

NVE CORP /NEW/
Form 10-Q
January 22, 2014

**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, 2013**

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 4,846,043 shares outstanding as of January 17, 2014

**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, 2013 and 2012

Statements of Comprehensive Income for the Quarters Ended December 31, 2013 and 2012

Statements of Income for the Nine Months Ended December 31, 2013 and 2012

Statements of Comprehensive Income for the Nine Months Ended December 31, 2013 and 2012

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 4. Mine Safety Disclosures

Item 6. Exhibits

SIGNATURES

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****NVE CORPORATION
BALANCE SHEETS**

	(Unaudited) Dec. 31, 2013	March 31, 2013*
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,961,285	\$ 2,509,683
Marketable securities, short term	10,293,147	9,711,029
Accounts receivable, net of allowance for uncollectible accounts of \$15,000	1,789,490	2,521,395
Inventories	3,029,903	3,336,592
Deferred tax assets	241,599	-
Prepaid expenses and other assets	1,220,833	958,147
Total current assets	18,536,257	19,036,846
Fixed assets		
Machinery and equipment	8,450,954	8,417,061
Leasehold improvements	1,499,454	1,499,454
	9,950,408	9,916,515
Less accumulated depreciation	6,829,363	6,228,122
Net fixed assets	3,121,045	3,688,393
Marketable securities, long term	80,584,799	73,040,257
Total assets	\$ 102,242,101	\$ 95,765,496
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Accounts payable	\$ 285,777	\$ 422,092
Accrued payroll and other	833,330	918,060
Deferred taxes	-	440,736
Total current liabilities	1,119,107	1,780,888
Long-term deferred tax liabilities	282,342	-
Shareholders' equity		
Common stock, \$0.01 par value, 6,000,000 shares authorized; 4,846,043 issued and outstanding as of December 31, 2013; 4,862,436 issued and outstanding as of March 31, 2013	48,460	48,624
Additional paid-in capital	20,245,775	21,200,742
Accumulated other comprehensive income	795,251	1,557,726
Retained earnings	79,751,166	71,177,516
Total shareholders' equity	100,840,652	93,984,608
Total liabilities and shareholders' equity	\$ 102,242,101	\$ 95,765,496

*The March 31, 2013 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, 2013.

See accompanying notes.

Table of Contents

NVE CORPORATION
STATEMENTS OF INCOME
(Unaudited)

	Quarter Ended Dec. 31	
	2013	2012
Revenue		
Product sales	\$ 6,448,407	\$ 5,762,925
Contract research and development	25,290	762,296
Total revenue	6,473,697	6,525,221
Cost of sales	1,449,396	1,738,618
Gross profit	5,024,301	4,786,603
Expenses		
Selling, general, and administrative	543,698	570,741
Research and development	905,246	501,325
Total expenses	1,448,944	1,072,066
Income from operations	3,575,357	3,714,537
Interest income	530,383	600,395
Income before taxes	4,105,740	4,314,932
Provision for income taxes	1,328,566	1,415,590
Net income	\$ 2,777,174	\$ 2,899,342
Net income per share basic	\$ 0.57	\$ 0.60
Net income per share diluted	\$ 0.57	\$ 0.60
Weighted average shares outstanding		
Basic	4,842,565	4,847,619
Diluted	4,859,601	4,872,019

STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Quarter Ended Dec. 31	
	2013	2012
Net income	\$ 2,777,174	\$ 2,899,342
Unrealized loss from marketable securities, net of tax	(151,829)	(22,474)
Comprehensive income	\$ 2,625,345	\$ 2,876,868

See accompanying notes.

Table of Contents

NVE CORPORATION
STATEMENTS OF INCOME
(Unaudited)

	Nine Months Ended Dec. 31	
	2013	2012
Revenue		
Product sales	\$ 19,654,162	\$ 18,025,002
Contract research and development	297,648	1,785,920
Total revenue	19,951,810	19,810,922
Cost of sales	4,331,297	5,147,884
Gross profit	15,620,513	14,663,038
Expenses		
Selling, general, and administrative	1,756,578	1,714,545
Research and development	2,744,620	1,801,609
Total expenses	4,501,198	3,516,154
Income from operations	11,119,315	11,146,884
Interest income	1,577,524	1,784,963
Income before taxes	12,696,839	12,931,847
Provision for income taxes	4,123,189	4,211,964
Net income	\$ 8,573,650	\$ 8,719,883
Net income per share basic	\$ 1.77	\$ 1.80
Net income per share diluted	\$ 1.76	\$ 1.80
Weighted average shares outstanding		
Basic	4,852,356	4,832,630
Diluted	4,868,040	4,856,851

STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Nine Months Ended Dec. 31	
	2013	2012
Net income	\$ 8,573,650	\$ 8,719,883
Unrealized (loss) gain from marketable securities, net of tax	(762,475)	509,553
Comprehensive income	\$ 7,811,175	\$ 9,229,436

See accompanying notes.

Table of Contents

NVE CORPORATION
STATEMENTS OF CASH FLOWS
(Unaudited)

Nine Months Ended Dec. 31

2013 2012

OPERATING ACTIVITIES

Net income	\$ 8,573,650	\$ 8,719,883
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	601,241	457,937
Stock-based compensation	53,200	66,720
Excess tax benefits	(67,044)	(2,383)
Deferred income taxes	102,118	27,320
Changes in operating assets and liabilities:		
Accounts receivable	731,905	63,060
Inventories	306,689	(526,147)
Prepaid expenses and other assets	(262,686)	(173,167)
Accounts payable and accrued expenses	(221,045)	(211,143)
Net cash provided by operating activities	9,818,028	8,422,080

INVESTING ACTIVITIES

Purchases of fixed assets	(33,893)	(1,607,130)
Purchases of marketable securities	(17,879,202)	(17,438,274)
Proceeds from maturities and sales of marketable securities	8,555,000	9,850,000
Net cash used in investing activities	(9,358,095)	(9,195,404)

FINANCING ACTIVITIES

Net proceeds from sale of stock	188,030	69,428
Excess tax benefits	67,044	2,383
Repurchase of common stock	(1,263,405)	-
Net cash (used in) provided by financing activities	(1,008,331)	71,811

Decrease in cash and cash equivalents	(548,398)	(701,513)
Cash and cash equivalents at beginning of period	2,509,683	1,544,536
Cash and cash equivalents at end of period	\$ 1,961,285	\$ 843,023

Supplemental disclosures of cash flow information:

Cash paid during the period for income taxes	\$ 4,213,033	\$ 4,220,000
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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 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, 2013. The results of operations for the quarter or nine months ended December 31, 2013 are not necessarily indicative of the results that may be expected for the full fiscal year ending March 31, 2014.

NOTE 3. RECENT ACCOUNTING PRONOUNCEMENTS

We have adopted all applicable recently issued accounting pronouncements.

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 totaling 5,000 for the quarter and nine months ended December 31, 2012 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 and are considered anti-dilutive. The following table reflects the components of common shares outstanding:

		Quarter Ended Dec. 31	
		2013	2012
Weighted average common shares outstanding	basic	4,842,565	4,847,619
Effect of dilutive securities:			
Stock options		16,416	22,594
Warrants		620	1,806
Shares used in computing net income per share	diluted	4,859,601	4,872,019
		Nine Months Ended Dec. 31	
		2013	2012
Weighted average common shares outstanding	basic	4,852,356	4,832,630
Effect of dilutive securities:			
Stock options		15,128	22,430
Warrants		556	1,791
Shares used in computing net income per share	diluted	4,868,040	4,856,851

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 December 31, 2013, by maturity, were as follows:

Total	<1 Year	1 3 Years	3 5 Years
\$ 90,877,946	\$ 10,293,147	\$ 37,031,172	\$ 43,553,627

As of December 31 and March 31, 2013, our marketable securities were as follows:

	As of December 31, 2013				As of March 31, 2013			
	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Corporate bonds	\$ 84,677,016	\$ 1,716,210	\$ (493,700)	\$ 85,899,526	\$ 72,923,502	\$ 2,378,845	\$ (4,187)	\$ 75,298,160
Municipal bonds	4,951,910	30,521	(4,011)	4,978,420	7,381,223	81,058	(9,155)	7,453,126
Total	\$ 89,628,926	\$ 1,746,731	\$ (497,711)	\$ 90,877,946	\$ 80,304,725	\$ 2,459,903	\$ (13,342)	\$ 82,751,286

The following table presents 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 December 31 and March 31, 2013:

	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 December 31, 2013						
Corporate bonds	\$ 32,852,596	\$ (493,700)	\$ -	\$ -	\$ 32,852,596	\$ (493,700)
Municipal bonds	1,429,217	(4,011)	-	-	1,429,217	(4,011)
Total	\$ 34,281,813	\$ (497,711)	\$ -	\$ -	\$ 34,281,813	\$ (497,711)
As of March 31, 2013						
Corporate bonds	\$ 1,171,976	\$ (4,187)	\$ -	\$ -	\$ 1,171,976	\$ (4,187)
Municipal bonds	508,607	(9,155)	-	-	508,607	(9,155)
Total	\$ 1,680,583	\$ (13,342)	\$ -	\$ -	\$ 1,680,583	\$ (13,342)

Gross unrealized losses totaled \$497,711 as of December 31, 2013, and were attributed to ten corporate bonds and one municipal bond out of a portfolio of 41 bonds. 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. A substantial majority of the bonds we held were rated by Moody's or Standard and Poor's and had investment-grade credit ratings. For each bond, including 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 each 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 December 31, 2013.

Table of Contents**NOTE 6. INVENTORIES**

Inventories consisted of the following:

	Dec. 31	March 31
	2013	2013
Raw materials	\$ 996,686	\$ 1,312,011
Work in process	1,502,406	1,533,951
Finished goods	825,811	775,630
	3,324,903	3,621,592
Less inventory reserve	(295,000)	(285,000)
Total inventories	\$ 3,029,903	\$ 3,336,592

NOTE 7. STOCK-BASED COMPENSATION

Stock-based compensation expense was \$53,200 for the first nine months of fiscal 2014, and \$66,720 for the first nine months of fiscal 2013. Stock-based compensation expenses for the nine months ended December 31, 2013 and 2012 were non-cash, and due to the issuance of automatic stock options to our non-employee directors on their reelection to our Board. We calculate the share-based compensation expense using the Black-Scholes standard option-pricing model.

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 December 31, 2013, 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 December 31, 2013 we had no accrued interest related to uncertain tax positions. The tax years 1999 through 2012 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 corporate debt securities, which are classified as available-for-sale. On the balance sheets, these securities are included in Marketable securities, short term and Marketable securities, long term. The fair value of our Level 1 marketable securities was \$85,899,526 at December 31, 2013 and \$75,298,160 at March 31, 2013.

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. Our Level 2 financial instruments consist of municipal debt securities, which are classified as available-for-sale. On the balance sheets, these securities are included in Marketable securities, short term and Marketable securities, long term. The fair value of our Level 2 marketable securities was \$4,978,420 at

December 31, 2013 and \$7,453,126 at March 31, 2013.

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.

Table of Contents

NOTE 10. STOCK REPURCHASE PLAN

We did not repurchase any of our Common Stock during the quarter ended December 31, 2013, and \$1,263,405 in the nine months ended December 31, 2013. The repurchases were under a program announced January 21, 2009 authorizing the repurchase of up to \$2,500,000 of our Common Stock, \$1,236,595 of which remained available as of December 31, 2013. The repurchase program may be modified or discontinued at any time without notice.

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 uncertainties related to the economic environments in the industries we serve, uncertainties related to direct and indirect U.S. Government funding, uncertainties relating to future revenue and growth, risks related to developing marketable products, uncertainties relating to the revenue potential of new products, risks in the enforcement of our patents, litigation risks, 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, 2013.

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, 2013. At December 31, 2013 our critical accounting policies and estimates continued to include investment valuation, inventory valuation, and deferred taxes estimation.

Table of Contents**Quarter ended December 31, 2013 compared to quarter ended December 31, 2012**

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 Dec. 31 2013	2012	
Revenue			
Product sales	99.6%	88.3%	11.9%
Contract research and development	0.4%	11.7%	(96.7)%
Total revenue	100.0%	100.0%	(0.8)%
Cost of sales	22.4%	26.6%	(16.6)%
Gross profit	77.6%	73.4%	5.0%
Expenses			
Selling, general, and administrative	8.4%	8.8%	(4.7)%
Research and development	14.0%	7.7%	80.6%
Total expenses	22.4%	16.5%	35.2%
Income from operations	55.2%	56.9%	(3.7)%
Interest income	8.2%	9.2%	(11.7)%
Income before taxes	63.4%	66.1%	(4.8)%
Provision for income taxes	20.5%	21.7%	(6.1)%
Net income	42.9%	44.4%	(4.2)%

Total revenue for the quarter ended December 31, 2013 (the third quarter of fiscal 2014) decreased 1% compared to the quarter ended December 31, 2012 (the third quarter of fiscal 2013). The decrease was due to a 97% decrease in contract research and development revenue, partially offset by a 12% increase in product sales.

The decrease in research and development revenue was due to completion of the majority of activities on a large contract and a challenging environment for new U.S. Government contract funding. In addition to direct Government funding, certain of our non-Government customers and prospective customers depend on Government support to fund their contracts with us. 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. The increase in product sales from the prior-year quarter was due to increased purchase volume by existing customers.

Gross profit margin increased to 78% of revenue for the third quarter of fiscal 2014 compared to 73% for the third quarter of fiscal 2013, due to a more favorable revenue mix and a more favorable product sales mix.

Total expenses increased 35% for the third quarter of fiscal 2014 compared to the third quarter of fiscal 2013, primarily due to an 81% increase in research and development 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. Selling, general, and administrative expense can also fluctuate significantly depending on a number of factors including legal expenses.

Interest income for the third quarter of fiscal 2014 decreased 12% due to lower interest rates on our marketable securities.

The 4% decrease in net income in the third quarter of fiscal 2014 compared to the prior-year quarter was primarily

due to decreased contract research and development revenue, increased research and development expense, and decreased interest income, partially offset by increased product sales and increased gross profit margin as a percentage of revenue.

Table of Contents**Nine months ended December 31, 2013 compared to nine months ended December 31, 2012**

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

	Percentage of Revenue		Period-to-Period Change
	Nine Months Ended Dec. 31 2013	2012	
Revenue			
Product sales	98.5%	91.0%	9.0%
Contract research and development	1.5%	9.0%	(83.3)%
Total revenue	100.0%	100.0%	0.7%
Cost of sales			
Cost of sales	21.7%	26.0%	(15.9)%
Gross profit	78.3%	74.0%	6.5%
Expenses			
Selling, general, and administrative	8.8%	8.6%	2.5%
Research and development	13.8%	9.1%	52.3%
Total expenses	22.6%	17.7%	28.0%
Income from operations	55.7%	56.3%	(0.2)%
Interest income	7.9%	9.0%	(11.6)%
Income before taxes	63.6%	65.3%	(1.8)%
Provision for income taxes	20.6%	21.3%	(2.1)%
Net income	43.0%	44.0%	(1.7)%

Total revenue for the nine months ended December 31, 2013 increased 1% compared to the nine months ended December 31, 2012. The increase was due to an 9% increase in product sales, partially offset by an 83% decrease in contract research and development revenue.

The increase in product sales from the prior-year period was due to increased purchase volume by existing customers. The decrease in research and development revenue was due to completion of the majority of activities on a large contract and a challenging environment for new U.S. Government contract funding. In addition to direct Government funding, certain of our non-Government customers and prospective customers depend on Government support to fund their contracts with us. 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 78% of revenue for the first nine months of fiscal 2014 compared to 74% for the first nine months of fiscal 2013, due to a more favorable revenue mix, a more favorable product sales mix, and more efficient product manufacturing.

Total expenses increased 28% for the first nine months of fiscal 2014 compared to the first nine months of fiscal 2013, primarily due to a 52% increase in research and development 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.

Interest income for the first nine months of fiscal 2014 decreased 12% due to lower interest rates on our marketable securities.

The 2% decrease in net income in the first nine months of fiscal 2014 compared to the prior-year period was primarily due to decreased contract research and development revenue, increased research and development expense, and decreased interest income, partially offset by increased product sales and increased gross profit margin as a

percentage of revenue.

Table of Contents

Liquidity and capital resources

At December 31, 2013 we had \$92,839,231 in cash plus short-term and long-term marketable securities compared to \$85,260,969 at March 31, 2013. 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 2014 was primarily due to \$9,818,028 in net cash provided by operating activities less \$1,263,405 for repurchases of our Common Stock and a \$1,197,542 unrealized loss from marketable securities.

We had \$33,893 in purchases of fixed assets in the first nine months of fiscal 2014. Purchases of fixed assets were \$1,607,130 in the first nine months of fiscal 2013, primarily for expansion of production space and infrastructure upgrades. Our capital expenditures can vary significantly depending on our needs, equipment purchasing opportunities, and production expansion activities.

We repurchased \$1,263,405 of our Common Stock in the first nine months of fiscal 2014. The repurchases were under a program announced January 21, 2009 authorizing the repurchase of up to \$2,500,000 of our Common Stock, \$1,236,595 of which remained available as of December 31, 2013. The repurchase program may be modified or discontinued at any time without notice.

We currently believe our working capital and cash generated from operations will be 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 securities including 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 or loss, net of estimated tax. Our marketable securities as of December 31, 2013 had remaining maturities between one day and 58 months. Marketable securities had a market value of \$90,877,946 at December 31, 2013, representing approximately 89% 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 December 31, 2013, 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, 2013.

Item 4. Mine Safety Disclosures.

Not applicable.

Table of Contents

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

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)

January 22, 2014 **/s/ DANIEL A. BAKER**
Date Daniel A. Baker
President and Chief Executive Officer

January 22, 2014 **/s/ CURT A. REYNDERS**
Date Curt A. Reynders
Chief Financial Officer