision for income taxes	2,581,272	1,824,988
Net income	\$ 4,934,402	\$ 3,226,830
Net income per share - basic	\$ 1.06	\$ 0.70
Net income per share - diluted	\$ 1.04	\$ 0.67
Weighted average shares outstanding		
Basic	4,634,102	4,618,086
Diluted	4,761,112	4,784,118

See accompanying notes.

Table of Contents

NVE CORPORATION
STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED DECEMBER 31, 2007 AND 2006
(Unaudited)

	Nine Months Ended Dec. 31 2007	2006
	-----	-----
OPERATING ACTIVITIES		
Net income	\$ 4,934,402	\$ 3,226,830
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	387,453	392,777
Stock-based compensation	164,008	128,203
Excess tax benefits	(33,773)	(1,591,076)
Gain on sale of fixed assets	(1,500)	-
Gain on marketable securities, net	(61,430)	-
Deferred income taxes	848,999	1,780,688
Changes in operating assets and liabilities:		
Accounts receivable	(177,757)	(240,608)
Inventories	(476,954)	(39,356)
Prepaid expenses and other assets	(505,450)	(44,306)
Accounts payable and accrued expenses	(107,431)	156,410
Deferred revenue	207,744	(77,373)
	-----	-----
Net cash provided by operating activities	5,178,311	3,692,189
INVESTING ACTIVITIES		
Purchases of fixed assets	(642,170)	(252,604)
Proceeds from sale of fixed assets	1,500	-
Purchases of marketable securities	(11,153,044)	(6,943,625)
Proceeds from maturities and sales of marketable securities	7,388,884	1,054,686
	-----	-----
Net cash used in investing activities	(4,404,830)	(6,141,543)
FINANCING ACTIVITIES		
Net proceeds from sale of common stock	47,024	26,479
Excess tax benefits	33,773	1,591,076
Repayment of capital lease obligations	-	(33,281)
	-----	-----
Net cash provided by financing activities	80,797	1,584,274
	-----	-----
Increase (decrease) in cash and cash equivalents	854,278	(865,080)
Cash and cash equivalents at beginning of period	397,423	1,288,362
	-----	-----
Cash and cash equivalents at end of period	\$ 1,251,701	\$ 423,282
	=====	=====
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ -	\$ 589
Income taxes	\$ 2,209,313	\$ 44,300

See accompanying notes.

Table of Contents

NVE CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. DESCRIPTION OF BUSINESS

We develop and sell devices that use spintronics, a nanotechnology that relies on electron spin rather than electron charge to acquire, store, and transmit information.

NOTE 2. INTERIM FINANCIAL INFORMATION

The accompanying unaudited financial statements of NVE Corporation are consistent with accounting principles generally accepted in the United States and reporting with Securities and Exchange Commission rules and regulations. In the opinion of management, these financial statements reflect all adjustments, consisting only of normal and recurring adjustments, necessary for a fair presentation of the financial statements. Although we believe that the disclosures are adequate to make the information presented not misleading, it is suggested that these unaudited financial statements be read in conjunction with the audited financial statements and the notes included in our latest annual financial statements included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2007. The results of operations for the quarter ended December 31, 2007 are not necessarily indicative of the results that may be expected for the full fiscal year ending March 31, 2008.

NOTE 3. NET INCOME PER SHARE

We calculate our net income per share in accordance with Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 128, *Earnings per Share*. Basic earnings per share are computed based on the weighted-average number of common shares issued and outstanding during each period. Diluted net income per share amounts assume conversion, exercise or issuance of all potential common stock instruments (stock options and warrants). The following table reflects the components of common shares outstanding in accordance with SFAS No. 128:

	Quarter Ended December 31	
	2007	2006
	-----	-----
Weighted average common shares outstanding - basic	4,637,275	4,620,835
Effect of dilutive securities:		
Stock options	122,734	160,896
Warrants	4,421	5,137
	-----	-----
Shares used in computing net income per share - diluted	4,764,430	4,786,868
	=====	=====
	Nine Months Ended Dec. 31	
	2007	2006
	-----	-----
Weighted average common shares outstanding - basic	4,634,102	4,618,086
Effect of dilutive securities:		
Stock options	122,589	160,896
Warrants	4,421	5,136
	-----	-----
Shares used in computing net income per share - diluted	4,761,112	4,784,118
	=====	=====

Table of Contents**NOTE 4. MARKETABLE SECURITIES**

We classify and account for debt and equity securities in accordance with SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. Securities with original maturities greater than three months and remaining maturities less than one year are classified as marketable securities, short-term; securities with remaining maturities greater than one year are classified as marketable securities, long-term. Securities not due at a single maturity date, such as mortgage-backed securities, are classified by their average life.

We classify all of our marketable securities as available-for-sale, thus securities are recorded at fair market value and any associated unrealized gain or loss, net of tax, is included as a separate component of shareholders' equity, Accumulated other comprehensive income.

Proceeds from maturities and sales of marketable securities were \$7,388,884 in the quarter and nine months ended December 31, 2007. Gross gains were \$65,931 and gross losses were \$4,501 for those maturities and sales. We use a specific-identification cost basis to determine realized gains and losses. We reinvested the proceeds from the maturities and sales of marketable securities into marketable securities exempt from federal income tax as part of a strategy to reduce our taxes since we began paying higher cash income taxes in fiscal 2008.

NOTE 5. COMPREHENSIVE INCOME

The components of comprehensive income are as follows:

	Quarter Ended 2007	December 31 2006
	-----	-----
Net income	\$ 1,702,293	\$ 1,051,553
Unrealized gain (loss) from marketable securities	36,317	(13,265)
	-----	-----
Comprehensive income	\$ 1,738,610	\$ 1,038,288
	=====	=====
	Nine Months Ended Dec. 31 2007	2006
	-----	-----
Net income	\$ 4,934,402	\$ 3,226,830
Unrealized gain from marketable securities	77,641	37,114
	-----	-----
Comprehensive income	\$ 5,012,043	\$ 3,263,944
	=====	=====

NOTE 6. INVENTORIES

Inventories consisted of the following:

	December 31 2007	March 31 2007
	-----	-----
Raw materials	\$ 670,358	\$ 862,440
Work-in-process	1,192,568	811,261
Finished goods	900,886	583,157
	-----	-----
	2,763,812	2,256,858
Less obsolescence reserve	(270,000)	(240,000)
	-----	-----
	\$ 2,493,812	\$ 2,016,858
	=====	=====

Table of Contents

NOTE 7. STOCK-BASED COMPENSATION

Stock-based compensation recognized under SFAS No. 123 (revised 2004), *Share-Based Payment*, was \$5,598 for the third quarter of fiscal 2008; \$8,167 for the third quarter of fiscal 2007; \$164,008 for the first nine months of fiscal 2008; and \$128,203 for the first nine months of fiscal 2007. We calculate the share-based compensation expense on a straight-line basis over the vesting periods of the related share-based awards.

NOTE 8. INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Tax provisions of \$33,773 for the nine months ended December 31, 2007 and \$1,821,656 for the nine months ended December 31, 2006 were credited to Additional paid-in capital.

In July 2006 the Financial Accounting Standards Board issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109*, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 seeks to reduce the diversity in practice associated with certain aspects of the recognition and measurement related to accounting for income taxes. This interpretation is effective for fiscal years beginning after December 15, 2006. We adopted the provisions of FIN 48 on April 1, 2007. We recognized no material adjustment in the liability for unrecognized income tax benefits as a result of the adoption, and at the adoption date of April 1, 2007 we had no unrecognized tax benefits that would affect our effective tax rate if recognized. At December 31, 2007 we had no unrecognized tax benefits. We do not believe unrecognized tax benefits will significantly change within twelve months of the reporting date. We recognize interest and penalties related to income tax matters in provision for income taxes. As of April 1, 2007 we had no accrued interest related to uncertain tax positions. The tax years 2003 through 2006 remain open to examination by the major taxing jurisdictions to which we are subject.

NOTE 9. CONTINGENCIES

On February 10, 2006 a lawsuit was filed against NVE and certain of its current and former executive officers and directors in the U.S. District Court for the District of Minnesota by an individual shareholder seeking to represent a class of purchasers of our common stock during the period from May 22, 2003 through February 11, 2005. On March 6 and March 7, 2006, two additional lawsuits were filed in the same court by two additional NVE shareholders, with the same proposed class period, purporting to represent the same class. These lawsuits were subsequently consolidated into a single case and a consolidated complaint was filed. The consolidated complaint generally alleged that the defendants violated the Securities Exchange Act of 1934 by issuing material misrepresentations concerning NVE's projected revenues and product technology, which artificially inflated the market price of our common stock. On July 3, 2007 the U.S. District Court granted our motion to dismiss these consolidated lawsuits, with prejudice, after finding that the consolidated complaint failed to adequately plead the plaintiffs claims. Two related actions brought by individual shareholders who seek to represent NVE derivatively were filed in Hennepin County District Court. These related actions were subsequently consolidated into a single case and an amended derivative complaint was filed. The amended derivative complaint generally alleges that certain officers and directors violated their fiduciary duties to the company.

Because there is a possibility of a successful appeal by the plaintiffs and the court has yet to rule on the derivative actions, we are unable to determine the ultimate disposition of these lawsuits and have therefore not recorded a liability on our balance sheet related to these actions. We have incurred and expect to continue to incur legal expenses related to these lawsuits.

Table of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Forward-looking statements

Some of the statements made in this Report or in the documents incorporated by reference in this Report and in other materials filed or to be filed by us with the Securities and Exchange Commission (SEC) as well as information included in verbal or written statements made by us constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are subject to the safe harbor provisions of the reform act. Forward-looking statements may be identified by the use of the terminology such as may, will, expect, anticipate, intend, believe, estimate, should, or continue, or the negatives of these terms or other variations on these words or comparable terminology. To the extent that this Report contains forward-looking statements regarding the financial condition, operating results, business prospects or any other aspect of NVE, you should be aware that our actual financial condition, operating results and business performance may differ materially from that projected or estimated by us in the forward-looking statements. We have attempted to identify, in context, some of the factors that we currently believe may cause actual future experience and results to differ from their current expectations. These differences may be caused by a variety of factors, including but not limited to adverse economic conditions, competition including entry of new competitors, progress in research and development activities by us and others, variations in costs that are beyond our control, adverse legal proceedings, lower sales, failure of suppliers to meet our requirements, failure to obtain new customers, inability to carry out marketing and sales plans, inability to meet customer technical requirements, inability to consummate license agreements, ineligibility for SBIR awards, loss of key executives, and other specific risks that may be alluded to in this Report or in the documents incorporated by reference in this Report. Further information regarding our risks and uncertainties are contained in Part I, Item 1A Risk Factors of our Annual Report on Form 10-K for the year ended March 31, 2007 as updated in our subsequently-filed Quarterly Reports on Form 10-Q.

General

NVE Corporation, referred to as NVE, we, us, or our, develops and sells devices that use spintronics, a nanotechnology that relies on electron spin rather than electron charge to acquire, store and transmit information. We manufacture high-performance spintronic products including sensors and couplers that are used to acquire and transmit data. We have also licensed our spintronic magnetoresistive random access memory technology, commonly known as MRAM.

Table of Contents**Quarter ended December 31, 2007 compared to quarter ended December 31, 2006**

The table shown below summarizes the percentage of revenue and quarter-to-quarter changes for various items:

	Percentage of Revenue Quarter Ended Dec. 31		Quarter- to-Quarter Change
	2007	2006	
Revenue			
Product sales	89.2 %	88.1 %	24.9 %
Contract research and development	10.8 %	11.9 %	12.3 %
Total revenue	100.0 %	100.0 %	23.4 %
Cost of sales	34.9 %	35.9 %	20.1 %
Gross profit	65.1 %	64.1 %	25.3 %
Total expenses	17.6 %	26.5 %	(18.0) %
Income from operations	47.5 %	37.6 %	55.7 %
Net interest and other income	6.7 %	4.1 %	105.2 %
Income before taxes	54.2 %	41.7 %	60.6 %
Provision for income taxes	18.5 %	14.5 %	58.1 %
Net income	35.7 %	27.2 %	61.9 %

Total revenue for the quarter ended December 31, 2007 (the third quarter of fiscal 2008) increased 23% to \$4,765,525 compared to \$3,862,049 for the quarter ended December 31, 2006 (the third quarter of fiscal 2007). The increase was due to a 25% increase in product sales and a 12% increase in research and development revenue.

Gross profit margin increased to 65% of revenue for the third quarter of fiscal 2008 compared to 64% for the third quarter of fiscal 2007. The increase was primarily due to a more favorable revenue mix consisting of a higher percentage of product sales.

Total expenses decreased 18% for the third quarter of fiscal 2008 due to a 36% decrease in research and development expense, partially offset by a 3% increase in selling, general, and administrative expense. The decrease in research and development expense was due to the completion of certain research and development projects.

Net interest and other income increased 105% to \$322,795 for the third quarter of fiscal 2008 compared to \$157,337 for the third quarter of fiscal 2007. The increase was primarily due to an increase in interest-bearing marketable securities and an increase in other income. Other income for the third quarter of fiscal 2008 consisted primarily of a \$61,430 net gain on maturities and sales of federally-taxable marketable securities. The proceeds of such sales were reinvested in federally tax-exempt securities as part of a strategy to reduce taxes since we began paying higher cash income taxes in fiscal 2008.

The provision for income taxes was \$882,867 or 34.2% of income before taxes for the third quarter of fiscal 2008 compared to \$558,504 or 34.7% of income before taxes for the third quarter of fiscal 2007. The decrease in the effective tax rate was principally due to the investment of some of our long-term marketable securities in federally tax-exempt securities as part of a strategy to reduce taxes since we began paying more cash income taxes in fiscal 2008.

The 62% increase in net income in the third quarter of fiscal 2008 compared to the third quarter of fiscal 2007 was primarily due to increases in product sales and interest income, and a decrease in research and development expense.

Table of Contents**Nine months ended December 31, 2007 compared to nine months ended December 31, 2006**

The table shown below summarizes the percentage of revenue and period-to-period changes for various items:

	Percentage of Revenue Nine Months Ended Dec. 31		Period- to-Period Change
	2007	2006	
Revenue			
Product sales	88.6 %	86.0 %	25.4 %
Contract research and development	11.4 %	14.0 %	(0.8) %
Total revenue	100.0 %	100.0 %	21.7 %
Cost of sales	34.2 %	35.5 %	17.3 %
Gross profit	65.8 %	64.5 %	24.1 %
Total expenses	19.4 %	25.8 %	(8.6) %
Income from operations	46.4 %	38.7 %	45.9 %
Net interest and other income	5.5 %	3.7 %	79.1 %
Income before taxes	51.9 %	42.4 %	48.8 %
Provision for income taxes	17.8 %	15.3 %	41.4 %
Net income	34.1 %	27.1 %	52.9 %

Total revenue for the nine months ended December 31, 2007 increased 22% to \$14,479,428 compared to \$11,895,612 for the nine months ended December 31, 2006. The increase was due to a 25% increase in product sales.

Gross profit margin increased to 66% of revenue for the first nine months of fiscal 2008 compared to 64% for the first nine months of fiscal 2007. The increase was primarily due to a more favorable revenue mix consisting of a higher percentage of product sales.

Total expenses decreased 9% for the first nine months of fiscal 2008 due to a 29% decrease in research and development expense, partially offset by a 15% increase in selling, general, and administrative expense. The decrease in research and development expense was due to the completion of certain research and development projects. The increase in selling, general, and administrative expense was primarily due to increased expenses relating to commissions on product sales and incentive compensation, and a \$35,805 increase in the effect of SFAS No. 123(R). The increase in the effect of SFAS No. 123(R) was primarily due to a higher market stock price at the date of automatic grant of stock options to our non-employee directors on their reelection to our Board compared to the market stock price at the prior-year date of grant.

Net interest and other income increased 79% to \$794,173 for the first nine months of fiscal 2008 compared to \$443,340 for the first nine months of fiscal 2007. The increase was primarily due to an increase in interest income from a larger portfolio of marketable securities and an increase in other income primarily from a \$61,430 net gain on maturities and sales of federally-taxable marketable securities.

The 53% increase in net income in the first nine months of fiscal 2008 compared to the first nine months of fiscal 2007 was due to increases in revenue, gross profit as a percentage of revenue, interest income, other income, and a decrease in total expenses.

Table of Contents

Seasonality

Product sales for the third quarter of fiscal 2008 were less than the immediately preceding quarter, which is the same pattern as each of the three previous fiscal years. This pattern may be due in part to distributor ordering patterns or customer vacations and shutdowns late in calendar years. We do not know if this pattern will continue.

Contractual obligations

There have been no material changes outside the ordinary course of business to the information in our contractual obligations table disclosed in our Annual Report of Form 10-K for the fiscal year ended March 31, 2007 except for the following. On December 17, 2007 we executed a third amendment to the lease agreement between us and Carlson Real Estate Company covering the building housing our principal executive offices and manufacturing facility. Our lease would have expired December 31, 2008 without the third amendment. The third amendment extended the lease for an additional term of seven years, expiring December 31, 2015, with a onetime right to cancel the lease at our option on December 31, 2012 with the payment of a specified termination fee. The amendment provides for annual base rent of \$138,853 in 2009, increasing 2.5% each subsequent year during the extended term.

Liquidity and capital resources

At December 31, 2007 we had \$23,053,948 in cash plus short-term and long-term marketable securities compared to \$18,289,191 at March 31, 2007. Our entire portfolio of short-term and long-term marketable securities is classified as available for sale. The increase in cash plus marketable securities in the first nine months of fiscal 2008 was primarily due to \$5,178,311 in net cash provided by operating activities partially offset by purchases of fixed assets of \$642,170.

Cash paid for income taxes increased \$2,165,013 in the first nine months of fiscal 2008 compared to the first nine months of fiscal 2007 as we began paying regular income taxes in fiscal 2008 because our carryover of stock-based compensation deductions and tax credits were fully utilized. We did not pay cash taxes, other than Alternative Minimum Taxes, for fiscal 2007 because of stock-based compensation deductions.

Purchases of fixed assets increased to \$642,170 for the first nine months of fiscal 2008 from \$252,604 for the first nine months of fiscal 2007. The purchases during both periods were primarily for capital equipment to increase our production capacity. We financed the purchases with cash provided by operating activities.

Inventories increased \$476,954 in the first nine months of fiscal 2008 primarily to support increased product sales.

We currently believe our working capital is adequate for our needs at least for the next 12 months.

Table of Contents

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The primary objective of our investment activities is to preserve principal while at the same time maximizing after-tax yields without significantly increasing risk. To achieve this objective, we maintain our portfolio of cash equivalents and marketable securities in a variety of securities including government agency obligations, municipal obligations, and corporate obligations, and money market funds. Short-term and long-term marketable securities are generally classified as available-for-sale and consequently are recorded on the balance sheet at fair value with unrealized gains or losses reported as a separate component of accumulated other comprehensive income (loss), net of estimated tax. Marketable securities as of December 31, 2007 had remaining maturities between two weeks and 58 months. Our short-term and long-term marketable securities had a fair market value of \$21,802,247 at December 31, 2007, representing approximately 72% of our total assets. We have not used derivative financial instruments in our investment portfolio.

Item 4. Controls and Procedures.

Management, with the participation of the Chief Executive Officer and Chief Financial Officer, has performed an evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act) as of the end of the period covered by this report. This evaluation included consideration of the controls, processes and procedures that are designed to ensure that information required to be disclosed by us in the reports we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective.

During the quarter ended December 31, 2007, there was no change in our internal control over financial reporting that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II--OTHER INFORMATION

Item 1A. Risk Factors.

There have been no material changes from the risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended March 31, 2007 as updated in our subsequently-filed Quarterly Reports on Form 10-Q.

Table of Contents

Item 6. Exhibits.

<u>Exhibit #</u>	<u>Description</u>
3	Bylaws of the company as amended by the Board of Directors effective December 18, 2007 (incorporated by reference to our Current Report on Form 8-K filed December 19, 2007).
10	Third amendment to lease between the company and Carlson Real Estate Company, Inc. dated December 17, 2007 (incorporated by reference to Exhibit 10.6 of our Current Report on Form 8-K/A filed December 20, 2007).
31.1	Certification by Daniel A. Baker pursuant to Rule 13a-14(a)/15d-14(a).
31.2	Certification by Curt A. Reynders pursuant to Rule 13a-14(a)/15d-14(a).
32	Certification by Daniel A. Baker and Curt A. Reynders pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements 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.

NVE CORPORATION
(Registrant)

<u>January 23, 2008</u>	<u>/s/ DANIEL A. BAKER</u>
Date	Daniel A. Baker President and Chief Executive Officer

<u>January 23, 2008</u>	<u>/s/ CURT A. REYNDERS</u>
Date	Curt A. Reynders Chief Financial Officer