

Edgar Filing: NVE CORP /NEW/ - Form 10QSB

NVE CORP /NEW/  
Form 10QSB  
January 29, 2003

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10QSB

Quarterly Report Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

For the quarterly period ended: December 31, 2002

Transition report under Section 13 or 15(d) of the  
Securities Exchange Act.

NVE Corporation

-----  
(Exact name of registrant as specified in its charter)

Minnesota

-----  
(State or other jurisdiction of incorporation)

000-12196

41-1424202

-----  
Commission File Number

-----  
I.R.S. Employer  
Identification number

11409 Valley View Road, Eden Prairie, Minnesota

55344

-----  
(Address of principal executive offices)

-----  
(Zip code)

Issuer's telephone number, including area code: (952) 829-9217

-----  
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 the number of shares outstanding of each of the  
issuer's classes of common stock, as of the latest practical  
date:

Common Stock, \$.01 Par Value - 4,172,328 shares outstanding as of  
January 24, 2003.

PART I--FINANCIAL INFORMATION

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Item 1. Financial Statements.

NVE CORPORATION  
BALANCE SHEET  
DECEMBER 31, 2002

Current assets:	
Cash	\$ 365,489
Investment securities	5,655,474
Accounts receivable, net	1,350,930
Inventories	846,293
Prepaid expenses and other assets	178,846
	-----
Total current assets	8,397,032
Fixed assets:	
Machinery and equipment	2,682,384
Furniture and fixtures	35,499
Leasehold improvements	365,187
Construction in progress	11,826
	-----
	3,094,896
Less accumulated depreciation	1,835,701
	-----
Total fixed assets	1,259,195
	-----
Total assets	\$9,656,227
	=====
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities:	
Accounts payable	\$ 386,696
Accrued payroll and other	492,581
Deferred revenue	1,082,028
Current portion of capital lease obligations	151,039
	-----
Total current liabilities	2,112,344
Capital lease obligations, less current portion	262,952
	-----
Total liabilities	2,375,296
Shareholders' equity:	
Common stock	41,634
Additional paid-in capital	12,114,278
Accumulated other comprehensive income	92,671
Accumulated deficit	(4,967,652)
	-----
Total shareholders' equity	7,280,931
	-----
Total liabilities and shareholders' equity	\$9,656,227
	=====

SEE ACCOMPANYING NOTES.

NVE CORPORATION  
STATEMENTS OF OPERATIONS

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	Three Months Ended	
	December 31 2002	December 30 2001
	-----	
Revenue		
Contract research and development	\$1,673,502	\$1,246,875
Product sales	565,633	402,168
License revenue	97,917	125,699
	-----	
Total revenue	2,337,052	1,774,742
Cost of sales	1,424,507	1,332,045
	-----	
Gross profit	912,545	442,697
Expenses		
Research and development	327,472	475,266
Selling, general & administrative	420,862	405,368
	-----	
Total expenses	748,334	880,634
Income (loss) from operations	164,211	(437,937)
Interest income	58,454	4,099
Interest expense	(9,210)	(21,346)
Other income (expense)	20,706	20,188
	-----	
Net income (loss)	234,161	(434,996)
	=====	
Net income (loss) per share-basic	.06	(.13)
	=====	
Net income (loss) per share-diluted	.05	(.13)
	=====	
Weighted average shares outstanding:		
Basic	4,159,718	3,420,996
Diluted	4,466,199	3,420,996

SEE ACCOMPANYING NOTES.

NVE CORPORATION  
STATEMENTS OF OPERATIONS

	Nine Months Ended	
	December 31 2002	December 30 2001
	-----	
Revenue		
Research and development	\$4,843,268	\$3,319,218
Product sales	1,707,633	1,098,133
License Revenue	293,751	488,197
	-----	
Total Revenue	6,844,652	4,905,548

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Cost of sales	4,273,553	3,815,892
Gross profit	2,571,099	1,089,656
Expenses		
Research and development	944,330	1,132,549
Selling, general & administrative	1,324,302	1,248,887
Total expenses	2,268,632	2,381,436
Income (loss) from operations	302,467	(1,291,780)
Interest income	154,134	18,683
Interest expense	(32,108)	(33,937)
Other income (expense)	62,193	100,715
Net income (loss)	486,686	(1,206,319)
Net income (loss) per share-basic	.12	(.35)
Net income (loss) per share-diluted	.11	(.35)
Weighted average shares outstanding:		
Basic	4,118,523	3,399,101
Diluted	4,425,004	3,399,101

SEE ACCOMPANYING NOTES.

NVE CORPORATION  
STATEMENTS OF CASH FLOWS

	Nine Months Ended	
	December 31 2002	December 30 2001
OPERATING ACTIVITIES		
Net income (loss)	\$ 486,686	\$ (1,206,319)
Adjustments to reconcile net loss to net cash provided used in operating activities:		
Depreciation and amortization	370,398	233,452
Changes in operating assets and liabilities:		
Accounts receivable	(89,757)	188,753
Inventories	(334,078)	107,195
Prepaid expenses and other	(119,641)	39,992
Accounts payable and accrued expenses	63,795	(208,253)
Deferred revenue	(483,279)	481,140
Net cash used in operating activities	(105,876)	(364,040)
INVESTING ACTIVITIES		
Purchases of fixed assets	(383,377)	(855,310)
Purchases of investment securities	(5,583,414)	-

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Net cash used in investing activities	(5,966,791)	(855,310)
<b>FINANCING ACTIVITIES</b>		
Net proceeds from sale of common stock	6,224,766	89,599
(Repayment of) proceeds from notes payable and capital lease obligations	(323,868)	508,511
	-----	-----
Net cash provided by financing activities	5,900,898	598,110
	-----	-----
Decrease in cash	(171,769)	(621,240)
Cash at beginning of period	537,258	1,492,080
	-----	-----
Cash at end of period	\$ 365,489	\$ 870,840
	=====	=====

SEE ACCOMPANYING NOTES.

NVE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002

**1. INTERIM FINANCIAL INFORMATION**

The accompanying unaudited financial statements of NVE Corporation (the "Company") are consistent with accounting principles generally accepted in the United States and reporting with SEC 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 condensed financial statements be read in conjunction with the audited financial statements and the notes included in our latest annual financial statements included in our report on Form 10-KSB. The results of operations for the three and nine month periods ended December 31, 2002 are not necessarily indicative of the results that may be expected for the full year ending March 31, 2003.

**2. NATURE OF BUSINESS**

We develop and sell "spintronics" devices, which rely on electron spin rather than electron charge to acquire, store, and transmit information.

**3. REVENUE RECOGNITION**

Revenue from product sales to direct customers is recognized upon shipment. Revenue from licensing and technology development programs, which is nonrefundable and for which no significant future obligations exist, is recognized when the license is signed. Revenue from licensing and technology development programs, which is refundable, recoupable against future royalties, or for which future obligations exist, is recognized when we have completed our obligations under the terms of the agreements. Revenue from royalties is recognized upon the shipment of product from our technology license partners to direct customers. Certain research and development activities are conducted for third parties and such revenue is recognized as the services are performed.

**4. EARNINGS PER SHARE**

We calculate our income (loss) per share pursuant to Statement of Financial Accounting Standards No. 128 ("SFAS 128"), Earnings Per Share. Basic earnings per share is computed based upon the weighted average number of common shares issued and outstanding during each year. Diluted net income per share amounts

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assume conversion, exercise or issuance of all potential common stock instruments (stock options, warrants and convertible preferred stock). Potentially dilutive securities including warrants and stock options are excluded from diluted earnings per share during net loss periods because these securities would be anti-dilutive.

### 5. INVESTMENTS

We classify and account for debt and equity securities in accordance with SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. The Company's entire portfolio is classified 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."

### 6. COMPREHENSIVE INCOME

The components of comprehensive income (loss) are as follows:

	Three months ended	
	December 31 2002	December 30 2001
	-----	-----
Net income (loss)	\$234,161	\$(434,996)
Change in unrealized gains	1,557	-
	-----	-----
Comprehensive income (loss)	\$235,718	\$(434,996)
	=====	=====

	Nine months ended	
	December 31 2002	December 30 2001
	-----	-----
Net income (loss)	\$486,686	\$(1,206,319)
Change in unrealized gains	92,671	-
	-----	-----
Comprehensive income (loss)	\$579,357	\$(1,206,319)
	=====	=====

### 7. INVENTORIES

Inventories consist of the following:

Raw materials	\$ 347,901
Work-in-process	523,025
Finished goods	175,367
	-----
	1,046,293
Less obsolescence reserve	(200,000)
	-----
	\$ 846,293
	=====

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### 8. STOCK SPLIT

We executed a one-for-five reverse split of our Common Stock to stockholders of record at the close of business on November 21, 2002. All share and per share amounts have been restated for both 2002 and 2001 in the accompanying financial statements.

### 9. NEW ACCOUNTING PRONOUNCEMENTS

On December 31, 2002, the FASB issued Statement 148 to provide alternative methods of transition to the fair value method of accounting for stock-based employee compensation. In addition, Statement No. 148 amends the disclosure provisions of Statement 123 to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in annual and interim financial statements. Statement 148 does not amend Statement No. 123 to require companies to account for their employee stock-based awards using the fair value method. However, the disclosure provisions are required for all companies with stock-based employee compensation, regardless of whether they utilize the fair value method of accounting described in Statement No. 123 or the intrinsic value method described in APB Opinion No. 25, Accounting for Stock Issued to Employees.

Statement No. 148 is effective for fiscal years ending after December 15, 2002, with earlier application permitted for entities with fiscal years ending prior to December 15, 2002, provided that financial statements for the 2002 fiscal year were not issued prior to the issuance of Statement No. 148 (December 31, 2002). The disclosure requirements for interim financial statements containing condensed financial statements are effective for interim periods beginning after December 15, 2002.

### 10. TECHNOLOGY EXCHANGE AGREEMENT

On April 19, 2002 the Company closed a technology exchange agreement accompanied by an investment by Cypress Semiconductor Corporation ("Cypress"). Cypress purchased 686,600 shares of NVE Common Stock for \$6.228 million. Cypress also received a warrant for the purchase of up to an additional 400,000 shares of Common Stock for \$15.00 per share for a term of three years.

Item 2. Management's Discussion and Analysis or Plan of Operation.

#### General

We develop and sell "spintronics" devices, which are integrated circuit type devices that rely on electron spin rather than electron charge to acquire, store, and transmit information in electronic systems. We derive revenue from three sources:

- 1) contract spintronics research and development (principally government contracts);
- 2) commercial sales of spintronic sensor and coupler products; and
- 3) licenses for our magnetic random-access memory (MRAM) intellectual property.

#### Critical accounting policies

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It is important to understand our significant accounting policies in order to understand our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. These accounting principles require us to make estimates and assumptions that affect amounts reported in our consolidated financial statements and the accompanying notes. Actual results are likely to differ from those estimates, but we do not believe such differences will materially affect our financial position or results of operations for the periods presented in this report.

### Revenue recognition

Revenue from product sales to direct customers is recognized upon shipment. Revenue from licensing and technology development programs, which is nonrefundable and for which no significant future obligations exist, is recognized when the license is signed. Revenue from licensing and technology development programs, which is refundable, recoupable against future royalties, or for which future obligations exist, is recognized when we complete our obligations under the terms of the agreements. Revenue from royalties is recognized upon the shipment of product from our technology license partners to direct customers. Certain research and development activities are conducted for third parties and such revenue is recognized as the services are performed. Payments received from licensing and technology development programs relating to future obligations as well as prepayments for future discounts on product sales are recorded as deferred revenue.

### Bad Debt

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

### Inventory

We reduce the stated value of our inventory for excess quantities or obsolescence in an amount equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. If actual future demand or market conditions are less favorable than those projected by management, additional reductions in stated value may be required.

### Income Taxes

In determining the carrying value of our net deferred tax assets, we must assess the likelihood of sufficient future taxable income in certain tax jurisdictions, based on estimates and assumptions to realize the benefit of these assets. Our management evaluates the realizability of the deferred assets quarterly and assesses the need for valuation allowances or reduction of existing allowances quarterly.

Three months ended December 31, 2002 compared to three months ended December 30, 2001



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The table shown below summarizes the percentage of revenue for the various items for the periods indicated:

	Three months ended	
	December 31 2002	December 30 2001
	-----	-----
Revenue:		
Research and development	71.6 %	70.2 %
Product sales	24.2	22.7
License fees	4.2	7.1
	-----	-----
Total revenue	100.0	100.0
Cost of sales	61.0	75.1
	-----	-----
Gross profit	39.0	24.9
Total expenses	29.0	49.5
	-----	-----
Net income (loss)	10.0 %	(24.6)%
	=====	=====

Revenue for the three months ended December 31, 2002 was \$2,337,052, an increase of 32% from revenue of \$1,774,742 for the three months ended December 30, 2001. The revenue increase was due to increases in commercial product sales and research and development revenue. Commercial product sales increased 41% to \$565,633 from \$402,168. Research and development revenue increased 34% to \$1,673,502 from \$1,246,875 due to increased government contract revenue and increased revenue recognized under our agreement with Agilent Technologies, Inc. Increases in commercial product sales and research and development revenue were partially offset by a decrease in license revenue from \$125,699 to \$97,917. The decrease in license revenue was due to completion of revenue recognition for one of our MRAM license agreements.

Gross profit increased to 39% for the three months ended December 31, 2002 as compared to 25% for the three months ended December 30, 2001. Gross profit on commercial product sales and contract research and development increased 50% and 32%, respectively, for the three months ended December 31, 2002 as compared to (3%) and 26% for the three months ended December 30, 2001. This increase was due to higher yields on commercial products as well as increased margins on contract research and development.

Research and development expenses decreased 31% to \$327,472 for the three months ended December 31, 2002 as compared to \$475,266 in the three months ended December 30, 2001. The decrease was due to completion of the development of some of our commercial products.

Selling, general and administrative expenses for the three months ended December 31, 2002 increased by 4% to \$420,862 compared to \$405,368 for the Three months ended December 30, 2001. The increase was primarily due to an increase in product marketing.

Net income totaled \$234,161 for the three months ended December 31, 2002 compared to a net loss of \$434,996 for the three months ended December 30, 2001. The increase in net income was due to a change from operational losses to profits, lower interest expense from the retirement of high-cost debt, and higher interest income from our investments.

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Nine months ended December 31, 2002 compared to nine months ended December 30, 2001

The table shown below summarizes the percentage of revenue for the various items for the periods indicated:

	Nine Months Ended	
	December 30 2002	December 31 2001
	-----	-----
Revenue:		
Research and development	70.8 %	67.7 %
Product sales	24.9	22.4
License fees	4.3	9.9
	-----	-----
Total revenue	100.0	100.0
Cost of sales	62.4	77.8
	-----	-----
Gross profit	37.6	22.2
Total expenses	30.5	46.8
	-----	-----
Net income (loss)	7.1 %	(24.6) %
	=====	=====

Revenue for the nine months ended December 31, 2002 was \$6,844,652, an increase of 40% from revenue of \$4,905,548 for the nine months ended December 30, 2001. The revenue increase was due to increases in commercial product sales and research and development revenue. Commercial product sales increased 56% to \$1,707,633 from \$1,098,133. Research and development revenue increased 46% to \$4,843,268 from \$3,319,218 due to increased government contract revenue and increased revenue recognized under our agreement with Agilent Technologies, Inc. Increases in commercial product sales and research and development revenue were partially offset by a decrease in license revenue from \$488,197 to \$293,751. The decrease in license revenue was due to completion of revenue recognition for one of our MRAM license agreements.

Research and development expenses decreased by 17% to \$944,330 for the nine months ended December 31, 2002 as compared to \$1,132,549 in the nine months ended December 30, 2001. The decrease was due to completion of the development of some of our commercial products.

Gross profit margins increased to 38% for the nine months ended December 31, 2002 as compared to 22% for the nine months ended December 30, 2001. Gross profit on commercial product sales increased to 50% and gross profit on contract research and development increased to 29% for the nine months ended December 31, 2002 as compared to 14% and 13% for the nine months ended December 30, 2001. This increase was due to higher yields on commercial products as well as increased margins on contract research and development.

Selling, general and administrative expenses for the nine months ended December 31, 2002 increased by 6% to \$1,324,302 compared to \$1,248,887 for the nine months ended December 30, 2001. The increase was primarily due to higher expenses associated with a ramp-up in commercial selling activities.

Net income totaled \$486,686 for the nine months ended December 31, 2002 compared to a net loss of \$1,206,319 for the nine months ended December 30,

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2001. The increase in net income was due to a change from operational losses to profits, and higher interest income on our increased investments.

### Liquidity and capital resources

At December 31, 2002, we had \$5,655,474 in available-for-sale securities, consisting of marketable fixed-income investments. We had cash on December 31, 2002 of \$365,489 and working capital of \$6,284,688. We believe our working capital is adequate for our current needs.

### Recent Developments

On November 11, 2002, we announced plans for a one-for-five reverse split of our Common Stock, and also announced that our board of directors had authorized the repurchase of up to 50,000 post-split shares of our Common Stock. Through December 31, 2002 we had not repurchased any shares under the repurchase program.

We executed a one-for-five reverse split of our Common Stock to shareholders of record at the close of business on November 21, 2002. In conjunction with the reverse split, we changed our Common Stock CUSIP number to 629-445-20-6 from 629-445-10-7, and the trading symbol to NVCR from NVEC.

On January 22, 2003, our Common Stock began trading on the Nasdaq SmallCap Market under the symbol NVEC, which was the symbol prior to the November 21, 2002 reverse split. The CUSIP number was unchanged from the post-split number.

### Outlook

Thus far our commercial product revenues have continued to grow rapidly, although we believe adverse economic conditions may be limiting our growth in our core industrial control market.

We continue to take steps related to our business strategy, which includes the following key elements:

- o Grow our commercial product business by expanding distribution and product promotion
- o Develop new products based on modules and designs we have developed
- o Support product research and development with government contract research and development
- o Deploy our MRAM intellectual property through manufacturing partnerships

In line with this strategy, we have invested in training and supporting our new representatives and distributors to maximize their productivity, and we delivered our first couplers to be distributed by Agilent Technologies, Inc. We expanded our "Hate Optos" advertising campaign, and produced a new sensor product-line catalog.

We announced several new sensor products and continued to invest in development of faster and more cost-effective coupler products. Contract research and development programs continue, including advanced sensors and couplers.

We continue our MRAM research, and supported our manufacturing partners,

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especially Cypress Semiconductor Corp.

We expect commercial product revenues to continue to grow, and we anticipate profitability to continue in the quarter ending March 31, 2003. In the fiscal year beginning April 2003, approximately \$250,000 per quarter of contract research and development from Agilent milestone achievements and recognition of MRAM license revenues of approximately \$98,000 per quarter will cease. We may be able to replace those revenue and profit sources with expanded commercial product sales, but there can be no assurance we will continue to be profitable.

### Item 3. Controls and Procedures.

Within 90 days prior to the date of filing of this report, we carried out an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer and the Chief Financial Officer, of the design and operation of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective for gathering, analyzing and disclosing the information we are required to disclose in the reports we file under the Securities Exchange Act of 1934, within the time periods specified in the SEC's rules and forms. There have been no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to the date of this evaluation.

## PART II--OTHER INFORMATION

### Item 5. Other Information

On January 22, 2003, our Common Stock began trading on the Nasdaq SmallCap Market. Prior to being listed on the Nasdaq SmallCap Market, our Common Stock was traded on the Over-the-Counter Bulletin Board.

On October 25, 2002, our Board approved amended Articles of Incorporation to adjust authorized shares in conjunction with a reverse split of our common stock. The amended Articles of Incorporation are filed herein.

We executed an amendment dated October 18, 2002 to our Agreement with Agilent Technologies, Inc. The amendment recognizes the completion of key milestones in the qualification of our technology, and adjusts certain time periods accordingly. The amendment is filed herein.

### Item 6. Exhibits and Reports on Form 8-K

#### a. Exhibits.

Exhibit 3: Amended and Restated Articles of Incorporation of the Company as amended by the Board of Directors effective November 21, 2002.

Exhibit 10.1: Amendment dated October 18, 2002 to OEM Purchase Agreement with Agilent Technologies, Inc.

Exhibit 10.2: OEM Purchase Agreement with Agilent Technologies, Inc., incorporated by reference to our report on Form 10QSB filed October 26, 2001 (confidential treatment has been requested with

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respect to portions of this exhibit, and such confidential portions have been deleted and separately filed with the Securities and Exchange Commission pursuant to Rule24b-2 or Rule 406).

- b. Reports on Form 8-K  
None.

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 behalf of the undersigneds thereunto duly authorized.

NVE CORPORATION

Date: January 28, 2003

By /s/ Daniel A. Baker

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Daniel A. Baker  
President and Chief Executive Officer

By /s/ Richard George

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Richard George  
Chief Financial Officer

CERTIFICATIONS PURSUANT TO SECTION 302

I, Daniel A. Baker, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of NVE Corporation.
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

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- c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

- a) all significant deficiencies in the design or operation of internal controls, which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: January 28, 2003

/s/ Daniel A. Baker

-----  
Daniel A. Baker  
President and Chief Executive Officer

I, Richard George, certify that:

- 1. I have reviewed this quarterly report on Form 10-QSB of NVE Corporation.
- 2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.
- 4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the

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effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

- a) all significant deficiencies in the design or operation of internal controls, which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: January 28, 2003

/s/ Richard George

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Richard George  
Chief Financial Officer