

September 07, 2004

*Is NVEC Stonegate's next victim?*

On August 26, 2004 Stonegate Securities, Inc. initiated coverage of NVE Corporation (NASDAQ: NVEC, \$34.14). Stonegate is a Dallas-based brokerage firm. Since 1995 Stonegate has been involved with at least 31 separate private investments in the public equity ("PIPE") of 24 companies. The stocks of 20 of the 24 companies currently trade lower than their pre-PIPE price. The stocks of 16 companies that Stonegate worked trade for less than five dollars per share. Of the 16 companies, 7 companies' stocks trade for less than one dollar per share and two other companies filed for bankruptcy protection in 2003.

Two of the companies that Stonegate has "PIPEd" allegedly operated illegally and were run by officers and directors that were charged with illegal activity.

Stonegate raised \$11.6 million for Cross Media Marketing Corporation (OTC: CMKC.PK, (\$0.0001) in March 2002. The Lancer Group whose domestic hedge fund is reported to be bankrupt and whose managing director has reportedly been indicted and charged with conspiring to commit securities fraud invested in Cross Media. On April 9, 2002 the United States government filed a complaint on behalf of the Federal Trade Commission ("FTC") against Cross Media, its officers and subsidiaries alleging nine causes of action that violated a 1996 FTC order. In June 2003 Cross Media filed for bankruptcy protection.

On December 26, 2002 and January 9, 2003 Stonegate acted as the selling agent for two shareholders that sold stock of AirNet Systems, Inc. (NYSE: ANS, \$4.05). On January 21, 2003 the Securities and Exchange Commission ("SEC") charged Roger Blackwell, an AirNet director, with insider trading in the stock of Worthington Foods, Inc. prior to its acquisition by Kellogg Company (NYSE: K, \$42.01). The SEC complaint alleges that Blackwell's adult son traded Worthington stock on Blackwell's advice in an account set up and funded by Blackwell.

The Stonegate initiation report was written by David A. Berish. On June 23, 1997, in the case of USA v. Berish, Berish was sentenced to one year of probation for the theft and embezzlement of U.S. Property.

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