

NVE CORP /NEW/  
Form DEF 14A  
June 30, 2011

**Table of Contents**

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

**SCHEDULE 14A INFORMATION**

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 under Rule 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:
  - (2) Aggregate number of securities to which transaction applies:
  - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  - (4) Proposed maximum aggregate value of transaction:
  - (5) Total fee paid:
- Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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**Table of Contents**

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

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June 30, 2011

Fellow Shareholders:

We cordially invite you to attend our 2011 Annual Meeting of Shareholders. The meeting will be held at the SpringHill Suites by Marriott, 11552 Leona Road, Eden Prairie, Minnesota, 55344, on Monday, August 15, 2011 at 3:30 p.m. Central Daylight Time.

The items of business are described in our Proxy Statement.

There is a map with directions to the Annual Meeting in our Proxy Statement if you plan to attend the meeting and vote in person. You may also call us at (952) 829-9217 during normal business hours for directions to the Annual Meeting.

Thank-you for your support of NVE Corporation.

Sincerely,

Curt A. Reynders  
Chief Financial Officer and Secretary

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**PROXY STATEMENT  
ANNUAL MEETING OF SHAREHOLDERS, AUGUST 15, 2011  
TABLE OF CONTENTS**

**GENERAL INFORMATION**

**VOTING INFORMATION**

**VOTING METHODS**

**EQUITY COMPENSATION PLAN INFORMATION**

**SECURITY OWNERSHIP**

**CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS**

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

**CORPORATE GOVERNANCE**

Corporate Governance Guidelines

Board Leadership Structure and Role in Risk Oversight

Board Independence

CEO Succession Planning

Meeting Attendance and Executive Sessions of Independent Directors

Board Committees

Audit Committee Report

Director Qualifications

The Role of Diversity in Choosing Board Candidates

Shareholder Nominees

Shareholder Communications With the Board and Director Attendance at Annual Meetings

Code of Ethics

Director Compensation

**PROPOSAL 2. ADVISORY RESOLUTION REGARDING NAMED EXECUTIVE OFFICER  
COMPENSATION**

**PROPOSAL 3. FREQUENCY OF SHAREHOLDER VOTES ON EXECUTIVE COMPENSATION**

**EXECUTIVE OFFICERS OF THE COMPANY**

**COMPENSATION EXECUTIVE SUMMARY**

**COMPENSATION DISCUSSION AND ANALYSIS**

**EXECUTIVE COMPENSATION**

Summary Compensation Table

Outstanding Equity Awards at Fiscal Year-End

Option Exercises and Stock Vested

Setting Named Executive Officers' Compensation

Compensation Clawbacks

**COMPENSATION POLICIES AND PRACTICES AS THEY RELATE TO RISK MANAGEMENT**

**COMPENSATION COMMITTEE REPORT**

**PROPOSAL 4. RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**AUDIT COMMITTEE DISCLOSURE**

Fees Billed to Us by Ernst & Young During Fiscal 2011 and 2010

Audit Committee Pre-Approval Policy

**ANNUAL REPORT**

**MAP TO THE 2011 ANNUAL MEETING**

i

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**Table of Contents**

---

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www.nve.com

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**PROXY STATEMENT  
ANNUAL MEETING OF SHAREHOLDERS, AUGUST 15, 2011  
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 Monday, August 15, 2011 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 or postponements of the meeting (the 2011 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 mailed or made accessible to our shareholders on the Internet on or about July 1, 2011.

**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 2011 Annual Meeting.

**Householding of Documents**

We are sending only one Letter to Shareholders, Annual Report on Form 10-K, Proxy Statement, and Notice of Internet Availability of Proxy Materials 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 registered shareholders residing at addresses with other registered shareholders wish to receive separate annual reports, proxy statements, or Notices of Internet Availability of Proxy Materials in the future, they may contact Curt A. Reynders, 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 this Proxy Statement will be presented for action at the 2011 Annual Meeting. If, however, other matters do properly come before the 2011 Annual Meeting, the persons named in our vote form 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 2011 Annual Meeting, but we did not receive notice of it prior to May 7, 2011, the persons named in our vote form for the 2011 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 have been received by our Secretary at our executive offices in Eden Prairie, Minnesota, no later than March 4, 2011 for inclusion in our proxy statement and proxy relating to that annual meeting. Proposals 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. We suggest the proposal be submitted by certified mail with return receipt requested. On receiving any such proposal, we will determine whether or not to include it in our proxy statement and proxy in accordance with the 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 May 17, 2012. We reserve 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.

## VOTING INFORMATION

Only shareholders of record at the close of business on June 20, 2011 are entitled to execute proxies or to vote at the 2011 Annual Meeting. As of that date there were outstanding 4,776,198 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 this Proxy Statement and any other matters that may properly come before the 2011 Annual Meeting. A majority of the outstanding shares of Common Stock entitled to vote are required to constitute a quorum at the 2011 Annual Meeting. In accordance with Minnesota law, 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 2011 Annual Meeting, is required to approve Proposal 1. If there is not a quorum at the 2011 Annual Meeting, our Bylaws specify that each director shall hold office for the term for which he is elected and until his successor shall be elected and qualified. The affirmative vote of a majority of the voting power is required to approve Proposal 4. Proxies indicating abstention from a vote and broker non-votes will be counted toward determining whether a quorum is present at the 2011 Annual Meeting. Broker non-votes will not be counted toward determining whether each proposal has been approved. Abstentions will be considered present and entitled to vote and accordingly will have the effect of a negative vote.

**Table of Contents****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 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 vote form 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 2011 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 Proposals 1 and 2 described in this proxy statement. Persons who hold shares through a broker or other intermediary should consult that party for the procedures to be used for revoking a vote.

**VOTING METHODS**

If you are a shareholder through a broker or bank, you may vote your shares by mail, Internet, or via telephone. If you are a shareholder of record, you may vote your shares by mail only. If at the close of business on June 20, 2011 your shares were registered directly in your name with our transfer agent, IST Shareholder Services, then you are a shareholder of record.

**Voting by Mail**

To vote by mail, mark your selections on the vote form, date and sign your name exactly as it appears on your vote form, and mail the vote form in the enclosed postage-paid envelope.

**Internet or Telephone Voting**

If you are a shareholder through a broker or bank, you may vote via Internet or telephone by following the instructions in the Notice Regarding the Availability of Proxy Materials. Internet and telephone voting is available 24 hours per day until 11:59 p.m., Eastern Daylight Time, on August 14, 2011. You may also revoke your proxy at any time before the 2011 Annual Meeting.

**Electronic Enrollment**

If you are a shareholder through a broker or bank, you can enroll to receive notice of future meetings via e-mail at [www.investordelivery.com](http://www.investordelivery.com).

**EQUITY COMPENSATION PLAN INFORMATION**

We have no securities to be issued under equity compensation plans not approved by our shareholders. The following table summarizes Common Stock that may be issued as of March 31, 2011 on the exercise of options under our 2000 Stock Option Plan, as amended:

| <b>Plan Category</b>                                      | <b>(a)<br/>Number of Securities<br/>to be Issued Upon<br/>Exercise of<br/>Outstanding Options,<br/>Warrants, and Rights</b> | <b>(b)<br/>Weighted-Average<br/>Exercise Price of<br/>Outstanding<br/>Options, Warrants,<br/>and Rights</b> | <b>(c)<br/>Number of Securities<br/>Remaining<br/>Available for Future Issuance<br/>Under Equity Compensation<br/>Plans (Excluding Securities<br/>Reflected in Column (a))</b> |
|---|---|---|--|
| Equity compensation plans<br>approved by security holders | 175,000   | \$21.54   | 166,230  |



Equity compensation plans not  
approved by security holders

|                         |         |         |         |
|-------------------------|---------|---------|---------|
| Total at March 31, 2011 | 175,000 | \$21.54 | 166,230 |
|-------------------------|---------|---------|---------|

### SECURITY OWNERSHIP

The following table shows the number of our shares of Common Stock beneficially owned as of June 20, 2011 by (i) each person or group known by us to beneficially own more than five percent of our outstanding Common Stock, (ii) each director, (iii) each named executive officer set forth in the summary compensation table, and (iv) all of the directors, director nominees, and executive officers as a group.

**Table of Contents**

| Name of Beneficial Owner   | Number of<br>Shares<br>Beneficially<br>Owned(1) | Percentage of<br>Common Stock<br>Outstanding |
|--|---|--|
| Trigran Investments, Inc.<br>630 Dundee Rd., #230, Northbrook, IL 60062                  | 395,316(2)                                      | 8.3%   |
| BlackRock, Inc.<br>40 East 52nd Street, New York, NY 10022                               | 302,414(3)                                      | 6.3%   |
| Conestoga Capital Advisors LLC<br>259 N. Radnor Chester Rd., Suite 120, Radnor, PA 19087 | 257,348(4)                                      | 5.4%   |
| Daniel A. Baker  | 191,308(5)                                      | 3.9%   |
| Curt A. Reynders   | 26,000(6)                                       | *  |
| Terrence W. Glarner  | 7,200(7)  | *  |
| Patricia M. Hollister  | 7,000(8)  | *  |
| James D. Hartman   | 5,000(8)  | *  |
| Robert H. Irish  | 4,000(8)  | *  |
| All directors and executive officers as a group (6 persons)                              | 240,508   | 4.9%   |

\*Less than 1%

- (1) Includes shares held in trust, by broker, bank or nominee or other indirect means and over which the individual or member of the group has sole voting or shared voting and/or investment power. Unless otherwise noted, each individual or member of the group has sole voting and investment power with respect to the shares shown in the table above.
- (2) Based on information contained in Schedule 13F filed with the SEC on May 12, 2011. According to Schedule 13G/A filed jointly by Trigran Investments, Inc., Trigran Investments, L.P., Douglas Granat, Lawrence A. Oberman, and Steven G. Simon with the SEC on February 11, 2011, Trigran Investments, Inc., Douglas Granat, Lawrence A. Oberman, and Steven G. Simon have shared voting and dispositive power for all shares, and Trigran Investments, L.P. has shared voting and dispositive power for a portion of the shares. Furthermore, Douglas Granat, Lawrence A. Oberman, and Steven G. Simon are the controlling shareholders and sole directors of Trigran Investments, Inc. and thus may be considered beneficial owners of shares beneficially owned by Trigran Investments, Inc.
- (3) Based on information contained in Schedule 13G/A filed with the SEC on February 7, 2011.
- (4) Based on information contained in Schedule 13F filed with the SEC on April 27, 2011.
- (5) Includes 130,000 shares issuable upon the exercise of options that are currently exercisable.
- (6) Includes 25,000 shares issuable upon the exercise of options that are currently exercisable.
- (7) Includes 6,000 shares issuable upon the exercise of options that are currently exercisable.
- (8) Consists solely of shares issuable upon the exercise of options that are currently exercisable.

#### CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

Our Audit Committee reviews and approves our proxy statement and the information it contains.

Since April 1, 2010, there has not been any transaction, or is there any currently proposed transaction, in which we were or are to be a participant and in which any related person had or will have a direct or indirect material interest.

**Review and Approval of Related Party Transactions**

The audit committee is responsible for reviewing and approving (with the concurrence of a majority of the disinterested members of the Board of Directors) any related party and affiliated party transactions as provided in the Amended and Restated Audit Committee Charter adopted by the Board of Directors of NVE Corporation on May 15, 2008. In addition, Nasdaq Listing Rule 5630(a) provides that all related party transactions must be reviewed for conflicts of interest by the audit committee. In accordance with policies adopted by the audit committee, the following transactions must be presented to the audit committee for its review and approval:

1. Any transaction in which the Company was or is to be a participant (within the meaning of Securities and Exchange Commission (SEC) Regulation S-K, Item 404(a)), and a related person (as defined in Regulation S-K Item 404(a)) has or will have a direct or indirect material interest (within the meaning of Regulation S-K Item 404(a)).

## **Table of Contents**

2. Any contract or other transaction between the Company and one or more directors of the Company, or between the Company and an organization in or of which one or more directors of the Company are directors, officers, or legal representatives or have a material financial interest within the meaning of Minnesota Statutes, Section 302A.255.

In addition to the Company's Board of Directors complying with the requirements of Minnesota Statutes, Section 302A.255 with respect to any proposed transaction with a potential director's conflict of interest, all proposed transactions covered by the policy must be approved in advance by a majority of the members of the audit committee. If a proposed transaction covered by the policy involves a member of the audit committee, such member may not participate in the audit committee's deliberations concerning, or vote on, such proposed transaction. Prior to approving any proposed transaction covered by the policy, the following information concerning the proposed transaction will be fully disclosed to the audit committee:

1. The names of all parties and participants involved in the proposed transaction, including the relationship of all such parties and participants to the Company and any of its subsidiaries.
2. The basis on which the related person is deemed to be a related person within the meaning of Regulation S-K Item 404(a), if applicable.
3. The material facts and terms of the proposed transaction.
4. The material facts as to the interest of the related person in the proposed transaction.
5. Any other information that the audit committee requests concerning the proposed transaction.

The audit committee may require that all or any part of such information be provided to it in writing.

The audit committee may approve only those transactions covered by the policy that a majority of the members of the audit committee in good faith determine to be (i) fair and reasonable to the Company, (ii) on terms no less favorable than could be obtained by the Company if the proposed transaction did not involve a director or the related person, as the case may be, and (iii) in the best interests of the Company.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors and executive officers, and persons who own more than 10% of our Common Stock, to file with the SEC initial reports of ownership and reports of changes in ownership of Common Stock. Executive officers, directors and greater than 10% shareholders are required by SEC regulations to furnish us with copies of all Section 16(a) reports they file. To our knowledge, based solely on review of the copies of such reports furnished to us during, or with respect to, the fiscal year ended March 31, 2011, all reports were filed with the SEC on a timely basis.

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

There are five nominees to the Board, all of whom are presently directors of the Company and have been nominated for election by the Board. All directors are to be elected at the Annual Meeting to serve until the 2012 annual meeting of shareholders. 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. Biographical information is provided as follows:

| <b>Nominee</b>        | <b>Principal Occupation</b>                      | <b>Age</b> | <b>Director Since</b> |
|-----------------------|--|------------|-----------------------|
| Terrence W. Glarner   | President, West Concord Ventures, Inc.           | 68         | 1999                  |
| Daniel A. Baker       | President and CEO, NVE Corporation               | 53         | 2001                  |
| James D. Hartman      | Retired Chairman and CEO, Enpath Medical, Inc.   | 65         | 2006                  |
| Patricia M. Hollister | Chief Financial Officer, FSI International, Inc. | 51         | 2004                  |
| Robert H. Irish       | Retired  | 71         | 1992                  |

**Terrence W. Glarner**, age 68, has been a director since 1999 and independent 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 has served as a director of two other publicly-held companies, Aetrium Inc. and FSI International, Inc. for more than five years. Both Aetrium and FSI are in the semiconductor equipment industry. Mr. Glarner was a director of SpectraSCIENCE, Inc. when it filed for protection under Chapter 7 of the U.S. Bankruptcy Code in 2002. 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's extensive experience as a director of NVE and other publicly-traded companies, his experience as a director of semiconductor industry companies, his financial expertise, and his legal training qualify him to serve as Chairman of the Board.

## **Table of Contents**

**Daniel A. Baker**, age 53, has been a director and NVE's President and Chief Executive Officer since January 2001. Dr. Baker has more than 30 years of executive and engineering experience. From 1993 until joining NVE he was President and CEO of Printware, Inc., now known as Printware LLC, which manufactures and markets high-speed imaging systems. He was a Printware director from 1993 until June 2000. Printware was publicly traded beginning with its initial public stock offering in 1996 through Dr. Baker's tenure. Dr. Baker holds Ph.D. and M.S. degrees in engineering from the University of Minnesota, an MBA from the University of Minnesota, and a B.S. in engineering from Case Western Reserve University. Dr. Baker's more than 25 years experience as an executive in publicly-traded technology companies, his understanding of our business gained through his role as our President and Chief Executive Officer, and his educational background in engineering and finance qualify him to serve as a director.

**James D. Hartman**, age 65, has been a director since 2006. He was Chairman of the Board of Directors of Enpath Medical, Inc., a manufacturer of medical devices, from 2003 until it was acquired in 2007 by Greatbatch, Inc. From 2003 to 2007, Mr. Hartman held a variety of positions with Enpath, including Chief Executive Officer from 1996 until his retirement from that position in 2006. He was an Enpath director from 1991 to 2007. Enpath was publicly traded from its initial public stock offering in 1991 until it was acquired by Greatbatch in 2007. Mr. Hartman has also been a director of WSI Industries, Inc. since October 2010. WSI is a publicly-traded company specializing in precision parts for a wide range of industries, including avionics and aerospace, bioscience, and the defense market. He holds an accounting degree from the University of Wisconsin-Eau Claire and an MBA from the University of St. Thomas. Mr. Hartman's nearly 20 years experience as a director or executive officer of a publicly-traded company, his experience in the medical device industry, and his financial expertise qualify him to serve as a director.

**Patricia M. Hollister**, age 51, 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, where she served for more than 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. FSI has been publicly traded for Ms. Hollister's entire tenure. Ms. Hollister holds a B.S. in Accounting from St. Cloud State University. Her experience as a publicly-traded company executive in the semiconductor industry, her experience with audits of publicly-traded companies, and her educational background in accounting qualify her to serve as a director and Audit Committee chair.

**Robert H. Irish**, age 71, has been a director since 1992. Mr. Irish has been retired since 2003. He was an information technology consultant from 1999 to 2003. Prior to becoming a consultant, he held various sales and sales management positions at Compuware, Prodea Software, Centron DPL, and IBM. Mr. Irish attended Rensselaer Polytechnic Institute and received a B.S. in Physics from Syracuse University. As our longest tenured director, having served on the NVE Board since 1992, Mr. Irish understands our business. In addition, his background in technical sales and sales management, and his scientific education qualify him to serve as a director.

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

## **CORPORATE GOVERNANCE**

### **Corporate Governance Guidelines**

We operate under written Corporate Governance Guidelines, which are available through the Investors section of our Website ([www.nve.com](http://www.nve.com)).

### **Board Leadership Structure and Role in Risk Oversight**

Our Board currently consists of five directors, including our independent Chairman of the Board, Mr. Glarner, and our CEO, Dr. Baker. We have had separate Chairman and CEO roles since 2001 when Dr. Baker became CEO and Mr. Glarner was elected chairman. We currently believe that separation of these roles enhances the accountability of

the CEO to the board and strengthens the board's independence from management. According to our bylaws, the CEO's responsibilities include general active management and presiding at meetings of the Board and of the shareholders. Our bylaws do not specify the duties of the Chairman, but our practice has been for the Chairman to provide Board oversight, approve board meeting schedules and agendas, preside over independent director meetings, and serve as the liaison between the CEO and the independent directors.

Our Board oversees management in identifying, prioritizing, and assessing a range of financial, operational, and business risks, and formulating plans to mitigate risks. Our Board considers risks when considering plans and discussing management reports, and our Audit Committee considers risks including those related to our internal controls over financial reporting and risks related to our investments. The Audit Committee meets with our independent registered public accounting firm without the CEO, CFO, or other company management present at least quarterly. We currently believe that our relatively small Board with primarily independent directors and an independent Chairman supports our Board's oversight of risk management, and that a relatively small board can communicate better, become more involved, and act more quickly than a larger board.

## **Table of Contents**

### **Board Independence**

The Board has determined that each of our directors, except Dr. Baker, are independent as defined under NASDAQ Listing Rule 5605(a)(2) and applicable SEC rules. In making this determination, the Board has concluded that none of these members has a relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

### **CEO Succession Planning**

At least annually, the Board reviews a succession plan addressing the policies and principles for selecting a successor to the CEO, either in an emergency situation or in the ordinary course of business. The succession plan includes an assessment of the experience, performance, skills, and planned career paths for possible successors to the CEO.

### **Meeting Attendance and Executive Sessions of Independent Directors**

The Board met five times in fiscal 2011 (fiscal years referred to in this document end March 31), and each director attended at least 75% of the meetings of the Board and of the committees on which they serve. As a matter of policy, the independent directors meet without the CEO or other company management present at every regular board meeting.

### **Board Committees**

The Board has three standing committees: the Audit, Compensation, and Nominating/Corporate Governance committees, each of which is comprised solely of independent directors. Each committee is governed by a written charter, all of which are available through the Investors section of our Website ([www.nve.com](http://www.nve.com)).

#### ***Audit Committee***

The Audit Committee currently consists of three independent directors: Ms. Hollister, Mr. Glarner, and Mr. Hartman. The Audit Committee met four times in fiscal 2011. Our Board has determined that each of the members meet the criteria of audit committee financial experts as that term is defined under Regulation S-K Item 407. Each member has also been determined to be financially sophisticated under NASDAQ Listing Rule 5605(c)(2)(A). The primary responsibility of the Audit Committee is to oversee our financial reporting process on behalf of the Board and our shareholders. The Report of the Audit Committee, including a description of the functions of the Committee, is included in this Proxy Statement.

#### ***Compensation Committee***

The Compensation Committee currently consists of Mr. Glarner, Ms. Hollister, and Mr. Irish, and met once in fiscal 2011. Our Board has determined that each of the members are independent directors under NASDAQ Listing Rule 5605(d). 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. The Compensation Committee also oversees administration of our 2000 Stock Option Plan, as amended.

#### ***Compensation Committee Interlocks and Insider Participation***

Each member of the Compensation Committee has been determined to be independent as defined by NASDAQ Listing Rule 5605(a)(2) and to have no relationship with the company that would interfere with the exercise of independent judgment as a Committee member.

Each Committee member has also been determined to be non-employee directors as defined by Rule 16b-3 under the Securities Exchange Act of 1934 and outside directors as defined by Section 162(m) of the Internal Revenue Code. No member of the Compensation Committee is or has been an officer of NVE. 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.

***Nominating/Corporate Governance Committee***

The Nominating/Corporate Governance Committee currently consists of all of our independent directors: Mr. Glarner, Mr. Hartman, Ms. Hollister, and Mr. Irish. The Nominating/Corporate Governance Committee met twice in fiscal 2011. The Committee's functions include selection of candidates for our Board, select members of various committees, and address corporate governance matters.

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 Committee by members of our Board or our CEO. The Nominating/Corporate Governance 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.

## **Table of Contents**

### **Audit Committee Report**

In connection with the financial statements for the fiscal year ended March 31, 2011, the Audit Committee has reviewed and discussed the audited financial statements and the effectiveness of internal control over financial reporting with management and Ernst & Young. The Audit Committee discussed with Ernst & Young matters required to be discussed by Statement on Auditing Standards No. 114, *Communication with Those Charged with Governance*, and Public Company Accounting Oversight Board (PCAOB) Auditing Standard No. 5, *An Audit of Internal Control Over Financial Reporting That Is Integrated with an Audit of Financial Statements*. Ernst & Young also provided the Audit Committee the letter and written disclosures required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, and the Audit Committee discussed with Ernst & Young the matter of the firm's independence. Based on these reviews and discussions, the Audit Committee recommended to the Board that the Company's audited financial statements be included in the Annual Report on Form 10-K for the year ended March 31, 2011 filed with the SEC. The Board approved this inclusion.

### **AUDIT COMMITTEE MEMBERS**

Patricia M. Hollister

Terrence W. Glarner

James D. Hartman

### **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 industry experience, expertise in business or financial matters, and prior experience serving on the management or boards of publicly-traded companies. In evaluating any candidate for director nominee, the Board will also evaluate the contribution of the proposed nominee toward compliance with NASDAQ Stock Market corporate governance requirements concerning board composition.

### **The Role of Diversity in Choosing Board Candidates**

Our goal is to identify the best-qualified director nominees and neither our Board or our Nominating Committee have policies requiring the consideration of diversity in identifying nominees. All of our current directors have extensive experience as either directors or senior managers of publicly-traded companies. We believe that our directors' experience, independence, diversity in educational backgrounds, and diversity in industry experience contribute to diversity of thought and to an effective Board.

### **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' proposals must provide the following information for each nominee: (i) the name, age, business address, and residence address of the person; (ii) the principal occupation or employment of the person; (iii) the number of shares of our stock owned by the person; (iv) the written and acknowledged statement of the person that such person is willing to serve as a director; and (v) 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. Candidates recommended by shareholders will be considered under the same standards as candidates that are identified by the Nominating/Corporate Governance Committee. No shareholders submitted director nomination proposals in connection with this year's meeting.

### **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 our offices, 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 (i) 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 (ii) 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. All of our directors except Mr. Glarner attended our 2010 Annual Meeting.

**Code of Ethics**

We have adopted a Code of Business Conduct and Ethics that applies to all of our employees and directors, including our principal executive officer, principal financial officer, and principal accounting officer. A copy of our Code of Business Conduct and Ethics is available from the Investors section of our Website ([www.nve.com](http://www.nve.com)).

**Table of Contents**

We intend to post on our Website any amendment to, or waiver from, a provision of our Code of Business Conduct and Ethics that applies to our principal executive officer, principal financial officer, and other employees performing similar functions within four business days following the date of such amendment or waiver.

**Director Compensation**

Our non-employee directors receive cash compensation of \$2,000 per quarter, plus an additional \$250 per quarter for the Chairman of the Board of Directors and an additional \$125 per quarter for the Audit Committee Chair. Directors forfeit unpaid portions of cash compensation upon termination, retirement, disability, or death. In addition to the cash compensation, on each reelection to the Board each non-employee director is automatically granted an immediately-vested nonqualified option to purchase 1,000 shares.

The following table summarizes non-employee director compensation in the fiscal year ended March 31, 2011:

| <b>Name</b>           | <b>Fees Earned or Paid in Cash (\$)</b> | <b>Stock Awards (\$)</b> | <b>Option Awards (\$)*</b> | <b>All Other Compensation (\$)</b> | <b>Total (\$)</b> |
|-----------------------|---|--------------------------|----------------------------|------------------------------------|-------------------|
| Terrence W. Glarner   | 9,000                                   | -                        | 19,180                     | -                                  | 28,180            |
| James D. Hartman      | 8,000                                   | -                        | 19,180                     | -                                  | 27,180            |
| Patricia M. Hollister | 8,500                                   | -                        | 19,180                     | -                                  | 27,680            |
| Robert H. Irish       | 8,000                                   | -                        | 19,180                     | -                                  | 27,180            |

\*Grant date fair value of option awards determined using the Black-Scholes standard option pricing model with the assumptions discussed in Note 6 to the Financial Statements in our Annual Report on Form 10-K for the year ended March 31, 2011. As of March 31, 2011, the named directors held options, all of which are exercisable, to purchase the following numbers of shares: Mr. Glarner 3,000; Mr. Hartman, 5,000; Ms. Hollister, 7,000; and Mr. Irish, 4,000.

Fees earned or paid in cash for the fiscal year ended March 31, 2011 consisted solely of quarterly retainers, the Chairman's fee, and the Audit Committee Chair's fee.

### **PROPOSAL 2. ADVISORY RESOLUTION REGARDING NAMED EXECUTIVE OFFICER COMPENSATION**

In accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act, our shareholders have the opportunity to approve or not approve the compensation of our named executive officers (NEOs) as disclosed in this proxy statement by voting for or against the following resolution (or by abstaining with respect to the resolution):

RESOLVED, that the compensation paid to the company's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables, and narrative discussion is hereby APPROVED.

**The Board unanimously recommends a vote FOR approval of named executive officer compensation as disclosed in this Proxy Statement.** Because the vote is advisory, it will not be binding on the Board and will not overrule any decision by the Board or require the Board to take any action. However, the Compensation Committee will take the vote into account in future NEO compensation decisions.

### **PROPOSAL 3. FREQUENCY OF SHAREHOLDER VOTES ON EXECUTIVE COMPENSATION**

The Dodd-Frank Act requires shareholders to have the opportunity to cast a non-binding advisory vote on how frequently we should seek a non-binding shareholder advisory vote (similar to Proposal 2 this year) on the

compensation of our NEOs. By voting on this frequency proposal, shareholders may indicate whether they would prefer that the advisory vote to occur every one, two, or three years. Shareholders may also abstain from voting on the proposal.

**The Board unanimously recommends a say-on-pay vote every year.** In formulating this recommendation, the Board considered accountability to shareholders, the recommendations of corporate governance service providers, and administrative costs. The frequency with the most votes will be considered approved by shareholders. Although the vote is non-binding, the Board will consider the outcome in deciding the frequency of executive compensation advisory votes.

#### **EXECUTIVE OFFICERS OF THE COMPANY**

We have two executive officers, Daniel A. Baker and Curt A. Reynders. Dr. Baker is our principal executive officer and Mr. Reynders is our principal financial officer. They are our only named executive officers. Biographical information about Dr. Baker can be found under Proposal 1. Election of Board of Directors. Mr. Reynders, age 48, has been NVE's Treasurer and Chief Financial Officer since 2006. From 2001 until his promotion to CFO, Mr. Reynders was our controller. Before joining NVE he served in various accounting, auditing, and accounting management positions with public accounting and industry firms. Mr. Reynders earned a B.S. in Accounting and Economics from Morningside College.

**Table of Contents**

**COMPENSATION EXECUTIVE SUMMARY**

The principal components of compensation for our NEOs are salary and performance-based compensation based on the Company's income before taxes. The Compensation Committee believes that such performance-based compensation incentivizes our profitable growth.

Dr. Baker's compensation for the most recent fiscal year consisted primarily of base salary of \$250,000 and incentive plan compensation of \$109,390. Mr. Reynders' compensation consisted primarily of base salary of \$150,000 and incentive compensation of \$31,830. As shown in the chart below, increases in NEO compensation the past five fiscal years have aligned with strong growth in NVE's net income.

The Compensation Committee believes it would be difficult to achieve performance that would result in CEO compensation comparable to public companies with comparable revenues or market capitalization. No stock options have been granted to either of our NEOs in the past three fiscal years. Although they are not required to do so, both of our NEOs retain most of the options or the shares from the exercise of the options they have been granted during their employment. Our NEOs have not received any significant benefits or perquisites other than those offered to all employees, and we have not entered into change of control severance agreements with either NEO.

**COMPENSATION DISCUSSION AND ANALYSIS**

**Compensation Philosophy and Objectives**

Our overall philosophy is that compensation levels should be adequate to retain highly-qualified personnel but not be unreasonable or excessive. In determining annual compensation for senior managers, we consider the manager's position, performance, productivity, recent compensation history, experience, and education. We also take into account whether an employee has options or accumulated wealth from options.

We consider the full range of pay components, including, but not limited to, the desired mix of equity, salary, and performance-based compensation. Performance-based compensation should support goals of profitable growth and improving shareholder value. We consider whether any risks might be created by our compensation policies and practices. Our significant compensation and practices and trends are summarized as follows.

***Performance-Based Compensation***

Certain of our senior managers sometimes have the opportunity to receive performance-based cash compensation. The Compensation Committee does not set compensation targets, but believes that performance-based compensation

is appropriate for those managers if it incentivizes profitable growth, supports our ultimate objective of improving shareholder value, and does not create high pay opportunities relative to comparable companies. The Compensation Committee establishes performance-based compensation criteria at the start of the fiscal year, and has discretion to increase such compensation. The Compensation Committee also has discretion to award bonuses not tied to specific criteria. No such bonuses have been paid to an NEO in the past three fiscal years.

***Reduced Use of Stock Options***

Beginning in Fiscal 2006, when accounting pronouncements required us to recognize expenses associated with the issuance of options, we have reduced our use of stock options to compensate our NEOs and other employees. No stock options were granted to our NEOs in the past three fiscal years.

## **Table of Contents**

### ***No Special Benefits or Perquisites for Senior Managers***

We offer fringe benefits to all employees, including paid vacations, holidays, 401(k) retirement plans, tuition reimbursement, health insurance, Health Savings Accounts, Health Reimbursement Accounts, life insurance, dental insurance, and long-term disability insurance. We believe these benefits help attract and retain employees throughout the Company. Our senior managers have not received any significant benefits not offered to all employees.

### **Actions Affecting Fiscal 2011 Compensation**

#### ***Named Executive Officers Salary***

NEOs and other employees receive base salaries to compensate them for services rendered during the fiscal year. Salary levels are typically considered annually as part of our performance review process as well as with promotions or other changes in responsibility. Changes in our NEOs' base salaries are typically effective at the April 1 start of the fiscal year.

Dr. Baker's base salary increased to \$266,667 for fiscal 2012 from \$250,000 for fiscal 2010 and fiscal 2011, and Mr. Reynders' salary increased to \$160,000 for fiscal 2012 from \$150,000 for fiscal 2010 and fiscal 2011. The Committee believed the increases were appropriate to bring NEO salaries more in line with comparable companies. Base salaries for Dr. Baker and Mr. Reynders both remained the same for fiscal 2011 as for fiscal 2010 because the Committee believed salary increases were generally low in the wake of a recession in calendar year 2009.

Our Compensation Committee does not rely on benchmarks or peer company compensation data for setting compensation policies or making specific compensation awards. However, based on experience of the Compensation Committee members, the Committee believes the salaries paid both Dr. Baker and Mr. Reynders are lower than comparable positions at public companies with comparable revenues or market capitalization, and that reliance on equity and performance-based compensation provides motivation to facilitate profitable growth and ultimately increase shareholder value. We also review compensation trend information such as salary and wage data from the U.S. Bureau of Labor Statistics.

#### ***CEO Performance-Based Compensation***

The Compensation Committee does not set compensation targets, but believes that the performance criteria set a high standard, and that it would be difficult to achieve performance that would result in CEO compensation comparable to public companies with comparable revenues or market capitalization. For fiscal 2011, performance-based incentive compensation was 44% of Dr. Baker's salary, based on performance criteria set by the Compensation Committee at the beginning of the fiscal year, specifically 0.25% of adjusted income before taxes in fiscal 2011 plus 3% of the increase in adjusted income before taxes in fiscal 2011 compared to fiscal 2010. Dr. Baker's performance-based compensation had a threshold positive pretax income, meaning no incentive would be paid without income before taxes.

#### ***CFO Performance-Based Compensation***

Mr. Reynders' performance-based compensation for fiscal 2011 was based on 0.1% of adjusted income before taxes in fiscal 2011 plus 0.6% of the increase in adjusted income before taxes in fiscal 2011 compared to fiscal 2010. Mr. Reynders' performance-based compensation had a threshold positive pretax income, meaning no incentive would be paid without income before taxes. The performance-based compensation criteria were set at the beginning of the fiscal year by the Compensation Committee. The Committee believes that Mr. Reynders' performance criteria set a high standard of performance, and that it would be difficult to achieve performance that would result in CFO compensation comparable to public companies with comparable revenues or market capitalization.

#### ***Perquisites and Other Personal Benefits***

We do not provide our NEOs or other senior managers with perquisites or personal benefits other than those available to all of our employees, because we do not currently believe such benefits are an appropriate use of company



funds. We have not entered into change of control severance agreements with the NEOs or any other employees.

### **The Role of Named Executive Officers in Compensation Decisions**

The Compensation Committee makes all compensation decisions for the CEO and his staff, including the CFO. The Compensation Committee is also responsible for any equity awards to any employee. The CEO annually reviews the performance of each member of his staff. The conclusions reached and recommendations based on these reviews, including salary adjustments and performance-based compensation, if any, are presented to the Compensation Committee. The Compensation Committee has discretion to change any of the CEO's recommendations.

### **Tax Implications of Option Awards**

#### ***Tax Implications of Incentive Stock Option Compensation***

Options we award to employees are generally incentive stock options as defined under federal income tax laws. For alternative minimum tax purposes incentive stock options are treated as non-statutory stock options. Employees realize no taxable income and we are not entitled to a deduction at the time an incentive stock option is granted.

**Table of Contents**

If certain statutory employment and holding period conditions are satisfied before the employee disposes of shares acquired from the exercise, no taxable income results from the exercise and we are not entitled to any deduction. If the statutory holding periods are met, any gain or loss realized by the employee is treated as a capital gain or loss and we are not entitled to a deduction.

Except in the event of death, if shares acquired by an employee on the exercise of an incentive stock option are disposed of by the employee before the expiration of the statutory holding periods (a disqualifying disposition), the employee is considered to have realized as compensation, taxable as ordinary income in the year of disposition, an amount, not exceeding the gain realized on such disposition, equal to the difference between the exercise price and the fair market value of the shares on the date of exercise. We are entitled to a deduction at the same time and for the same amount as the employee's deemed realized ordinary income. Any gain or loss in excess of the amount treated as compensation is treated as a capital gain or loss. If the employee pays the option price with shares that were originally acquired pursuant to the exercise of an incentive stock option and the statutory holding periods for such shares are not met, the payment shares are considered a disqualifying disposition.

***Tax Implications of Nonstatutory Stock Option Compensation***

Options awarded to non-employee directors are generally nonstatutory stock options. The director realizes no taxable income, and we are not entitled to a deduction at the time a nonstatutory stock option is granted. At the time shares are transferred to the director on exercise of a nonstatutory stock option, the director realizes ordinary income, and we are entitled to a deduction equal to the excess of the fair market value of the stock on the date of exercise over the option price. On disposition of the shares, any additional gain or loss realized by the director is taxed as a capital gain or loss.

**EXECUTIVE COMPENSATION****Summary Compensation Table**

The following table summarizes the compensation paid to our NEOs in the past three fiscal years:

| <b>Name and<br/>Principal Position</b>      | <b>Fiscal<br/>Year<br/>Ended<br/>March 31</b> | <b>Salary<br/>(\$)</b> | <b>Bonus<br/>(\$)</b> | <b>Stock<br/>Awards<br/>(\$)</b> | <b>Option<br/>Awards<br/>(\$)</b> | <b>Non-equity<br/>Incentive Plan<br/>Compensation<br/>\$(1)</b> | <b>All Other<br/>Compen-<br/>sation<br/>\$(2)</b> | <b>Total<br/>(\$)</b> |
|---|---|------------------------|-----------------------|----------------------------------|-----------------------------------|---|---|-----------------------|
| Daniel A. Baker<br>President and CEO        | 2011  | 250,000                | -                     | -                                | -                                 | 109,390   | 11,742  | 371,132               |
|   | 2010  | 250,000                | -                     | -                                | -                                 | 87,457  | 11,520  | 348,977               |
|   | 2009  | 225,000                | -                     | -                                | -                                 | 66,154  | 10,890  | 302,044               |
| Curt A. Reynders<br>Chief Financial Officer | 2011  | 150,000                | -                     | -                                | -                                 | 31,830  | *   | 181,830               |
|   | 2010  | 150,000                | -                     | -                                | -                                 | 27,316  | *   | 177,316               |
|   | 2009  | 125,000                | -                     | -                                | -                                 | 26,205  | *   | 151,205               |

\*Less than \$10,000

- (1) The amounts in this column were paid based on performance achieved during the fiscal year under plans approved by our Compensation Committee at the beginning of the fiscal years and described in Compensation Discussion and Analysis.
- (2) Includes contributions made to 401(k) savings plans and Health Savings Accounts on behalf of the NEOs, and life and long-term disability insurance premiums paid on behalf of the NEOs. The NEOs participate in these benefit

programs under the same terms as all other employees.

### Grants of Plan-Based Awards

There were no non-stock grants of incentive plan awards, stock-based incentive plan awards, or awards of options, restricted stock or similar instruments to either of our NEOs, Dr. Baker and Mr. Reynders, in the past fiscal year.

### Outstanding Equity Awards at Fiscal Year-End

The following table sets forth outstanding equity awards to our NEOs as of March 31, 2011. Neither of our NEOs had any form of equity award other than options.

| Name             | Option Awards   |                            |                        |
|------------------|---|----------------------------|------------------------|
|                  | Number of Securities Underlying Unexercised Options (#) Exercisable | Option Exercise Price (\$) | Option Expiration Date |
| Daniel A. Baker  | 35,000  | 29.65                      | 5/7/2014               |
|                  | 70,000  | 16.93                      | 3/28/2015              |
|                  | 25,000  | 14.76                      | 8/24/2015              |
| Curt A. Reynders | 25,000  | 16.33                      | 1/16/2016              |

**Table of Contents****Option Exercises and Stock Vested**

The following table provides information on stock option exercises during fiscal 2011. There was no additional vesting of any of our NEOs' options during the fiscal year.

| Name             | Option Awards                                |                                    |
|------------------|--|------------------------------------|
|                  | Number of Shares<br>Acquired on Exercise (#) | Value Realized<br>on Exercise (\$) |
| Daniel A. Baker  | 70,000                                       | 2,908,640                          |
| Curt A. Reynders | -  | -                                  |

**Employment Agreements**

We have an employment agreement with Dr. Baker that 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. We have agreement with Mr. Reynders relating to non-competition, confidentiality, and assignment of invention provisions benefiting the Company.

**Post-Employment Compensation**

Our NEOs receive no pension benefits, nonqualified deferred compensation, or other post-employment potential payments. Dr. Baker and Mr. Reynders are eligible to participate in our 401(k) retirement plan under the same terms as other employees.

**Setting Named Executive Officers' Compensation**

We have no pre-established policy or target for the allocation between salary and performance-based compensation. The Compensation Committee does not use a comparison with a specific compensation peer group because we do not believe there are public companies of comparable size devoted substantially to all of the same markets in which we compete. The Compensation Committee has full and sole authority to retain and terminate compensation consultants to assist in the evaluation of CEO, executive staff, and director compensation. We have not employed consultants because we do not believe it is a necessary use of company resources, and we believe members of our Compensation Committee, by virtue of experience in compensation management and service on other boards, have reasonable knowledge of compensations practices.

**Compensation Clawbacks**

Under Section 304 of the Sarbanes-Oxley Act, in the event of misconduct that results in a financial restatement that would have reduced a previously paid incentive amount, we can recoup those improper payments from our CEO and CFO in what are commonly called clawbacks. We also plan to implement a clawback policy in accordance with Section 954 of the Dodd-Frank Act after the SEC issues guidance related to such policies.

**Fiscal 2011 Named Executive Officer Compensation**

For the fiscal year ended March 31, 2011, the principal components of compensation for NEOs were salary and performance-based compensation.

**COMPENSATION POLICIES AND PRACTICES AS THEY RELATE TO RISK MANAGEMENT**

Based on a review by our management and our Compensation Committee, we have determined that we have no employee compensation policies or practices that create risks that are reasonably likely to have a material adverse effect on the company. Both of our NEOs hold significant company stock or stock options. Such meaningful ownership in company provides incentives to avoid excessive risks. Other risk-mitigating factors include operational oversight by management and compensation committee, frequent business reviews, and an appropriately-balanced pay

mix between fixed and variable pay.

**COMPENSATION COMMITTEE REPORT**

We have reviewed and discussed the Compensation Discussion and Analysis required by Regulation S-K Item 402(b) with management and, based on such review and discussions, we recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement.

**COMPENSATION COMMITTEE MEMBERS**

Patricia M. Hollister

Terrence W. Glarner

Robert H. Irish

## Table of Contents

### **PROPOSAL 4.**

#### **RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Our Audit Committee has selected Ernst & Young LLP as our registered public accounting firm to audit our financial statements for fiscal 2011 and recommends that the shareholders ratify the selection. Ernst & Young has audited our financial statements annually since our 2001 fiscal year, including our financial statements for fiscal 2011. Shareholder ratification is not required by our Articles of Incorporation, but our Board is submitting the selection for ratification as a matter of good corporate practice. If our shareholders fail to ratify the selection, our Audit Committee will reconsider whether or not to retain Ernst & Young. Even if the selection is ratified, our Audit Committee in its discretion may direct the selection of different independent auditors at any time during the year if our Audit Committee determines that such a change would be in our and our shareholders' best interests. We expect representatives of Ernst & Young to be present at our 2011 Annual Meeting and they will have the opportunity to make a statement if they wish to do so. We also expect that they will be available to respond to appropriate questions. **The Board unanimously recommends a vote FOR the ratification of the selection of Ernst & Young LLP.**

#### **AUDIT COMMITTEE DISCLOSURE**

##### **Fees Billed to Us by Ernst & Young During Fiscal 2011 and 2010**

###### *Audit Fees*

We incurred total fees of \$113,000 relating to the audit of the March 31, 2011 financial statements, review of the financial statements included in fiscal 2011 quarterly reports on Form 10-Q, and other matters directly relating to the fiscal 2011 audit. Fees were also \$113,000 relating to the audit of the March 31, 2010 financial statements.

###### *Tax, Audit-Related, and All Other Fees*

Fees billed to us by Ernst & Young LLP, our independent registered public accounting firm, relating to tax compliance matters were \$38,800 in fiscal 2011 and \$13,500 in fiscal 2010. We did not incur any fees for audit-related services in fiscal 2011 or 2010, and no other fees for services were billed to us by Ernst & Young during fiscal 2011 or 2010.

##### **Audit Committee Pre-Approval Policy**

To ensure that our independent registered public accounting firm is engaged only to provide audit and non-audit services that are compatible with maintaining its independence, the Audit Committee has a policy that requires the Committee to review and approve all services to be provided by Ernst & Young before the firm is engaged to provide those services. If 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 Committee's responsibilities to management. The Audit Committee may delegate pre-approval authority to one or more of its members. The member with such delegated authority will report any pre-approvals to the entire Audit Committee at its next scheduled meeting. The Audit Committee approved all fees paid to Ernst & Young described in the sections above.

#### **ANNUAL REPORT**

A copy of our Annual Report to Shareholders for the fiscal year ended March 31, 2011, including financial statements, accompanies this Notice of Annual Meeting and Proxy Statement. The Annual Report includes our annual report on Form 10-K as filed with the SEC on May 4, 2011. No portion of the Annual Report is incorporated into this proxy statement or is to be considered proxy-soliciting material. On written request we will provide a copy of our Annual Report on Form 10-K without charge to anyone receiving a copy of this proxy statement. Such written

requests should be addressed to Curt A. Reynders, our Secretary, at the address on the cover page of this Proxy Statement.

By Order of the Board of Directors

Curt A. Reynders  
Chief Financial Officer and Secretary

June 30, 2011

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2011 ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON AUGUST 15, 2011:**

The Company's Proxy Statement for the 2011 Annual Meeting of Shareholders and Annual Report on Form 10-K for the year ended March 31, 2011 are available at [www.nve.com/AnnualReports.php](http://www.nve.com/AnnualReports.php).

**Table of Contents**

**Map to NVE Corporation  
2011 Annual Meeting  
August 15, 2011, 3:30 p.m.**



**The Board of Directors recommends a vote FOR each of the Director nominees, FOR Proposals 2 and 4, and ONE YEAR for Proposal 3:**

1. To elect five directors to serve until the next Annual Meeting of Shareholders.

01 Terrence W. Glarner      03 James D. Hartman      05 Robert H. Irish

02 Daniel A. Baker      04 Patricia M. Hollister

Vote FOR all nominees     Vote WITHHELD

(except as marked)      from all nominees

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

2. To approve named executive officer compensation as disclosed in our Proxy Statement.

FOR       AGAINST     ABSTAIN

3. To vote on a non-binding proposal regarding the frequency of the vote on our executive compensation program.

1 YEAR     2 YEARS     3 YEARS     ABSTAIN

4. To ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2012.

FOR       AGAINST     ABSTAIN

(please sign on the other side)

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**THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS.** The undersigned, a holder of common stock of NVE Corporation (the Company), hereby appoints Curt A. Reynders 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 15, 2011 and any adjournments thereof.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2011 ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON AUGUST 15, 2011:** The Company's Proxy Statement for the 2011 Annual Meeting of Shareholders and Annual Report on Form 10-K for the year ended March 31, 2011 are available at [www.nve.com/AnnualReports.php](http://www.nve.com/AnnualReports.php).

Date \_\_\_\_\_

Signature \_\_\_\_\_

Signature \_\_\_\_\_

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.

PLEASE MARK (ON THE OTHER SIDE), SIGN, DATE AND RETURN THE PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.

**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 EACH OF THE DIRECTOR NOMINEES, FOR PROPOSALS 2 AND 4, AND ONE YEAR FOR PROPOSAL 3. THE PROXIES ARE AUTHORIZED TO VOTE THIS PROXY IN THEIR DISCRETION WITH RESPECT TO OTHER MATTERS WHICH MAY PROPERLY COME BEFORE THE MEETING.**

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