

NVE CORP /NEW/  
Form DEF 14A  
July 08, 2005

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

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**NVE Corporation**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
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11409 Valley View Road  
Eden Prairie, MN 55344-3617  
www.nve.com

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD AUGUST 16, 2005**

Dear shareholders:

The Annual Meeting of Shareholders of NVE Corporation will be held at the SpringHill Suites by Marriott, 11552 Leona Road, Eden Prairie, Minnesota, 55344, on Tuesday, August 16, 2005 at 3:30 p.m. Central Daylight Time, for the following purposes:

1. To elect five directors to serve until the next Annual Meeting of Shareholders.
2. To consider and act on such other business as may properly come before the meeting or any adjournment or adjournments thereof.

Accompanying this Notice are a Proxy, Proxy Statement and a copy of our Annual Report for the fiscal year ended March 31, 2005. You are cordially invited to attend this Annual Meeting. Only shareholders of record at the close of business on June 20, 2005 are entitled vote at the Annual Meeting.

**Whether or not you expect to attend the Annual Meeting, you can vote your shares via the internet or by telephone by following the instructions in this Proxy Statement. If you are voting by mail, please complete, date, and sign the enclosed proxy and mail it promptly in the enclosed envelope.**

Sincerely,

/s/ Richard L. George  
Richard L. George  
Secretary

July 8, 2005

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**PROXY STATEMENT**

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11409 Valley View Road  
Eden Prairie, MN 55344-3617  
www.nve.com

**PROXY STATEMENT**

**ANNUAL MEETING OF SHAREHOLDERS, AUGUST 16, 2005**

**GENERAL INFORMATION**

This Proxy Statement is furnished to shareholders of NVE Corporation, a Minnesota corporation ( NVE or the Company ), in connection with the solicitation of proxies by our Board of Directors for use at our Annual Meeting of shareholders to be held on Tuesday, August 16, 2005 at 3:30 p.m. Central Daylight Time at the SpringHill Suites by Marriott, 11552 Leona Road, Eden Prairie, Minnesota, 55344, and at any adjournment thereof (the 2005 Annual Meeting ), for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders. This Proxy Statement and the accompanying form of Proxy were first distributed to our shareholders on or about July 12, 2005.

**Annual Meeting Admission**

Proof of ownership (such as a recent brokerage statement or letter from your broker) and a form of photo identification are required for admission to the 2005 Annual Meeting.

**Householding of Documents**

We are sending only one annual report and proxy statement to eligible shareholders who share a single address unless we received instructions to the contrary from any shareholder at that address. This practice, known as householding, is designed to reduce our printing and postage costs. If a registered shareholder residing at an address with other registered shareholders wishes to receive a separate annual report or proxy statement in the future, he or she may contact Richard L. George, our Secretary, at telephone number (952) 829-9217, or by mail to the address at the top of this page. You can also request delivery of single copies of our documents if you are receiving multiple copies.

**Other Matters and Proposals of Shareholders**

Our Board is not aware that any matter other than those described in the Notice of Annual Meeting of Shareholders to which this Proxy Statement is appended will be presented for action at the 2005 Annual Meeting. If, however, other matters do properly come before the 2005 Annual Meeting, the persons named in our proxy card intend to vote the proxied shares in accordance with their best judgment on those matters. If any matters properly come before the shareholders at our 2005 Annual Meeting, but we did not receive notice of it prior to February 15, 2005, the persons named in our proxy card for the 2005 Annual Meeting will have the discretion to vote the proxied shares on such matters in accordance with their best judgment.

Proposals of shareholders intended to be presented at our next annual meeting of shareholders must be received by our Secretary at our executive offices in Eden Prairie, Minnesota, no later than March 14, 2006 for inclusion in our proxy statement and proxy relating to that annual meeting. The proposal must be in accordance with the provisions of Rule 14a-8 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934. It is suggested the proposal be submitted by certified mail, return receipt requested. Upon receipt of any such proposal, we will determine whether or not to include such proposal in our proxy statement and proxy in accordance with regulations governing the solicitation of proxies. Shareholders who intend to present a proposal at our next annual meeting of shareholders without including such proposal in our proxy statement must provide us with notice of such proposal no later than March 14, 2006. NVE reserves the right to reject, rule out of order, or take other appropriate action with respect to any proposal that does not comply with these and other applicable requirements.

#### **Shareholder Communications With the Board and Director Attendance at Annual Meetings**

Shareholders and others who wish to communicate with our board as a whole or any individual director, may write to them at: 11409 Valley View Road, Eden Prairie, Minnesota, 55344. The Secretary will forward any such written communication to the Board, or if indicated, to a specified individual member of the Board, unless the written communication is (1) a personal or similar grievance, a shareholder proposal or related communication, an abusive or inappropriate communication or a communication not related to the responsibilities or duties of the Board, in which case the Secretary has the authority to discard the communication or to take appropriate legal action regarding the communication, or (2) a request for information about the company, a stock-related matter or any other matter that does not appear to require direct attention by the Board or any individual director, in which case the Secretary will attempt to handle the inquiry or request directly. All such communications will be kept confidential to the extent possible.

We do not have a formal policy regarding attendance by members of the Board at our annual meetings of shareholders, but we encourage our directors to attend. Four of our directors attended our 2004 annual meeting.



## VOTING INFORMATION

Only shareholders of record at the close of business on June 20, 2005 are entitled to execute proxies or to vote at the 2005 Annual Meeting. As of that date there were outstanding 4,570,104 shares of our common stock, \$0.01 par value per share ( Common Stock ). Each holder of Common Stock is entitled to one vote for each share of Common Stock held with respect to the matters mentioned in the foregoing Notice of Annual Meeting of Shareholders and any other matters that may properly come before the 2005 Annual Meeting. A majority of the outstanding shares of Common Stock entitled to vote are required to constitute a quorum at the 2005 Annual Meeting. The affirmative vote of a plurality of the voting power of the Common Stock present, in person or by proxy, and entitled to vote at the 2005 Annual Meeting, is required to approve the matters mentioned in the foregoing Notice of Annual Meeting. Proxies indicating abstention from a vote and broker non-votes will be counted toward determining whether a quorum is present at the 2005 Annual Meeting, but will not be counted toward determining if a majority of the Common Stock present has voted affirmatively.

### **Solicitation and Revocability of Proxies**

We will pay the costs and expenses of solicitation of proxies. In addition to the use of the mails, proxies may be solicited by our directors, officers, and regular employees personally or by telephone, but these people will not be specifically compensated for those services.

Proxies in the form enclosed are solicited on behalf of the Board of Directors. Any shareholder giving a proxy in such form may revoke it either by submitting a new proxy card or by completing a ballot at the meeting at any time before it is exercised. Such proxies, if received in time for voting and not revoked, will be voted at the 2005 Annual Meeting in accordance with the specification indicated thereon. If no specification is indicated on a proxy, such proxy will be voted in favor of Proposal 1 described herein.

## VOTING METHODS

If you are a shareholder of record, you may vote your shares by mail. If you are a shareholder through a broker or bank, you may vote your shares by mail, by internet, or by telephone. You may also revoke your proxy at any time before the 2005 Annual Meeting. The internet and telephone voting methods are available 24 hours a day until 11:59 p.m., Eastern DaylightTime, on August 15, 2005. To vote:

### **By Mail**

Mark your selections on the proxy card.

Date and sign your name exactly as it appears on your proxy card.

Mail the proxy card in the enclosed postage-paid envelope.

**By Internet**

Go to the website specified on your proxy card or electronic notification, 24 hours a day, seven days a week.

Enter the control number and Personal Identification Number (PIN) (if required) as shown on your proxy card or electronic notification.

Complete the electronic ballot and submit your voting instructions.

**By Telephone**

From a touch-tone telephone, call the toll-free number printed on your proxy card or electronic notification, 24 hours a day, seven days a week.

Enter the control number shown on your proxy card or electronic notification.

Follow the simple recorded instructions.

**Electronic Delivery of Future Annual Meeting Materials**

If you hold shares through a broker or bank, you may be able to specify electronic delivery of proxy materials. Generally, brokers and banks offering this choice require that shareholders vote through the internet in order to enroll. As with all internet

usage, the user must pay all access fees and telephone charges. You may view this year's proxy materials at [www.nve.com/company/AR05](http://www.nve.com/company/AR05).

## OWNERSHIP OF VOTING SECURITIES BY PRINCIPAL HOLDERS AND MANAGEMENT

## Security Ownership Table

The following table sets forth certain information as of June 20, 2005 with respect to our Common Stock beneficially owned by (1) each person known by us to beneficially own more than five percent of our Common Stock, (2) each director, (3) each named executive officer set forth in the compensation table, and (4) all of the directors and named executive officers as a group. Except as otherwise indicated, the shareholders listed in the table have sole voting and investment powers with respect to the common stock owned by them.

Name	Address	Shares Owned	Percent
Daniel A. Baker President and CEO; Director	11409 Valley View Rd. Eden Prairie, MN 55344	183,837(1)	3.9%
James M. Daughton Chief Technology Officer; Director	11409 Valley View Rd. Eden Prairie, MN 55344	143,400(2)	3.1%
Terrence W. Glarner Director	3600 IDS Center Minneapolis, MN 55402	15,600(3)	*
Robert H. Irish Director	c/o NVE Corporation 11409 Valley View Rd. Eden Prairie, MN 55344	10,800(4)	*
Patricia M. Hollister Director	3455 Lyman Blvd. Chaska, MN 55318	6,000(5)	*
All directors and Named Executive Officers as a group (5 persons)		359,637	7.5%

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\*Less than 1%

- (1) Includes 175,000 shares issuable upon the exercise of options that are currently exercisable.
- (2) Includes shares owned jointly by Dr. Daughton and his spouse, and 22,600 shares issuable upon the exercise of options that are currently exercisable.
- (3) Includes 15,000 shares issuable upon the exercise of options that are currently exercisable.
- (4) Consists solely of shares issuable upon the exercise of options that are currently exercisable.
- (5) Consists solely of shares issuable upon the exercise of options that are currently exercisable.

## Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires that our officers, directors, and persons who own more than ten percent of our Common Stock file reports of ownership and changes in ownership with the SEC and with us. To our knowledge, all such filing requirements were timely met during fiscal 2005, except for two Statements of Changes in Beneficial Ownership on Form 4; one by Cypress Semiconductor Corporation and the other by Jeffrey K. Kaszubinski. Both filings related to an automatic stock option grant to Mr. Kaszubinski on his reelection to our Board and the replacement of that option with a warrant granted to Cypress. The filings were late due to a miscommunication between Cypress and us. This disclosure is based solely on our review of copies of forms we have received or written representations from reporting persons.

**PROPOSAL 1. ELECTION OF BOARD OF DIRECTORS**

There are five nominees to the Board this year, and their biographical information is provided below. All directors are to be elected at the 2005 Annual Meeting to serve until the 2006 annual meeting of shareholders. All of the nominees for election as directors are presently directors of the Company. The Board has no reason to believe that any of the nominees will be unable to serve as a director. The individuals named as proxies intend to vote for the nominees listed in this proxy statement. If any nominee should be unable to serve as a director, the individuals named as proxies intend to vote for the election of such person or persons as the Board may, in its discretion, recommend. The affirmative vote of a plurality of the voting power of the Common Shares present, in person or by proxy, and entitled to vote at the Annual Meeting is required to elect each director.

**The Board unanimously recommends a vote FOR each of the director-nominees.**

<b>Nominee and Principal Occupation</b>	<b>Age</b>	<b>Director Since</b>
Terrence W. Glarner, President, West Concord Ventures, Inc.	62	1999
Daniel A. Baker, President and CEO, NVE Corporation	47	2001
James M. Daughton, Chief Technology Officer, NVE Corporation	68	1989
Patricia M. Hollister, Chief Financial Officer, FSI International, Inc.	45	2004
Robert H. Irish, Retired	66	1992

*Terrence W. Glarner* has been a director since 1999 and Chairman of the Board since January 2001. Since 1993, Mr. Glarner has been President of West Concord Ventures, Inc., a venture capital company. Mr. Glarner also consults with Norwest Venture Partners. Prior to starting West Concord Ventures, Mr. Glarner was the President of North Star Ventures, Inc. from 1988 to 1993, a firm which he joined in 1976. From 1968 to 1976, Mr. Glarner was a Securities Analyst and Vice President in the Research Department of Dain Bosworth, Inc. Mr. Glarner has a B.A. in English from the University of St. Thomas, a J.D. from the University of Minnesota School of Law and is a Chartered Financial Analyst. Mr. Glarner supervised investments in approximately 100 small companies during his involvement with North Star Ventures. Mr. Glarner currently serves as a director of the following publicly-held companies: Aetrium Inc., Bremer Financial Corporation, and FSI International, Inc.

*Daniel A. Baker* has been a director and the President and Chief Executive Officer since January 2001. From 1993 until joining NVE, he was President and CEO of Printware, Inc., now known as Printware LLC, which makes high-speed laser imaging systems. Dr. Baker has over 25 years of experience in high-tech industries, including executive positions with Minntech Corporation and Percom Data Corporation. Dr. Baker has Ph.D. and M.S. degrees in engineering from the University of Minnesota, an M.B.A. in finance from the University of Minnesota, and a B.S. in engineering from Case Western Reserve University.

*James M. Daughton* has been a director since our inception in 1989 and Chief Technology Officer since January 2001. He served as Chairman of the Board and CEO from 1991 to January 2001. From 1974 to 1989, Dr. Daughton held various research and product development positions at Honeywell, Inc., including Vice President of The Solid State Development Center. From 1964 to 1974, he developed magnetic and semiconductor memory devices at IBM Corporation. Dr. Daughton holds a doctorate in electrical engineering from Iowa State University and is an adjunct professor of physics at the University of Minnesota.

*Patricia M. Hollister* has been a director since 2004. Since 1998 she has been the Chief Financial Officer of FSI International, Inc., a company that designs, manufactures, markets and supports equipment used in the fabrication of microelectronics. Prior to joining FSI in 1995, Ms. Hollister was employed by KPMG LLP in Minneapolis, where she served for over 12 years on various audit and consulting engagements, most recently as a Senior Manager. Ms. Hollister is a director of various FSI-owned foreign subsidiaries.

*Robert H. Irish* has been a director since 1992. Mr. Irish has been retired since 2003. He was an information technology consultant from 1999 to 2003. From 1994 to 1999 he held various sales and sales management positions at Compuware and Prodea Software. From 1988 to 1994, Mr. Irish acted as a consultant and co-investor with Norwest Venture Partners. From 1981 to 1988, he was the Executive Vice President of Centron DPL, responsible for technical marketing, product marketing and research and development. Mr. Irish worked at IBM in management, sales and systems from 1966 to 1981. Mr. Irish attended Rensselaer Polytechnic Institute and received a B.S. in Physics from Syracuse University.

#### THE BOARD, BOARD COMMITTEES, AND MEETINGS

### **Director Independence**

Our Board has determined that Mr. Glarner, Ms. Hollister, and Mr. Irish are independent as defined by Rule 4200(a)(15) of the National Association of Securities Dealers listing standards.

### **Meeting Attendance**

Our Board met six times in fiscal 2005. Each director attended all of the meetings of the board and of the committees on which they serve, except Dr. Daughton, who attended four board meetings.

### **Committees of the Board of Directors**

The Board has three standing committees, the Audit, Compensation, and Nominating/Corporate Governance committees.

#### *The Audit Committee*

The Audit Committee currently consists of Ms. Hollister, Mr. Glarner, and Mr. Irish. The committee met six times in fiscal 2005. The committee is governed by a written charter, which is included in the Investors section of NVE's website ([www.nve.com](http://www.nve.com)). The primary responsibility of the Audit Committee is to oversee our financial reporting process on behalf of the Board and our shareholders. Our Board has determined that Ms. Hollister and Mr. Glarner meet the criteria of auditcommittee financial experts under Item 401 of Regulation S-B promulgated by the Securities and Exchange Commission. Furthermore, the Board has determined that each member of the committee is independent within the meaning of Item 7(d)(3)(iv) of Schedule 14A under the Securities Exchange Act of 1934, as amended, and under Rule 10A-3, *Listing Standards Relating to Audit Committees*, promulgated by the SEC. The Report of the Audit Committee, including a description of the functions of the committee, is included in this Proxy Statement.

*The Compensation Committee*

The Compensation Committee currently consists of Mr. Glarner, Ms. Hollister, and Mr. Irish. The Compensation Committee reviews and sets compensation guidelines for executive officers and other senior management, and the composition and levels of participation in incentive compensation and fringe benefits for all employees. In addition, the committee oversees administration of our 2000 Stock Option Plan as amended. No member of the Compensation Committee is or has been an officer of NVE. The committee met twice in fiscal 2005. We have no compensation committee interlocks that is, none of our officers serves as a director or a compensation committee member of a company that has an officer or former officer serving on our Board or Compensation Committee.

*The Nominating/Corporate Governance Committee*

The Nominating/Corporate Governance Committee currently consists of Mr. Glarner, Ms. Hollister, and Mr. Irish. Its functions include selection of candidates for our Board, select members of various committees and address corporate governance matters. The Nominating/Corporate Governance Committee does not operate under a formal charter.

Our process for identifying and evaluating candidates to be nominated to the Board starts with an evaluation of a candidate by the Nominating/Corporate Governance Committee and CEO. Candidates can be forwarded to the Nominating/Corporate Governance Committee by members of our Board or our CEO. The committee recommends to the Board the slate of directors to serve as management's nominees for election by the shareholders at the Annual Meeting. The Committee will also consider candidates recommended by shareholders. To date we have not engaged any third party to assist in identifying or evaluating potential nominees.

**Director Qualifications**

In evaluating candidates, the Board will require that candidates possess, at a minimum, a desire to serve on the Company's Board, an ability to contribute to the effectiveness of the Board, an understanding of the function of the board of a public company and relevant industry knowledge and experience. In addition, while not required of any one candidate, the Board would consider favorably experience, education, training or other expertise in business or financial matters and prior experience serving on boards of public companies. Collectively, the composition of the Board must meet the listing requirements of the NASDAQ Stock Market, where our common stock is listed. In evaluating any candidate for director nominee, the Board will also evaluate the contribution of the proposed nominee toward compliance with the NASDAQ Stock Market listing standards.

**Shareholder Nominees**



Shareholder proposals for nominations to the Board should be submitted to the Nominating/Corporate Governance Committee at our offices, 11409 Valley View Road, Eden Prairie, Minnesota, 55344. To be considered by the Board for nomination at the next succeeding annual meeting, nominations must be delivered not less than 90 days nor more than 120 days prior to the first anniversary of the mailing of the notice of the preceding year's annual meeting. Shareholders' nominations must set forth as to each nominee (1) the name, age, business address, and residence address of the person, (2) the principal occupation or employment of the person, (3) the number of shares of our stock owned by the person, (4) the written and acknowledged statement of the person that such person is willing to serve as a director, and (5) any other information relating to the person that would be required to be disclosed in a solicitation of proxies for election of directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, if the candidate had been nominated by or on behalf of the Board. No shareholders submitted director nominations in connection with this year's meeting.

#### **Compensation of Our Directors**

Directors receive no cash compensation for their service on our Board. Non-employee directors automatically receive a nonqualified option to purchase 6,000 shares of Common Stock upon initial election and 2,000 shares of Common Stock on each reelection to the Board.

#### **Limitation of Our Directors' Liability**

Our bylaws provide that we indemnify our officers, directors and employees in accordance with, and to the fullest extent permitted by, the provisions of the Minnesota Business Corporation Act, as it may be amended from time to time.

Section 302A.521 of the Minnesota Business Corporation Act provides that a Minnesota business corporation may indemnify any director, officer, employee or other representative of the corporation made or threatened to be made a party to a proceeding, by reason of the former or present official capacity (as defined) of the person, against judgments, penalties, fines, settlements and reasonable expenses incurred by the person in connection with the proceeding if certain statutory standards are met. Proceeding means a threatened, pending or completed civil, criminal, administrative, arbitration or investigative proceeding, including one by or in the right of the corporation. Section 302A.521 contains detailed terms regarding such right of indemnification and reference is made thereto for a complete statement of such indemnification rights.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.



## EXECUTIVE COMPENSATION

### Executive Officers of the Company

We have three executive officers, Daniel A. Baker, Richard L. George, and James M. Daughton. Information about Drs. Baker and Daughton can be found under Proposal 1. Election of Board of Directors. Information about Mr. George is as follows:

*Richard L. George*, age 61, has served as the Treasurer and Chief Financial Officer of NVE since March 1995. From 1991 to 1995, Mr. George served as Controller for NVE. From 1966 to 1991, Mr. George held various financial and financial management positions in the areas of operations and contracts at Honeywell Inc. Mr. George received a B.A. in economics in 1966 from the University of Minnesota, where he later took graduate courses in law and management.

### Summary Compensation Table

The following table indicates the compensation paid in each of the past three fiscal years to our CEO who was the only executive officer whose total annual salary and bonus for fiscal 2005 exceeded \$100,000 ( Named Executive Officers ):

Name and Principal Position	Fiscal Year Ended March 31	Annual Compensation		Long-Term Compensation Awards Securities Underlying Options (#)
		Salary (\$)	Bonus (\$)	
Daniel A. Baker	2005	176,923	10,604	105,000
President and CEO	2004	190,000	40,000	
	2003	175,000	25,000	

### Option Grants During Fiscal 2005

The following table provides information concerning individual grants of stock options made during fiscal 2005 to the Named Executive Officer. All options were granted under our 2000 Stock Option Plan, as amended. The options are vested and may be exercised at any time prior to expiration. Exercise prices were not less than fair market value at the date the options were granted.

Name	Number of Securities	% of Total Granted to	Exercise or Base Price	Expiration Date
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	Underlying Options Granted	Employees in Fiscal Year	Per Share		
Daniel A. Baker	35,000	32%	\$	29.65	5/7/2014
	70,000	63%	\$	16.93	3/28/2015

**Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values**

The following table indicates the exercise of stock options during fiscal 2005 by the Named Executive Officer:

Name	Number of Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Securities Underlying Unexercised Options Held at March 31, 2005 (Exercisable/ Unexercisable) (#)(1)	Value of Unexercised in-the-Money Options Held at March 31, 2005 (Exercisable/ Unexercisable) (\$)(2)
Daniel A. Baker	0	0	175,000 / 0	1,017,240 / 0

(1) These amounts represent the total number of shares subject to stock options held by the Named Executive Officer at March 31, 2005. The options were granted on various dates during the years 2001 through 2005.

(2) Based on the closing price of the Common Stock at March 31, 2005 of \$19.02 per share less the exercise price of the options. The in-the-money stock option exercise prices are \$6.578 and \$16.93. All options were granted at the market price of the stock at the grant date.

**Equity Compensation Plan Information**

The following table summarizes Common Stock that may be issued as of March 31, 2005 on the exercise of options under our 2000 Stock Option Plan, as amended:

<b>Plan Category</b>	<b>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (A)</b>	<b>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (B)</b>	<b>Number of Securities Remaining Available for Further Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (A)) (C)</b>
Equity compensation plans approved by security holders	308,550	\$ 13.10	240,530
Equity compensation plans not approved by security holders			
Total at March 31, 2005	308,550	\$ 13.10	240,530

### Employment Agreement

We have an employment agreement with Dr. Baker, our CEO, which set his initial salary and contains non-competition, confidentiality and assignment of invention provisions benefiting the Company. The agreement may be terminated by either Dr. Baker or us upon thirty days written notice. In addition, we may terminate Dr. Baker's employment for cause or upon his death or incapacity.

### Acceleration of Certain Options

On March 28, 2005 the Compensation Committee approved an immediate and full acceleration of vesting of all stock options outstanding under our 2000 Stock Option Plan, as amended, with an exercise price greater than \$20 per share. The acceleration was approved in anticipation of the impact of Financial Accounting Standards Board SFAS No. 123(R), which requires the expensing of unvested options. As a result of the acceleration, out-of-the-money options held by Dr. Baker to purchase 35,000 shares of Common Stock, and out-of-the-money options held by Ms. Hollister to purchase 4,500 shares, became exercisable as of March 28, 2005.

### Report of the Compensation Committee

The Compensation Committee reviews and sets compensation guidelines for executive officers and other senior management, and the composition and levels of participation in incentive compensation and fringe benefits for all employees. In addition, we oversee administration of our 2000 Stock Option Plan, as amended.

We are guided by the following principles: (1) executive base compensation levels should be established by comparison of job responsibility to similar positions in comparable companies and be adequate to retain highly-qualified personnel, and (2) variable compensation should be established to provide incentive to improve performance and shareholder value. In determining executive officers' annual compensation, we consider the overall performance of the company, as well as the manager's position and performance.

Senior managers have the opportunity to receive cash bonuses based on individual and company performance. Bonuses (if any) will be given at the discretion of the Board.

We provide long-term incentives to our senior managers, and tie a portion of executive compensation to Company performance through grants of stock options under the company's 2000 Stock Option Plan, as amended. In fiscal 2005, Dr. Baker was granted options to purchase 105,000 shares for his services as President and CEO, to reward him for past performance, to provide an additional incentive for future performance, and in consideration of a voluntary reduction in salary.

During fiscal 2005, we approved the reduction of the salaries of most senior management, including the company's CEO, in favor of variable compensation or other considerations. This will reduce our overhead and we believe the higher emphasis on variable compensation will provide incentive to improve shareholder value. Dr. Baker's annual base salary has been reduced to \$133,000 from \$190,000.

Each of us found that the Company's CEO compensation was not excessive or unreasonable.

COMPENSATION COMMITTEE MEMBERS

Terrence W. Glarner

Patricia M. Hollister

Robert H. Irish

**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Ernst & Young LLP has audited our financial statements annually since our 2001 fiscal year, including our financial statements for fiscal 2005. Representatives of Ernst & Young LLP are expected to be present at our 2005 Annual Meeting and will have the opportunity to make a statement if they desire to do so. We also expected that they will be available to respond to appropriate questions.

**FEES BILLED TO US BY ERNST & YOUNG AND AUDIT COMMITTEE PRE-APPROVAL POLICIES**

**Fees Billed to Us by Ernst & Young During Fiscal 2005 and 2004**

*Audit Fees*

We incurred total fees of \$46,750 and \$36,750 relating to the audits of the March 31, 2005 and 2004 financial statements, review of the financial statements included in fiscal 2005 and 2004 quarterly reports on Form 10-QSB and other matters directly relating to the fiscal 2005 and 2004 audits and the filing of our reports on Form 10-KSB for the years ended March 31, 2005 and 2004.

*Tax Fees*

Fees billed to us by Ernst & Young LLP during fiscal 2005 and 2004 for tax compliance totaled \$9,088 and \$6,688.

*All Other Fees*

Fees billed to us by Ernst & Young LLP during fiscal 2005 and 2004 for all other services, including Sarbanes-Oxley Section 404 advisory services, totaled \$7,500 and \$6,500.

**Audit Committee Pre-Approval Policy**

Rules adopted by the SEC in order to implement requirements of the Sarbanes-Oxley Act of 2002 require audit committees of public companies to pre-approve audit and permissible non-audit services provided by their independent auditors. During the fiscal year, in the event it becomes necessary to engage the independent auditor for additional services not contemplated in the original pre-approval, the Company will obtain the specific pre-approval of the Audit Committee before engaging the independent auditor. The pre-approval policy requires the Audit Committee to be informed of each service performed by the independent auditor, and the policy does not include any delegation of the Audit Committee's responsibilities to management. The Audit Committee may delegate pre-approval authority to one or more of its members. The member to whom such authority is delegated will report any pre-approval decisions to the Audit Committee as a whole at its next scheduled meeting.

The Audit Committee approved all of the services described in the section above.



**REPORT OF THE AUDIT COMMITTEE**

The Audit Committee oversees NVE's financial reporting process on behalf of the Board. We act under a written charter, which has been amended to be consistent with the provisions of the Sarbanes-Oxley Act of 2002 as well as related rules issued by The NASDAQ Stock Market. The Audit Committee consists of three members, all of whom have been determined by the Board to be independent under the rules of the Securities and Exchange Commission and The NASDAQ Stock Market. A copy of our charter is included in the Investors section of the Company's website (www.nve.com).

Management has the primary responsibility for the financial statements and the reporting process, including maintaining a system of internal controls disclosures and procedures. We are directly responsible for the appointment, compensation, retention, oversight, and termination of the company's independent auditors. The independent registered public accounting firm is responsible for expressing an opinion on the conformity of our audited financial statements to generally accepted accounting principles. The Audit Committee does not prepare financial statements or conduct audits.

In connection with the March 31, 2005 audited financial statements, we have reviewed and discussed with management and the independent registered public accounting firm the Company's audited financial statements, including discussions about critical accounting policies, other financial accounting and reporting principles and practices appropriate for the Company, and the reasonableness of significant judgments. We have discussed with the independent auditors the items that are required to be discussed under applicable professional auditing standards and regulations, including items required to be communicated by the independent auditors in accordance with AICPA SAS 61 and discussions about the quality of the financial statements and clarity of the related disclosures. We have also reviewed and considered the written disclosures and the letter received from Ernst & Young LLP, as required by Independence Standards Board Standard No. 1, including a discussion about their independence from the Company and management.

Based on the reviews and discussions above, we recommended to the Board that the audited financial statements for the year ended March 31, 2005 be included in the Company's Annual Report on Form 10-KSB, which is filed with the SEC. The Board approved our recommendation.

AUDIT COMMITTEE MEMBERS

Patricia M. Hollister

Terrence W. Glarner

Robert H. Irish

ANNUAL REPORT

**A copy of our Annual Report to Shareholders for the fiscal year ended March 31, 2005, including financial statements, accompanies this Notice of Annual Meeting and Proxy Statement. The Annual Report includes our annual report on Form 10-KSB, filed with the Securities and Exchange Commission on May 26, 2005. No portion of the Annual Report is incorporated herein or is to be considered proxy soliciting material.**

By Order of the Board of Directors

/s/ Richard L. George  
Richard L. George  
Secretary

July 8, 2005

**Map to NVE Corporation**

**2005 Annual Meeting**

**August 16, 2005, 3:30 p.m.**

**P** **PROXY FOR THE ANNUAL MEETING OF SHAREHOLDERS**

**THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS**

**R** The undersigned, a holder of common stock of NVE Corporation (the Company), hereby appoints Richard L. George and Daniel A. Baker, and each of them, the proxy of the undersigned, with full power of substitution, to attend, represent and vote for the undersigned, all of the shares of the Company which the undersigned would be entitled to vote, at the Annual Meeting of Shareholders of the Company to be held on August 16, 2005 and any adjournments thereof.

**O**  
**X** **THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER SPECIFIED HEREIN BY THE UNDERSIGNED SHAREHOLDER. IF NO SPECIFICATION IS MADE, THIS PROXY WILL BE VOTED FOR PROPOSAL 1.**

PLEASE MARK, SIGN, DATE AND RETURN THE PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.  
SEE REVERSE FOR VOTING INSTRUCTIONS.

**Y** **THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ITEM 1.**

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1. To elect five directors to serve until the next Annual Meeting of Shareholders.
- |                        |                          |
|------------------------|--------------------------|
| 01 Terrence W. Glarner | 04 Robert H. Irish       |
| 02 Daniel A. Baker     | 05 Patricia M. Hollister |
| 03 James M. Daughton   |                          |

- |                       |   |                       |                                    |
|-----------------------|---|-----------------------|------------------------------------|
| <input type="radio"/> | Vote FOR all nominees<br>(except as marked) | <input type="radio"/> | Vote WITHHELD<br>from all nominees |
|-----------------------|---|-----------------------|------------------------------------|

Instructions: To withhold authority to vote for any nominee, strike a line through the name(s).

2. In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting.

Please sign exactly as name appears on the label. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by president or other authorized officer. If a partnership, please sign in partnership name by authorized person.

The undersigned acknowledges receipt of a copy of the Notice of Annual Meeting, dated July 8, 2005, relating to the Annual Meeting.  
Date

Signature(s) in Box