

NVE CORP /NEW/
Form 10-Q
July 18, 2012

**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 **June 30, 2012**

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

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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 (Section 232.405 of this chapter) 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 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.

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

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 4,824,745 shares outstanding as of July 13, 2012

**NVE CORPORATION
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BALANCE SHEETS**

	(Unaudited) June 30, 2012	March 31, 2012*
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,493,518	\$ 1,544,536
Marketable securities, short term	18,903,884	17,551,629
Accounts receivable, net of allowance for uncollectible accounts of \$15,000	2,947,096	2,684,840
Inventories	3,547,096	3,229,376
Prepaid expenses and other assets	1,199,691	1,159,852
Total current assets	28,091,285	26,170,233
Fixed assets		
Machinery and equipment	7,876,694	7,488,211
Leasehold improvements	777,585	720,882
	8,654,279	8,209,093
Less accumulated depreciation	5,837,132	5,697,861
Net fixed assets	2,817,147	2,511,232
Marketable securities, long term	56,664,385	54,445,298
Total assets	\$ 87,572,817	\$ 83,126,763
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Accounts payable	\$ 603,056	\$ 663,702
Accrued payroll and other	730,440	867,331
Income taxes payable	1,397,138	-
Deferred taxes	91,295	136,872
Total current liabilities	2,821,929	1,667,905
Shareholders equity		
Common stock, \$0.01 par value, 6,000,000 shares authorized; 4,824,745 issued and outstanding as of June 30 and March 31, 2012	48,247	48,247
Additional paid-in capital	20,974,477	20,974,477
Accumulated other comprehensive income	1,001,828	1,087,456
Retained earnings	62,726,336	59,348,678
Total shareholders equity	84,750,888	81,458,858
Total liabilities and shareholders equity	\$ 87,572,817	\$ 83,126,763

*The March 31, 2012 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, 2012.

See accompanying notes.

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NVE CORPORATION
STATEMENTS OF INCOME
(Unaudited)

	Quarter Ended June 30	
	2012	2011
Revenue		
Product sales	\$ 7,030,745	\$ 7,023,274
Contract research and development	432,160	1,190,488
Total revenue	7,462,905	8,213,762
Cost of sales	1,802,353	2,595,592
Gross profit	5,660,552	5,618,170
Expenses		
Selling, general, and administrative	536,110	615,830
Research and development	688,026	494,876
Total expenses	1,224,136	1,110,706
Income from operations	4,436,416	4,507,464
Interest income	562,618	565,529
Income before taxes	4,999,034	5,072,993
Provision for income taxes	1,621,376	1,633,765
Net income	\$ 3,377,658	\$ 3,439,228
Net income per share basic	\$ 0.70	\$ 0.72
Net income per share diluted	\$ 0.69	\$ 0.70
Weighted average shares outstanding		
Basic	4,824,745	4,776,198
Diluted	4,886,873	4,893,915

STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Quarter Ended June 30	
	2012	2011
Net income	\$ 3,377,658	\$ 3,439,228
Unrealized (loss) gain from marketable securities, net of tax	(85,628)	101,290
Comprehensive income	\$ 3,292,030	\$ 3,540,518

See accompanying notes.

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NVE CORPORATION
STATEMENTS OF CASH FLOWS
(Unaudited)

	Quarter Ended June 30	
	2012	2011
OPERATING ACTIVITIES		
Net income	\$ 3,377,658	\$ 3,439,228
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	139,271	113,537
Deferred income taxes	3,282	(6,948)
Changes in operating assets and liabilities:		
Accounts receivable	(262,256)	193,257
Inventories	(317,720)	(24,871)
Prepaid expenses and other assets	(39,839)	147,642
Accounts payable and accrued expenses	1,199,601	1,213,150
Net cash provided by operating activities	4,099,997	5,074,995
INVESTING ACTIVITIES		
Purchases of fixed assets	(445,186)	(199,371)
Purchases of marketable securities	(6,195,829)	(5,011,799)
Proceeds from maturities and sales of marketable securities	2,490,000	861,397
Net cash used in investing activities	(4,151,015)	(4,349,773)
FINANCING ACTIVITIES		
Net cash provided by financing activities	-	-
(Decrease) increase in cash and cash equivalents	(51,018)	725,222
Cash and cash equivalents at beginning of period	1,544,536	952,209
Cash and cash equivalents at end of period	\$ 1,493,518	\$ 1,677,431
Supplemental disclosures of cash flow information:		
Cash paid (refunded) during the quarter for income taxes	\$ -	\$ (2,435)

See accompanying notes.

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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 prepared consistent with accounting principles generally accepted in the United States and in accordance 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, 2012. The results of operations for the quarter ended June 30, 2012 are not necessarily indicative of the results that may be expected for the full fiscal year ending March 31, 2013.

NOTE 3. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2011, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income*. The ASU amends guidance for the presentation of comprehensive income. The amended guidance requires an entity to present components of net income and other comprehensive income in one continuous statement, referred to as the statement of comprehensive income, or in two separate, but consecutive statements. Although the new guidance changes the presentation of comprehensive income, there are no changes to the components that are recognized in net income or other comprehensive income under existing guidance. We adopted ASU 2011-05 in the first quarter of fiscal 2013. This ASU changes our financial statement presentation of comprehensive income, but does not impact net income, financial position, or cash flows.

NOTE 4. NET INCOME PER SHARE

Net income per basic share is computed based on the weighted-average number of common shares issued and outstanding during each period. Net income per diluted share amounts assume conversion, exercise or issuance of all potential common stock instruments (stock options and warrants). Stock options and warrants totaling 5,000 for the quarters ended June 30, 2012 and 2011 were not included in the computation of diluted earnings per share because the exercise prices of the options and warrants were greater than the market price of the common stock. The following table reflects the components of common shares outstanding:

		Quarter Ended June 30	
		2012	2011
Weighted average common shares outstanding	basic	4,824,745	4,776,198
Effect of dilutive securities:			
Stock options		55,268	110,502
Warrants		6,860	7,215
Shares used in computing net income per share	diluted	4,886,873	4,893,915

Table of Contents**NOTE 5. MARKETABLE SECURITIES**

Marketable securities with remaining maturities less than one year are classified as short-term, and those with remaining maturities greater than one year are classified as long-term. The fair value of our marketable securities as of June 30, 2012, by maturity, were as follows:

Total	<1 Year	1 3 Years	3 5 Years
\$ 75,568,269	\$ 18,903,884	\$ 21,835,729	\$ 34,828,656

As of June 30 and March 31, 2012, our marketable securities were as follows:

	As of June 30, 2012				As of March 31, 2012			
	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Corporate bonds	\$ 56,809,785	\$ 1,368,667	\$ (43,670)	\$ 58,134,782	\$ 50,513,389	\$ 1,481,604	\$ (76,434)	\$ 51,918,559
Municipal bonds	17,185,016	249,168	(697)	17,433,487	19,775,582	334,793	(32,007)	20,078,368
Total	\$ 73,994,801	\$ 1,617,835	\$ (44,367)	\$ 75,568,269	\$ 70,288,971	\$ 1,816,397	\$ (108,441)	\$ 71,996,927

The decrease in fair market value of municipal bonds as of June 30, 2012 compared to March 31, 2012 was primarily due to the maturation of three municipal bonds. The increase in fair market value of corporate bonds was primarily due to purchases of corporate bonds during the quarter ended June 30, 2012.

The following table shows the gross unrealized losses and fair value of our investments with unrealized losses, aggregated by investment category and length of time that individual securities had been in a continuous unrealized loss position as of June 30 and March 31, 2012:

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Market Value	Gross Unrealized Losses	Fair Market Value	Gross Unrealized Losses	Fair Market Value	Gross Unrealized Losses
As of June 30, 2012						
Corporate bonds	\$ 11,144,803	\$ (43,670)	\$ -	\$ -	\$ 11,144,803	\$ (43,670)
Municipal bonds	463,725	(697)	-	-	463,725	(697)
Total	\$ 11,608,528	\$ (44,367)	\$ -	\$ -	\$ 11,608,528	\$ (44,367)
As of March 31, 2012						
Corporate bonds	\$ 10,387,955	\$ (76,434)	-	-	\$ 10,387,955	\$ (76,434)
Municipal bonds	-	-	908,550	(32,007)	908,550	(32,007)
Total	\$ 10,387,955	\$ (76,434)	\$ 908,550	\$ (32,007)	\$ 11,296,505	\$ (108,441)

Gross unrealized losses totaled \$44,367 as of June 30, 2012, and were attributable to three corporate bonds and one municipal bond out of a portfolio of 50 bonds. Corporate bonds accounted for \$43,670 of the total gross unrealized losses. The gross unrealized losses were due to market-price decreases and rating downgrades after the bonds were purchased, and none had been in a continuous unrealized loss position for 12 months or greater. The credit ratings of most of our corporate bonds were downgraded during the quarter ended June 30, 2012. Many of these downgrades were due to downgrades by Moody's of the credit ratings of firms with global capital markets operations. Factors cited by Moody's for those downgrades included exposure to the volatility and risk of outsized losses inherent to capital markets activities.

All of the bonds we held as of June 30, 2012 that were rated by Moody's or Standard and Poor's had investment-grade credit ratings. For each bond with an unrealized loss, we expect to recover the entire cost basis of each security based on our consideration of factors including their credit ratings, the underlying ratings of insured bonds, and historical default rates for securities of comparable credit rating.

Because we expect to recover the entire cost basis of the securities, and because we do not intend to sell the securities and it is not more likely than not that we will be required to sell the securities before recovery of the cost basis, which may be maturity, we did not consider any of our marketable securities to be other-than-temporarily impaired at June 30, 2012.

Table of Contents**NOTE 6. INVENTORIES**

Inventories consisted of the following:

	June 30	March 31
	2012	2012
Raw materials	\$ 1,538,183	\$ 1,285,106
Work in process	1,564,632	1,658,467
Finished goods	729,281	585,803
	3,832,096	3,529,376
Less inventory reserve	(285,000)	(300,000)
Total inventories	\$ 3,547,096	\$ 3,229,376

NOTE 7. STOCK-BASED COMPENSATION

There was no stock-based compensation expense for the first quarters of fiscal 2013 or 2012.

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.

We had no unrecognized tax benefits as of June 30, 2012, and we do not expect any significant unrecognized tax benefits within 12 months of the reporting date. We recognize interest and penalties related to income tax matters in income tax expense. As of June 30, 2012 we had no accrued interest related to uncertain tax positions. The tax years 1999 through 2011 remain open to examination by the major taxing jurisdictions to which we are subject.

NOTE 9. FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a framework for measuring fair value, provide a definition of fair value and prescribe required disclosures about fair-value measurements. Generally accepted accounting principles define fair value as the price that would be received to sell an asset or paid to transfer a liability. Fair value is a market-based measurement that should be determined using assumptions that market participants would use in pricing an asset or liability. Generally accepted accounting principles utilize a valuation hierarchy for disclosure of fair value measurements. The categorization within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. The categories within the valuation hierarchy are described as follows:

Level 1 Financial instruments with quoted prices in active markets for identical assets or liabilities. Our Level 1 financial instruments consist of publicly-traded marketable debt securities that are classified as available-for-sale. On the balance sheets, available-for-sale securities are classified as Marketable securities, short term and Marketable securities, long term. The fair value of our available-for-sale securities was \$75,568,269 at June 30, 2012 and \$71,996,927 at March 31, 2012.

Level 2 Financial instruments with quoted prices in active markets for similar assets or liabilities. Level 2 fair value measurements are determined using either prices for similar instruments or inputs that are either directly or indirectly observable, such as interest rates. We do not have any financial assets or liabilities being measured at fair value that are classified as Level 2 financial instruments.

Level 3 Inputs to the fair value measurement are unobservable inputs or valuation techniques. We do not have any financial assets or liabilities being measured at fair value that are classified as Level 3 financial instruments.

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NOTE 10. STOCK REPURCHASE PLAN

On January 21, 2009 we announced that our Board of Directors authorized the repurchase of up to \$2,500,000 of our Common Stock. The repurchase program may be modified or discontinued at any time without notice. We did not repurchase any of our Common Stock during the quarter ended June 30, 2012.

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 risks associated with competition, progress in research and development activities by us and others, variations in costs that are beyond our control, decreased sales, failure of suppliers to meet our requirements, loss of supply from any of our packaging vendors, failure to obtain new customers, inability to meet customer technical requirements, ineligibility for SBIR awards, 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, 2012, as updated in Part II, Item 1A of this Quarterly Report 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.

Critical accounting policies

A description of our critical accounting policies is provided in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended March 31, 2012. At June 30, 2012 our critical accounting policies and estimates continued to include research and development contract percentage of completion estimation, inventory valuation, allowance for doubtful accounts estimation, and deferred tax assets estimation.

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

	Percentage of Revenue		Quarter-to-Quarter Change
	Quarter Ended June 30 2012	2011	
Revenue			
Product sales	94.2%	85.5%	0.1%
Contract research and development	5.8%	14.5%	(63.7)%
Total revenue	100.0%	100.0%	(9.1)%
Cost of sales			
Cost of sales	24.2%	31.6%	(30.6)%
Gross profit	75.8%	68.4%	0.8%
Expenses			
Selling, general, and administrative	7.2%	7.5%	(12.9)%
Research and development	9.2%	6.0%	39.0%
Total expenses	16.4%	13.5%	10.2%
Income from operations	59.4%	54.9%	(1.6)%
Interest and other income	7.5%	6.9%	(0.5)%
Income before taxes	66.9%	61.8%	(1.5)%
Provision for income taxes	21.7%	19.9%	(0.8)%
Net income	45.2%	41.9%	(1.8)%

Total revenue for the quarter ended June 30, 2012 (the first quarter of fiscal 2013) decreased 9% to \$7,462,905 compared to \$8,213,762 for the quarter ended June 30, 2011 (the first quarter of fiscal 2012). The decrease was due to a 64% decrease in contract research and development revenue.

The decrease in research and development revenue was due to the completion of certain contracts and contract activities. Contract research and development activities can fluctuate for a number of reasons, some of which are beyond our control, and there can be no assurance of additional or follow-on contracts for expired or completed contracts.

Gross profit margin increased to 76% of revenue for the first quarter of fiscal 2013 compared to 68% for the first quarter of fiscal 2012, due to a more favorable revenue mix, a more favorable product sales mix, and more efficient product manufacturing.

Total expenses increased 10% for the first quarter of fiscal 2013 compared to the first quarter of fiscal 2012 due to a 39% increase in research and development expense, partially offset by a 13% decrease in selling, general, and administrative expense. The increase in research and development expense was due to increased product development activities, and a decrease in contract research and development activities, which caused resources to be reallocated to expensed research and development activities. Research and development expense can fluctuate significantly depending on staffing, project requirements, and contract research and development activities. The decrease in selling, general, and administrative expense was primarily due to a decrease in legal expenses. The decrease in selling, general, and administrative expense may not be representative of future trends. Selling, general, and administrative expense can fluctuate significantly depending on a number of factors including revenue, profitability, and legal expenses.

The provision for income taxes was \$1,621,376 for the first quarter of fiscal 2013 compared to \$1,633,765 for the first quarter of fiscal 2012. The effective tax rate was 32% of income before taxes for the first quarters of fiscal 2013

and 2012.

The 2% decrease in net income in the first quarter of fiscal 2013 compared to the prior-year quarter was primarily due to decreased contract research and development revenue and increased research and development expense, partially offset by increased gross margin and decreased selling, general, and administrative expense.

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Liquidity and capital resources

At June 30, 2012 we had \$77,061,787 in cash plus short-term and long-term marketable securities compared to \$73,541,463 at March 31, 2012. 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 quarter of fiscal 2013 was primarily due to \$4,099,997 in net cash provided by operating activities, offset by purchases of fixed assets of \$445,186, primarily for production equipment.

Income taxes payable increased \$1,397,138 because we had no estimated income tax payments due in the quarter ended June 30, 2012.

We currently believe our working capital and cash generated from operations will be adequate for our needs at least for the next 12 months.

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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, 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, net of estimated tax. Marketable securities as of June 30, 2012 had remaining maturities between one day and 245 weeks. Our short-term and long-term marketable securities had a fair market value of \$75,568,269 at June 30, 2012, representing approximately 86% 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 of 1934 (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 June 30, 2012, 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.

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PART II OTHER INFORMATION

Item 1. Legal Proceedings.

As reported in previous SEC filings, including our Annual Report on Form 10-K for the year ended March 31, 2012, on January 3, 2012 we filed a patent infringement lawsuit against Everspin Technologies, Inc. in the U.S. District Court for the Minnesota District. The lawsuit is based on Everspin's sale of magnetoresistive random access memory, commonly known as MRAM. The lawsuit seeks an injunction for Everspin to cease using NVE's patented technology and provide compensation for Everspin's past infringement. On May 24, 2012, Everspin filed an answer denying our allegations and filed counterclaims.

On February 24, 2012, Everspin filed a patent infringement lawsuit against us in the same court alleging certain NVE products infringe on two patents purported to be owned by Everspin. The lawsuit seeks an injunction and compensation. On May 24, 2012, we filed an answer denying Everspin's allegations and filed counterclaims.

On May 16, 2012, the United States Patent and Trademark Office granted a request by Everspin for an *inter partes* reexamination of U.S. patent 6,349,053, which is assigned to us and one of the patents under suit against Everspin.

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, 2012, except the risk factor titled "We could incur losses on our marketable securities" is replaced in its entirety by the following:

We could incur losses on our marketable securities.

At June 30, 2012, we held \$75,568,269 in short-term and long-term marketable securities, representing approximately 86% of our total assets. During the past two fiscal years a number of the securities we hold were downgraded by Moody's or Standard and Poor's, indicating a possible increase in default risk. Additionally, in the quarter ended June 30, 2012, Moody's downgraded the credit ratings of bonds backed by many firms with global capital markets operations, affecting a number of the securities we hold. Criteria cited for those downgrades included exposure to the volatility and risk of outsized losses inherent to capital markets activities. Conditions and circumstances beyond our control or ability to anticipate can cause downgrades and increases in default risk. Downgrades of any of our marketable securities are possible at any time for reasons beyond our control. Additionally, the assignment of a high credit rating does not preclude the risk of default on any marketable security. We could incur losses on our marketable securities, which could have a material adverse impact on our financial condition, income, or cash flows.

This risk factor is being updated because in the past quarter a number of the securities we hold were downgraded.

Item 4. Mine Safety Disclosures.

Not applicable.

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Item 6. Exhibits.

<u>Exhibit #</u>	<u>Description</u>
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.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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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)

July 18, 2012

Date

/s/ DANIEL A. BAKER

Daniel A. Baker

President and Chief Executive Officer

July 18, 2012

Date

/s/ CURT A. REYNDERS

Curt A. Reynders

Chief Financial Officer