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

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **April 30, 2014**.

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________________ to _______________.

Commission file number: **1-8266**

DATARAM CORPORATION

(Exact name of registrant as specified in its charter)

New Jersey	**22-183140**
(State of Incorporation)	(I.R.S. Employer Identification No.)
P.O. Box 7528, Princeton, New Jersey	**08543-7528**
Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(609) 799-0071**

Securities registered pursuant to section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Common Stock, $1.00 Par Value	**NASDAQ Stock Market**

Securities registered pursuant to section 12(g) of the Act: **NONE**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in the definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes ☐ No ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company.

See definition of "accelerated filer and large accelerated filer and smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell-company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the Common Stock held by non-affiliates of the registrant calculated on the basis of the closing price as of the last business day of the registrant's most recently completed second quarter, October 31, 2013, was $5,135,375.

The number of shares of Common Stock outstanding on July 29, 2014 was 2,410,512 shares.

DOCUMENTS INCORPORATED BY REFERENCE:

(1) Portions of the Definitive Proxy Statement for the Annual Meeting of Shareholders scheduled to be held on September 18, 2014 (the "Definitive Proxy Statement"), to be filed within 120 days of the end of the fiscal year, are incorporated into Part III hereof.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The Business section and other parts of this Annual Report on Form 10-K (“Form 10-K”) contain forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. Many of the forward-looking statements are located in “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. Forward-looking statements can also be identified by words such as “future,” “anticipates,” “believes,” “estimates,” “expects,” “intends,” “plans,” “predicts,” “will,” “would,” “could,” “can,” “may,” and similar terms. Forward-looking statements are not guarantees of future performance and the Company’s actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in Part I, Item 1A of this Form 10-K under the heading “Risk Factors,” which are incorporated herein by reference. The Company assumes no obligation to revise or update any forward-looking statements for any reason, except as required by law.

PART I

Item 1. BUSINESS

(a) Company Background

Dataram Corporation (the "Company," Dataram” “we” or “us”) is a developer, manufacturer and marketer of large capacity memory products primarily used in servers and workstations. The Company is also a developer, manufacturer and marketer of a line of high performance caching products. The Company provides customized memory solutions for original equipment manufacturers ("OEMs") and compatible memory for leading brands including Dell, Hewlett-Packard Company (“HP”), International Business Machines Corp. (“IBM”) and Sun Microsystems, Inc., (“Sun Microsystems”). The Company also manufactures a line of memory products for Intel Corporation (“Intel”) and Advanced Micro Devices Inc. (“AMD”) motherboard based servers for sale to OEMs and channel assemblers. The Company's memory products are sold worldwide to OEMs, distributors, value-added resellers and end-users. The Company has one leased manufacturing facility in the United States with sales offices in the United States and Europe.

The Company is an independent memory manufacturer specializing in high capacity memory and competes with several other large independent memory manufacturers as well as the OEMs mentioned above. The primary raw material used in producing memory boards is dynamic random access memory chips ("DRAMs"). The purchase cost of DRAMs is the largest single component of the total cost of a finished memory board. Consequently, average selling prices for computer memory boards are significantly dependent on the pricing and availability of DRAMs.

In the fiscal year ended April 30, 2009, the Company acquired certain assets of Micro Memory Bank, Inc. ("MMB"), a privately held corporation. MMB is a manufacturer of legacy to advanced solutions in laptop, desktop and server memory products. The acquisition expanded the Company's memory product offerings and routes to market. Its products include memory upgrades for IBM, Sun Microsystems, HP and Compaq Computer Corporation (“Compaq”) computer systems. MMB also markets and sells new and refurbished factory original memory upgrades manufactured by IBM, Sun Microsystems, HP and Compaq as well as factory original modules manufactured by Micron Technology, Inc. (“Micron”), SK Hynix Inc. (“Hynix”), Samsung and Nanya Technology Corporation (“Nanya”), and purchases excess memory inventory from other parties as well.

In the fiscal year ended April 30, 2013, the Company signed numerous agreements to produce products branded as AMD. These products included the company's software product RAMDisk, (see "Part I-Item 1-Products") and consumer memory for use in the online gaming and entertainment industries and server memory.

The Company was incorporated in New Jersey in 1967 and completed its initial public offering in 1968. Its common stock, $1 par value (the "Common Stock") was listed for trading on the American Stock Exchange in 1981. In 2000 the Company changed its listing to the NASDAQ National Market (now the NASDAQ Stock Market) where its stock trades under the symbol "DRAM." The Company's principal executive office is located at 777 Alexander Park, Princeton, New Jersey 08540, its telephone number is (609) 799-0071, its fax is (609) 799-6734 and its website is located at http://www.dataram.com. Proxy Statements, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and all amendments thereto, are available on the Company's website free of charge.

Available Information

We will provide, upon request and free of charge, paper copies of our annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, including any amendments to the foregoing reports, as soon as is reasonably practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission. These materials along with our Code of Conduct and Ethics are also available through our corporate website at www.Dataram.com. A copy of this annual report on Form 10-K is located at the Securities and Exchange Commission's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. The public may also download these materials from the Securities and Exchange Commission's website at http://www.sec.gov. Any amendments to, and waivers of, our Code of Conduct and Ethics will be posted on our corporate website.

Industry Background

The market for the Company's memory products is principally the buyers and owners of workstations, servers and the OEMs that manufacture workstations, servers and other products that use embedded computers. These systems have been important to the growth of the Internet.

The OEM market is also an important part of the Company's business. Management believes that increasingly cost conscious OEMs are looking to independent memory suppliers such as the Company for the low-cost supply of memory modules.

A workstation, like a PC, is designed to provide computer resources to individual users. A workstation differs from a PC by providing substantially greater computational performance, input/output capability and graphic display. Workstations are nearly always networked. As a result of this networking capability of both workstations and PCs, the network server has grown in importance.

Network servers are computer systems on a network which provide dedicated functions accessible by all workstations and other systems on the same network. Examples of different types of servers in use today are: file servers, communication servers, computation servers, database servers, print servers and storage servers.

The Company designs, produces and markets memory products for workstations and computer servers sold by Dell, HP, IBM, Sun Microsystems, Intel and AMD. Additionally, the Company produces and markets memory for Intel and AMD processor based motherboards for use by OEMs and channel assemblers.

The "open system" philosophy espoused by most of the general computer industry has played a part in enlarging the market for third party vendors. Under the "open system" philosophy, manufacturers adhere to industry design standards, enabling users to "mix and match" hardware and software products from a variety of vendors so that a system can be configured for the user's application in the most economical manner with reduced concern for compatibility and support. Memory products for workstations and servers have become commodities with substantial competition from OEMs and a number of independent memory manufacture suppliers.

Generally, growth in the memory market closely follows both the growth in unit shipments of system vendors and the growth of memory requirements per system.

Management also estimates that in the compatibles market, sales by system vendors constitute 80% of the memory market. To successfully compete with system vendors, the Company must continue to respond to customers' needs in a short time frame. To support customers' needs, the Company has a dedicated and highly automated manufacturing facility that is designed to produce and ship customer orders within twenty-four hours or less.

Products

The Company's principal business is the development, manufacture and marketing of memory modules which can be added to various enterprise servers and workstations to upgrade or expand the capabilities of such systems. When vendors produce computer systems adhering to open system industry standards, the development effort for the Company and other independent memory manufacturers is straightforward and allows for the use of many standard components. In 2012, the Company marketed its XcelaSAN (“XcelaSAN”) product line. The Company made significant investments in research and development in XcelaSAN. The product was released for sale in the third quarter of the fiscal year ended April 30, 2012, however, the Company has not been able to establish a customer base for this product.

Our RAMDisk software product creates a virtual RAM drive, or block of memory, which a computer treats as if it were a disk drive. By storing files and programs into memory, a user can speed up internet load times, disk-to-disk activities, accelerate databases and reduce compile times. The product features a save and load option that allows RAMDisk to appear as persistent storage, even through reboots. RAMDisk has developed a strong presence in both the consumer and commercial marketplace. RAMDisk software has also been licensed and integrated into specialized commercial products. RAMDisk is also capable of extending the longevity of expensive solid state storage devices by housing writes which tend to wear out these devices.

Through the agreement signed with AMD the Company’s RAMDisk software, branded as AMD under the name Radeon RAMDisk, as well as Dataram RAMDisk continues to see growing downloads and a much higher download to purchase conversion rate. In the fiscal year ended April 30, 2014 we focused on further developing RAMDisk products and in the fiscal year ending April 30, 2015 we will be developing new caching software. Sales of RAMDisk for the fiscal years ending April 30, 2014, 2013 and 2012 were approximately $211,000, $114,000 and $22,000, respectively.

In the fourth quarter of the fiscal year ended April 30, 2013, the Company began shipping memory modules for the consumer market branded as AMD under the name Radeon. Consumer memory represents a synergistic market for Dataram when combined with our traditional server memory business. The common business elements to Dataram are technology, supply chain management and buying opportunities. Dataram entered into this market with a strong and growing partnership agreement with AMD. AMD's experience in this market, brand name and product direction could provide beneficial business opportunities for Dataram. The primary customers for these products are online retailers who sell to consumers via their web sites. Additionally we have and will continue to sell to distributors in other countries who in turn will sell to online retailers in their respective countries. There will be future opportunities to create bundled packaging and pricing to combine memory modules with Radeon RAMDisk and other products offered by AMD and others. In the first quarter of the fiscal year ended April 30, 2014, we began shipping Radeon server memory to the same online retailers. Sales in the fiscal year ended April 30, 2014 for consumer memory were approximately $1,302,000. This product initiative is it's early1 stage and the Company is working to broaden the outlets through which these products are sold and increase the number of products offered next year.

Distribution

The Company sells its memory products to OEMs, distributors, value-added resellers and larger end-users. The Company has sales and/or marketing support offices in New Jersey, USA, France, and Japan.

Product Warranty and Service

Management believes that the Company's reputation for the reliability of its memory products and the confidence of prospective purchasers in the Company's ability to provide service over the life of the product are important factors in making sales. As a consequence, the Company adopted a Lifetime Warranty program for its memory products. The economic useful life of the computer systems to which the Company's memory modules are attached is almost always substantially less than the physical useful life of the Company's memory products. Thus, our memory products are unlikely to "wear out." The Company's experience is that less than 1% of all the products it sells are returned under the Lifetime Warranty.

Going Concern

The Company's financial statements are prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America and have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. For the three previous fiscal years ended April 30, 2014, 2013 and 2012, the Company has incurred losses in the amounts of approximately $2,609,000, $4,625,000 and $ 3,259,000, respectively.

Our continuation as a going concern is dependent upon obtaining the additional working capital necessary to sustain our operations. We may raise additional working capital by obtaining financing, raising capital through the sales of equity and or debt securities and upon future profitable operations. We may also seek to reduce our expenses. For example, in the first quarter of the fiscal year ended April 30, 2014, the Company eliminated approximately $ 900,000 of expenses on an annual basis. There is no assurance that our current operations will be profitable or that we will raise sufficient funds to continue operating. The Company continues to seek out opportunities to reduce overhead expenses to meet revenues. These factors raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the classification of liabilities that might be necessary in the event we cannot continue in operations.

Working Capital Requirements

Credit Facility

On July 27, 2010, the Company entered into an agreement with a financial institution for formula-based secured debt financing of up to $5,000,000. Borrowings are secured by substantially all assets. On March 2, 2012, the agreement was amended to reduce the amount available under the credit facility to $3,500,000. On May 17, 2012, the agreement was amended and restated. The amended and restated documents reduced the interest rate to prime plus 6%, subject to a minimum of 9.25% and interest of not less than $8,000 per month. The loan facility allows borrowing of 90% of eligible domestic receivables. In addition, the loan facility allows borrowing of 90% of eligible foreign receivables to a maximum of $500,000 and 25% of eligible inventory to a maximum of 20% of the amount available on receivables. The total credit line remains at $3,500,000 and the Tangible Net Worth covenant is $2,000,000, measured quarterly. The Company agreed to pay an exit fee if it terminates the agreement more than 30 days prior to the one year anniversary of the amended and restated agreement. The amount of financing available to the Company under the agreement varies with the Company's eligible accounts receivable and inventory. On December 18, 2012, the agreement was amended in exchange for a fee of $7,500 to reduce the Tangible Net Worth covenant to $1,300,000. However, if the Tangible Net Worth falls below $2,000,000, the amount available to borrow on inventory will be capped at $250,000 reduced from $500,000. At April 30, 2013, Tangible Net Worth was approximately $1,637,000, and the amount available for borrowing on inventory was reduced to $250,000. The financing agreement with this institution was closed in November 2013 and replaced with an agreement with another financial institution.

On November 6, 2013, the Company entered into a financing agreement with a financial institution for formula-based secured debt financing of up to $3,500,000. Borrowings are secured by substantially all assets. On April 29, 2014, the Company entered into an amendment to the Financing Agreement that provides for advances against inventory balances based on prescribed formulas of raw materials and finished goods. The maximum borrowing capacity remains at $3,500,000. All other terms of the financing agreement remain the same. The proceeds of the borrowings against inventory were used to liquidate the amounts owed to David Sheerr under his subordinated loan agreement. Management believes that the aggregate $3,500,000 available under this facility combined with current projected losses will not be sufficient to meet its current obligations and the Company will need to raise capital through borrowings or sales of equity or debt securities. There can be no assurance that the Company will be able to obtain additional borrowings or complete a sale of securities. At April 30, 2014, the Company had approximately $211,000 of additional financing available to it under the terms of the agreement.

On July 15, 2014, the Company entered into a Subordinated Secured Convertible Bridge Note and Warrant Purchase Agreement (the "Purchase Agreement") governing the issuance of up to $750,000 aggregate principal amount of Subordinated Secured Convertible Bridge Notes (the "Bridge Notes") and Warrants (the "Warrants"). The Bridge Notes and Warrants were issued on July 15, 2014. The Company issued $600,000 aggregate principal amount of the Bridge Notes to certain institutional investors ("Institutional Investors") and $150,000 aggregate principal amount of the Bridge Notes to certain members of management, officers and directors of the Company ("Management"). The Bridge Notes, which mature on October 15, 2014 ("holders of a majority principal amount"), are convertible into shares of the Company's common stock. The initial conversion price for Institutional Investors is $2.50 per share, and the initial conversion price for Management is equal to the closing price of the Company's common stock on the closing date of the Purchase Agreement, $2.94. The Bridge Notes are secured obligations of the Company and bear interest at a rate of 8% per year. The Warrants are exercisable for five years after the closing date of the Purchase Agreement. For each $1,000 of principal amount of Bridge Notes, the holder received 1,200 Warrants to purchase the Company's common stock. Each holder will be entitled to exercise one-third of all warrants received at an exercise price of $3.00, one-third of all warrants received at an exercise price of $3.50, and one-third of all warrants received at an exercise price that is equal to the closing price on the closing date of the Purchase Agreement, $2.94. The exercisability of the warrants may be limited if, upon exercise, the holder or any of its affiliates would beneficially own more than 4.99% of the Common Stock. After the one year anniversary of the initial exercise date of the warrants, the Company had the right to call the warrants for cancellation for $.001 per share in the event that the volume weighted average price of the Common Stock for 20 consecutive trading days exceeds $10.00.

Plan of Operation

The Company has been experiencing losses due to the decline and instability of DRAM prices and the historical investment in XcelaSAN. It is uncertain how long the current level of DRAM pricing will continue, or whether or when prices will rise in the near future. Until such time that the Company can raise prices, it will continue to seek alternative methods of generating profits and cash flow. For example, the Company continues to pursue product diversification, either by development or as a contract manufacturer. Additionally, the Company will continue to identify joint ventures, strategic partnerships and business combination opportunities. There can be no assurance that any of these initiatives will mature to profitability and positive cash flow, or even occur. During fiscal 2013, the Company signed three agreements with AMD for the sale of AMD branded products. The products fall into three categories: RAMDisk software, consumer memory for the gaming and entertainment industries and server memory for AMD and other servers. The Company hopes to expand these three product offerings and offer them for sale through e-tailers such as Newegg, Tiger Direct, Fry's, NCIX, Ebay and others. Currently the Company is selling Radeon RAMDisk, Radeon Memory and Radeon Server Memory through Newegg and is negotiating with other e-tailers to sell products through their web sites. In addition, we intend to raise additional capital through bank financing and the sale of equity and/or debt securities in the fiscal year ended April 30, 2015. Although there can be no assurances that this will occur.

Related Party Loans

On July 27, 2010, the Company entered into a Consignment and Purchase Agreement with a vendor, which is wholly owned by David Sheerr, an executive officer of the Company and who is also employed by the Company as the General Manager of the Company's MMB division, to consign up to $3,000,000 of certain inventory into our manufacturing facilities. On December 14, 2011, this agreement was terminated and the advances received by the Company under this agreement were repaid by the payment of $1,500,000, the then outstanding balance, from proceeds of a new note executed with the same executive officer. The new note provides for up to $2,000,000 in advances, and is secured by inventory and such security interest is subordinated to the financial institution. On December 14, 2011, the additional $500,000 was advanced to bring the total amount owed to $2,000,000, the maximum allowed under the note. The note is payable monthly, over a five year period and repayments commenced on July 15, 2012. The note bears interest at 10% per annum on the outstanding amount.

The Company amended and restated its Note and Security Agreement with Mr. Sheerr as of October 31, 2013; the Company sold certain equipment and furniture for a purchase price of $500,000 under a sale leaseback transaction to David Sheerr. The Company used the proceeds of the purchase price received from Mr. Sheerr to reduce the remaining principal amount of the original loan by an amount equal to $500,000. The principal amount was reduced to approximately $966,667 at October 31, 2013. The Company is obligated to pay monthly, interest equal to 10% per annum calculated on a 360 day year of the outstanding loan balance. Principal is payable in 29 equal monthly installments of $33,333, beginning on November 15, 2013 and subsequently on the 15th day of each month thereafter, until paid in full. On April 30, 2014 the note was paid in full. Interest expense recorded for the Note in the fiscal year ended April 30, 2014 was approximately $122,000.

Sales of Securities

On May 11, 2011, the Company and certain investors entered into a securities purchase agreement in connection with a registered direct offering, pursuant to which the Company agreed to sell an aggregate of 295,833 shares of its Common Stock and warrants to purchase a total of 221,875 shares of its Common Stock to such investors for aggregate net proceeds of approximately $2,998,000. The Common Stock and warrants were sold in fixed combinations, with each combination consisting of one share of Common Stock and 0.75 of one warrant, with each whole warrant exercisable for one share of Common Stock. The purchase price was $11.28 per fixed combination. The warrants became exercisable six months and one day following the closing date of the offering and will remain exercisable for five years thereafter at an exercise price of $13.56 per share. The exercise price of the warrants is subject to adjustment in the case of stock splits, stock dividends, combinations of shares and similar recapitalization transactions. The exercisability of the warrants may be limited if, upon exercise, the holder or any of its affiliates would beneficially own more than 4.99% of the Common Stock. After the one year anniversary of the initial exercise date of the warrants, the Company had the right to call the warrants for cancellation for $.006 per share in the event that the volume weighted average price of the Common Stock for 20 consecutive trading days exceeds $27.12. All prices have been adjusted to reflect the reverse 6-for-1 stock split which was effective March 18, 2013.

On September 18, 2013, the Company and certain investors entered into a securities purchase agreement (the "Purchase Agreement") in connection with the offering, pursuant to which the Company agreed to sell an aggregate of 350,931 shares of its common stock and warrants to purchase a total of 350,931 shares of its common stock to such investors for aggregate net proceeds, after deducting fees to the Placement Agent and other estimated offering expenses payable by the Company, of approximately $807,000. The common stock and warrants were sold in fixed combinations, with each combination consisting of one share of common stock and one warrant, with each warrant exercisable for one share of common stock. The purchase price was $2.30 per fixed combination. On September 23, 2013 the offering of 350,000 shares and warrants was closed with net proceeds to the Company of approximately $695,491 after accounting for all expenses of the offering. The exercise price of the warrants is subject to adjustment in the case of stock splits, stock dividends, combinations of shares and similar recapitalization transactions. The exercisability of the warrants may be limited if, upon exercise, the holder or any of its affiliates would beneficially own more than 4.99% of the Common Stock. After the one year anniversary of the initial exercise date of the warrants, the Company had the right to call the warrants for cancellation for $.001 per share in the event that the volume weighted average price of the Common Stock for 20 consecutive trading days exceeds $10.00.

On March 20, 2014, the Company and certain investors entered into a common stock purchase agreement (the "Purchase Agreement") in connection with the offering, pursuant to which the Company agreed to sell an aggregate of 219,754 shares of its common stock to such investors for aggregate proceeds, after deducting fees to the Placement Agent and other estimated offering expenses payable by the Company, of approximately $559,000. The purchase price was $3.00 per share.

On March 20, 2014, holders of warrants issued in connection with the sale of common stock on September 18, 2013, exercised 86,100 of those warrants at the exercise price of $3.50 per share resulting in net proceeds of approximately $306,350. The exercise of these warrants resulted in the issuance of 86,100 shares of the Company's common stock.

Sale of Intellectual Property

On March 30, 2012, the Company completed the sale of 13 patents and two patent applications generating gross proceeds to the Company of $5,000,000 before commissions and expenses of $900,000 resulting in net proceeds to the Company of $4,100,000. Under terms of the sale, Dataram retains a license to continue to use the patents in current and future Dataram products, with limited rights to transfer its license.

DRAM Prices

The memory product business is heavily dependent upon the price of DRAMs. Producers of DRAM are required to invest substantial capital resources to produce their end product. Their marginal cost is low as a percentage of the total cost of the product. As a result, the world-wide market for DRAMs has swung in the past from period to period from oversupply to shortage. During periods of substantial oversupply, the Company has seen falling prices for DRAMs and wide availability of DRAMs allowing the Company to maintain minimum inventories to meet the needs of customers. During periods of shortages, DRAMs are allocated to customers and the Company must invest heavily in inventory in order to continue to be assured of the supply of DRAMs from vendors. At the present time, the market for DRAMs is balanced, but with spot shortages of certain DRAM configurations.

Memory Product Complexity

DRAM memory products for workstations and enterprise servers have, for many years, been undergoing a process of simplification with a corresponding decline in profit margins for current generation memory products as competitors' entry into the market becomes easier. Memory products for prior generations of workstations and servers are sold with higher margins as few competitors continue to supply memory for those computers.

Engineering

The Company's ability to compete successfully depends upon its ability to identify new memory needs of its customers. To achieve this goal, the Company's engineering group continually monitors computer system vendors' new product developments, and the Company evaluates and tests major components as they become available. The Company designs prototype memory modules and subjects them to reliability testing procedures. The Company incurred engineering costs of $1,186,000 in the fiscal year ended April 30, 2014, $715,000 in fiscal 2013 and $740,000 in fiscal 2012.

Impairment of Capitalized Software

During the third quarter of the fiscal year ended April 30, 2012 the XcelaSAN product was available for general release and generated approximately $8,000 of revenue, which was significantly lower than expected. The Company determined in the fiscal year ended April 30, 2012’s third quarter based on the estimated future net realizable value for the expected periods of benefit that the carrying value of capitalized software development cost was impaired. As such, approximately $2,387,000 of capitalized software development cost was written down to zero.

Impairment of MMB Goodwill

In the fiscal year ended April 30, 2013, the goodwill associated with the MMB acquisition was deemed to be impaired. Therefore, we recorded a charge to earnings and a reduction of the intangible asset in the amount of $438,000.

Raw Materials

The Company purchases industry standard DRAMs. The Company also purchases finished modules from DRAM manufacturers. In either case, the cost of DRAM chips is the largest single component of the total cost of our memory products. Fluctuations in the availability or prices of DRAMs can have a significant impact on the Company's profit.

The Company has created close relationships with a number of primary suppliers while qualifying and developing alternate sources as backups. The qualification program consists of extensive evaluation of process capabilities, on-time delivery performance and the financial stability of each supplier. Alternative sources are used to assure supply in the event of a problem with the primary source or to handle surges in demand.

Manufacturing

The Company assembles its memory boards at its manufacturing facility in Pennsylvania.

Backlog

The Company expects that all of the backlog on hand will be filled during the current fiscal year and most in the first quarter of the fiscal year ending April 30, 2015. The Company's backlog at April 30, 2014 was $216,000, at April 30, 2013 it was $234,000 and at April 30, 2012 it was $626,000. Product backlog at any point in time may not translate into net revenue in any subsequent period, as unfilled orders can generally be canceled at any time by the customer.

Competition

The intensely competitive computer industry is characterized by rapid technological change and constant pricing pressures. These characteristics are equally applicable to the third party memory market, where pricing is a major consideration in the buying decision. The Company competes with HP, Sun Microsystems, IBM, and Dell, as well as with a number of third party memory suppliers, including Kingston Technology.

Although many of the Company's competitors possess significantly greater financial, marketing and technological resources, the Company competes favorably based on the buying criteria of price/performance, time-to-market, product quality, reliability, service/support, breadth of product line and compatibility with computer system vendors' technology. The Company's objective is to continue to remain strong in all of these areas with particular focus on price/performance and time-to-market, which management believes are two of the more important criteria in the selection of third party memory product suppliers. Market research and analysis capability by the Company is necessary to ensure timely information on new products and technologies coming from the computer system vendors and from the overall memory market. The Company must continue low cost, high volume production while remaining flexible to satisfy the time-to-market requirement.

The Company believes that its 47-year reputation for providing quality products is an important factor to its customers when making a purchase decision. To strengthen this reputation, the Company has a comprehensive lifetime warranty program which provides customers with added confidence in buying from the Company. See "Item 1 --Business-Product Warranty and Service."

Patents, Trademarks and Licenses

The Company believes that its success depends primarily upon the price and performance of its products rather than on ownership of copyrights or patents.

Sale of memory products for systems that use proprietary memory design may from time to time give rise to claims of copyright or patent infringement. In most such instances the Company has either obtained the opinion of patent counsel that its products do not violate such patents or copyrights or obtained a license from the original equipment manufacturer.

To the best of the Company's knowledge and belief, no Company product infringes any valid copyright or patent. However, because of rapid technological development in the computer industry with concurrent extensive patent coverage and the rapid rate of issuance of new patents, questions of infringement may continue to arise in the future. If such patents or copyrights are perfected in the future, the Company believes, based upon industry practice, that any necessary licenses would be obtainable upon the payment of reasonable royalties.

Employees

As of April 30, 2014, the Company had 36 full-time salaried employees and 18 hourly employees. The Company believes it has satisfactory relationships with its employees. None of the Company's employees are covered by a collective bargaining agreement.

Environmental

Compliance with federal, state and local provisions which have been enacted or adopted to regulate the protection of the environment does not have a material effect upon the capital expenditures, earnings and competitive position of the Company. The Company did not make any material expenditure for environmental control facilities in the current fiscal year, nor do we expect to make material expenditure in the fiscal year ending April 30, 2015.

Financial information about geographic area sales

For the last three fiscal years the Company has had sales in the following geographic areas:

REVENUES (000's)
Export

Fiscal	U.S.	Europe	Other*	Consolidated
2014	$ 24,917	$ 3,431	$ 2,051	$ 30,399
2013	$ 21,702	$ 3,983	$ 1,931	$ 27,616
2012	$ 27,980	$ 5,393	$ 2,706	$ 36,079

PERCENTAGES
Export

Fiscal	U.S.	Europe	Other*	Consolidated
2014	82.0%	11.3%	6.7%	100.0%
2013	78.6%	14.4%	7.0%	100.0%
2012	77.6%	14.9%	7.5%	100.0%

*Principally Asia Pacific Region

Item 1A. RISK FACTORS

Our business, operating results, financial condition, and prospects are subject to a variety of significant risks, many of which are beyond our control. The following is a description of some of the important risk factors particular to our business and industry that may cause our actual results in future periods to differ substantially from those we currently expect or seek. The risks described below are not the only risks facing us. There are additional risks and uncertainties not currently known to us or that we currently deem to be unlikely or immaterial that also may materially adversely affect our business, operating results, financial condition, or prospects.

Our independent auditors have issued a going concern opinion and, if we are unable to obtain bank financing, raise capital or generate enough cash from operations to sustain our business, then we may have to liquidate assets or curtail our operations.

In its audit report dated July 29, 2014 for the fiscal years ended April 30, 2014 and 2013, the opinion of our independent registered public accounting firm, CohnReznick LLP, included an emphasis paragraph as to the uncertainty of our ability to continue as a going concern. Most notably, significant recurring net losses through April 30, 2014 raise substantial doubt about our ability to continue as a going concern. During the fiscal year ended April 30, 2014, we incurred a net loss to common shareholders of $2,609,000. We will need to generate significant revenues in order to achieve profitability.

We have incurred net losses in recent years and our future profitability is not assured.

For the fiscal years ended April 30, 2014, 2013 and 2012, we incurred net losses of approximately $2,609,000, $4,625,000 and $3,259,000, respectively. Our operating results for future periods are subject to numerous uncertainties and we cannot assure you that we will not continue to experience net losses for the foreseeable future. If we are not able to increase revenue and reduce our costs, we may not be able to achieve profitability.

We are likely to need additional financing, but our access to capital funding is uncertain.

As of April 30, 2014, we had cash, cash equivalents and marketable securities totaling $258,000. During the year then ended, we had a net loss of $2,609,000 and used cash in operating activities of $1,554,000. We believe our existing capital resources should be sufficient to fund the activities contemplated by our current operating plan into the third quarter of the fiscal year ending April 30, 2015. We intend to seek external funding prior to that time, however, most likely through bank debt and the issuance and sale of securities. We cannot predict with any certainty when we will need additional funds or how much we will need or if additional funds will be available to us. Our need for future funding will depend on numerous factors, many of which are outside our control.

Our access to capital funding is uncertain. We do not have committed external sources of funding, and we may not be able to obtain additional funds on acceptable terms, or at all. In the first quarter of the fiscal year ended April, 30 2014, we implemented cost-containment initiatives through the restructuring of our workforce and we could implement other cost-containment initiatives in the future. Such cost-containment initiatives could result in a temporary lack of focus and reduced productivity amongst our work force which could adversely impact our prospects for product sales and profitability. We might also need to sell or license our technologies on terms that are not favorable to us, which could also adversely affect our prospects for profitability. Our inability to raise additional capital on terms reasonably acceptable to us would seriously jeopardize the future success of our business.

If we raise funds by issuing and selling securities, it may be on terms that are not favorable to our existing stockholders. If we raise additional funds by selling equity securities, our current stockholders will be diluted, and new investors could have rights superior to our existing stockholders. If we raise funds by selling debt securities, we could be subject to restrictive covenants and significant repayment obligations.

We may have to substantially increase our working capital requirements in the event of DRAM allocations.

Over the past 20 years, availability of DRAMs has swung back and forth from oversupply to shortage. In times of shortage, we have been forced to invest substantial working capital resources in building and maintaining inventory. At such times we have bought DRAMs in excess of our customers' needs in order to ensure future allocations from DRAM manufacturers. In the event of a shortage, we may not be able to obtain sufficient DRAMs to meet customers' needs in the short term, and we may have to invest substantial working capital resources in order to meet long-term customer needs.

We could suffer additional losses if DRAM prices continue to decline.

We are at times required to maintain substantial inventories during periods of shortage and allocation. Thereafter, during periods of increasing availability of DRAMs and rapidly declining prices, we have been forced to write down inventory. There can be no assurance that we will not suffer losses in the future based upon high inventories and declining DRAM prices.

Our sales, revenues and results of operations could fluctuate from quarter to quarter.

Our revenues and ultimate results of operation may vary for a variety of reasons. Such reasons could include, for example, changes in general economic conditions or consumer demand, the introduction of new products by us or by our competitors, a significant purchase or sale of assets or other business combination or an unanticipated event affecting us or our industry, among other factors. Such variability in operating results may affect credit terms offered to us, makes prediction of revenues for each financial period difficult and increases the risk of unanticipated variations in quarterly results and financial condition.

In order to compete and succeed, we need to introduce, and continue to provide, products that provide value for customers.

Our future success is dependent on the development of new markets wherever possible, and new applications and new products which customers believe will add value, as well as the continued demand for our products among our existing customers. Our ability to develop, qualify and distribute new products and related technologies to meet evolving industry requirements, at prices acceptable to our customers and on a timely basis are significant factors in determining our competitiveness in our target markets. There can be no assurance that the Company will be able to exploit new markets or continue to develop products that achieve wide customer acceptance in the marketplace, or that demand for existing products will continue.

The Company's business is subject to the risks of international procurement which could have an adverse effect on the Company's financial results.

A significant portion of the Company's raw materials and finished goods are purchased from foreign manufacturers. As a result, the Company's international procurement operations are subject to the risks associated with such activities including, economic and labor conditions, international trade regulations (including tariffs and anti-dumping penalties), war, international terrorism, civil disobedience, natural disasters, political instability, governmental activities and deprivation of contract and property rights. In addition, periods of international unrest may impede our ability to procure goods from other countries and could have a material adverse effect on our business and results of operations. An interruption in supply and resulting higher costs, could have an adverse effect on the Company's financial results.

We may not successfully implement our strategic plans.

The Company presently has plans to expand its sales of memory and RAMDisk products, to develop new business opportunities based on its existing expertise and software, to continue to seek and evaluate possible strategic alliances to enhance its sales, and to develop and monetize additional intellectual property. These plans, however, are subject to modification or replacement by management if it decides that economic, industry, technological, regulatory or other factors warrant a change. In addition, there can be no assurance that the Company will successfully implement all such plans or that circumstance in the marketplace and the economy will allow the implementation of such plans.

If we fail to achieve and maintain favorable pricing and credit terms from our vendors, our business would be harmed and our operating results would be adversely affected.

Our costs are affected by our ability to achieve favorable pricing and credit terms from our vendors and contract manufacturers, including through negotiations for vendor rebates and other vendor funding received in the normal course of business. Because these supplier negotiations are continuous and reflect the ongoing competitive environment, the variability in terms can negatively affect our costs and operating results if we cannot sufficiently adjust pricing or cost variables.

In order to compete, we must attract, retain, and motivate key employees, and our failure to do so could harm our results of operations.

In order to compete, we must attract, retain, and motivate executives and other key employees. Hiring and retaining qualified executives, engineers, technical staff, and sales representatives are critical to our business, and competition for experienced employees in our industry can be intense. We also do not have an equity compensation plan applicable to executive officers. If we continue to suffer losses or do not implement an equity compensation plan for executive officers, our ability to attract, retain, and motivate executives and employees could be weakened, which could harm our results of operations.

We may not be able to adequately protect our intellectual property rights.

We rely on copyright, trademark, patent and trade secret laws, confidentiality procedures, controls and contractual commitments to protect our intellectual property rights. Despite our efforts, these protections may be limited. Unauthorized third parties may try to copy or reverse engineer portions of our products or otherwise obtain and use our intellectual property. Any patents owned by us may be invalidated, circumvented or challenged. Any of our pending or future patent applications, whether or not being currently challenged, may not be issued with the scope of the claims we seek, if at all. In addition, the laws of some countries do not provide the same level of protection of our intellectual property rights as do the laws and courts of the United States. If we cannot protect our intellectual property rights against unauthorized copying or use, or other misappropriation, we may not remain competitive.

Our products may violate third party intellectual property rights.

Certain of our products are designed to be used with proprietary computer systems built by various OEM manufacturers. We often have to comply with the OEM's proprietary designs which may be patented, now or at some time in the future. OEMs have, at times, claimed that we have violated their patent rights by adapting our products to meet the requirements of their systems. It is our policy to, in unclear cases, either obtain an opinion of patent counsel prior to marketing, or obtain a license from the patent holder. We are presently licensed by Sun Microsystems and Silicon Graphics to sell memory products for certain of their products. However, there can be no assurance that product designs will not be created in the future which will, in fact, be patented and which patent holders will require the payment of substantial royalties as a condition for our continued presence in the segment of the market covered by the patent or they may not give us a license. Nor can there be any assurance that our existing products do not violate one or more existing patents.

We may lose an important customer.

During the fiscal year ended April 30, 2014, the largest ten customers accounted for approximately 49% of the Company's revenues and one customer accounted for approximately 15% of the Company's revenues. There can be no assurance that one or more of these customers will not cease or materially decrease their business with the Company in the future and that our financial performance will not be adversely affected thereby.

Sales directly to OEM's and contract manufacturers can make our revenues, earnings, backlog and inventory levels uneven.

Revenue and earnings from OEM sales may become uneven as order sizes are typically large and often a completed order cannot be shipped until released by the OEM, e.g., to meet a "just in time" inventory requirement. This may occur at or near the end of an accounting period. In such case, revenues and earnings could decline for the period and inventory and backlog could increase.

We face competition from OEMS.

In the compatibles market we sell our products at a lower price than OEMs. Customers will often pay some premium for the "name brand" product when buying additional memory and OEMs seek to exploit this tendency by having a high profit margin on memory products. However, individual OEMs can change their policy and price memory products competitively. While we believe that with our manufacturing efficiency and low overhead we still would be able to compete favorably with OEMs, in such an event profit margins and earnings would be adversely affected. Also, OEMs could choose to use "free memory" as a promotional device in which case our ability to compete would be severely impaired.

We face competition from DRAM manufacturers.

DRAM manufacturers not only sell their product as discrete devices, but also as finished memory modules. They primarily sell these modules directly to OEMs and large distributors and as such compete with us. There can be no assurance that DRAM manufacturers will not expand their market and customer base, and our profit margins and earnings could be adversely affected.

The market for our products may narrow over time.

The principal market for our memory products consists of the manufacturers, buyers and owners of workstations and enterprise servers, classes of machines lying between large mainframe computers and personal computers. Personal computers and mobile devices are increasing in their power and sophistication and, as a result, are now filling some of the computational needs traditionally filled by workstations. The competition for the supply of after-market memory products in the PC industry is very competitive and to the extent we compete in this market we can be expected to have lower profit margins. There can be no assurance that this trend will not continue in the future, and that our financial performance will not be adversely affected.

A portion of our operations is designed to meet the needs of the very competitive Intel and AMD processor-based motherboard market.

In addition to selling server memory systems, we develop, manufacture and market a variety of memory products for motherboards that are Intel or AMD processor based. Many of these products are sold to OEMs and incorporated into computers and other equipment. This is an intensely competitive market with high volumes but lower margins.

Delays in product development schedules may adversely affect our revenues.

The development of software products is a complex and time-consuming process. New products and enhancements to existing products can require long development and testing periods. Our increasing focus on software plus services also presents new and complex development issues. Significant delays in new product or service releases or significant problems in creating new products or services could adversely affect our revenue.

Any claim that our products are defective could harm our business.

We undertake to produce consistently high-quality products, free of defects and errors. Nevertheless, it is possible that our products may contain errors or defects. Our products are complex and must meet stringent user requirements, and we have consistently provided a lifetime warranty for our products. Any customer claims of errors or defects could result in increased expenditures for product testing, or increase our service costs and potentially lead to increased warranty claims. Errors or defects in our products may be caused by, among other things, errors or defects in the memory or controller components, including components we procure from third parties. These factors could result in the rejection of our products, product recalls, and damage to our reputation, lost revenues, diverted development resources, increased customer service and support costs, warranty claims and litigation. We record an allowance for warranty and similar costs in connection with sales of our products, but actual warranty and similar costs may be significantly higher than our recorded estimate and harm our operating results and financial condition.

Moreover, despite testing prior to its release, our software products may contain errors, especially when first introduced or when new versions are released. The detection and correction of any errors can be time consuming and costly. Errors in our software products could affect the ability of our products to work with other software or hardware products, could delay the development or release of new products or new versions of products and could adversely affect market acceptance of our products. If we experience errors or delays in releasing our new software or new versions of our software products, we could lose revenues. End users, who rely on our software products and services for applications that are critical to their businesses, may have a greater sensitivity to product errors than customers for software products generally. Errors in our software products or services could expose us to product liability, performance and/or warranty claims as well as harm our reputation, which could impact our future sales of products and services.

We may make unprofitable acquisitions.

The Company is actively looking at acquiring complementary products and related intellectual property. The possibility exists that an acquisition will be made at some time in the future. Uncertainty surrounds all acquisitions and it is possible that a particular acquisition may not result in a benefit to shareholders, particularly in the short-term. In addition, there can be no assurance that the business of MMB acquired by the Company will remain a profitable operating unit of the Company or that savings from having a larger consolidated business operation will continue.

The investments we make in research and development may not lead to profitable new products.

The Company has implemented a strategy to introduce new and complementary products into its offerings portfolio, and expects to spend substantial sums of money on research and development of such possible new products. Specifically, the Company has made considerable investments in research and development of the RAMDisk product line. We will also continue to invest in new software and hardware products, services, and technologies. Investments in new technology are speculative. Commercial success depends on many factors, including innovativeness, developer support, and effective distribution and marketing. If customers do not perceive our latest offerings as providing significant new functionality or other value, they may reduce their purchases of our products, unfavorably impacting revenue. There can be no assurance that these research and development expenditures will result in the identification or exploitation of any products that can be profitably sold by the Company.

We may be adversely affected by exchange rate fluctuations.

A portion of our accounts receivable and a portion of our expenses are denominated in foreign currencies. These proportions change over time. As a result, the Company's revenues and expenses may be adversely affected, from time to time, by changes in the relationship of the dollar to various foreign currencies on foreign exchange markets. Currently, the Company does not hedge its foreign currency risks, but could do so in the future.

We may incur intangible asset and goodwill impairment charges which could harm our profitability.

We periodically review the carrying values of our intangible assets and goodwill to determine whether such carrying values exceed the fair market value. Our goodwill is subject to an annual review for goodwill impairment. If impairment testing indicates that the carrying value exceeds its fair value, the intangible assets or goodwill is deemed impaired. For example, in the third quarter of the fiscal year ended April 30, 2012, the Company took an impairment charge of $2,387,000 on capitalized software development costs that were written down to zero. Accordingly, an impairment charge would be recognized in the period identified, which could reduce our profitability.

In the fiscal year ended April 30, 2013, the goodwill associated with the MMB acquisition was deemed to be impaired. Therefore, we recorded a charge to earnings and a reduction of the intangible asset in the amount of $438,000.

The market price for our Common Stock has experienced significant price and volume volatility and may continue to experience significant volatility in the future.

Our stock has experienced significant price and volume volatility for the past several years, and is likely to experience significant volatility in the future, which could result in investors losing all or part of their investments. We believe that such fluctuations will continue as a result of many factors, including financing plans, future announcements concerning us, our competitors or our principal customers regarding financial results or expectations, technological innovations, industry supply and demand dynamics, new product introductions, governmental regulations, the commencement or results of litigation or changes in earnings estimates by analysts, as well as a result of numerous factors outside our control. Significant declines in our stock price may interfere with our ability to raise additional funds through equity financing or to finance strategic transactions with our stock. A significant adverse change in the market value of our Common Stock could also trigger an interim goodwill impairment test that may result in a non-cash impairment charge. In addition, we have historically used equity incentive compensation as part of our overall compensation arrangements. The effectiveness of equity incentive compensation in retaining key employees may be adversely impacted by volatility in our stock price.

Our stock has limited liquidity.

Although our stock is publicly traded, it has been observed that this market is “thin.” As a result, the common stock may trade at a discount to what would be its value if the stock enjoyed greater liquidity.

We do not intend to pay dividends in the foreseeable future.

We have rarely declared or paid any dividends on our Common Stock. We anticipate that we will retain any future earnings to support operations and to finance the development of our business and do not expect to pay cash dividends in the foreseeable future. As a result, the success of an investment in our common stock will depend entirely upon any future appreciation in its value. There is no guarantee that our Common Stock will appreciate in value or even maintain the price at which stockholders have purchased their shares.

We are subject to the New Jersey Shareholders Protection Act.

This statute has the effect of prohibiting any "business combination" - a very broadly defined term - with any "interested shareholder" unless the transaction is approved by the Board of Directors at a time before the interested shareholder had acquired a 10% ownership interest. This prohibition of "business combinations" is for five years after the shareholder became an "interested shareholder" and continues after that time period subject to certain exceptions. A practical consequence of this statute is that a hostile acquisition of our Company is unlikely to occur and hostile transactions which might be of benefit to our shareholders are unlikely to occur.

We are a party to a litigation that could cause us to incur substantial cost to pay substantial damages.

We are party to a litigation with the landlord for the property previously leased by the Company in Ivyland, Pennsylvania, which we vacated at the expiration of the lease. The case was commenced in the United States District Court for the Eastern District of Pennsylvania. The landlord claims that the Company failed to restore the property to its original condition. On July 30, 2013, the District Judge ruled that the Company is required to restore the property to the condition that existed as of January 11, 2006, without making any factual findings on the extent of the Company's liability. The Company believes that the claims of the landlord are without merit. However, in order to avoid further cost, resources and legal fees, the Company has agreed in principle, to settle this matter, which will require three (3) payments of $75,000 to be remitted to the landlord (i) on the signing of the Settlement Agreement; (ii) within forty five (45) days of the Settlement Agreement; and (iii) within ninety (90) days of the Settlement Agreement. The Company also agreed to relinquish its right to the $52,000 security deposit in the possession of the landlord. The Settlement is subject to the execution of definitive documents, which the Company anticipates will be completed on or before August 15, 2014.

Adverse global economic conditions and instability in financial markets may harm our business and adversely affect our operating results.

Adverse or worsening economic conditions or the instability of financial markets in the United States, Europe, Asia or other parts of the world have a negative effect on our business. When there are such adverse conditions or instability, many of our direct and indirect customers may delay or reduce their purchases of our products and systems containing our products. In addition, several of our customers rely on credit financing in order to purchase our products. If the negative conditions in the global credit markets prevent our customers' access to credit or render them insolvent, orders for our products may decrease, which would result in lower revenue. Likewise, if our suppliers face challenges in obtaining credit, in selling their products, or otherwise in operating their businesses or remaining solvent, they may become unable to offer the materials we use to manufacture our products. We believe we have obtained adequate available insurance to address the business which can be insured against with respect to our business. However, these events could result in reductions in our revenue, increased price competition, and increased operating costs, which could adversely affect our business, financial condition, results of operations, and cash flows.

Government regulations may have a negative effect on our business.

Government regulators, or our customers, may in the future require us to comply with product or manufacturing standards that are more restrictive than current laws and regulations related to environmental matters, conflict minerals or other social responsibility initiatives. The implementation of these standards could affect the sourcing, cost and availability of materials used in the manufacture of our products. For example, there may be only a limited number of suppliers offering “conflict free” metals used in our products, and there can be no assurance that we will be able to obtain such metals in sufficient quantities or at competitive prices. Also, we may face challenges with regulators and our customers and suppliers if we are unable to sufficiently verify that the metals used in our products are conflict free. Non-compliance with these standards could cause us to lose sales to these customers and compliance with these standards could increase our costs, which may harm our operating results.

Changes to financial accounting standards may affect our results of operations and cause us to change our business practices.

We prepare our financial statements to conform to U.S. GAAP. These accounting principles are subject to interpretation by the American Institute of Certified Public Accountants, the SEC, and various bodies formed to interpret and create appropriate accounting policies. A change in those policies can have a significant effect on our consolidated reported results and may affect our reporting of transactions completed before a change in accounting principles is announced. Changes to those rules or the questioning of current practices may adversely affect our reported financial results or the way we conduct our business.

We may suffer a breach of our computer security measures, which could harm our business.

If our security measures are breached and unauthorized access is obtained to our information technology systems, we may lose proprietary data or suffer damage to our business. Our security measures may be breached as a result of third-party action, including computer hackers, employee error, malfeasance or otherwise, and result in unauthorized access to our customers' data or our data, including our intellectual property and other confidential business information, or our information technology systems. Because the techniques used to obtain unauthorized access, or to sabotage systems, change frequently, we may be unable to anticipate these techniques or to implement adequate preventative measures. We believe we have obtained adequate available insurance to address the business which can be insured against with respect to our business. However, any security breach could result in disclosure of our trade secrets or confidential customer, supplier or employee data, or harm our ability to carry on our business, all of which could result in legal liability, harm to our reputation and otherwise harm our business.

Armed hostilities, terrorism, natural disasters, property damage, public health or other issues could harm our business.

Armed hostilities, terrorism, natural disasters, damage to property (through fire, flood, or other similar occurrence), telecommunications or transportation/shipping interruptions, epidemic or public health issues, whether in the U.S. or abroad, could cause damage or disruption to us, our facilities and infrastructure, our suppliers, or our customers, or could create political or economic instability, any of which could harm our business. These events could cause a decrease in demand for our products, could make it difficult or impossible for us to deliver products or for our suppliers to deliver components, and could create delays and inefficiencies in our supply chain. We believe we have obtained adequate available insurance to address the business which can be insured against with respect to our business, but there can be no assurance that our insurance will cover such risks or would adequately remediate any harm to us from any such event.

The severe flooding in Thailand which occurred during fiscal 2012 caused damage to infrastructure and factories that resulted in a shutdown for several months of hard drive manufacturing which has resulted in shortages and price increases and has otherwise adversely affected our operations. If we are unsuccessful in our continuing efforts to minimize the impact of this event (or of any future event) on our customers and operations, our business and financial results could decline.

Our common stock is subject to Delisting by NADSAQ due to a deficiency in the Stockholders' Equity Listing Requirement.

On March 28, 2014, Dataram Corporation (the "Company") received a letter from the Listing Qualifications Department of The NASDAQ OMX Group ("NASDAQ") notifying the Company that it was not in compliance with the $2,500,000 stockholders' equity requirement as of January 31, 2014. The Company submitted a plan to NASDAQ outlining the steps it will take to regain compliance with the Shareholders Equity requirement. Based on the Company's plan, NASDAQ has granted the Company an extension until September 24, 2014. There can be no assurance that the Company will satisfy the Shareholder Equity requirement by the extension date.

Item 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

Item 2. PROPERTIES

The Company occupies 11,056 square feet of space for administrative, sales, research and development and manufacturing support in Princeton, New Jersey under a lease expiring on September 1, 2016.

The Company leases 17,500 square feet of assembly plant and office space in Montgomery County, Pennsylvania. The lease expires on March 31, 2016.

The Company also leases marketing facilities in France.

Rent expense amounted to approximately $629,000, $512,000 and $516,000 for the fiscal years ended April 30, 2014, 2013 and 2012, respectively. Fiscal year ended April 30, 2014 rent expense includes a $225,000 provision to settle a suit against the Company discussed in item 3, legal proceedings. Fiscal year ended April 30, 2013 rent expense included a provision for approximately $90,000 for the closure of a facility used for research and development in the state of Washington.

Item 3. LEGAL PROCEEDINGS

We are party to a litigation with the landlord for the property previously leased by the Company in Ivyland, Pennsylvania, which we vacated at the expiration of the lease. The case was commenced in the United States District Court for the Eastern District of Pennsylvania. The landlord claims that the Company failed to restore the property to its original condition. On July 30, 2013, the District Judge ruled that the Company is required to restore the property to the condition that existed as of January 11, 2006, without making any factual findings on the extent of the Company's liability. The Company believes that the claims of the landlord are without merit. However, in order to avoid further cost, resources and legal fees, the Company has agreed in principle, to settle this matter, which will require three (3) payments of $75,000 to be remitted to the landlord (i) on the signing of the Settlement Agreement; (ii) within forty five (45) days of the Settlement Agreement; and (iii) within ninety (90) days of the Settlement Agreement. The Company also agreed to relinquish its right to the $52,000 security deposit in the possession of the landlord. The Settlement is subject to the execution of definitive documents, which the Company anticipates will be completed on or before August 15, 2014.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Common Stock Information

The Common Stock of the Company is traded on the NASDAQ Stock Market under the symbol “DRAM”. As of July 15, 2014 there were approximately shareholders of record 2,000, which does not include approximately 300 beneficial owners of shares held in the names of brokers or other nominees. The following table sets forth, for the periods indicated, the high and low intraday prices per share of our common stock as reported by the NASDAQ Stock Market.

	2014		2013	
	High	Low	High	Low
First Quarter	$ 6.19	$ 2.05	$ 6.60	$ 3.36
Second Quarter	3.40	2.22	4.92	3.12
Third Quarter	3.73	2.16	3.54	1.80
Fourth Quarter	5.43	2.41	2.64	1.26

All prices have been adjusted to reflect the reverse 1-for-6 stock split which was effective March 15, 2013. The Company does not intend to pay dividends in the near future.

Dividends

We do not anticipate paying dividends in the foreseeable future as the board of directors intends to retain future earnings for use in our business. Any future determination as of the payment of dividends will depend upon our financial conditions, results of operations and such other factors as the Board of Directors seems relevant. In addition, our financing agreement contains covenants limiting the declaration and distribution of a dividend.

Issuer Purchases of Equity Securities - NONE

Item 6. SELECTED FINANCIAL DATA

(Not covered by Independent Registered Public Accounting Firm’s Reports)
(In thousands, except per share amounts)

The following selected financial data should be read in conjunction with item 7, “MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS” and our financial statements and the related notes appearing in item 8,” FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA” of this form 10-K

Years Ended April 30,	**2014**	**2013**	**2012**	**2011**	**2010**
Revenues	$ 30,399	$ 27,616	$ 36,079	$ 46,847	$ 44,020
Net loss	(2,609)	(4,625)	(3,259)	(4,634)	(10,743))
Basic loss per share	(1.30)	(2.60)	(1.84)	(3.11)	(7.23)
Diluted loss per share	(1.30)	(2.60)	(1.84)	(3.11)	(7.23)
Current assets	6,219	6,468	8,927	10,564	14,810
Total assets	7,572	8,165	11,430	14,820	17,653
Current liabilities	5,337	3,908	2,237	7,439	6,261
Total stockholders’ equity	1,985	2,990	7,526	7,381	11,392
Cash dividends paid	—	—	—	—	—

All prices have been adjusted to reflect the reverse 1-for-6 stock split which was effective March 15, 2013.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and other parts of this Form 10-K contain forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. Forward-looking statements can also be identified by words such as “future,” “anticipates,” “believes,” “estimates,” “expects,” “intends,” “plans,” “predicts,” “will,” “would,” “could,” “can,” “may,” and similar terms. Forward-looking statements are not guarantees of future performance and the Company’s actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in Part I, Item 1A of this Form 10-K under the heading “Risk Factors,” which are incorporated herein by reference. The following discussion should be read in conjunction with the consolidated financial statements and notes thereto included in Part II, Item 8 of this Form 10-K. All information presented herein is based on the Company’s fiscal calendar. Unless otherwise stated, references to particular years or quarters refer to the Company’s fiscal years ended in April and the associated quarters of those fiscal years. The Company assumes no obligation to revise or update any forward-looking statements for any reason, except as required by law.

Overview

Dataram Corporation (the "Company") is a developer, manufacturer and marketer of large capacity memory products primarily used in high performance network servers and workstations. The Company is also a developer, manufacturer and marketer of a line of high performance storage caching products. The Company provides customized memory solutions for original equipment manufacturers ("OEMs") and compatible memory for leading brands including Dell, HP, IBM and Sun Microsystems.

The Company also manufactures a line of memory products for Intel and AMD motherboard based servers for sale to OEMs and channel assemblers. The Company's memory products are sold worldwide to OEMs, distributors, value-added resellers and end-users. The Company has one leased manufacturing facility in the United States with sales offices in the United States, Europe and Japan.

The Company is an independent memory manufacturer specializing in high-capacity memory and competes with several other large independent memory manufacturers as well as the OEMs mentioned above. The primary raw material used in producing memory boards is dynamic random access memory (“DRAM”) chips. The purchase cost of DRAMs is the largest single component of the total cost of a finished memory board. Consequently, average selling prices for computer memory boards are significantly dependent on the pricing and availability of DRAM chips.

In the fiscal year ended April 30, 2009, the Company acquired certain assets of Micro Memory Bank, Inc. ("MMB"), a privately held corporation. MMB is a manufacturer of legacy to advanced solutions in laptop, desktop and server memory products. The acquisition expanded the Company's memory product offerings and routes to market. Its products include memory upgrades for IBM, Sun, HP and Compaq computer systems. MMB also markets and sells new and refurbished factory original memory upgrades manufactured by IBM, Sun, HP and Compaq as well as factory original modules manufactured by Micron, Hynix, Samsung, Elpida and Nanya, and purchases excess memory inventory from other parties as well.

During the third quarter of the fiscal year ended April 30, 2012, the Company's XcelaSAN ("XcelaSAN") product was available for general release and generated approximately $8,000 of revenue, which was significantly lower than expected. The Company capitalized approximately $907,000 of XcelaSAN development cost in the first six months of the fiscal year ended April 30, 2012. The Company capitalized approximately $1,480,000 of XcelaSAN research and development costs in the fiscal year ended April 30, 2011. The Company determined in the fiscal year ended April 30, 2012's third quarter based on the estimated future net realizable value for the expected periods of benefit that the carrying value of capitalized software development cost was impaired. As such, approximately $2,387,000 of capitalized software development cost was written down to zero.

In the fourth quarter of the fiscal year ended April 30, 2012, the Companysold thirteen patents and two patent applications (covering covered solid state storage and caching products based on DRAM, flash, and other solid state technologies) for a purchase price of $5,000,000. Under terms of the sale, the Company retains a license to continue to use the patents in current and future Company products (including XcelaSAN) with limited rights to transfer its license. At the time, the Company believed that this transaction represented an exceptional opportunity to fund new growth initiatives such as the AMD branded products while at the same time protecting the Company's current product portfolio. The transaction also delivered a significant return on the investment the Company made several years ago when it committed to use funds to convert certain intellectual property to tangible patent assets.

In the fiscal year ended April 30, 2014, the Company worked to expand its sales of memory products through both existing channels of distribution and its growing web-based marketing and sales. In addition, the Company plans to maintain and enhance its status as price performance leader in the virtual RAM drive market through its RAMDisk products. The Company also continued to enhance and market its caching products, and to develop new business opportunities based on its existing expertise and software. The Company plans to continue to seek and evaluate possible strategic alliances to enhance its sales, and to develop and monetize additional intellectual property as well.

Results of Operations

The following table sets forth consolidated operating data expressed as a percentage of revenues for the periods indicated.

Years Ended April 30,	**2014**	**2013**	**2012**
Revenues	100.0%	100.0%	100.0%
Cost of sales	80.1	79.8	76.2
Gross profit	19.9	20.2	23.8
Engineering	3.9	2.6	2.1
Impairment of goodwill	0.0	1.6	0.0
Impairment of capitalized software	0.0	0.0	6.6
Selling, general and administrative	23.6	31.5	34.2
Loss from operations	(7.6)	(15.5)	(19.1)
Other income (expense), net	(1.0)	(1.2)	10.1
Loss before income tax expense	(8.6)	(16.7)	(9.0)
Income tax expense	0.0	0.0	0.0
Net loss	(8.6)%	(16.7)%	(9.0)%

Fiscal 2014 Compared With Fiscal 2013

Revenues for the fiscal year ended April 30, 2014 were $30,399,000 compared to $27,616,000 in the fiscal year ended April 30, 2013, a 10.1% increase. Average selling prices decreased approximately 13% from the prior year periods, attributable to a decline in the price of DRAM chips, the primary raw material used in the Company’s products. The decline in average selling price was offset by an increase in volume of approximately 27%.

Revenues for the fiscal years ended April 30, 2014 and 2013 by geographic region were:

	Year ended April 30, 2014	Year ended April 30, 2013
United States	$ 24,917,000	$ 21,702,000
Europe	3,431,000	3,983,000
Other (principally Asia Pacific Region)	2,051,000	1,931,000
Consolidated	$ 30,399,000	$ 27,616,000

The Company expects that the entire backlog on hand will be filled during the fiscal year ending April 30, 2015 and mostly in the first quarter. The Company's backlog at April 30, 2014 was $216,000. At April 30, 2013, the Company’s backlog was $234,000.

Cost of sales was $24,353,000 in the fiscal year ended April 30, 2014 or 80.1% of revenues compared to $22,042,000 or 79.8% of revenues in the fiscal year ended April 30, 2013. Fluctuations in cost of sales as a percentage of revenues are not unusual and can result from many factors, some of which are a rapid change in the price of DRAMs, or a change in product mix possibly resulting from a large order or series of orders for a particular product or a change in customer mix. The Company eliminated approximately $283,000 of annualized expense in the fiscal year ended April 30, 2014’s first quarter, which resulted in a charge of approximately $53,000.

Engineering expense in the fiscal year ended April 30, 2014 was approximately $1,186,000 versus approximately $715,000 in the fiscal year ended April 30, 2013. The Company has recorded approximately $523,000 of cost related to the maintenance and development of our RAMDisk product in the fiscal year ended April 30, 2014. In the comparable prior year period cost related to the RAMDisk product were related to sales and marketing of an existing version were reflected in SG&A expense. The Company also eliminated approximately $94,000 of annualized expense in the fiscal year ended April 30, 2014’s first quarter, which resulted in a charge of approximately $27,000.

Selling, general and administrative expenses were $7,181,000 in the fiscal year ended April 30, 2014 versus $8,700,000 in the fiscal year ended April 30, 2013. In the fiscal year ended April 30, 2013 selling expense includes approximately $919,000 of expense related to the RAMDisk product. The overall reduction in expense was primarily the result of a reduction of employees and related benefit expenses. Stock-based compensation expense was recorded as a component of selling, general and administrative expense and totaled approximately $43,000 in the fiscal year ended April 30, 2014, versus $231,000 in the fiscal year ended April 30, 2013. Intangible asset amortization is recorded as a component of selling, general and administrative expense and totaled approximately $133,000 in the fiscal year ended April 30, 2014 and $164,000 in the fiscal year ended April 30, 2013. The Company also recorded approximately $30,000 severance cost in the fiscal year ended April 30, 2014’s first quarter. As a result of the cost reductions the Company has eliminated approximately $518,000 of annualized expense. The Company also recorded a provision for lease settlement of $225,000 in the fiscal year ended April 30, 2014.

Based on a combination of factors that occurred in the fourth quarter of the fiscal year ended April 30, 2013 including the operating results of the MMB business unit, management concluded that a goodwill impairment triggering event had occurred, and accordingly performed a testing of the carrying value of $1,519,000 of goodwill for MMB. After this testing, management concluded that the carrying value of the MMB business unit exceeded the fair value of this reporting unit. The implied fair value of the goodwill of the MMB business unit was calculated by allocating the fair values of substantially all of its individual assets, liabilities and identified intangible assets as if MMB business unit had been acquired in a business combination. As a result, the Company recorded a non-cash goodwill impairment charge of $438,000. In fiscal year ended April 30, 2014 the Company performed a goodwill impairment review using the discounted cash flow method (an income based approach) to arrive at an indication of fair market value of the MMB business unit and concluded that the derived fair value exceeded its carrying value by approximately 4% therefore management has concluded there is no additional impairment of goodwill. The model used many estimates including the operating results and discount rates. If we are not able to maintain projected operating results potential impairment could occur in the near term.

Other income (expense) for the fiscal year ended April 30, 2014 totaled approximately $288,000 of expense versus $341,000 of expense in fiscal 2013. Other income (expense) for the fiscal year ended April 30, 2014 includes $306,000 of interest expense and $18,000 of foreign currency transaction gains, primarily as a result of the US dollar weakening against the EURO. Other income (expense) for the fiscal year ended April 30, 2013 includes $311,000 of interest expense and $22,000 of interest income. Other income (expense) in the fiscal year ended April 30, 2013 also includes $52,000 of foreign currency transaction losses, primarily as a result of the US dollar strengthening against the EURO.

The Company's consolidated statements of operations for the fiscal year ended April 30, 2013 included tax expense of approximately $5,000 that consists of state minimum tax payments. For the fiscal year ended April 30, 2014, the Company had Federal and State net operating loss ("NOL") carry-forwards of approximately $25,600,000 and $24,000,000, respectively. These can be used to offset future taxable income and expire between 2023 and 2034 for Federal tax purposes and 2016 and 2034 for state tax purposes. The Company's NOL carry-forwards are a component of its deferred income tax assets which are reported net of a full valuation allowance in the Company's consolidated financial statements for the fiscal years ended April 30, 2014 and 2013.

Fiscal 2013 Compared With Fiscal 2012

Revenues for the fiscal year ended April 30, 2013 were $27,616,000 compared to $36,079,000 in the fiscal year ended April 30, 2012, a 23.5% decrease. This decrease was primarily the result of the reduction in prices of DRAMs. The average selling price of one gigabyte of memory decreased approximately 41% to approximately $16 for the fiscal year ended April 30, 2013, compared to approximately $27 for the fiscal year ended April 30, 2012.

Cost of sales was $22,042,000 in the fiscal year ended April 30, 2013 or 79.8% of revenues compared to $27,509,000 or 76.2% of revenues in the fiscal year ended April 30, 2012. Fluctuations in cost of sales as a percentage of revenues are not unusual, however, and can result from many factors, including rapid changes in the price of DRAMs, or changes in product mix possibly resulting from a large order or series of orders for a particular product or a change in customer mix.

Engineering expense in the fiscal year ended April 30, 2013 was approximately $715,000 versus approximately $740,000 in the fiscal year ended April 30, 2012.

Research and development expense in the fiscal year ended April 30, 2013 was $0. In the fiscal year ended April 30, 2012, the Company capitalized $907,000 of research and development costs related to the XcelaSAN product. During the third quarter of the fiscal year ended April 30, 2012, the XcelaSAN product was available for general release and generated approximately $8,000 of revenue, which was significantly lower than expected. The Company capitalized approximately $1,480,000 of XcelaSAN research and development costs in the fiscal year ended April 30, 2011. The Company determined in the fiscal year ended April 30 , 2012's third quarter based on the estimated future net realizable value for the expected periods of benefit that the carrying value of capitalized software development cost was impaired. As such, approximately $2,387,000 of capitalized software development cost was written off.

Selling, general and administrative expenses were $8,700,000 in the fiscal year ended April 30, 2013 versus $12,324,000 in the fiscal year ended April 30, 2012. In the fiscal year ended April 30, 2013, there was $0 of XcelaSAN selling expenses compared to approximately $2,500,000 in the prior year. Fiscal year ended April 30, 2013 selling expense includes approximately $919,000 of expense related to the RAMDisk product. The overall reduction in expense was primarily the result of a reduction of employees and related benefit expenses. Stock-based compensation expense was recorded as a component of selling, general and administrative expense and totaled approximately $231,000 in the fiscal year ended April 30, 2013, versus $451,000 in fiscal 2012. In the fiscal year ended April 30, 2013, there were options granted to purchase 41,667 shares of the Company's Common Stock compared to option grants to purchase 48,000 shares in the fiscal year ended April 30, 2012. Intangible asset amortization is recorded as a component of selling, general and administrative expense and totaled approximately $164,000 in the fiscal year ended April 30, 2013 and the fiscal year ended April 30, 2012.

Based on a combination of factors that occurred in the fourth quarter of the fiscal year ended April 30, 2013 including the operating results of the MMB business unit, management concluded that a goodwill impairment triggering event had occurred, and accordingly performed a testing of the carrying value of $1,519,000 of goodwill for MMB. After this testing, management concluded that the carrying value of the MMB business unit exceeded the fair value of this reporting unit. The implied fair value of the goodwill of the MMB business unit was calculated by allocating the fair values of substantially all of its individual assets, liabilities and identified intangible assets as if MMB business unit had been acquired in a business combination. As a result, the Company recorded a non-cash goodwill impairment charge of $438,000.

During the third quarter of the fiscal year ended April 30, 2012, the XcelaSAN product was available for general release and generated approximately $8,000 of revenue, which was significantly lower than expected. The Company capitalized approximately $900,000 of XcelaSAN development cost in the first six months of the fiscal year ended April 30, 2012. The Company capitalized approximately $1,500,000 of XcelaSAN research and development costs in the fiscal year ended April 30, 2011. The Company determined in the third quarter of the fiscal year ended April 30, 2012, based on the estimated future net realizable value for the expected periods of benefit that the carrying value of capitalized software development cost was impaired. As such, approximately $2,387,000 of capitalized software development cost was written down to zero.

Other income (expense) for fiscal year ended April 30, 2013 totaled approximately $341,000 of expense versus $3,627,000 of income in the fiscal year ended April 30, 2012. Other income (expense) for the fiscal year ended April 30, 2013 includes $311,000 of interest expense and $22,000 of interest income. Other income (expense) in the fiscal year ended April 30, 2013 also includes $52,000 of foreign currency transaction losses, primarily as a result of the US dollar strengthening against the EURO. Other income (expense) in the fiscal year ended April 30, 2012 includes approximately $4,078,000 of income recorded for the sale of thirteen patents and two patent applications, net of expenses. Other income (expense) in the fiscal year ended April 30, 2012 also includes $386,000 of interest expense and $65,000 of foreign currency transaction losses, primarily the result of the US dollar strengthening against the EURO.

The Company’s consolidated statements of operations for the fiscal year ended April 30, 2013 and 2012 include tax expense of approximately $5,000 each year that consists of state minimum tax payments. The Company’s NOL carry-forwards are a component of its deferred income tax assets which are reported net of a full valuation allowance in the Company’s consolidated financial statements for the fiscal years ended April 30, 2013 and 2012. The Company has recorded a full valuation allowance related to its deferred tax asset in both 2013 and 2012.

Liquidity and Capital Resources

The Company's financial statements are prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America and have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. For the fiscal years ended April 30, 2014, 2013 and 2012, the Company incurred losses in the amounts of approximately $2,609,000, $4,625,000 and $ 3,259,000, respectively.

Our continuation as a going concern is dependent upon obtaining the additional working capital necessary to sustain our operations. We may raise additional working capital by obtaining financing, raising capital through the sales of equity and or debt securities and upon future profitable operations. We may also seek to reduce our expenses. For example, in the first quarter of the fiscal year ended April 30, 2014, the Company eliminated approximately $ 900,000 of total expenses on an annual basis. There is no assurance that our current operations will be profitable or that we will raise sufficient funds to continue operating. The Company continues to seek out opportunities to reduce overhead expenses to meet revenues. These factors raise substantial doubt about the Company’s ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the classification of liabilities that might be necessary in the event we cannot continue in operations.

As of April 30, 2014, we had cash and cash equivalents totaling $258,000. During the year then ended, we had a net loss of $2,609,000 and used cash in operating activities of $1,554,000. We believe our existing capital resources should be sufficient to fund the activities contemplated by our current operating plan into the third quarter of fiscal 2015. We intend to seek external funding prior to that time, however, most likely through bank debt and the issuance and sale of securities. We cannot predict with any certainty when we will need additional funds or how much we will need or if additional funds will be available to us. Our need for future funding will depend on numerous factors, many of which are outside our control.

Net cash used in operating activities totaled approximately $1,554,000 for the fiscal year ended April 30, 2014. Net loss totaled approximately $2,609,000 and included stock-based compensation expense of approximately $43,000, depreciation and amortization expense of approximately $300,000 and bad debt expense of approximately $186,000. There was a gain on sale of property and equipment that totaled approximately $139,000. Inventories decreased by approximately $612,000. The decrease in inventories was a management decision to reduce inventory levels and conserve working capital. Accounts payable increased by approximately $491,000. Accrued liabilities increased by approximately $172,000. Trade receivables decreased by approximately $689,000.

Net cash provided by investing activities totaled $500,000 for the fiscal year ended April 30, 2014 and was the result of the proceeds received from the sale of property and equipment. The proceeds were used to pay down debt to Mr. Sheerr.

Net cash provided by financing activities totaled approximately $988,000 for the fiscal year ended April 30, 2014 and consisted of net borrowings of $227,000 made under revolving credit facilities. The Company also received net proceeds from the sale of common shares and warrants in the amount of $1,561,000. The Company also made principal payments of $800,000 to Mr. Sheerr under the Note and Security agreement.

On July 27, 2010, the Company entered into an agreement with a financial institution for formula-based secured debt financing of up to $5,000,000. Borrowings were secured by substantially all assets. On March 2, 2012, the agreement was amended to reduce the amount available under the credit facility to $3,500,000. On May 17, 2012, the agreement was amended and restated. The amended and restated documents reduced the interest rate to prime plus 6%, subject to a minimum of 9.25% and also not less than $8,000 per month. The loan facility allows borrowing of 90% of eligible domestic receivables. In addition, the loan facility allowed borrowing of 90% of eligible foreign receivables to a maximum of $500,000 and 25% of eligible inventory to a maximum of 20% of the amount available on receivables. On December 18, 2012, the agreement was amended in exchange for a fee of $7,500 to reduce the minimum Tangible Net Worth covenant to $1,300,000. As further discussed below, on November 6, 2013, the Company entered into a new financing agreement (the “Financing Agreement”) with Rosenthal & Rosenthal, Inc., and simultaneously terminated the loan agreement with the financial institution and paid in full the outstanding balance and accrued interest with proceeds received from the financing agreement.

On December 14, 2011, the Company entered into a Note and Security Agreement with Mr. Sheerr. The agreement provided for secured financing of up to $2,000,000. The Company was obligated to pay monthly, interest equal to 10% per annum calculated on a 360 day year of the outstanding loan balance. Principal was payable in sixty equal monthly installments, beginning on July 15, 2012. The Company had borrowed the full $2,000,000 available under this agreement. Principal amounts due under this obligation were $33,333 per month which began on July 15, 2012.

The Company amended and restated its Note and Security Agreement with Mr.Sheerr as of October 31, 2013; the Company sold certain equipment and furniture for a purchase price of $500,000 under a sale leaseback transaction to Mr. Sheerr. The Company used the proceeds of the purchase price received from Mr. Sheerr to reduce the remaining principal amount of the original loan by an amount equal to $500,000. The principal amount was reduced to approximately $966,667 at October 31, 2013. was obligated to pay monthly, interest equal to 10% per annum calculated on a 360 day year of the outstanding loan balance. Principal is payable in 29 equal monthly installments of $33,333, beginning on November 15, 2013 and subsequently on the 15th day of each month thereafter, until paid in full. On April 30, 2014 the note was paid in full. Interest expense recorded for the Note in the fiscal year ended April 30, 2014 was approximately $122,000.

As of October 31, 2013, the Company also entered into an agreement with Mr. Sheerr to leaseback the aforementioned equipment and furniture that was sold to Mr. Sheerr on October 31, 2013. The lease is for a term of 60 months and the Company is obligated to pay approximately $7,500 per month for the term of the lease. The Company has an option to extend the lease for an additional two year period. The transactions described have been accounted for as a sale-leaseback transaction. Accordingly, the Company recognized a gain on the sale of assets of approximately $139,000, which is the amount of the gain on sale in excess of present value of the future lease payments and will recognize the remaining approximately $322,000 in proportion to the related gross rental charged to expense over the term of the lease, 60 months. The current portion of $72,000 deferred gain is reflected in accrued liabilities and the long term portion of $250,000 is reflected in other liabilities long term in the consolidated balance sheet as of April 30, 2014.

On July 30, 2012, a Convertible Senior Promissory Note was executed by and between Shoreline Memory, Inc. (“Shoreline”) and the Company whereby the Company could lend up to $1,500,000 to Shoreline in exchange for interest payments at prime plus 3.0% and the right to convert the amount outstanding into Common Stock of Shoreline on or before its maturity date. Each time the Company advanced money under the note, the Company was granted 1% of the outstanding Common Stock of Shoreline for every $100,000 advanced up to a maximum of 15%. This was in addition to the 15% allowable under the conversion of the note and the warrant to acquire 30% of Shoreline Common Stock. The conversion was at the rate of 1% of the outstanding Common Stock for each $100,000 converted up to a maximum of 15%. This note had a maturity date of three years and at such time Shoreline would have had to repay the note or the Company would have had to convert the note into Common Stock. The note was secured by all the assets of Shoreline and Shoreline Capital Management Ltd. (“Shoreline Capital”) as guarantor. Also executed with the note was a warrant to purchase 30% of the outstanding Common Stock of Shoreline at the time of exercise and the warrant expires sixty days after the third anniversary of the closing of the transaction. The warrant prescribed a formula to determine the price per share at the time of exercise. If all the amounts under the note were advanced and converted and the full warrant was exercised, the Company would have owned 60% of the outstanding Common Stock of Shoreline. The note was executed simultaneously with a Master Services Agreement which detailed the parameters under which the Company and Shoreline would have fulfilled orders from Shoreline’s primary customer. On July 31, 2012, the Company advanced $375,000 under the note and an additional $375,000 on August 1, 2012. The purpose of the loan was to fund startup expenses and to prepay initial orders. On February 19, 2013, the Company received $50,000 from Shoreline and, on February 22, 2013, the Company received an additional $200,000 from Shoreline as a partial repayment of their loan. On March 27, 2013, the Company reached an agreement to terminate its relationship with Shoreline. At closing, the Company received an additional $225,000 as a partial repayment of the loan in connection with the termination of all agreements with Shoreline. The promissory note bears interest at the rate of 6% and was guaranteed by Shoreline Memory, Inc., Shoreline Capital Management Ltd and Trevor Folk. All agreements with Shoreline had been terminated with the exception of the amended and restated promissory note. The remaining $275,000 was scheduled to be repaid in accordance with the amended and restated promissory note on July 31, 2013. Shoreline Memory defaulted on the note. The Company fully reserved the $275,000 balance on the amended and restated promissory note at July 31, 2013. During fiscal 2014’s second quarter the Company agreed to settle the amount due on the defaulted note for approximately $162,000. The funds were received in escrow on October 31, 2013 and forwarded to the Company on November 1, 2013.

On November 6, 2013, the Company entered into a new financing agreement (the “Financing Agreement”) with Rosenthal & Rosenthal, Inc. to replace the existing loan agreement. The Financing Agreement provides for a revolving loan with a maximum borrowing capacity of $3,500,000. The loans under the Financing Agreement mature on November 30, 2016 unless such Financing Agreement is either earlier terminated or renewed. Loans outstanding under the Financing Agreement will bear interest at a rate of the Prime Rate (as defined in the Financing Agreement) plus 3.25% (the “Effective Rate”) or on Over-advances (as defined in the Financing Agreement), if any, at a rate of the Effective Rate plus 3%. The Financing Agreement contains other financial and restrictive covenants, including, among others, covenants limiting our ability to incur indebtedness, guarantee obligations, sell assets, make loans, enter into mergers and acquisition transactions and declare or make dividends. Borrowings under the Financing Agreement are collateralized by substantially all the assets of the Company. On April 29, 2014, the Company entered into an amendment (the "Amendment") to the Financing Agreement. The Amendment provides for advances against inventory balances based on prescribed formulas of raw materials and finished goods. The maximum borrowing capacity remains at $3,500,000. Borrowings at April 30, 2014 totaled approximately $2,970,000 and there was no additional availability on that date.

On September 18, 2013, the Company and certain investors entered into a securities purchase agreement (the “Purchase Agreement”) in connection with the offering, pursuant to which the Company agreed to sell an aggregate of 350,931 shares of its common stock and warrants to purchase a total of 350,931 shares of its common stock to such investors for aggregate net proceeds, after deducting fees to the Placement Agent and other estimated offering expenses payable by the Company, of approximately $807,000. The common stock and warrants were sold in fixed combinations, with each combination consisting of one share of common stock and one warrant, with each warrant exercisable for one share of common stock. The purchase price was $2.30 per fixed combination. On September 23, 2013 the offering of 350,000 shares and warrants was closed with net proceeds to the Company of approximately $695,491 after accounting for all expenses of the offering. The exercisability of the warrants may be limited if, upon exercise, the holder or any of its affiliates would beneficially own more than 4.99% of the Common Stock. After the one year anniversary of the initial exercise date of the warrants, the Company had the right to call the warrants for cancellation for $.001 per share in the event that the volume weighted average price of the Common Stock for 20 consecutive trading days exceeds $10.00.

On March 20, 2014, the Company and certain investors entered into a common stock purchase agreement (the "Purchase Agreement") in connection with the offering, pursuant to which the Company agreed to sell an aggregate of 219,754 shares of its common stock to such investors for aggregate proceeds, after deducting fees to the Placement Agent and other estimated offering expenses payable by the Company, of approximately $559,000. The purchase price was $3.00 per share.

On March 20, 2014, holders of warrants issued in connection with the sale of common stock on September 18, 2013, exercised 86,100 of those warrants at the exercise price of $3.50 per share resulting in net proceeds of approximately $306,350. The exercise of these warrants resulted in the issuance of 86,100 shares of the Company's common stock.

At April 30, 2014 the Company had 485,775 warrants outstanding. The exercise price of 221,875 warrants outstanding is $13.56 per warrant and the exercise price of 263,900 of warrants outstanding is $3.50 per warrant.

On July 15, 2014, the Company entered into a Subordinated Secured Convertible Bridge Note and Warrant Purchase Agreement (the "Purchase Agreement") governing the issuance of up to $750,000 aggregate principal amount of Subordinated Secured Convertible Bridge Notes (the "Bridge Notes") and Warrants (the "Warrants"). The Bridge Notes and Warrants were issued on July 15, 2014. The Company issued $600,000 aggregate principal amount of the Bridge Notes to certain institutional investors ("Institutional Investors") and $150,000 aggregate principal amount of the Bridge Notes to certain members of management, officers and directors of the Company ("Management"). The Bridge Notes, which mature on October 15, 2014 (subject to a three-month extension at the option of the holders), are convertible into shares of the Company's common stock. The initial conversion price for Institutional Investors is $2.50 per share, and the initial conversion price for Management is equal to the closing price of the Company's common stock on the closing date of the Purchase Agreement, $2.94. The Bridge Notes are secured obligations of the Company and will bear interest at a rate of 8% per year. The Warrants are exercisable for five years after the closing date of the Purchase Agreement. For each $1,000 of principal amount of Bridge Notes, the holder will receive 1,200 Warrants to purchase the Company's common stock. Each holder will be entitled to exercise one-third of all warrants received at an exercise price of $3.00, one-third of all warrants received at an exercise price of $3.50, and one-third of all warrants received at an exercise price that is equal to the closing price on the closing date of the Purchase Agreement, $2.94. The exercisability of the warrants may be limited if, upon exercise, the holder or any of its affiliates would beneficially own more than 4.99% of the Common Stock. After the one year anniversary of the initial exercise date of the warrants, the Company had the right to call the warrants for cancellation for $.001 per share in the event that the volume weighted average price of the Common Stock for 20 consecutive trading days exceeds $10.00.

On December 4, 2002, the Company announced an open market repurchase plan providing for the repurchase of up to 83,333 shares of the Company's Common Stock. On April 10, 2012, the Company announced the additional authorization to repurchase up to 138,000 shares of the Company's Common Stock which at that time made the total available for purchase of up to 166,667 shares. In fiscal 2013, the Company repurchased 22,942 shares for a total cost of $142,262. In fiscal 2012, the Company repurchased 7,317 shares for a total cost of $45,299. In fiscal 2011 and 2010, the Company did not repurchase any shares of its Common Stock. As of April 30, 2014, the total number of shares authorized for purchase under the program is 136,408 shares. On January 23, 2013, the Company canceled the 30,259 shares held in treasury stock.

The Company will try to obtain shareholder approval prior to the issuance of our common stock in connection with certain offerings involving the sale, issuance or potential issuance by the Company of common stock (and/or securities convertible into or exercisable for common stock) equal to 20% or more of the common stock outstanding before the issuance. Shares of our common stock issuable upon the exercise or conversion of warrants, options, debt instruments or other equity securities issued or granted in such offerings will be considered shares issued in such a transaction in determining whether the 20% limit has been reached. While we may seek to raise additional capital to implement our business strategy and enhance our overall capitalization, we have yet to determine the particular terms for such prospective offerings.

Contractual Obligations

Future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) as of April 30, 2014 are as follows:

	Non-Related Party	Related Party	Total
Year ending April 30:			
2015	$ 301,000	$ 90,000	$ 391,000
2016	293,000	90,000	383,000
2017	68,000	90,000	158,000
2018	—	90,000	90,000
2019	—	45,000	45,000
Thereafter	—	—	—
Total	$ 662,000	$ 405,000	$ 1,067,000

Purchases

At April 30, 2014, the Company had open purchase orders outstanding totaling $1,758,000, primarily for inventory items to be delivered in the first three months of the fiscal year ending April 30, 2015. These purchase orders are cancelable**.**

Off-Balance Sheet Arrangements

We do not have, and do not have any present plans to implement, any off-balance sheet arrangements.

Recent Accounting Guidance Not Yet Adopted

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, Revenue From Contracts with Customers. The purpose of this new standard is to clarify the principles for recognizing revenue so that can be applied consistently across various transactions, industries and capital markets. We have not completed our assessment of ASU No. 2014-09.

Critical Accounting Policies

During December 2001, the Securities and Exchange Commission ("SEC") published a Commission Statement in the form of Financial Reporting Release No. 60 which encouraged that all registrants discuss their most "critical accounting policies" in management's discussion and analysis of financial condition and results of operations. The SEC has defined critical accounting policies as those that are both important to the portrayal of a company's financial condition and results, and that require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. While the Company's significant accounting policies are summarized in Note 1 of notes to consolidated financial statements included in this Annual Report, management believes the following accounting policies to be critical:

Revenue Recognition - Revenue is recognized when title passes upon shipment of goods to customers. The Company's revenue earning activities involve delivering or producing goods. The following criteria are met before revenue is recognized: persuasive evidence of an arrangement exists, shipment has occurred, selling price is fixed or determinable and collection is reasonably assured. The Company does experience a minimal level of sales returns and allowances for which the Company accrues a reserve at the time of sale in accordance with the Revenue Recognition – Right of Return Topic of the FASB ASC. Estimated warranty costs are accrued by management upon product shipment based on an estimate of future warranty claims.

Research and Development - Research and development costs are expensed as incurred, including Company-sponsored research and development and costs of patents and other intellectual property that have no alternative future use when acquired and in which we had an uncertainty in receiving future economic benefits. Development costs of a computer software product to be sold, leased, or otherwise marketed are subject to capitalization beginning when a product's technological feasibility has been established and ending when a product is available for general release to customers. Technological feasibility of a computer software product is established when all planning, designing, coding and testing activities that are necessary to establish that the product can be produced to meet its design specifications (including functions, features and technical performance requirements) are completed.

Income Taxes - The Company utilizes the asset and liability method of accounting for income taxes in accordance with the provisions of the Expenses – Income Taxes Topic of the FASB ASC. Under the asset and liability method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The Company considers certain tax planning strategies in its assessment as to the recoverability of its tax assets. Deferred income tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in earnings in the period that the tax rate changes. The Company recognizes, in its consolidated financial statements, the impact of a tax position, if that position is more likely than not to be sustained on audit, based on technical merits of the position. There are no material unrecognized tax positions in the financial statements.

Goodwill – The carrying value of goodwill is not amortized, but is tested annually as of March 31 as well as whenever events or changes in circumstances indicate that the carrying amount may not be recoverable using a two-step process. Based on a combination of factors that occurred in the fourth quarter of fiscal 2013, including the operating results of the MMB business unit, management concluded that a goodwill impairment triggering event had occurred. Accordingly, the company performed a testing of the carrying value of $1,519,000 of goodwill for MMB using a discounted cash flow model to estimate the fair value of the reporting unit. After this testing, management concluded that the carrying value of the MMB business unit exceeded the fair value of this reporting unit. The implied fair value of the goodwill of the MMB business unit was calculated by allocating the fair values of substantially all of its individual assets, liabilities and identified intangible assets as if MMB business unit had been acquired in a business combination. As a result, the Company recorded a non-cash goodwill impairment charge of $438,000 in fiscal year ended April 30, 2013. As of April 30, 2014 management has concluded that no additional impairment of goodwill is required.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including deferred income tax asset valuation allowances and certain other reserves and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary. Some of the more significant estimates made by management include the allowance for doubtful accounts and sales returns, the deferred income tax asset valuation allowance and other operating allowances and accruals. Actual results could differ from those estimates.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company does not invest in market risk sensitive instruments. At times, the Company's cash equivalents consist of overnight deposits with banks and money market accounts.

The Company purchases and sells primarily in U.S. dollars. The Company sells in foreign currency (primarily Euros) to a limited number of customers and as such incurs some foreign currency risk. At any given time, approximately 5 to 25 percent of the Company's accounts receivable are denominated in currencies other than U.S. dollars. At present, the Company does not purchase forward contracts as hedging instruments, but could do so as circumstances warrant.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

All schedules are omitted as the required information is not applicable or because the required information is included in the consolidated financial statements or notes thereto.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Dataram Corporation

We have audited the accompanying consolidated balance sheets of Dataram Corporation and Subsidiaries as of April 30, 2014 and 2013, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three year period ended April 30, 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dataram Corporation as of April 30, 2014 and 2013, and its results of operations and cash flows for each of the years in the three year period ended April 30, 2014, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has incurred net losses and negative cash flows from operating activities for each of the years in the three year period ended April 30, 2014 and management can give no assurance that the Company's future operations will generate sufficient profits or the Company will be able to raise sufficient funds to continue operating. These conditions, among others, raise substantial doubt about the Company's ability to continue as a going concern. Management's plans regarding these matters are also described in Note 1. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/S/ CohnReznick LLP

Roseland, New Jersey
July 29, 2014

DATARAM CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
April 30, 2014 and 2013
(In thousands, except share and per share amounts)

	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	$ 258	$ 324
Accounts receivable, less allowance for doubtful accounts and sales returns of $220 at April 30, 2014 and $200 at April 30, 2013	3,663	2,885
Inventories:		
Raw materials	1,576	1,425
Work in process	64	89
Finished goods	651	1,389
	2,291	2,903
Note receivable	—	275
Other current assets	7	81
Total current assets	6,219	6,468
Property and equipment:		
Machinery and equipment	451	11,733
Leasehold improvements	608	608
	1,059	12,341
Less accumulated depreciation and amortization	840	11,916
Net property and equipment	219	425
Other assets	51	56
Intangible assets, less accumulated amortization of $1,559 in 2014 and $1,426 in 2013	—	133
Goodwill	1,083	1,083
	$ 7,572	$ 8,165
Liabilities and Stockholders' Equity		
Current liabilities:		
Note payable-revolving credit line	$ 2,970	$ 1,876
Accounts payable	1,438	948
Accrued liabilities	929	684
Due to related party – current portion	—	400
Total current liabilities	5,337	3,908
Due to related party – long term	—	1,267
Other liabilities	250	—
Total liabilities	5,587	5,175
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value $1.00 per share. Authorized 54,000,000 shares and 2,410,512 issued and outstanding at April 30, 2014 and 1,754,662 issued and outstanding on April 30, 2013	2,411	1,755
Additional paid-in capital	20,236	19,288
Accumulated deficit	(20,662)	(18,053)
Total stockholders' equity	1,985	2,990
	$ 7,572	$ 8,165

See accompanying notes to consolidated financial statements.

DATARAM CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations
Years ended April 30, 2014, 2013 and 2012
(In thousands, except per share amounts)

	2014	2013	2012
Revenues	$ 30,399	$ 27,616	$ 36,079
Costs and expenses:			
Cost of sales	24,353	22,042	27,509
Engineering	1,186	715	740
Selling, general and administrative	7,181	8,700	12,324
Impairment of goodwill	—	438	—
Impairment of capitalized software	—	—	2,387
	32,720	31,895	42,960
Loss from operations	(2,321)	(4,279)	(6,881)
Other income (expense):			
Interest income	—	22	—
Interest expense	(306)	(311)	(386)
Currency gain (loss)	18	(52)	(65)
Other income	—	—	4,078
	(288)	(341)	3,627
Loss before income tax expense	(2,609)	(4,620)	(3,254)
Income tax expense	—	5	5
Net loss	$ (2,609)	$ (4,625)	$ (3,259)
Net loss per common share:			
Basic	$ (1.30)	$ (2.60)	$ (1.84)
Diluted	$ (1.30)	$ (2.60)	$ (1.84)

See accompanying notes to consolidated financial statements.

DATARAM CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years ended April 30, 2014, 2013 and 2012
(In thousands)

	2014	2013	2012
Cash flows from operating activities:			
Net loss	$ (2,609)	$ (4,625)	$ (3,259)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	300	443	660
Bad debt expense	186	57	14
Stock-based compensation expense	43	231	451
Gain on sale of property and equipment	(139)	—	—
Impairment of goodwill	—	438	—
Impairment of software development cost	—	—	2,387
Gain on sale of patents	—	—	(4,078)
Changes in assets and liabilities			
Decrease (increase) in accounts and notes receivable	(689)	(337)	2,011
Decrease in inventories	612	29	2,530
Decrease in other current assets	74	34	12
Decrease (increase) in other assets	5	(1)	56
Increase (decrease) in accounts payable	491	(69)	(1,928)
Increase (decrease) in accrued liabilities	172	(82)	(74)
Net cash used in operating activities	(1,554)	(3,882)	(1,218)
Cash flows from investing activities:			
Acquisition of business	—	(68)	(211)
Additions to property and equipment	—	(6)	(232)
Software development costs	—	—	(907)
Proceeds from sale of property and equipment	500	—	—
Proceeds from sale of patents	—	—	4,078
Issuance of note receivable	—	(275)	—
Net cash provided by (used in) investing activities	500	(349)	2,728
Cash flows from financing activities:			
Net borrowings (repayments) under revolving credit line	1,094	1,755	(2,033)
Proceeds (payments) from related party note payable	(1,667)	(333)	500
Net proceeds from sale of common stock	1,561	—	2,998
Purchase of treasury stock	—	(142)	(45)
Net cash provided by financing activities	988	1,280	1,420
Net (decrease) increase in cash and cash equivalents	(66)	(2,951)	2,930
Cash and cash equivalents at beginning of year	324	3,275	345
Cash and cash equivalents at end of year	$ 258	$ 324	$ 3,275
Supplemental disclosure of non-cash financing activities:			
Borrowings from and repayments to related party	$ —	$ —	$ 1,500
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 324	$ 226	$ 365
Income taxes	$ —	$ 5	$ 5

See accompanying notes to consolidated financial statements.

DATARAM CORPORATION AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity
Years ended April 30, 2014, 2013 and 2012
(In thousands)

	Number of Common shares	Common stock	Treasury stock	Additional paid-in capital	Accumulated deficit	Total stockholders' equity
Balance at April 30, 2011	1,488	$ 1,488	$ —	$ 16,062	$ (10,169)	$ 7,381
Net loss	—	—	—	—	(3,259)	(3,259)
Stock-based compensation expense	—	—	—	451	—	451
Issuance of shares and warrants under registered direct offering	296	296	—	2,702	—	2,998
Treasury stock purchased	—	—	(45)	—	—	(45)
Balance at April 30, 2012	1,784	1,784	(45)	19,215	(13,428)	7,526
Net loss	—	—	—	—	(4,625)	(4,625)
Stock-based compensation expense	—	—	—	231	—	231
Treasury stock purchase and cancelled	(29)	(29)	45	(158)	—	(142)
Balance at April 30, 2013	1,755	1,755	—	19,288	(18,053)	2,990
Net loss	—	—	—	—	(2,609)	(2,609)
Stock-based compensation expense	—	—	—	43	—	43
Issuance of shares and warrants under registered direct offering	656	656	—	905	—	1,561
Balance at April 30, 2014	2,411	$ 2,411	$ —	$ 20,236	$ (20,662)	$ 1,985

See accompanying notes to consolidated financial statements.

Dataram Corporation and Subsidiaries
Notes to Consolidated Financial Statements

(1) Description of Business and Significant Accounting Policies

Dataram Corporation (“the Company”) is a developer, manufacturer and marketer of large capacity memory products primarily used in high-performance network servers and workstations. The Company provides customized memory solutions for original equipment manufacturers (OEMs) and compatible memory for leading brands including Dell, HP, IBM and Sun Microsystems. Additionally, the Company manufactures a line of memory products for Intel and AMD motherboard based servers. The Company has developed and currently markets a line of high-performance storage caching products.

The Company’s memory products are sold worldwide to OEMs, distributors, value-added resellers and end-users. The Company has one leased manufacturing facility in the United States with sales offices in the United States, Europe and Japan.

The Company is an independent memory manufacturer specializing in high-capacity memory and competes with several other large independent memory manufacturers as well as the OEMs mentioned above. The primary raw material used in producing memory boards is dynamic random access memory (DRAM) chips. The purchase cost of DRAMs is the largest single component of the total cost of a finished memory board. Consequently, average selling prices for computer memory boards are significantly dependent on the pricing and availability of DRAM chips.

Liquidity and Basis of Presentation

The Company's financial statements are prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America and have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. For the fiscal years ended April 30, 2014, 2013 and 2012, the Company incurred losses in the amounts of approximately $2,609,000, $4,625,000 and $3,259,000, respectively. Net cash used in operating activities totaled approximately $1,554,000, $3,882,000 and $1,218,000 for the fiscal years ended April 30, 2014, 2013 and 2012, respectively.

Our continuation as a going concern is dependent upon obtaining the additional working capital necessary to sustain our operations. Our future is dependent upon our ability to obtain financing, raise capital through the sales of equity and or debt securities and upon future profitable operations. There is no assurance that our current operations will be profitable or we will raise sufficient funds to continue operating. The Company continues to seek out opportunities to trim overhead expenses to meet revenues.

If current and projected revenue growth does not meet estimates, the Company may continue to choose to raise additional capital through debt and/or equity transactions, reduce certain overhead costs through the deferral of salaries and other means, and settle liabilities through negotiation. Currently, the Company does not have any commitments or assurances for additional capital, nor can the Company provide assurance that such financing will be available to it on favorable terms, or at all. These factors raise substantial doubt about the Company’s ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts of and classification of liabilities that might be necessary in the event we cannot continue in existence.

Stock Split

On January 31, 2013, the Company filed a proxy statement with the Securities and Exchange Commission for the purpose of calling a special meeting of its stockholders. The Board of Directors asked the stockholders to approve the Board’s action in effecting a reverse split of its Common Stock at a ratio of no less than 1 for 3 and no greater than 1 for 6. The meeting was held at the Company’s offices on March 13, 2013. The stockholders approved the action and immediately following the meeting, the Board of Directors voted to affect a reverse split of its common stock at the ratio of 1 for 6. The split shares were effective with the opening of trading on March 15, 2013. Relevant financial data has been adjusted in this report to reflect the 1 for 6 reverse stock split.

Principles of Consolidation

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents consist of unrestricted cash and money market accounts.

Accounts Receivable

Accounts receivable consist of the following:

	April 30, 2014	April 30, 2013
Trade receivables	$ 3,758,000	$ 2,962,000
VAT receivable	125,000	123,000
Allowance for doubtful accounts and sales returns	(220,000)	(200,000)
	$ 3,663,000	$ 2,885,000

Inventories

Inventories, consisting of materials, labor and manufacturing overhead, are stated at the lower of cost or market, with cost determined by the first-in, first-out method.

Property and Equipment

Property and equipment is recorded at cost. Depreciation is computed on the straight-line basis. Depreciation and amortization rates are based on the estimated useful lives, which range from two to five years for machinery and equipment and five to six years for leasehold improvements. When property or equipment is retired or otherwise disposed of, related costs and accumulated depreciation and amortization are removed from the accounts. Depreciation and amortization expense related to property and equipment for the fiscal years ended April 30, 2014, 2013 and 2012 totaled $167,000, $279,000 and $496,000, respectively.

Repair and maintenance costs are charged to operations as incurred.

Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Assets to be disposed of would be separately presented in the consolidated balance sheets and reported at the lower of the carrying amount or fair value less cost to sell, and no longer depreciated. The Company considers various valuation factors, principally undiscounted cash flows, to assess the fair values of long-lived assets.

Goodwill and Intangible Assets

Goodwill:

Goodwill – The carrying value of goodwill is not amortized, but is tested annually as of March 31 as well as whenever events or changes in circumstances indicate that the carrying amount may not be recoverable using a two-step process. Based on a combination of factors that occurred in the fourth quarter of fiscal 2013, including the operating results of the MMB business unit, management concluded that a goodwill impairment triggering event had occurred. Accordingly, the Company performed a testing of the carrying value of $1,519,000 of goodwill for MMB using a discounted cash flow model to estimate the fair value of the reporting unit. After this testing, management concluded that the carrying value of the MMB business unit exceeded the fair value of this reporting unit. The implied fair value of the goodwill of the MMB business unit was calculated by allocating the fair values of substantially all of its individual assets, liabilities and identified intangible assets as if MMB business unit had been acquired in a business combination. As a result, the Company recorded a non-cash goodwill impairment charge of $438,000 in fiscal year ended April 30, 2013. As of April 30, 2014, management has concluded that no additional impairment of goodwill is required.

The following table outlines the changes in goodwill for the year ended April 30, 2014:

	2014	**2013**
Opening balance May 1	$ 1,083,000	$ 1,453,000
Contingent purchase price	—	68,000
Impairment charge	—	(438,000)
Goodwill balance April 30	$ 1,083,000	$ 1,083,000

Intangible Assets:

Intangible assets with determinable lives, other than customer relationships, are amortized on a straight-line basis over their estimated period of benefit, ranging from four to five years. Customer relationships are amortized over a two-year period at a rate of 65% of the gross value acquired in the first year subsequent to their acquisition and 35% of the gross value acquired in the second year. The Company evaluates the recoverability of intangible assets periodically and takes into account events or circumstances that warrant revised estimates of useful lives or that indicate that impairment exists.

All of the Company's intangible assets with definitive lives are subject to amortization. During the third quarter of the fiscal year ended April 30, 2012, the XcelaSAN product was available for general release and generated approximately $8,000 of revenue, which was significantly lower than expected. The Company determined in the fiscal year ended April 30, 2012's third quarter based on the estimated future net realizable value for the expected periods of benefit that the carrying value of capitalized software development cost was impaired. As such, approximately $2,387,000 of capitalized software development cost was written down to zero.

The Company estimates that it has no significant residual value related to its intangible assets. Intangible assets amortization expense was $133,000 for fiscal year ended April 30, 2014, $164,000 for the fiscal year ended April 30, 2013 and $164,000 for the fiscal year ended April 30, 2012. As of April 30, 2014, the components of finite-lived intangible assets acquired are as follows:

	Gross Carrying Amount	Weighted Average Life	Accumulated Amortization	Net Carrying Amount
Customer relationships	$ 758,000	2 Years	$ 758,000	$ 0
Trade names	733,000	5 Years	733,000	0
Non-compete agreement	68,000	4 Years	68,000	0
	$ 1,559,000		$ 1,559,000	$ 0

As of April 30, 2013, the components of finite-lived intangible assets acquired were as follows:

	Gross Carrying Amount	Weighted Average Life	Accumulated Amortization	Net Carrying Amount
Customer relationships	$ 758,000	2 Years	$ 758,000	$ 0
Trade names	733,000	5 Years	600,000	133,000
Non-compete agreement	68,000	4 Years	68,000	0
	$ 1,559,000		$ 1,426,000	$ 133,000

Fair Value of Financial Instruments:

Fair value measurements and disclosures establish a hierarchy that prioritizes fair value measurements based on the type of inputs used for the various valuation techniques (market approach, income approach and cost approach). The levels of hierarchy are described below:

- Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly; these include quoted prices for similar assets or liabilities in active markets, such as interest rates and yield curves that are observable at commonly-quoted intervals.
- Level 3: Unobservable inputs that reflect the reporting entity's own assumptions, as there is little, if any, related market activity.

The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy.

The following table sets forth the assets and liabilities measured at fair value on a nonrecurring basis, by input level, in the consolidated balance sheets at April 30, 2014:

Balance Sheet Location	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	April 30, 2014 Total	Total Reduction in Fair value Recorded as of April 30, 2014
Assets:					
Goodwill	$ —	$ —	$ 1,083,000	$ 1,083,000	$ (438,000)

Revenue Recognition

Revenue is recognized when title passes upon shipment of goods to customers. The Company's revenue earning activities involve delivering or producing goods. The following criteria are met before revenue is recognized: persuasive evidence of an arrangement exists, shipment has occurred, selling price is fixed or determinable and collection is reasonably assured. The Company does experience a minimal level of sales returns and allowances for which the Company accrues a reserve at the time of sale. Estimated warranty costs are accrued by management upon product shipment based on an estimate of future warranty claims.

Engineering and Research and Development

Research and development costs are expensed as incurred, including Company-sponsored research and development and costs of patents and other intellectual property that have no alternative future use when acquired and in which we had an uncertainty of receiving future economic benefits. Development costs of a computer software product to be sold, leased, or otherwise marketed are subject to capitalization beginning when a product's technological feasibility has been established and ending when a product is available for general release to customers. Technological feasibility of a computer software product is established when all planning, designing, coding and testing activities that are necessary to establish that the product can be produced to meet its design specifications (including functions, features and technical performance requirements) are completed. The Company had been developing computer software for its XcelaSAN storage caching product line. On November 4, 2010, the Company determined that technological feasibility of the product was established, and development costs subsequent to that date have been capitalized. Prior to November 4, 2010, the Company expensed all development costs related to this product line. In the third quarter of fiscal year ended April 30, 2012 when the product was made available for general release to customers, the Company discontinued capitalizing development costs.

During the third quarter of the fiscal year ended April 30, 2012, the XcelaSAN product was available for general release and generated approximately $8,000 of revenue, which was significantly lower than expected. The Company determined in the fiscal year ended April 30, 2012's third quarter based on the estimated future net realizable value for the expected periods of benefit that the carrying value of capitalized software development cost was impaired. As such, approximately $2,387,000 of capitalized software development cost was written down to zero.

Advertising

Advertising is expensed as incurred and amounted to $139,000, $77,000 and $223,000 in the fiscal years ended April 30, 2014, 2013 and 2012, respectively.

Income Taxes

The Company utilizes the asset and liability method of accounting for income taxes in accordance with the provisions of the Expenses – Income Taxes Topic of the FASB ASC. Under the asset and liability method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The Company considers certain tax planning strategies in its assessment as to the recoverability of its tax assets. Deferred income tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in earnings in the period that the tax rate changes. The Company recognizes, in its consolidated financial statements, the impact of a tax position, if that position is more likely than not to be sustained on audit, based on the technical merits of the position. There are no material unrecognized tax positions in the financial statements.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company maintains its cash and cash equivalents in financial institutions and brokerage accounts. To the extent that such deposits exceed the maximum insurance levels, they are uninsured. The Company performs ongoing evaluations of its customers' financial condition, as well as general economic conditions and, generally, requires no collateral from its customers. At April 30, 2014 and 2013, amounts due from one customer totaled approximately 30% and 19%, respectively, of accounts receivable.

In fiscal years ended April 30, 2014, 2013 and 2012, the Company had sales to one customer that accounted for approximately 15%, 9% and 11%, respectively, of revenues.

Net Income (Loss) Per Share

Basic net income (loss) per share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is calculated in a manner consistent with basic net income (loss) per share except that the weighted average number of common shares outstanding also includes the dilutive effect of stock options outstanding (using the treasury stock method).

The following presents a reconciliation of the numerator and denominator used in computing basic and diluted net loss per share. All amounts shown have adjusted to reflect the reverse 6-for-1 stock split effective March 18, 2013.

	Year ended April 30, 2014		
	Loss (numerator)	Shares (denominator)	Per share amount
Basic net loss per share-net loss and weighted average common shares outstanding	$ (2,609,000)	1,999,856	$ (1.30)
Effect of dilutive securities-stock options	—	—	—
Diluted net loss per share -net loss weighted average common shares outstanding and effect of stock options	$ (2,609,000)	1,999,856	$ (1.30)

	Year ended April 30, 2013		
	Loss (numerator)	Shares (denominator)	Per share amount
Basic net loss per share-net loss and weighted average common shares outstanding	$ (4,625,000)	1,776,796	$ (2.60)
Effect of dilutive securities-stock options	—	—	—
Diluted net loss per share-net loss weighted average common shares outstanding and effect of stock options	$ (4,625,000)	1,776,796	$ (2.60)

	Year ended April 30, 2012		
	Loss (numerator)	Shares (denominator)	Per share amount
Basic net loss per share-net loss and weighted average common shares outstanding	$ (3,259,000)	1,770,952	$ (1.84)
Effect of dilutive securities-stock options	—	—	—
Diluted net loss per share-net loss, weighted average common shares outstanding and effect of stock options	$ (3,259,000)	1,770,952	$ (1.84)

Diluted net loss per common share does not include the effect of options to purchase 272,580, 319,908 and 299,317 shares of Common Stock for the years ended April 30, 2014, 2013 and 2012, respectively, because they are anti-dilutive. Diluted net loss per common share for the years ended April 30, 2014, 2013 and 2012 also does not include the effect of warrants to purchase 485,775, 221,875 and 221,875 shares, respectively, because they are anti-dilutive.

Product Warranty

The majority of the Company's products are intended for single use; therefore, the Company requires limited product warranty accruals. The Company accrues estimated product warranty cost at the time of sale and any additional amounts are recorded when such costs are probable and can be reasonably estimated.

	Balance Beginning of Year	Charges to Costs and Expenses	Deductions	Balance End of Year
Year Ended April 30, 2014	$ 69,000	$ 9,000	$ (9,000)	$ 69,000
Year Ended April 30, 2013	$ 79,000	$ 14,000	$ (24,000)	$ 69,000
Year Ended April 30, 2012	$ 79,000	$ 6,000	$ (6,000)	$ 79,000

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including deferred tax asset valuation allowances and certain other reserves and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary. Some of the more significant estimates made by management include the allowance for doubtful accounts and sales returns, the deferred income tax asset valuation allowance and other operating allowances and accruals. Actual results could differ from those estimates.

Stock-Based Compensation

At April 30, 2014, the Company has stock-based employee and director compensation plans, which are described more fully in Note 6. New shares of the Company's Common Stock are issued upon exercise of stock options.

The accounting for transactions in which an enterprise receives employee services in exchange for (a) equity instruments of the enterprise or (b) liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments are accounted for using a fair value-based method with a recognition of an expense for compensation cost related to share-based payment arrangements, including stock options and employee stock purchase plans.

The Company's consolidated statement of operations for fiscal year ended April 30, 2014 includes $43,000 of stock based compensation expense. Stock based compensation expense is recognized in the results of operations on a ratable basis over the vesting periods. These stock option grants have been classified as equity instruments, and as such, a corresponding increase has been reflected in additional paid-in capital in the accompanying balance sheet as of April 30, 2014. In fiscal 2013 and fiscal 2012, stock-based compensation expense totaled $231,000 and $451,000, respectively. A corresponding increase is reflected in additional paid-in capital for these years. The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option pricing model.

A summary of option activity for the fiscal year ended April 30, 2014 is as follows:

	Shares	Weighted average exercise price	Weighted average remaining contractual life	Aggregate intrinsic value(1)
Balance April 30, 2013	311,575	$ 12.40	5.02	$ —
Granted	—	$ —	—	—
Exercised	—	—	—	—
Expired	(47,331)	$ 12.26	—	—
Balance April 30, 2014	264,244	$ 12.42	4.46	$ 6,250
Exercisable April 30, 2014	251,744	$ 12.91	4.23	$ 3,125
Expected to vest April 30, 2014	250,000	$ 12.42	4.46	$ 6,250

All amounts shown have adjusted to reflect the reverse 6-for-1 stock split effective March 18, 2013.

(1) These amounts represent the difference between the exercise price and the closing price of Dataram Common Stock as of the end of the reporting period, $2.69 on April 30, 2014 as reported on the NASDAQ Stock Market. There are 25,000 in-the-money options outstanding at April 30, 2014.

During fiscal 2014, 34,498 options completed vesting. As of April 30, 2014, there was approximately $14,000 of total unrecognized compensation expense related to stock options. This expense is expected to be recognized over a weighted average period of approximately six months. At April 30, 2014, 8,333 shares were authorized for future grant under the Company's stock option plans.

The fair value of each stock option granted during the year is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2014	2013	2012
Expected life (years)	—	3.0 to 5.75	3.0 to 3.3
Expected volatility	—	77%	77%
Expected dividend yield	—	—	—
Expected forfeiture rate	—	5.0%	5.0%
Risk-free interest rate	—	0.5% to 0.6%	0.5% to 0.6%
Weighted average fair value of options granted during the year	—	$ 0.90	$ 0.56

The expected life represents the period that the Company's stock-based awards are expected to be outstanding and was calculated using the simplified method pursuant to SEC Staff Accounting Bulletin (SAB) Nos. 107 and 110. Expected volatility is based on the historical volatility of the Company's Common Stock using the daily closing price of the Company's Common Stock, pursuant to SAB 107. Expected dividend yield assumes the current dividend rate remains unchanged. Expected forfeiture rate is based on the Company's historical experience. The risk-free interest rate is based on the rate of U.S Treasury zero-coupon issues with a remaining term equal to the expected life of the option grants.

(2) Financing Agreements

On July 27, 2010, the Company entered into an agreement with a financial institution for formula-based secured debt financing of up to $5,000,000. Borrowings were secured by substantially all assets. On March 2, 2012, the agreement was amended to reduce the amount available under the credit facility to $3,500,000. On May 17, 2012, the agreement was amended and restated. The amended and restated documents reduced the interest rate to prime plus 6%, subject to a minimum of 9.25% and also not less than $8,000 per month. The loan facility allowed borrowing of 90% of eligible domestic receivables. In addition, the loan facility allowed borrowing of 90% of eligible foreign receivables to a maximum of $500,000 and 25% of eligible inventory to a maximum of 20% of the amount available on receivables. On December 18, 2012, the agreement was amended in exchange for a fee of $7,500 to reduce the minimum Tangible Net Worth covenant to $1,300,000. As described below, on November 6, 2013, the Company entered into a new financing agreement (the “Financing Agreement”) with Rosenthal & Rosenthal, Inc., and simultaneously terminated the loan agreement with the financial institution and paid in full the outstanding balance and accrued interest with proceeds received from the Financing Agreement.

On December 14, 2011, the Company entered into a Note and Security Agreement with Mr. Sheerr. The agreement provided for secured financing of up to $2,000,000. The Company was obligated to pay monthly interest equal to 10% per annum calculated on a 360 day year of the outstanding loan balance. Principal was payable in sixty equal monthly installments, beginning on July 15, 2012. The Company had borrowed the full $2,000,000 available under this agreement. Principal amounts due under this obligation were $33,333 per month which began on July 15, 2012.

The Company amended and restated its Note and Security Agreement with Mr. Sheerr as of October 31, 2013; the Company sold certain equipment and furniture for a purchase price of $500,000 under a sale leaseback transaction to Mr. Sheerr. The Company used the proceeds of the purchase price received from Mr. Sheerr to reduce the remaining principal amount of the original loan by an amount equal to $500,000. The principal amount was reduced to approximately $966,667 at October 31, 2013. The Company was obligated to pay monthly interest equal to 10% per annum calculated on a 360 day year of the outstanding loan balance. Principal was payable in 29 equal monthly installments of $33,333, beginning on November 15, 2013 and subsequently on the 15th day of each month thereafter, until paid in full. On April 30, 2014 the note was paid in full. Interest expense recorded for the Note in the fiscal year ended April 30, 2014 was approximately $122,000.

As of October 31, 2013, the Company also entered into an agreement with Mr. Sheerr to leaseback the aforementioned equipment and furniture that was sold to Mr. Sheerr on October 31, 2013. The lease is for a term of 60 months and the Company is obligated to pay approximately $7,500 per month for the term of the lease. The Company has an option to extend the lease for an additional two year period. The transactions described have been accounted for as a sale-leaseback transaction. Accordingly, the Company recognized a gain on the sale of assets of approximately $139,000, which is the amount of the gain on sale in excess of present value of the future lease payments and will recognize the remaining approximately $322,000 in proportion to the related gross rental charged to expense over the term of the lease, 60 months. The current portion of $72,000 deferred gain is reflected in accrued liabilities and the long term portion of $250,000 is reflected in other liabilities long term in the consolidated balance sheet as of April 30, 2014.

On July 30, 2012, a Convertible Senior Promissory Note was executed by and between Shoreline Memory, Inc. ("Shoreline") and the Company whereby the Company could lend up to $1,500,000 to Shoreline in exchange for interest payments at prime plus 3.0% and the right to convert the amount outstanding into Common Stock of Shoreline on or before its maturity date. Each time the Company advanced money under the note, the Company was granted 1% of the outstanding Common Stock of Shoreline for every $100,000 advanced up to a maximum of 15%. This was in addition to the 15% allowable under the conversion of the note and the warrant to acquire 30% of Shoreline Common Stock. The conversion is at the rate of 1% of the outstanding Common Stock for each $100,000 converted up to a maximum of 15%. This note had a maturity date of three years and at such time Shoreline would have had to repay the note or the Company would have had to convert the note into Common Stock. The note was secured by all the assets of Shoreline and Shoreline Capital Management Ltd. ("Shoreline Capital") as guarantor. Also executed with the note was a warrant to purchase 30% of the outstanding Common Stock of Shoreline at the time of exercise and the warrant expires sixty days after the third anniversary of the closing of the transaction. The warrant prescribed a formula to determine the price per share at the time of exercise. If all the amounts under the note were advanced and converted and the full warrant was exercised, the Company would have owned 60% of the outstanding Common Stock of Shoreline. The note was executed simultaneously with a Master Services Agreement which details the parameters under which the Company and Shoreline would have fulfilled orders from Shoreline's primary customer. On July 31, 2012, the Company advanced $375,000 under the note and an additional $375,000 on August 1, 2012. The purpose of the loan was to fund startup expenses and to prepay initial orders. On February 19, 2013, the Company received $50,000 from Shoreline and, on February 22, 2013, the Company received an additional $200,000 from Shoreline as a partial repayment of their loan. On March 27, 2013, the Company reached an agreement to terminate its relationship with Shoreline. At closing, the Company received an additional $225,000 as a partial repayment of the loan in connection with the termination of all agreements with Shoreline. The promissory note bears interest at the rate of 6% and is guaranteed by Shoreline Memory, Inc., Shoreline Capital Management Ltd and Trevor Folk. All agreements with Shoreline have been terminated with the exception of the amended and restated promissory note. The remaining $275,000 was scheduled to be repaid in accordance with the amended and restated promissory note on July 31, 2013. Shoreline Memory defaulted on the note. The Company fully reserved the $275,000 balance on the amended and restated promissory note at July 31, 2013. During fiscal 2014's second quarter the Company agreed to settle the amount due on the defaulted note for approximately $162,000. The funds were received in escrow on October 31, 2013 and forwarded to the Company on November 1, 2013.

On November 6, 2013, the Company entered into a new financing agreement (the "Financing Agreement") with Rosenthal & Rosenthal, Inc. to replace the existing loan agreement. The Financing Agreement provides for a revolving loan with a maximum borrowing capacity of $3,500,000. The loans under the Financing Agreement mature on November 30, 2016 unless such Financing Agreement is either earlier terminated or renewed. Loans outstanding under the Financing Agreement bear interest at a rate of the Prime Rate (as defined in the Financing Agreement) plus 3.25% (the "Effective Rate") or on Over-advances (as defined in the Financing Agreement), if any, at a rate of the Effective Rate plus 3%. The Financing Agreement contains other financial and restrictive covenants, including, among others, covenants limiting our ability to incur indebtedness, guarantee obligations, sell assets, make loans, enter into mergers and acquisition transactions and declare or make dividends. Borrowings under the Financing Agreement are collateralized by substantially all the assets of the Company. On April 29, 2014, the Company entered into an amendment (the "Amendment") to the Financing Agreement. The Amendment provides for advances against inventory balances based on prescribed formulas of raw materials and finished goods. The maximum borrowing capacity remains at $3,500,000. Borrowings at April 30, 2014 totaled approximately $2,970,000 and there was no additional availability on that date.

The weighted average interest rate on amounts borrowed under these agreements at April 30, 2014 and 2013 was 9.4% and 9.7%, respectively. The average dollar amounts borrowed under these agreements for the fiscal years ended April 30, 2014, 2013 and 2012 were $3,327,000, $3,190,000 and $3,143,000, respectively.

(3) Securities Purchase Agreement

On May 11, 2011, the Company and certain investors entered into a securities purchase agreement in connection with a registered direct offering, pursuant to which the Company agreed to sell an aggregate of 295,833 shares of its Common Stock and warrants to purchase a total of 221,875 shares of its Common Stock to such investors for aggregate net proceeds of approximately $2,998,000. The Common Stock and warrants were sold in fixed combinations, with each combination consisting of one share of Common Stock and 0.75 of one warrant, with each whole warrant exercisable for one share of Common Stock. The purchase price was $11.28 per fixed combination. The warrants became exercisable six months and one day following the closing date of the offering and will remain exercisable for five years thereafter at an exercise price of $13.56 per share. The exercise price of the warrants is subject to adjustment in the case of stock splits, stock dividends, combinations of shares and similar recapitalization transactions. The exercisability of the warrants may be limited if, upon exercise, the holder or any of its affiliates would beneficially own more than 4.99% of the Common Stock. After the one year anniversary of the initial exercise date of the warrants, the Company had the right to call the warrants for cancellation for $.006 per share in the event that the volume weighted average price of the Common Stock for 20 consecutive trading days exceeds $27.12. All prices have been adjusted to reflect the reverse 6-for-1 stock split which was effective March 18, 2013.

On September 18, 2013, the Company and certain investors entered into a securities purchase agreement (the “Purchase Agreement”) in connection with the offering, pursuant to which the Company agreed to sell an aggregate of 350,931 shares of its common stock and warrants to purchase a total of 350,931 shares of its common stock to such investors for aggregate net proceeds, after deducting fees to the Placement Agent and other estimated offering expenses payable by the Company, of approximately $807,000. The common stock and warrants were sold in fixed combinations, with each combination consisting of one share of common stock and one warrant, with each warrant exercisable for one share of common stock. The purchase price was $2.30 per fixed combination. On September 23, 2013 the offering of 350,000 shares and warrants was closed with net proceeds to the Company of approximately $695,491 after accounting for all expenses of the offering. The exercise price of the warrants is subject to adjustment in the case of stock splits, stock dividends, combinations of shares and similar recapitalization transactions. The exercisability of the warrants may be limited if, upon exercise, the holder or any of its affiliates would beneficially own more than 4.99% of the Common Stock. After the one year anniversary of the initial exercise date of the warrants, the Company had the right to call the warrants for cancellation for $.001 per share in the event that the volume weighted average price of the Common Stock for 20 consecutive trading days exceeds $10.00.

On March 20, 2014, the Company and certain investors entered into a common stock purchase agreement (the “Purchase Agreement”) in connection with the offering, pursuant to which the Company agreed to sell an aggregate of 219,754 shares of its common stock to such investors for aggregate proceeds, after deducting fees to the Placement Agent and other estimated offering expenses payable by the Company, of approximately $559,000. The purchase price was $3.00 per share.

On March 20, 2014, holders of warrants issued in connection with the sale of common stock on September 18, 2013, exercised 86,100 of those warrants at the exercise price of $3.50 per share resulting in net proceeds of approximately $306,350. The exercise of these warrants resulted in the issuance of 86,100 shares of the Company’s common stock.

At April 30, 2014 the Company had 485,775 warrants outstanding. The exercise price of 221,875 warrants outstanding is $13.56 per warrant and the exercise price of 263,900 of warrants outstanding is $3.50 per warrant.

(4) Related Party Transactions

During the fiscal years ended April 30, 2014, 2013 and 2012, the Company purchased inventories for resale totaling approximately $3,144,000, $3,158,000 and $5,400,000, respectively, from Sheerr Memory, LLC (“Sheerr Memory”). Sheerr Memory’s owner (“Mr. Sheerr”) is employed by the Company as the general manager of the acquired MMB business unit and is an executive officer of the Company. When the Company acquired certain assets of MMB, it did not acquire any of its inventories. However, the Company informally agreed to purchase such inventory on an as needed basis, provided that the offering price was a fair market value price. The inventory acquired was purchased subsequent to the acquisition of MMB at varying times and consisted primarily of raw materials and finished goods used to produce products sold by the MMB business unit. Approximately $271,000 and $158,000 respectively, of accounts payable in the Company’s consolidated balance sheets as of April 30, 2014 and 2013 is payable to Sheerr Memory. Sheerr Memory offers the Company trade terms of net 30 days and all invoices are settled in the normal course of business. No interest is paid. The Company has made further purchases from Sheerr Memory subsequent to April 30, 2014 and management anticipates that the Company will continue to do so, although the Company has no obligation to do so.

During the fiscal years ended April 30, 2014, 2013 and 2012, the Company purchased inventories for resale totaling approximately $1,058,000, $564,000 and $290,000 respectively, from Keystone Memory Group (“Keystone Memory”). Keystone Memory’s owner is a relativeof Mr. Sheerr. Approximately $27,000 of accounts payable in the Company’s consolidated balance sheets as of April 30, 2014 is payable to Keystone Memory. At April 30, 2013 no monies were due Keystone Memory. Keystone Memory offers the Company trade terms of net due and all invoices are settled in the normal course of business. No interest is paid. The Company has made further purchases from Keystone Memory subsequent to April 30, 2014 and management anticipates that the Company will continue to do so, although the Company has no obligation to do so.

On December 14, 2011, the Company entered into a Note and Security Agreement with Mr. Sheerr. The agreement provided for secured financing of up to $2,000,000. The Company was obligated to pay monthly interest equal to 10% per annum calculated on a 360 day year of the outstanding loan balance. Principal was payable in sixty equal monthly installments, beginning on July 15, 2012. The Company had borrowed the full $2,000,000 available under this agreement. Principal amounts due under this obligation were $33,333 per month which began on July 15, 2012.

The Company amended and restated its Note and Security Agreement with Mr. Sheerr as of October 31, 2013; the Company sold certain equipment and furniture for a purchase price of $500,000 under a sale leaseback transaction to Mr. Sheerr. The Company used the proceeds of the purchase price received from Mr. Sheerr to reduce the remaining principal amount of the original loan by an amount equal to $500,000. The principal amount was reduced to approximately $966,667 at October 31, 2013. The Company was obligated to pay monthly, interest equal to 10% per annum calculated on a 360 day year of the outstanding loan balance. Principal was payable in 29 equal monthly installments of $33,333, beginning on November 15, 2013 and subsequently on the 15th day of each month thereafter, until paid in full. On April 30, 2014 the note was paid in full. Interest expense recorded for the Note in the fiscal years ended April 30, 2014, 2013 and 2012 was approximately $122,000, $187,000 and $178,000, respectively.

As of October 31, 2013, the Company also entered into an agreement with Mr. Sheerr to leaseback the aforementioned equipment and furniture that was sold to Mr. Sheerr on October 31, 2013. The lease is for a term of 60 months and the Company is obligated to pay approximately $7,500 per month for the term of the lease. The Company has an option to extend the lease for an additional two year period. The transactions described have been accounted for as a sale-leaseback transaction. Accordingly, the Company recognized a gain on the sale of assets of approximately $139,000, which is the amount of the gain on sale in excess of present value of the future lease payments and will recognize the remaining approximately $322,000 in proportion to the related gross rental charged to expense over the term of the lease, 60 months. The current portion of $72,000 deferred gain is reflected in accrued liabilities and the long term portion of $250,000 is reflected in other liabilities - long term in the consolidated balance sheet as of April 30, 2014.

(5) Income Taxes

Income tax expense for the years ended April 30 consists of the following:

	2014	2013	2012
Current:			
Federal	$ —	$ —	$ —
State	—	5,000	5,000
	—	5,000	5,000
Deferred:			
Federal	—	—	—
State	—	—	—
	—	—	—
Total income tax expense	$ —	$ 5,000	$ 5,000

Income tax expense differs from “expected” tax expense (computed by applying the applicable U.S. statutory Federal income tax rate to earnings before income taxes) as follows:

	2014	2013	2012
Federal income tax at statutory rates	$ (879,000)	$ (1,459,000)	$ (1,106,000)
State income taxes (net of Federal income tax benefit)	(179,000)	(249,000)	(193,000)
Other	(105,000)	52,000	(47,000)
Total income tax expense (benefit) before provision for valuation allowance	(1,163,000)	(1,656,000)	(1,346,000)
Changes in valuation allowance	1,163,000	1,661,000	1,351,000
Total income tax expense	$ 0	$ 5,000	$ 5,000

The tax effect of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

	2014	2013
Deferred tax assets:		
Compensated absences and severance, principally due to accruals for financial reporting purposes	$ 75,000	$ 150,000
Stock-based compensation expense	1,275,000	1,259,000
Accounts receivable, principally due to allowance for doubtful accounts and sales returns	86,000	78,000
Property and equipment, principally due to differences in depreciation	240,000	106,000
Intangible assets	430,000	464,000
Inventories	68,000	91,000
Domestic net operating losses	10,134,000	9,089,000
Alternative minimum tax	438,000	438,000
Other	153,000	61,000
Net deferred tax assets	12,899,000	11,736,000
Valuation allowance	(12,899,000)	(11,736,000)
Net deferred tax assets	$ —	$ —

The Company recorded a valuation allowance of $1,163,000 and $1,661,000 for the fiscal years ended April 30, 2014 and 2013, respectively. Management believes sufficient uncertainty exists regarding the realization of the deferred tax asset items and that a valuation allowance is required. Management considers projected future taxable income and tax planning strategies in making this assessment. The amount of deferred tax assets considered realizable could materially change in the future if estimates of future taxable income change.

The Company has Federal and state net operating loss carry-forwards of approximately $25,600,000 and $24,000,000, respectively. These can be used to offset future taxable income and expire between 2023 and 2034 for Federal tax purposes and 2016 and 2034 for state tax purposes.

The Company adopted Financial Accounting Standards Board ("FASB") guidance for accounting for uncertainty in income taxes on May 1, 2008. The implementation of this guidance did not result in a material adjustment to the Company's liability for unrecognized income tax benefits. At the time of adoption and as of April 30, 2014, the Company currently was not and is not engaged in an income tax examination by any tax authority. The Company recognizes interest and penalties on unpaid taxes in its income tax expense. No interest or penalties were recognized during the Company's fiscal years ended April 30, 2014, 2013 or 2012. The Company files income tax returns in the United States and in various states. The Company's significant tax jurisdictions are the U.S. Federal, New Jersey and Pennsylvania. The tax years subsequent to 2009 remain open to examination by the taxing authorities.

(6) Stock Options

The Company has a 2001 incentive and non-statutory stock option plan for the purpose of permitting certain key employees to acquire equity in the Company and to promote the growth and profitability of the Company by attracting and retaining key employees. In general, the plan allows granting of up to 300,000 shares of the Company's Common Stock at an option price to be no less than the fair market value of the Company's Common Stock on the date such options are granted. Currently, options granted under the plan vest ratably on the annual anniversary date of the grants. Vesting periods for options currently granted under the plan range from one to five years. At April 30, 2014, 239,246 of the outstanding options are exercisable. No further options may be granted under this plan. The Company also has a 2011 incentive and non-statutory stock option plan for the purpose of permitting certain key employees and consultants to acquire equity in the Company and to promote the growth and profitability of the Company by attracting and retaining key employees. No executive officer or director of the Company is eligible to receive options under the 2011 plan. In general, the plan allows granting of up to 33,333 shares of the Company's Common Stock at an option price to be no less than the fair market value of the Company's Common Stock on the date such options are granted. Options granted under the plan vest ratably on the annual anniversary date of the grants. There have been 25,000 shares granted under this plan. At April 30, 2014, 12,500 of the outstanding options are exercisable.

The status of these plans for the three years ended April 30, 2014 is as follows:

	Options Outstanding		
	Shares	Exercise price per share	Weighted average exercise price
Balance April 30, 2011	260,867	$ 7.68-47.88	$ 16.72
Granted	48,000	6.36-6.72	6.59
Exercised	—	—	—
Expired	(55,884)	6.72-47.88	21.67
Balance April 30, 2012	252,983	$ 6.36-24.54	$ 13.70
Granted	41,667	2.44-4.14	4.14
Exercised	—	—	—
Expired	(14,408)	6.72-24.54	15.49
Balance April 30, 2013	280,242	$ 2.44-24.54	$ 12.04
Granted	—	—	—
Exercised	—	—	—
Expired	(34,665)	6.72-24.54	10.41
Balance April 30, 2014	245,577	$ 2.44-19.20	$ 12.27

All amounts shown have been adjusted to reflect the reverse 6-for-1 stock split effective March 18, 2013.

The Company periodically grants nonqualified stock options to non-employee directors of the Company. These options are granted for the purpose of retaining the services of directors who are not employees of the Company and to provide additional incentive for such directors to work to further the best interests of the Company and its shareholders. The options granted to these non-employee directors are exercisable at a price representing the fair value at the date of grant, and expire either five or ten years after date of grant. Vesting periods for options currently granted under the plan range from one to two years. At April 30, 2014, 18,667 of the outstanding options are exercisable.

The status of the non-employee director options for the three years ended April 30, 2014 is as follows:

	Options Outstanding			
	Shares	Exercise price per share		Weighted average exercise price
Balance April 30, 2011	47,333	$ 11.94-47.88	$	20.25
Granted	—	—		—
Exercised	—	—		—
Expired	(9,333)	28.20-47.88		36.64
Balance April 30, 2012	38,000	$ 11.94-24.54	$	16.23
Granted	—	—		—
Exercised	—	—		—
Expired	(6,667)	17.94-19.98		19.16
Balance April 30, 2013	31,333	$ 11.94-24.54	$	15.60
Granted	—	—		—
Exercised	—	—		—
Expired	(12,666)	15.42-24.54		17.34
Balance April 30, 2014	18,667	$ 11.94-15.42	$	14.43

All amounts shown have adjusted to reflect the reverse 6-for-1 stock split effective March 18, 2013.

Other Stock Option Expense

During the first quarter of the fiscal year ended April 30, 2009, the Company granted options to purchase 8,333 shares of the Company's Common Stock to a privately held company in exchange for certain patents and other intellectual property. The options granted are exercisable at a price representing the fair value at the date of grant, were 100% exercisable on the date of grant and expire ten years after the date of grant. The calculated fair value of these options was approximately $121,000 and was determined using the Black-Scholes option-pricing model.

(7) Accrued Liabilities

Accrued liabilities consist of the following at April 30:

		2014		2013
Payroll, including vacation	$	226,000	$	253,000
Commissions		75,000		60,000
Bonuses		70,000		50,000
Lease abandonment		—		100,000
Lease legal settlement		225,000		—
Deferred gain on equipment sale		72,000		—
Other		261,000		221,000
	$	929,000	$	684,000

(8) Commitments and contingencies

Leases

The Company and its subsidiaries occupy various facilities and operate various equipment under operating lease arrangements. Rent charged to operations pursuant to such operating leases amounted to approximately $419,000 in 2014, $512,000 in 2013 and $516,000 in 2012.

Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of April 30, 2014 are as follows:

Year ending April 30:	Non-Related Party	Related Party	Total
2015	$ 301,000	$ 90,000	$ 391,000
2016	293,000	90,000	383,000
2017	68,000	90,000	158,000
2018	—	90,000	90,000
2019	—	45,000	45,000
Thereafter	—	—	—
Total	$ 662,000	$ 405,000	$ 1,067,000

Purchases

At April 30, 2014, the Company had open purchase orders outstanding totaling $1,758,000 primarily for inventory items to be delivered in the first three months of the fiscal year ending April 30, 2015. These purchase orders are cancelable.

License Agreements

The Company has entered into certain licensing agreements with varying terms and conditions. The Company is obligated to pay royalties on certain of these agreements. Royalties charged to operations pursuant to such agreements amounted to approximately $60,000 in 2014, $92,000 in 2013 and $94,000 in 2012.

Legal Proceedings

We are party to a litigation with the landlord for the property previously leased by the Company in Ivyland, Pennsylvania, which we vacated at the expiration of the lease. The case was commenced in the United States District Court for the Eastern District of Pennsylvania. The landlord claims that the Company failed to restore the property to its original condition. On July 30, 2013, the District Judge ruled that the Company is required to restore the property to the condition that existed as of January 11, 2006, without making any factual findings on the extent of the Company's liability. The Company believes that the claims of the landlord are without merit. However, in order to avoid further cost, resources and legal fees, the Company has agreed in principle, to settle this matter, which will require three (3) payments of $75,000 to be remitted to the landlord (i) on the signing of the Settlement Agreement; (ii) within forty five (45) days of the Settlement Agreement; and (iii) within ninety (90) days of the Settlement Agreement. The Company also agreed to relinquish its right to the $52,000 security deposit in the possession of the landlord. The Settlement is subject to the execution of definitive documents, which the Company anticipates will be completed on or before August 15, 2014.

(9) Employee Benefit Plan

The Company has a defined contribution plan (the "Plan") which is available to all qualified employees. Employees may elect to contribute a portion of their compensation to the Plan, subject to certain limitations. The Company contributes a percentage of the employee's contribution, subject to a maximum of 4.5 percent. The Company's matching contributions aggregated approximately $180,000, $201,000 and $248,000 in 2014, 2013 and 2012, respectively.

(10) Revenues by Geographic Location

The Company operates in one business segment and develops, manufactures and markets a variety of memory systems for use with servers and workstations which are manufactured by various companies. Revenues, total assets and long lived assets for 2014, 2013 and 2012 by geographic region is as follows:

	United States	Europe	Other*	Consolidated
April 30, 2014				
Revenues	$ 24,917,000	$ 3,431,000	$ 2,051,000	$ 30,399,000
Total assets	$ 7,556,000	$ 16,000	$ 0	$ 7,572,000
Long lived assets	$ 1,353,000	$ 0	$ 0	$ 1,353,000
April 30, 2013				
Revenues	$ 21,702,000	$ 3,983,000	$ 1,931,000	$ 27,616,000
Total assets	$ 8,153,000	$ 12,000	$ 0	$ 8,165,000
Long lived assets	$ 1,697,000	$ 0	$ 0	$ 1,697,000
April 30, 2012				
Revenues	$ 27,980,000	$ 5,393,000	$ 2,706,000	$ 36,079,000
Total assets	$ 11,373,000	$ 54,000	$ 3,000	$ 11,430,000
Long lived assets	$ 2,503,000	$ 0	$ 0	$ 2,503,000

*Principally Asia Pacific Region

(11) Subsequent Event

On July 15, 2014, the Company entered into a Subordinated Secured Convertible Bridge Note and Warrant Purchase Agreement (the "Purchase Agreement") governing the issuance of up to $750,000 aggregate principal amount of Subordinated Secured Convertible Bridge Notes (the "Bridge Notes") and Warrants (the "Warrants"). The Bridge Notes and Warrants were issued on July 15, 2014. The Company issued $600,000 aggregate principal amount of the Bridge Notes to certain institutional investors ("Institutional Investors") and $150,000 aggregate principal amount of the Bridge Notes to certain members of management, officers and directors of the Company ("Management"). The Bridge Notes, which mature on October 15, 2014 (subject to a three-month extension at the option of the holders), are convertible into shares of the Company's common stock. The initial conversion price for Institutional Investors is $2.50 per share, and the initial conversion price for Management is equal to the closing price of the Company's common stock on the closing date of the Purchase Agreement, $2.94. The Bridge Notes are secured obligations of the Company and will bear interest at a rate of 8% per year. The Warrants are exercisable for five years after the closing date of the Purchase Agreement. For each $1,000 of principal amount of Bridge Notes, the holder will receive 1,200 Warrants to purchase the Company's common stock. Each holder will be entitled to exercise one-third of all warrants received at an exercise price of $3.00, one-third of all warrants received at an exercise price of $3.50, and one-third of all warrants received at an exercise price that is equal to the closing price on the closing date of the Purchase Agreement, $2.94. The exercisability of the warrants may be limited if, upon exercise, the holder or any of its affiliates would beneficially own more than 4.99% of the Common Stock. After the one year anniversary of the initial exercise date of the warrants, the Company had the right to call the warrants for cancellation for $.001 per share in the event that the volume weighted average price of the Common Stock for 20 consecutive trading days exceeds $10.00.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

Item 9A. CONTROLS AND PROCEDURES

The Chief Executive Officer and Chief Financial Officer of the Company have evaluated the effectiveness of our disclosure controls and procedures as required by Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective. There were no changes in our internal control over financial reporting during the quarter ended April 30, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes maintaining records that in reasonable detail accurately and fairly reflect transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of our financial statements; providing reasonable assurance that receipts and expenditures of Company assets are made in accordance with management authorization; and providing reasonable assurance that unauthorized acquisition, use or disposition of Company assets that could have a material effect on our financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected.

Management has conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of April 30, 2014. This Annual Report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting as it is not required.

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Incorporated by reference herein is the information set forth in the Definitive Proxy Statement under the captions "Executive Officers of the Company", "Nominees for Director" and "Section 16 Compliance." The Company's "Code of Ethics", within the meaning of Item 406 of Registered S-K, is posted on the Company's web site at www.dataram.com

Item 11. EXECUTIVE COMPENSATION

Incorporated by reference herein is the information set forth in the Definitive Proxy Statement under the caption "Executive Compensation."

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Incorporated by reference herein is the information set forth in the Definitive Proxy Statement under the captions "Security Ownership of Certain Beneficial Owners and Management" and "Equity Plan Compensation Information."

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Incorporated by reference herein is the information set forth in the Definitive Proxy Statement under the captions "Executive Compensation," "Board of Directors" And "Related Party Transactions."

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Incorporated by reference herein is the information set forth in the Definitive Proxy Statement under the caption "Principal Accountant Fees and Services."

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this report:

1. Financial Statements incorporated by reference into Part II of this Report.
2. The documents identified in the Exhibit Index which appears on page [*].

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DATARAM CORPORATION
(Registrant)

Date:	July 29, 2014	By: /s/ JOHN H. FREEMAN John H. Freeman, President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Company and in the capacities and on the dates indicated.

Date:	July 29, 2014	By: /s/ THOMAS A. MAJEWSKI Thomas A. Majewski, Chairman of the Board of Directors
Date:	July 29, 2014	By: /s/ JOHN H. FREEMAN John H. Freeman, President Chief Executive Officer and Director
Date:	July 29, 2014	By: /s/ MICHAEL E. MARKULEC Michael E. Markulec, Director
Date:	July 29, 2014	By: /s/ ROSE ANN GIORDANO Rose Ann Giordano, Director
Date:	July 29, 2014	By: /s/ MICHAEL E. MARKULEC Michael E. Markulec, Director
Date:	July 29, 2014	By: /s/ MARC P. PALKER Marc P. Palker Chief Financial Officer (Principal Financial & Accounting Officer)

EXHIBIT INDEX

3(a) Restated Certificate of Incorporation. Incorporated by reference from Exhibits to an Annual Report on Form 10-K for the year ended April 30, 2008, filed with the Securities and Exchange Commission, SEC file number 001-08266, on July 25, 2008.

3(b) By-Laws. Incorporated by reference from Exhibits to an Annual Report on Form 10-K for the year ended April 30, 2008, filed with the Securities and Exchange Commission, SEC file number 001-08266, on July 25, 2008.

4(a) Specimen certificate for shares of Common Stock. Incorporated by reference from Exhibits to a registration statement on Form S-3 filed with the Securities and Exchange Commission, SEC file number 333-173212, on March 31, 2011.

4(b) Form of Indenture. Incorporated by reference from Exhibits to a registration statement on Form S-3 filed with the Securities and Exchange Commission, SEC file number 333-173212, on March 31, 2011.

4(c) Form of Debt Security (included in Exhibit 4(b)). Incorporated by reference from Exhibits to a registration statement on Form S-3 filed with the Securities and Exchange Commission, SEC file number 333-173212, on March 31, 2011.

4(d) Form of Common Stock Purchase Warrant. Incorporated by reference from Exhibits to a Current Report on Form 8-K with the Securities and Exchange Commission, SEC file number 001-08266, filed on May 12, 2011.

10(a) 2001 Stock Option Plan.* Incorporated by reference from Exhibits to a Definitive Proxy Statement for an Annual Meeting of Shareholders held on September 12, 2001, filed with the Securities and Exchange Commission, SEC file number 001-08266, on July 26, 2001.

10(b) Savings and Investment Retirement Plan, January 1, 2001 Restatement.* Incorporated by reference from Exhibits to an Annual Report on Form 10-K for the year ended April 30, 2003, filed with the Securities and Exchange Commission, SEC file number 001-08266, on July 29, 2003.

10(c) 2011 Stock Option Plan.* Incorporated by reference from Exhibits to a Definitive Proxy Statement for an Annual Meeting of Shareholders held on September 22, 2011, filed with the Securities and Exchange Commission, SEC file number 001-08266, on August 16, 2011.

10(d) Lease Agreement dated as of April 4, 2011, between Hillier Properties, L.L.C., and Dataram Corporation. Incorporated by reference from Exhibits to an Annual Report on Form 10-K for the year ended April 30, 2011, filed with the Securities and Exchange Commission, SEC file number 001- 08266, on July 28, 2011.

10(e) Asset Purchase Agreement, dated March 20, 2009, by and among Dataram Corporation, Micro Memory Bank, Inc. and Mr. David Sheerr. Incorporated by reference from Exhibits to a Current Report on Form 8-K/A with the Securities and Exchange Commission, SEC file number 001-08266, filed on May 26, 2009.

10(f) Lease Agreement, dated December 31, 2000, between Nappen & Associates and Micro Memory Bank, Inc. and assigned to Dataram Corporation. Incorporated by reference from Exhibits to an Annual Report on Form 10-K for the year ended April 30, 2009, filed with the Securities and Exchange Commission, SEC file number 001-08266, on July 28, 2009.

10(g) Lease Renewal Agreement, dated February 13, 2006, between Nappen & Associates and Micro Memory Bank, Inc. and assigned to Dataram Corporation. Incorporated by reference from Exhibits to an Annual Report on Form 10-K for the year ended April 30, 2009, filed with the Securities and Exchange Commission, SEC file number 001-08266, on July 28, 2009.

10(h) Lease Renewal Agreement, dated February 10, 2011, between Nappen & Associates and Dataram Corporation. Incorporated by reference from Exhibits to an Annual Report on Form 10-K for the year ended April 30, 2011, filed with the Securities and Exchange Commission, SEC file number 001-08266, on July 28, 2011.

10(i) Employment Agreement of Jeffrey H. Duncan dated as of February 1, 2005.* Incorporated by reference from Exhibits to an Annual Report on Form 10-K for the year ended April 30, 2005, filed with the Securities and Exchange Commission, SEC file number 001-08266, on July 28, 2005.

10(j) Employment Agreement of David Sheerr dated as of March 31, 2009.* Incorporated by reference from Exhibits to an Annual Report on Form 10-K for the year ended April 30, 2010, filed with the Securities and Exchange Commission, SEC file number 001-08266, July 29, 2010.

10(k) Product Consignment And Sale Agreement, dated as of July 27, 2010, Between Sheerr Memory, Inc. and Dataram Corporation. Incorporated by reference from Exhibits to a Current Report on Form 8-K filed with the Securities and Exchange Commission, SEC file number 001-08266, on July 29, 2010.

10(l) Note and Security Agreement, dated as of December 14, 2011, by and among David Sheerr and Dataram Corporation. Incorporated by reference from Exhibits to a Current Report on Form 8-K filed with the Securities and Exchange Commission, SEC file number 001-08266, on December 15, 2011.

10(m) Consignment Termination letter, dated December 14, 2011, between Sheerr Memory, Inc. and Dataram corporation. Incorporated by reference from Exhibits to a Current Report on Form 8-K filed with the Securities and Exchange Commission, SEC file number 001-08266, on December 15, 2011.

10(n) Loan and Security Agreement, dated as of July 27, 2010, between Crestmark Capital Lending LLC and Dataram Corporation. Amended and restated On May 17, 2012 Incorporated by reference from Exhibits to a Current Report on Form 8-K filed with the Securities and Exchange Commission, SEC file number 001-08266, on July 29, 2010 and May 23, 2012.

10(o) Schedule to Loan and Security Agreement, dated as of July 27, 2010, between Crestmark Capital Lending LLC and Dataram Corporation. Incorporated by reference from Exhibits to a Current Report on Form 8-K filed with the Securities and Exchange Commission, SEC file number 001-08266, on July 29, 2010.

10(p) Promissory Note, dated as of July 27, 2010, from Dataram Corporation to Crestmark Capital Lending LLC. Incorporated by reference from Exhibits to a Current Report on Form 8-K filed with the Securities and Exchange Commission, SEC file number 001-08266, on July 29, 2010.

10(q) Amendment No. 2, dated as of February 9, 2012, to Loan and Security Agreement between Crestmark Capital Lending LLC and Dataram Corporation. Incorporated by reference from Exhibits to a Current Report on Form 8-K filed with the Securities and Exchange Commission, SEC file number 001-08266, on March 7, 2012.

10(r) Amended and Restated Promissory Note, dated as of February 9, 2012, between Crestmark Capital Lending LLC and Dataram Corporation. Incorporated by reference from Exhibits to a Current Report on Form 8-K filed with the Securities and Exchange Commission, SEC file number 001-08266, on March 7, 2012.

10(s) Amended and Restated Schedule, dated May 17, 2012, to Loan and Security Agreement between Crestmark Capital Lending LLC and Dataram Corporation. Incorporated by reference from Exhibits to a Current Report on Form 8-K filed with the Securities and Exchange Commission, SEC file number 001-08266, on May 23, 2012.

10(t) Amended and Restated Promissory Note, dated May 17, 2012, between Crestmark Capital Lending LLC and Dataram Corporation. Incorporated by reference from Exhibits to a Current Report on Form 8-K filed with the Securities and Exchange Commission, SEC file number 001-08266, on May 23, 2012.

10(u) Patent Purchase Agreement, dated as of March 29, 2012, by and between Dataram Corporation and Phan Tia Group Pte, LLC. Incorporated by reference from Exhibits to Amendment No. 1 to a Current Report on Form 8-K with the Securities and Exchange Commission, SEC file number 001-08266, filed on April 24, 2012.

10(v) Securities Purchase Agreement, dated September 18, 2013, by and between the Dataram Corporation and certain investors . Incorporated by reference from Exhibits to a Current Report on Form 8-K filed with the Securities and Exchange Commission, SEC file number 001-08266, on September 19, 2013.

10(w) Securities Purchase Agreement, dated March 20, 2014, by and between the Dataram Corporation and certain investors . Incorporated by reference from Exhibits to a Current Report on Form 8-K filed with the Securities and Exchange Commission, SEC file number 001-08266, on March 20, 2014.

13(a) 2012 Annual Report to Shareholders

14(a) Code of Ethics. Incorporated by reference from Exhibits to a Current Report on Form 8-K filed with the Securities and Exchange Commission, SEC file number 001-08266, on June 20, 2005.

23(a) Consent of CohnReznick LLP, Independent Registered Public Accounting Firm.

31(a) Rule 13a-14(a) Certification of John H. Freeman

31(b) Rule 13a-14(a) Certification of Marc P. Palker

32(a) Section 1350 Certification of John H. Freeman (Furnished not Filed)

32(b) Section 1350 Certification of Marc P. Palker (Furnished not Filed)

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

*Management Contract or Compensatory Plan or Arrangement

Exhibit 23(a)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements (No. 33-56282) on Form S-8, the Registration Statement (No. 333-177256) on Form S-8 and the Registration Statement (No. 333-173212) on Form S-3 of Dataram Corporation and of our report dated July 29, 2014, relating to the consolidated balance sheets of Dataram Corporation and Subsidiaries as of April 30, 2014 and 2013, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three-year period ended April 30, 2014, which report appears in the April 30, 2014 Annual Report on Form 10-K of Dataram Corporation and includes an explanatory paragraph relating to Dataram Corporation's ability to continue as a going concern.

/s/ CohnReznick LLP

Roseland, New Jersey
July 29, 2014

Exhibit 31(a)
Rule 13a-14(a) Certification

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302

I, John H. Freeman, certify that:

1. I have reviewed this annual report on Form 10-K of Dataram Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 2014

By: /s/ John H. Freeman
John H. Freeman, President and
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31(b)
Rule 13a-14(a) Certification

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302

I, Marc P. Palker, certify that:

1. I have reviewed this annual report on Form 10-K of Dataram Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 2014

By: /s/ Marc P. Palker
Marc P. Palker
Chief Financial Officer
(Principal Financial & Accounting Officer)

Exhibit 32(a)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

In connection with the Annual Report of Dataram Corporation, a New Jersey corporation (the Company"), on Form 10-K for the year ended April 30, 2013, as filed with the Securities and Exchange Commission (the "Report"), John H. Freeman, Chief Executive Officer of the Company, does hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that to his knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: July 29, 2014

By: /s/ John H. Freeman
John H. Freeman
President and Chief Executive Officer

[A signed original of this written statement required by Section 906 has been provided to Dataram Corporation and will be retained by Dataram Corporation and furnished to the Securities and Exchange Commission or its staff upon request.]

Exhibit 32(a)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

In connection with the Annual Report of Dataram Corporation, a New Jersey corporation (the Company"), on Form 10-K for the year ended April 30, 2013, as filed with the Securities and Exchange Commission (the "Report"), Marc P. Palker, Chief Financial Officer of the Company, does hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that to his knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: July 29, 2014

By: /s/ Marc P. Palker
Marc P. Palker
Chief Financial Officer and Principal Financial and Accounting Officer

[A signed original of this written statement required by Section 906 has been provided to Dataram Corporation and will be retained by Dataram Corporation and furnished to the Securities and Exchange Commission or its staff upon request.]