

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

(Mark One) FORM 10-K

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

For the fiscal year ended April 30, 2011.

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 [X]

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

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, 2010, was \$21,760,674.

The number of shares of Common Stock outstanding on July 22, 2011 was 10,703,309 shares.

DOCUMENTS INCORPORATED BY REFERENCE:

(1) Definitive Proxy Statement for Annual Meeting of Shareholders to be held on September 22, 2011 (the "Definitive Proxy Statement") to be filed within 120 days of the end of the fiscal year.

(2) 2011 Annual Report to Security Holders

DATARAM CORPORATION  
INDEX

Part I	Page
Item 1. Business . . . . .	5
Item 1A. Risk Factors . . . . .	11
Item 1B. Unresolved Staff Comments. . . . .	14
Item 2. Properties . . . . .	14
Item 3. Legal Proceedings . . . . .	15
Part II	
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities. . . . .	15
Item 6. Selected Financial Data. . . . .	15
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation . .	15
Item 7A. Quantitative and Qualitative Disclosures About Market Risk . . . . .	15
Item 8. Financial Statements and Supplementary Data. . .	15
Item 9. Changes In and Disagreements with Accountants	

on Accounting and Financial Disclosure . . . . .	16
Item 9A. Controls and Procedures . . . . .	16
Item 9A(T)Controls and Procedures . . . . .	16
Item 9B. Other Information . . . . .	17
Part III	
Item 10. Directors, Executive Officers, and Corporate Governance . . . . .	17
Item 11. Executive Compensation . . . . .	17
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters. . . . .	17
Item 13. Certain Relationships and Related Transactions, and Director Independence. . . . .	18
Item 14. Principal Accounting Fees and Services . . . . .	18
Part IV	
Item 15. Exhibits, Financial Statement Schedules. . . . .	18
Signatures. . . . .	19

PART I

Item 1. BUSINESS

(a) General development of business.

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 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 fiscal 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.]

Revenues for fiscal 2011 were \$46.8 million compared to \$44.0 million in fiscal 2010, a 6.3 percent increase. This increase was primarily the result of the Company's continued implementation of its revamped sales and marketing strategy having a positive effect on demand for its products, coupled with an increase in overall demand for IT infrastructure as the economy continues its recovery.

Cost of sales was \$35.8 million in fiscal 2011 or 76.4 percent of revenues compared to \$32.4 million or 73.6 percent of revenues in fiscal 2010. Current and prior fiscal year's cost of sales as a percent of revenue is considered by management to be within the Company's normal range. Fluctuations in cost of sales as a percentage of revenues are not unusual 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.

5

The Company was incorporated in New Jersey in 1967 and made 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 08543, 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 this website free of charge.

(b) Financial information about segments.

The Company operates in one industry segment.

(c) Narrative description of business.

#### Industry Background

The market for the Company's memory products is principally the buyers and owners of workstations and network 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.

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 Sun, HP, IBM, SGI and Dell. 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.

## 6

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.

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.

## 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. The Company is also continuing to develop its XcelaSAN(r) product line. XcelaSAN is a unique intelligent Storage Area Network ("SAN") optimization solution designed to deliver substantive application performance improvement to applications such as Oracle, SQL and VMware. XcelaSAN augments existing storage systems by transparently applying intelligent caching algorithms that serve the most active block-level data from high-speed storage, creating an intelligent, virtual solid state SAN, allowing organizations to dramatically increase the performance of their business-critical applications without the costly hardware upgrades or over-provisioning of storage typically found in current solutions for increased performance. The Company has made and is continuing to make significant investments in research and development in XcelaSAN. The product has been released for sale and the Company expects to realize revenues from sale of the product in its fiscal year ending April 30, 2012. The Company plans to invest in ongoing development of the product for future releases.

## Distribution

The Company sells its memory products to OEM's, distributors, value-added resellers and larger end-users. The Company has sales and/or marketing support offices in New Jersey, Denmark, the United Kingdom, Germany 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

many years ago 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, 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.

#### Working Capital Requirements

On July 27, 2010, the Company entered into an agreement with a financial institution for secured debt financing of up to \$5.0 million. We have also entered into an agreement with a vendor, which is wholly owned by 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 \$3.0 million of certain inventory into our manufacturing facilities. In addition, May 11, 2011, 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 1,775,000 shares of its common stock and warrants to purchase a total of 1,331,250 shares of its common stock to such investors for aggregate gross proceeds, before deducting fees to the Placement Agent and other estimated offering expenses payable by the Company, of approximately \$3.34 million. Management believes that the Company's cash flows generated from operations together with cash generated through these agreements will be sufficient to meet the Company's liquidity needs through April 30, 2012.

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 have minimum inventories to meet the needs of customers. During periods of shortage, 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. During its fiscal year ended April 30, 2011, the Company incurred costs of \$1,033,000 for engineering, \$998,000 in fiscal 2010 and \$1,219,000 in fiscal 2009.

#### Research and Development

Research and development expense in fiscal 2011 was \$1,894,000 versus \$4,265,000 in fiscal 2010 and \$1,531,000 in fiscal 2009. In the current fiscal year, the Company has continued to implement its strategy to introduce new and complementary products into its offerings portfolio. The Company is currently focusing on the development of its XcelaSAN product. The Company has 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. In fiscal 2011 the Company capitalized \$1.5 million of development costs. Prior to November 4, 2010, the Company expensed all development costs.

#### Raw Materials

The Company purchases industry standard DRAMs. The Company also purchases finished modules from the DRAM manufacturers. In either case, the cost of DRAM chips is the largest single component of the total cost of 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 a back up. The qualification program consists of extensive evaluation of process capabilities, on-time delivery performance and financial stability of each supplier. Alternative sources are qualified to normally 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 backlog on hand will be filled during the current fiscal year and most in a matter of days. The Company's backlog at April 30, 2011 was \$245,000, at April 30, 2010 it was \$1,185,000 and at April 30, 2009 it was \$936,000.

#### Seasonality

The Company's business can be seasonal with December and January being the slowest months.

#### 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, 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 44-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 "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 can 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, 2011, the Company had 91 full-time 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 does not expect to make any material expenditures for environmental control facilities in either the current fiscal year (fiscal 2012) or the succeeding fiscal year (fiscal 2013).

(d) Financial information about geographic area sales.

Fiscal	REVENUES (000's)			Consolidated
	U.S.	Europe	Other*	
2011	\$37,400	\$6,481	\$2,966	\$46,847
2010	\$35,566	\$4,484	\$3,970	\$44,020
2009	\$19,088	\$4,793	\$2,016	\$25,897

Fiscal	PERCENTAGES			Consolidated
	U.S.	Europe	Other*	
2011	79.9%	13.8%	6.3%	100.0%
2010	80.8%	10.2%	9.0%	100.0%
2009	73.7%	18.5%	7.8%	100.0%

\*Principally Asia Pacific Region

#### Item 1A. RISK FACTORS

WE MAY NEED TO OBTAIN ADDITIONAL WORKING CAPITAL FOR CONTINUED RESEARCH AND DEVELOPMENT. The development of the XcelaSAN product line has required and will continue to require substantial capital investment. The Company believes that it has obtained sufficient financing for the continued

development of the products. There can be no assurance, however, that such financing will be sufficient for the Company's purposes or that additional sources of financing will be available if needed. If we require and are unable to raise additional funds, we may need to delay, scale-back or eliminate some or all of our research and product development programs and/or license third parties to develop and commercialize products or technologies that we would otherwise seek to develop and commercialize ourselves.

11

**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 LOSSES IF DRAM PRICES DECLINE SUBSTANTIALLY.** 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 PRODUCTS MAY VIOLATE OTHERS' PATENTS.** 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 fiscal 2011, the largest ten customers accounted for approximately 38% of the Company's revenues and one customer accounted for 11% 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

12

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 discreet 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 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.

**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 and continues to make considerable investments in research and development of the XcelaSAN product line. There can be no assurance, however, that these research and development expenditures will result in the identification or exploitation of any products that can be profitably sold by the Company.

13

**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. The Company does not currently hedge its foreign currency risks.

**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. Accordingly, an impairment charge would be recognized in the period identified, which could reduce our profitability.

**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 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.

#### 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 research and development facilities in Bellevue, WA and marketing facilities in Denmark, Germany, and Japan.

14

#### Item 3. LEGAL PROCEEDINGS

None.

### PART II

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

Incorporated by reference herein is the information set forth in the Company's 2011 Annual Report to Security Holders under the caption "Common Stock Information" and the information from the Definitive Proxy Statement under the caption "Equity Plan Compensation Information." No shares were sold other than pursuant to a registered offering during fiscal 2011. In the fourth quarter of fiscal 2011, the Company purchased no shares of its common stock.

#### Item 6. SELECTED FINANCIAL DATA

Incorporated by reference herein is the information set forth in the 2011 Annual Report to Security Holders under the caption "Selected Financial Data".

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

Incorporated by reference herein is the information set forth in the 2011 Annual Report to Security Holders under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operation".

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Incorporated by reference herein is the information set forth in the 2011 Annual Report to Security Holders under the caption "Quantitative and Qualitative Disclosure about Market Risk".

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements and Schedule	Page in
	Annual Report*

Consolidated Financial Statements:

Consolidated Balance Sheets as of April 30, 2011 and 2010. . . . .	16
--------------------------------------------------------------------	----

Consolidated Statements of Operations - Years ended April 30, 2011, 2010 and 2009 . . . . .	17
---------------------------------------------------------------------------------------------	----

15

Consolidated Statements of Cash Flows - Years ended April 30, 2011, 2010 and 2009 . . . . .	18
---------------------------------------------------------------------------------------------	----

Consolidated Statements of Stockholders' Equity - Years ended April 30, 2011, 2010 and 2009 . . . . .	20
-------------------------------------------------------------------------------------------------------	----

Notes to Consolidated Financial Statements - Years ended April 30, 2011, 2010 and 2009 . . . . .	21
--------------------------------------------------------------------------------------------------	----

Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements . . . . .	38
--------------------------------------------------------------------------------------------------------	----

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.

\*Incorporated herein by reference.

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

Not applicable.

Item 9A. CONTROLS AND PROCEDURES

Not Applicable.

Item 9A(T). 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, 2011 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

16

our 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, 2011. This Annual Report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting.

Management's report was not subject to attestation by the Company's independent registered public accounting firm.

#### 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](http://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."

17

#### 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 ACCOUNTANT 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 20.

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 28, 2011 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 28, 2011 By: /s/ THOMAS A. MAJEWSKI

-----  
Thomas A. Majewski, Chairman of the  
Board of Directors

Date: July 28, 2011 By: /s/ JOHN H. FREEMAN

-----  
John H. Freeman, President  
Chief Executive Officer and  
Director

Date: July 28, 2010 By: /s/ ROGER C. CADY

-----  
Roger C. Cady, Director

Date: July 28, 2011 By: /s/ ROSE ANN GIORDANO

-----  
Rose Ann Giordano, Director

Date: July 28, 2011 By: /s/ MARK E. MADDOCKS

-----  
Mark E. Maddocks  
Vice President, Finance  
(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) Lease Agreement dated as of April 4, 2011, between Hillier Properties, L.L.C., and Dataram Corporation.
- 10(d) 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(e) 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.
- 20
- 10(f) 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(g) Lease Renewal Agreement, dated February 10, 2011, between Nappen & Associates and Dataram Corporation.
- 10(h) 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(i) Employment Agreement of Mark E. Maddocks 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, 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) 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(m) 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(n) 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(o) Placement Agency Agreement, dated as of May 11, 2011, by and between Dataram Corporation and Aegis Capital. 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(p) Form of Securities Purchase Agreement, dated as of May 11, 2011, by and between Dataram Corporation and each of the purchasers identified on the signature pages thereto. 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.

13(a) 2011 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 J.H. Cohn 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 Mark E. Maddocks

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

32(b) Section 1350 Certification of Mark E. Maddocks (Furnished not Filed)

\*Management Contract or Compensatory Plan or Arrangement

A LEASE AGREEMENT (hereinafter " the Lease" ) dated April 4, 2011 between:

HILLIER PROPERTIES, L.L.C., whose office is 190 Witherspoon Street, Princeton, New Jersey 08540 (" Landlord" ),

and

Dataram Corporation, whose address under this lease will be 777 Alexander Park, Princeton, New Jersey 08543 (" Tenant" ).

WITNESSETH, that the Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the " Leased Premises" being

a. 9,228 square feet of rentable space (the usable space being less than 9,228 square feet) located on the first floor of the building known as 777 Alexander Park.

b. 1,828 square feet of rentable space (the usable space being less than 1,828 square feet) located on the first floor of the building known as 777 Alexander Park.

The Leased spaces are known as Unit Nos. 100 and 103 in Building 200 of the Alexander Park Buildings 100 and 200 Condominium and are more particularly shown on the sketch attached hereto as Exhibit A.

The term of this Lease shall be sixty-two (62) months commencing on July 1, 2011 and ending on September 1, 2016. If the commencement date is extended, the Lease termination date will be on that date which is sixty-two (62) months after the commencement date. The Leased Premises shall be used only as offices for conduct of Tenant's business and/or any other use permitted in the zone in which the property is located.

This Lease includes the Tenant's non-exclusive right to use, without additional charge, the parking area together with other Alexander Park tenants.

Normal hours of operation are 8:15 a.m. to 6:15 p.m. Monday through Friday, however, Tenant shall have access 24 hours a day, seven days a week.

No machines or machinery of any kind shall be placed or operated so as to disturb other Tenants. The Tenant shall not and will not do or permit to be done or brought upon the premises anything which shall be deemed extra hazardous on account of fire risk or create any environmental violations.

## 1. BASE MONTHLY RENT

### 1.1 Base Rent Per Month for 9,228 square foot area:

First 2 Months	\$0
Month 3 to 26	\$13,457.50
Months 27 to 62	\$14,226.50

### Base Rent Per Month for 1,828 square foot area:

First 6 Months	\$0
Months 7 to 26	\$2,665.83
Months 27 to 62	\$2,818.17

1.2 The base annual rent shall be payable monthly in advance on the first day of each month, commencing with the first month that the rent payments are not \$0. Rent shall be payable at Landlord's address as above specified or such other place as the Landlord may in writing designate. The Tenant also agrees to pay as rent all items referred to herein as additional rent.

## 2. EXTRAS AND PASS-THROUGH

2.1 The Tenant shall pay for the cost of electricity for the Leased Premises as an item of additional rent. The Tenant's electrical cost shall be 36% of each monthly electrical bill for the 777 Alexander Road building, except that if less than 95% of the rentable area of the building is occupied, then the monthly electric charges shall be adjusted on a

commercially reasonable basis to reflect a 95% rentable area occupancy.

2.2 The Tenant agrees to pay as additional rent an amount equal to 36% of any increase in the " pass-through" expenses, with the base year for measuring the additional cost being 2011, except that if less than 95% of the rentable area of the building is occupied, then the monthly " pass through" charges shall be adjusted on a commercially reasonable basis to reflect a 95% rentable area occupancy. For this purpose, " pass-through" items will be limited to operating expenses, including but not limited to condominium fees; garbage removal costs; insurance paid by Landlord; repairs (except those repairs which are Landlord's responsibility as contained in Paragraph 8.3 of this Lease Agreement) and maintenance; recycling charges; sewer charges; property taxes; land lease charges; water fees; supplies; janitorial services for the common areas and for the Leased Premises; snow removal; landscaping costs; and property management fees. Pass-through expenses shall relate only to those expenses allocable to Building 200 of the Alexander Park Buildings 100 and 200 Condominium and shall not include any portion of pass-through expenses, such as landscaping, snow plowing, property management fees and Association fees to Alexander Park Master Association, Inc. allocated to Building 100 of said Condominium. Such sums shall be due and payable in monthly installments commencing January 1, 2012, in such estimated amounts as the Landlord shall determine until the actual sum is known. Landlord agrees to provide to Tenant by November 15 of each year a proposed budget for the pass-through expenses for the upcoming year to justify Landlord's estimated amount of the increase in the pass-through expenses. Underpayments for the year shall be due within 30 days of when billed. Overpayments for the year shall be applied to the estimated payments for the next year. The lateness of the Landlord in advising the Tenant of the amount of any of these pass-through expenses shall not relieve the Tenant from its obligation to pay the increased charges, and upon the Landlord's notice of the additional rent due for these items, the Tenant shall pay the amount due.

### 3. BROKERAGE

Landlord represents to Tenant that the listing broker is Mercer Oak Realty. Tenant represent that Commercial Property Network, Inc. is the only broker that offered the property to Tenant. Landlord will be responsible for all brokerage commissions due to Mercer Oak Realty and to Commercial Property Network, Inc.

### 4. POSSESSION

The Tenant shall be entitled to possession hereunder as of July 1, 2011 provided this lease is signed on or before April 15, 2011. Tenant shall be permitted access to the premises prior to the commencement date to install telecommunication systems, furniture or other equipment, provided that said installations do not interfere with Landlord's renovations to the premises. Landlord shall permit such access after receiving two (2) days written notice from Tenant.

### 5. INSURANCE

5.1 Tenant shall obtain and keep in full force and effect during the Term at its own cost and expense and in the following amounts or such greater amounts as Landlord or any mortgagee of Landlord may reasonably request: (i) public Liability Insurance, such insurance to afford protection in an amount not less than \$2,000,000, for personal injury or death, and \$1,000,000 for damage to property, protecting Landlord and Tenant as insureds against any and all claims for personal injury, death, or property damage occurring in, upon, adjacent to or connected with the Leased Premises or any part thereof; and (ii) insurance against loss or damage by fire, and such other risks and hazards as are insurable under present and future standard forms of fire and extended coverage insurance policies, to Tenant's property for the full insurable value thereof, protecting Landlord, any mortgagee of Landlord, and Tenant as insureds as their respective interests may appear. Additional insureds to be listed on the policies are J. Robert Hillier, Hillier Properties, L.L.C.

5.2 Tenant will secure and maintain in effect worker's compensation insurance covering all of the employees of the Tenant.

5.3 The insurance required by paragraphs 5.1 and 5.2 is to be written in

form and substance satisfactory to Landlord by a good and solvent insurance company of recognized standing, admitted to do business in the State of New Jersey, which shall be reasonably satisfactory to Landlord. Tenant shall procure, maintain, and place such insurance and pay all premiums and charges therefor, and upon failure to do so Landlord may, but shall not be obligated to, procure, maintain, and place such insurance or make such payments, and in such event, Tenant agrees to pay the amount thereof to the Landlord on demand and said sums shall be in each instance collectible as additional rent on the first day of the month following the date of payment by Landlord. Tenant shall cause to be included in all such insurance policies a provision to the effect that the same shall be non-cancelable nor materially changed except upon 20 days prior written notice to Landlord. Before the Tenant may enter into possession hereunder, the original insurance policies or appropriate certificates shall be deposited with Landlord together with evidence of due payment of premiums thereon. Any renewals, replacements, or endorsements thereto shall also be deposited with Landlord to make certain that said insurance shall be in full force and effect during the Term.

5.4 Landlord, after notifying Tenant in writing stating its reasons, shall have the right, at its discretion, to reasonably increase, alter, modify, amend, add to, or replace the insurance requirements for Tenant set forth in this Lease, provided that Landlord shall only have the right to request additional insurance if such insurance is required by landlords of comparable buildings in the area of the Building.

5.5 Landlord shall not be liable to Tenant for any loss or damage to any trade fixture or tangible personal property caused by the negligence or other fault of Landlord or of its respective agents, employees, licensees, or assignees. This release shall apply to the extent loss or damage to any trade fixture or tangible property is covered by insurance, regardless of whether such insurance is payable to or protects Landlord or Tenant, or both. Nothing herein shall be construed to impose any other or greater liability upon Landlord than would have existed in the absence of this provision. This release shall be in effect only so long as the applicable insurance policies contain a clause to the effect that this release shall not affect the right of the insured to recover under such policies. Such clauses shall be obtained by the parties whenever possible. The release in favor of Landlord contained herein is in addition to and not in substitution for or in diminution of the hold harmless and indemnification provisions hereof.

## 6. DEFAULT PROVISIONS

6.1 Any other provisions in this Lease notwithstanding, if (i) Tenant fails to pay any rent or other sum of money due hereunder within five (5) business days of its due date; or (ii) even if rent is current, Tenant either fails to initially use and occupy the Leased Premises for a period of 45 days or subsequently vacates the Leased Premises for a period of 45 days; or (iii) Tenant fails to observe or perform any of the other Tenant covenants or agreements herein contained, other than a default involving the payment of money, and such failure continues after written notice for more than thirty (30) days and such additional time, if any, as is reasonably necessary to cure such failure, provided that Tenant has diligently commenced to cure and is continuing to prosecute said cure to completion; or (iv) Tenant is in default under subparagraph 6.3; or (v) Tenant makes any assignment for the benefit of creditors; or (vi) Tenant commits an act of bankruptcy (and does not cure same within thirty (30) days after committing such act of bankruptcy) or files a petition or commences any proceeding under any bankruptcy or insolvency law; or (vii) a petition is filed or any proceeding is commenced against Tenant under any bankruptcy or insolvency law and such petition or proceeding is not dismissed within sixty (60) days; or (viii) Tenant is adjudicated a bankrupt; or (ix) Tenant by any act indicates its consent to, approval of or acquiescence in, or a court approves, a petition filed or proceeding commenced against Tenant under any bankruptcy or insolvency law; or (x) a receiver or other official is appointed for Tenant or for a substantial part of Tenant's assets or for Tenant's interest in this Lease; or (xi) any attachment or execution against a substantial part of Tenant's assets or of Tenant's interests in this Lease remains unstayed or undismissed for a period of more than twenty (20) days; or (xii) a substantial part of Tenant's assets or of Tenant's interest in this Lease is taken by legal process in any action against Tenant; and Landlord may, if the Landlord so elects, at any time thereafter, terminate

this Lease and the tenancy created hereby, by giving ten (10) days written notice of such election to Tenant and/or Landlord may reenter the Leased Premises, by summary proceedings or otherwise, and may remove Tenant and all other persons and property from the Leased Premises, and may store such property from the Leased Premises, and may store such property in a public warehouse or elsewhere (at the cost of or the account of Tenant) with or without resort to legal process and without Landlord being deemed guilty of trespass or conversion or becoming liable for any loss or damage occasioned thereby or otherwise being liable to prosecution therefor.

6.2 In the event that the relation of the Landlord and Tenant may cease or terminate by reason of the termination of this Lease by Landlord or by reason of the re-entry of the Landlord under the terms and covenants contained in this Lease or by reason of the summary dispossession or ejection of the Tenant by summary proceedings, or otherwise, or after the abandonment of the Leased Premises by the Tenant, the Tenant shall remain liable and shall pay in monthly payments the base monthly rent and additional rent which accrues subsequent to the cessation or termination of the relationship of Landlord-Tenant, and the Tenant shall pay as damages for the breach of the covenants contained in this Lease the difference between the base monthly rent and additional rent reserved and the rent collected and received, if any, by the Landlord during the remainder of the unexpired Term, such difference or deficiency between the base monthly rent and the additional rent reserved and the rent collected, if any, shall become due and payable in monthly payments during the remainder of the unexpired Term, as the amounts of such difference or deficiency shall from time to time be ascertained. In the event the Landlord relets the Leased Premises during any such unexpired period of the Tenant's lease, for rent in excess of that due under the within Lease, Landlord need not credit such excess rent against any unpaid base monthly rent or additional rent owed by the Tenant. In addition, Tenant shall indemnify Landlord during the remaining period before this Lease would otherwise expire against all loss or damage suffered by reason of such default, cessation or termination, including but not limited to, all costs for salaries, fees, commissions, and expenses of reletting as well as all reasonable attorney's and other professional fees, expenses and costs incurred by Landlord in pursuit of its remedies hereunder.

6.3 Landlord shall have all rights and remedies now or hereafter existing at law with respect to the enforcement of Tenant's obligations hereunder and the recovery of the Leased Premises, including without limitation, those set forth in N.J.S.A.2A:18-53, as amended, and all amendments, modifications, and substitutions thereof hereafter enacted. No right or remedy herein conferred upon or reserved to Landlord shall be exclusive of any other right or remedy, but shall be cumulative and in addition to all other rights and remedies given hereunder or now or hereafter existing at law. Landlord shall be entitled to injunctive relief in case of the violation, or attempted violation, of any covenant, agreement, condition, or provision of this Lease, or to a decree compelling performance of any covenant, agreement, condition, or provision of this Lease.

6.4 Nothing herein contained shall limit or prejudice the right of Landlord by reason of such default to exercise any or all rights or remedies available to Landlord by reason of such default or to prove and obtain in proceedings under any bankruptcy or insolvency laws, an amount equal to the maximum allowed by any law in effect at the time when, and governing the proceedings in which, the damages are to be proven, whether or not the amount be greater, equal to, or less than the amount of the loss of damage referred to above.

## 7. ASSIGNING AND UNDERLETTING

7.1 Tenant shall not assign this Lease, in whole in part, nor sublet all or any part of the Leased Premises, nor license concessions or lease departments therein, without first obtaining the written consent of Landlord which consent shall not unreasonably be withheld or delayed. This prohibition includes any subletting or assignment which would otherwise occur by operation of law, merger, consolidation, reorganization, transfer or other change of Tenant's corporate or proprietary structure, or an assignment, subletting to or by a receiver or trustee in any federal or state bankruptcy, insolvency, or other proceedings. Consent by Landlord to any assignment or subletting shall not constitute a waiver of any obligation of the Tenant to Landlord (it being understood that Tenant shall remain

liable notwithstanding any assignment or subletting) nor shall consent by the Landlord constitute a waiver of the requirement for such consent to any subsequent assignment or subletting.

7.2 Notwithstanding subparagraph 7.1 above, if this Lease is assigned to any person or entity pursuant to the provisions of the Bankruptcy Code, 11 U.S.C. Section 101, et seq. (the " Bankruptcy Code" ), any and all monies or other considerations payable or otherwise to be delivered in connection with such assignment shall be paid or delivered to Landlord and shall be and remain the exclusive property of Landlord or of the estate of Landlord within the meaning of the Bankruptcy Code. Any and all monies or other considerations constituting Landlord's property under the preceding sentence not paid or delivered to Landlord shall be held in trust for the benefit of Landlord and be promptly paid or delivered to Landlord.

7.3 If at any time after the execution of this Lease any part or all of the corporate shares shall be transferred by sale, assignment, bequest, inheritance, operation of law or other disposition (including such a transfer to or by a receiver or trustee in federal or state bankruptcy, insolvency, or other proceedings) so as to result in a change in the present control of said corporation by the person or persons now owning a majority (>50%) of said corporate shares, Tenant shall give Landlord notice of such event within fifteen (15) days from the date of such transfer. Notwithstanding the other provisions of this paragraph 7.3 the Landlord shall not have the right to terminate this Lease under the provisions of the prior sentence if at the time Landlord is notified of the change in the corporate control, the Tenant is current in its payment of all sums due the Landlord, the security deposit is intact, and no other notices of default given by the Landlord remain uncured. If the foregoing sentence is not satisfied and whether or not Tenant has given such notice, Landlord may elect to terminate this Lease, within fifteen (15) days after the date of the notice, by giving Tenant notice of such election, in which event this Lease and the rights and obligations of the parties hereunder, shall cease as of a date set forth in such notice which date shall not be less than sixty (60) days after the date of such notice. In the event of any such termination, all rent shall be adjusted as of the date of such termination.

7.4 The acceptance by Landlord of the payment of rent following any assignment or other transfer prohibited by this paragraph shall not be deemed to be a consent by Landlord to any such assignment or other transfer nor shall the same be deemed to be a waiver of any rights or remedy of Landlord hereunder.

7.5 In the event that Landlord consents to a subletting of the Leased Premises, or any assignment of this Lease by Tenant, Landlord shall be entitled to recapture and receive payment from Tenant of any profit realized by Tenant from assignment of the Lease or subletting of the Leased Premises at a rent greater than the rent reserved hereunder. Tenant shall pay any such profit to Landlord promptly upon its receipt by Tenant, whether it is received in monthly or other periodic payments or in a lump sum. For purposes of this subparagraph, " profit" shall refer to the difference between: (i) all payments made by a subtenant or assignee to Tenant as rent or otherwise under or in connection with said assignment or sublease; and (ii) the costs and expenses paid by Tenant in connection with said assignment or sublease including the base monthly rent and additional rent payable hereunder with respect to the assigned or sublet space and the reasonable brokerage, legal, and alteration expenses, if any, incurred in connection with said assignment or sublease, calculated as if amortized over the Lease Term. Promptly after the commencement of any such assignment or sublease, Tenant shall deliver to Landlord a statement of the expenses incurred in connection with the assignment or subletting and payments of the profit in connection therewith shall be made monthly as additional rent hereunder.

## 8. CONDITION OF PREMISES AND REPAIRS

8.1 Subject to the provisions of paragraph 8.1.1, Tenant accepts the Leased Premises in its present condition and without any representations on the part of the Landlord or its agents as to the present or future condition of the premises. The Landlord makes no warranties, express or implied, relating to the conditions in or about the Leased Premises.

8.1.1 Landlord will provide the space together with changes to which the

parties have agreed and as shown on the floor plan, which is attached hereto as Exhibits B.

a. As to the 1,828 square foot area (Unit 103), the Landlord will clean the carpets and paint the walls. At such time, either before or after commencement of this Lease Agreement as Tenant determines in its sole discretion, Landlord shall at Tenant's sole cost and expense perform the work shown on Exhibit B attached hereto within the later of (1) thirty (30) days after receiving written notice from Tenant requesting the work or (2) thirty (30) days after a building permit is issued for the work, if one is required. Landlord's failure to complete the work within the aforesaid time period shall not be a default, as long as the work shall be completed within fifty (50) days after (1) or (2) above, as applicable.

b. As to the 9,228 square foot area, the four offices on the front right will be expanded to create approximately three more feet of depth. The Boardroom designs are shown in the plan. The offices adjacent to the Boardroom will be removed as per the plan. The balance of the space and carpet will remain.

c. All systems in both spaces will be provided in good working order.

d. The lobby will be repainted.

e. Landlord represents that performance of any work referred to in this Paragraph 8.1.1 does not require the consent from any other party, including that of the Condominium Board of Trustees.

8.2 Tenant shall take good care of the Leased Premises, fixtures, and appurtenances and suffer no waste or injury; make all minor repairs (which shall be defined as costing less than \$500.00 and which are not included as Landlord repairs as set forth in Paragraph 8.3 of this Lease Agreement) to the Leased Premises, keeping the premises generally in good repair, order, and condition and, at the end of the term, surrender the same to Landlord broom clean. The Tenant agrees to replace at the Tenant's expense any and all glass which may become broken in and on the demised premises caused by the act, neglect, or default of the Tenant or its agents.

8.3 Landlord will deliver the premises to Tenant with the HVAC in good working condition. Landlord shall make all structural repairs and all major repairs and replacements to the electrical, windows, plumbing and HVAC system (except as provided below) when repairs and replacements become necessary due to conditions not caused by the acts, omissions, or negligence of Tenant, in order to keep the premises in good repair and in tenantable condition, including repairs to pipes and conduits running through the Leased Premises which serve other parts of the building. Landlord shall be responsible for making structural repairs to the exterior of the building, including the roof.

8.4 In the case of the intentional destruction or any intentional damage of any kind whatsoever to the Leased Premises caused by the Tenant, or Tenant's agents, employees, or client/customers, Tenant shall repair the damage, or replace or restore any destroyed or damaged parts of the Leased Premises, as speedily as possible, at Tenant's own cost and expense.

## 9. COMPLIANCE WITH LAW

Tenant shall promptly execute and comply with all statutes, ordinances, land use and building codes, rules, orders, regulations and requirements of the Federal, State and Municipal Government and of any and all of their Departments and Bureaus applicable to the Leased Premises, for the correction, prevention and abatement of nuisances, violations or other grievances, in, upon or connected with said premises during said term; and shall also promptly comply with and execute all rules, orders, and regulations of the Board of Health, the Board of Fire Underwriters, the Zoning Board of Adjustment, or any other similar body.

## 10. LIABILITY CLAUSE

10.1 The Landlord, or its agents, shall not be liable for any injury, loss, claims or damage to any person or property occurring in or about the Leased Premises unless arising out of or in connection with any act,

neglect, or default of Landlord, its agents, invitees, employees, contractors, and licensees. Tenant shall save Landlord harmless and indemnify it from any injury, loss, claim or damage, to any person or property anywhere occasioned by any act, neglect or default of Tenant.

10.2 Landlord, or its agents, shall not be liable for any injury or damage to persons or property occurring by reason of any existing or future condition or latent defect in the Leased Premises unless arising out of or in connection with any act, neglect, or default of Landlord, its agents, invitees, employees, contractors, and licensees, including, but not limited to, injury or damage resulting from falling plaster, steam, gas, electricity, water, rain or snow, which may leak from any part of the building or from pipes, appliances or plumbing work of the same, or from any other place, or by dampness or any other cause of whatsoever nature, nor shall Landlord, or its agents, be liable for any such damage caused by other Tenants or persons in the building, or for interference with the light or other incorporeal hereditaments, or caused by operations in construction of any public or quasi-public work.

10.3 Notwithstanding anything to the contrary provided in this lease, it is expressly understood and agreed that there shall be no personal liability whatsoever on the part of the Landlord or any successor in interest of Landlord (or on the part of the officers, directors, and shareholders of any corporation, of the members of any limited liability company, firm, partnership, or joint venture which may be the Landlord, or of any successor in interest of the Landlord at any time or from time to time) with respect to any of the terms, covenants, conditions, and provisions of this lease, and Tenant shall look solely to the equity of Landlord or such successor in interest in the fee estate of Landlord in the Building or to a right of set-off hereby granted for the satisfaction of each and every remedy of Tenant in the event of any breach of Landlord or by any such successor in interest of any of the terms, covenants, conditions, and provisions of this Lease to be performed by Landlord, such exculpation of corporate and/or personal liability to be absolute and without any exception whatsoever.

## 11. ALTERATIONS AND IMPROVEMENTS

11.1 Tenant shall make no alterations, additions or improvements to the Leased Premises without the written consent of Landlord, which consent shall not be unreasonably withheld or delayed. All alterations, additions, and improvements shall belong to the Landlord, provided, however, the Tenant shall have the right to remove from said premises the trade fixtures installed by the Tenant provided that the same are removed prior to the expiration of the within Lease. Tenant shall be responsible for repairing any damage caused by the removal of installed trade fixtures.

11.2 If any mechanics' or other liens shall be created or filed against the premises by reason of labor performed or materials furnished for Tenant, Tenant shall, within thirty (30) days thereafter, at Tenant's own cost and expense, cause such lien(s) to be satisfied and discharged of record, together with any Notices of Intention that may have been filed. Failure to do so shall entitle Landlord to resort to such remedies as are provided herein in the case of any default of this lease, in addition to such as are permitted by law.

## 12. DAMAGE TO THE PREMISES

If the Leased Premises shall be partially damaged or rendered untenable by fire or other causes, without being due to the fault or neglect of Tenant, Tenant's servants, employees, agents or licensees, the Leased Premises so damaged or rendered untenable shall be repaired promptly and within a reasonable time, by and at the expense of Landlord and the rent from the time of such damage or untenability until such repairs shall be completed shall be apportioned according to the part of the Leased Premises which is reasonably useable by Tenant; in such event, any rent paid in advance shall be apportioned and refunded. If such partial damage or untenability is due to the fault or negligence of Tenant, Tenant's servants, employees, agents or licensees, the damaged premises shall be repaired promptly and within a reasonable time by Landlord, but there shall be no apportionment or abatement of rent. In the event of the Leased Premises being so badly damaged that they cannot be repaired within ninety days, then Landlord shall so notify Tenant within 15 days after the damage and the term hereby created shall, at the option of the Landlord or the

Tenant, cease and the Tenant shall surrender the Leased Premises and all of the Tenant's interest therein to the Landlord and shall be liable for rent only to the time of the surrender, and the Landlord may re-enter and repossess the Leased Premises.

#### 13. INSPECTION OF PREMISES; KEYS

Landlord and its agents shall have the right to inspect the Leased Premises at reasonable hours after twenty-four (24) hour advance notice for the purpose of examining the same or making such repairs or alterations therein as may be necessary for the safety and preservation thereof. The aforesaid provision shall not be deemed to be a covenant by Landlord nor be construed to create an obligation on the part of Landlord to make such inspection or repairs. Landlord shall retain a passkey to the premises, including keys to any individual room locks, and the Tenant may only change the locks with the prior consent of the Landlord and the delivery of a duplicate key to the Landlord.

#### 14. SHOWING PREMISES

The Landlord and its agents may during the last six months of the Lease show the premises to persons wishing to lease or at any time to persons wishing to purchase the same upon advance notice of twenty-four (24) hours to Tenant.

#### 15. LANDLORD IMPROVEMENTS

The Leased premises are leased as is with no obligation of the Landlord to perform any landlord work except as provided in paragraph 8.1.1.

#### 16. CONDEMNATION

If the whole or any part of the Leased Premises shall be acquired or condemned by eminent domain for any public or quasipublic use, and if the condemnation adversely affects the Tenant's use of the premises, then in that event the term of this Lease shall cease and terminate from the date of title vested in such proceeding and Tenant shall have no claim against Landlord for the value of any unexpired term of said Lease. No part of any condemnation award shall belong to Tenant. Notwithstanding anything contained in this Section 16 to the contrary, Tenant shall be entitled to a separate award for its moving expenses incurred as a result of any condemnation proceeding.

#### 17. SIDEWALKS, HALLS, AND STAIRS

Tenant shall not obstruct the walkways or entrance hall in front of the entrance to the Leased Premises, nor allow any internal halls or stairways to be obstructed or encumbered in any manner.

#### 18. REMOVAL OF PROPERTY ON TERMINATION

If Tenant, upon the expiration or termination of this Lease for any reason, moves out of the premises and fails to remove any equipment or trade fixtures or other property within ten (10) days after said removal, said equipment, trade fixtures, and property shall be deemed abandoned by Tenant and shall become the property of Landlord, but Tenant shall be responsible for the cost of removing any abandoned property and of repairing any damage caused by the removal of any trade fixtures which Landlord determines should be removed.

#### 19. SIGNS

Tenant at Tenant's expense shall have the right to place its name on:

a) All the existing 18" high x 94" long (11.75 sf) double-sided sign plate which is currently blank, located at the front of the property, and visible from Alexander Road; and

b) On the glass door which gives access to the Tenant space.

The design of this signage shall be subject to the approval of the Landlord, and in accordance with Township regulations. The Landlord at Landlord's expense shall put the Tenant's name and location on the existing Tenant

directory in the Building lobby.

## 20. MORTGAGE SUBORDINATION

The Tenant agrees that this Lease shall be subject and subordinate at all times to the lien of any mortgage or mortgages given or to be given by a recognized lending institution now on record or to be hereafter placed on the premises without the necessity of any further instrument or act on the part of the Tenant to effectuate such subordination, and the Tenant hereby covenants and agrees to execute and deliver upon demand such instrument or instruments evidencing such subordination of this Lease to the lien of any such mortgage or mortgages as shall be desired by any mortgagee or proposed mortgagee, and, to further effectuate this covenant, the Tenant hereby appoints and constitutes the said Landlord the Tenant's attorney-in-fact irrevocably to execute and deliver any such instrument or instruments for and in the name of the Tenant. If any such instrument is presented to Landlord, Tenant shall have the right to review same prior to providing its consent. In addition, in the event of any future mortgage placed upon the property by Landlord during the term of this Lease, Landlord shall obtain a non-disturbance agreement from such future mortgagee, so that as long as Tenant is paying the rent and otherwise performing the terms and conditions of the Lease, Tenant shall be entitled to continue in possession of the Leased Premises for the term of the Lease and any renewal thereof.

## 21. INTEREST ON LATE PAYMENTS

If any payment of basic rent or any additional rent which becomes due and payable under this Lease shall remain unpaid for a period in excess of six (6) business days after it becomes due, then the Tenant shall be required to pay interest equal to three (3%) percent per annum above the Prime Rate published by the Wall Street Journal, as it may vary from time to time, with a minimum late charge of \$25.

## 22. COLLECTION OF DELINQUENT RENT

In the event that it shall become necessary for Landlord to engage the services of an attorney or collection agency to collect delinquent rent from Tenant, Tenant agrees to pay the reasonable attorney's fee, or reasonable collection agency fee, together with all court costs and disbursements. Tenant also agrees to pay, as additional rent, all reasonable attorney's fees and other expenses incurred by the Landlord in enforcing any of the other obligations under this Lease.

## 23. NOTICES

All notices required under this Lease shall be in writing and those notices from Landlord to Tenant shall be personally given or sent by ordinary mail to Tenant at the Leased Premises, and those notices required to be given by Tenant to Landlord at 190 Witherspoon Street, Princeton, New Jersey 08540, or such other place as the Landlord or the Tenant may in writing designate.

## 24. SECURITY DEPOSIT

Upon the signing of this Lease by the Tenant, the Tenant shall deposit with the Landlord the sum of \$33,168 by certified check as security for the performance by the Tenant of all the terms and conditions to be performed by the Tenant which sum shall be applied or, if not used, returned to the Tenant at the expiration of the lease term. If any portion of the security deposit is applied during the Lease term, the Tenant shall replenish the security deposit so that it equals the amount of the required security deposit as of the month prior to the application of any portion of the security deposit. The security deposit shall not be used by the Tenant for the payment of rent. In the event of the sale of the premises subject to this agreement, the Landlord shall have the right to transfer the security to the grantee for the benefit of the Tenant, and upon such transfer, the Landlord shall be considered released by the Tenant from all liability for the return of said security.

## 25. TENANT'S CERTIFICATE

At the request of the Landlord, the Tenant shall sign a certificate stating that (a) this Lease has not been amended and is in effect, (b) the

Landlord has fully performed all of the Landlord's agreements in this Lease, (c) the Tenant has no right to the leased space except as stated in this Lease, (d) the Tenant has paid all rent to date, and (e) the Tenant has not paid rent for more than one month in advance. The Tenant's certificate shall also list all the property attached to the leased space owned by the Tenant.

## 26. HOLDING OVER BY TENANT

If the Tenant shall remain in the Leased Premises after expiration of the term of this Lease without having executed a new or renewal Lease, such holding over shall not constitute a renewal or extension of this Lease and the Landlord shall, at its option, be entitled to all remedies provided by law against a Tenant holding over or may elect to treat the holding over as a tenancy from month to month subject to all terms and conditions of this Lease, except as to duration, but this shall not preclude the Landlord from increasing the monthly rental amount during the holdover period, which increase of rent may be 150% of the rent paid the last month of the expired lease term. Notwithstanding anything contained in this Section 26 to the contrary, if the parties are negotiating in good faith with respect to the rent following the exercise by Tenant of the renewal option set forth in Section 34 hereof and further if no renewal is consummated and Tenant is still in possession of the premises after expiration of the term, Landlord may increase the first month of the holdover period by only one hundred ten percent (110%) of the base rent.

## 27. BANKRUPTCY

27.1 In the event that Tenant becomes the subject debtor in a case pending under the Bankruptcy Code or in any bankruptcy court or division, Landlord's right to terminate this Lease shall be subject to the rights of the Trustee in bankruptcy to assume or assign this Lease. To the extent permitted or allowed by law, the Trustee shall not have the right to assume or assign this Lease until the Trustee: (i) promptly cures all defaults under this Lease; (ii) promptly compensates Landlord for monetary damages incurred as a result of such default; and (iii) provides "adequate assurance of future performance" which shall mean (in addition to any other statutory requirements) that all of the following have been satisfied: (i) in addition to Rent payable under the Lease the Trustee shall establish with Landlord a Security Deposit equal to three (3) months base monthly rent; (ii) maintain said Security Deposit in said amount whenever it is drawn upon by Landlord; (iii) Trustee must agree that Tenant's business shall be conducted in a first-class manner; (iv) the use of the Leased Premises cannot change. If all the foregoing are not satisfied, Tenant shall be deemed not to have provided Landlord with adequate assurance of future performance of this Lease.

27.2 In addition, if Tenant becomes the subject debtor under the Bankruptcy Code or in any bankruptcy court or division, any person or entity to which this Lease is assigned pursuant to the provisions of the Bankruptcy Code, 11 U.S.C., Section 101 et seq., shall be deemed without further act or deed to have assumed all of the obligations arising under this Lease on and after the date of such assignment. Any such assignee shall, upon demand, execute and deliver to Landlord an instrument confirming such assumption.

## 28. QUIET POSSESSION

The Landlord covenants that the Tenant on paying the said rent, and performing the covenants aforesaid, shall and may peacefully and quietly have, hold and enjoy the said demised premises for the term aforesaid. The authorization of the permitted use of the Leased Premises for the purposes set forth herein does not constitute a representation or warranty by Landlord that any particular use of the Leased Premises is now or shall continue to be permitted under applicable laws or regulations.

## 29. BINDING EFFECT; SEVERABILITY

The covenants and agreements herein contained are binding on the parties hereto and upon their respective successors, heirs, executors, administrators and assigns. If any of the provisions of this Lease are determined by a court of competent jurisdiction to be illegal or unenforceable, the remaining provisions of this Lease shall continue to be effective.

### 30. WAIVERS

No delay or forbearance by Landlord in exercising any right or remedy hereunder or in undertaking or performing any act or matter which is not expressly required to be undertaken by Landlord shall be construed, respectively, to be a waiver of Landlord's rights or to represent any agreement by Landlord to undertake or perform such act or matter thereafter.

### 31. WAIVER OF JURY TRIAL

It is mutually agreed by and between Landlord and Tenant that the respective parties shall and they hereby do waive trial by jury in any action, proceeding or counterclaim brought by either of the parties against the other on any matter whatsoever arising out of or in any way connected with this lease, the relationship of Landlord and Tenant, Tenant's use of or occupancy of said Leased Premises and/or any claim of injury or damage and any emergency statutory or any other statutory remedy. It is further mutually agreed that in the event Landlord commences any summary proceeding for nonpayment of rent, Tenant will not interpose any counterclaim or defense in the nature of setoff, of whatever nature or description in any such proceeding.

### 32. CONSTRUCTION OF LEASE

32.1 This lease shall be construed without regard to any presumption or other rule requiring construction against the party causing this lease to be drafted.

32.2 Words and phrases used in the singular shall be deemed to include the plural and vice versa, and nouns and pronouns used in any particular gender shall be deemed to include any other gender.

32.3 The rule of " ejusdem generis" shall not be applicable to limit a general statement following or referable to an enumeration of specific matters to matters similar to the matters specifically mentioned.

### 33. GOVERNING LAW, ETC.

This Lease shall be governed by, and its terms and provisions shall be construed in accordance with the laws of the State of New Jersey. The provisions of this Lease are subject to the terms of the condominium documents for the Alexander Park Buildings 100 and 200 Condominium. Landlord certifies that this tenancy does not violate any of the applicable rules and regulations as outlined in the condominium documents and bylaws.

### 34. FIVE YEAR RENEWAL OPTION.

Provided that the Tenant is not in default at the time of Tenant's renewal notice, the Tenant is hereby given an option to renew this Lease for an additional five year term. The Tenant's option to renew shall be exercised by the Tenant giving the Landlord written notice of its intention to renew on or before March 1, 2016, except that if this Lease expires later than September 1, 2016, the date for which Tenant may exercise its renewal notice shall be on or before that date which is six (6) months prior to the Lease termination date. The rent shall be at then prevailing market rate as agreed to by the parties but not less than the rent for the final year of the expiring lease term. If the parties in good faith cannot agree on the rent, then the Lease shall not be renewed. If renewed the agreed upon rent shall apply for the first renewal year and thereafter it shall be increased by 2.5% per year. Tenant agrees to accept the Leased Premises in the condition then existing as of the commencement of the renewal term of this Lease, and Landlord shall not be responsible for performing any work on the Leased Premises other than the Landlord's responsibilities as set forth in the Lease. The failure or omission by Tenant to give the notice required under the provisions of this section exercising Tenant's option to renew within the time and in the manner provided shall be deemed, without further notice and without further agreement between the parties, that Tenant elected not to exercise said option.

### 35. SUBMISSION OF LEASE TO TENANT



## SECOND LEASE RENEWAL AGREEMENT

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SECOND LEASE RENEWAL AGREEMENT made as of the last date endorsed hereon between NAPPEN & ASSOCIATES, a Pennsylvania limited partnership t/a 309 DEVELOPMENT COMPANY ("Lessor")

A N D

DATARAM CORPORATION, a New Jersey corporation, duly registered to do business in the Commonwealth of Pennsylvania ("Lessee").

### Basis of Agreement

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A. By Lease Agreement dated December 31, 2000, as amended by Lease Renewal Agreement dated February 13, 2006 (together with this Second Lease Renewal Agreement on and after April 1, 2011, the "Lease"), Lessor demised and let to Lessee's Assignor, who subsequently assigned its interest to Lessee under an Assignment, Amendment and Assumption Agreement with an effective date of April 1, 2009 (the "Assignment"), who hired from Lessor that certain portion of building situate Lot No. 16, Montgomeryville Industrial Center, Montgomery Township, Montgomery County, Pennsylvania, consisting of 17,500 sq. ft., more or less, known and numbered 130 Corporate Drive, Montgomeryville, Pennsylvania 18936 (the "Premises") for a term expiring March 31, 2011.

B. The parties desire to extend the term of the Lease for an additional term of five (5) years, commencing April 1, 2011, and ending March 31, 2016 ("Second Renewal Term").

C. The parties desire to set forth herein their agreement regarding the terms of the Lease during the Second Renewal Term.

NOW, THEREFORE, the parties hereto, intending to be legally bound hereby, agree as follows:

1. The term of the Lease is hereby extended for a Second Renewal Term of five (5) years, commencing April 1, 2011, and terminating March 31, 2016, at 11:59 p.m., unless further extended, renewed or previously terminated, as set forth in the Lease.

2. During the Second Renewal Term, Article 3 of the Lease, entitled "Minimum Annual Rent" shall be amended and supplemented to read as follows:

"3. Minimum Annual Rent. The minimum annual rent ("Minimum Annual Rent") payable by Lessee to Lessor during the Second Renewal Term shall be Ninety Six Thousand Two Hundred Fifty and 00/100 Dollars (\$96,250.00) per year, lawful money of the United States of America, payable in monthly installments in advance during the Second Renewal Term in sums of Eight Thousand Twenty and 83/100 Dollars (\$8,020.83) on the first day of each month during the Second Renewal Term, commencing April 1, 2011."

3. Article 25 of the Lease is hereby deleted in its entirety and the following substituted therefor:

"25. Extensions and Renewals.

A. Extensions. It is hereby mutually agreed that in the event Lessee has not given the "Preliminary Renewal Notice" as defined in subparagraph 25(B), or has given the Preliminary Renewal Notice but has withdrawn the same, Lessee may terminate this Lease at the end of the Second Renewal Term and any subsequent renewal term or extension term, by giving to Lessor written notice at least six (6) months prior thereto, and Lessor may terminate this Lease at the end of the Second Renewal Term and any subsequent renewal or extension thereof by giving to Lessee written notice at least five (5) months prior thereto (each an "Expiration Notice"); but in default of an Expiration Notice given by either party in the manner provided herein, this Lease shall

continue for an extension term of one (1) year, commencing the day after the expiration of the then current renewal term or extension term, as the case may be, upon the terms and conditions in force immediately prior to the expiration of the then-current renewal term or extension term, as the case may be (except for the Minimum Annual Rent, which shall be as computed in subparagraph 25(C)(iii)), and so on from year to year, unless terminated by the giving of an Expiration Notice within the times and in the manner aforesaid. In the event that Lessee or Lessor shall have given an Expiration Notice and Lessee shall fail or refuse to completely vacate the Premises and restore the same to the condition required in this Lease on or before the date designated in the Expiration Notice (the "Expiration Date"), then it is expressly agreed that Lessor, by notice to Lessee given no later than forty-five (45) days after the Expiration Date, shall have the option either:

(i) to disregard the Expiration Notice as having no force and effect, whereupon the Expiration Notice shall be null and void, ab initio, as if never given; or

(ii) treat Lessee as Holding Over, in accordance with paragraph 2(B) of the Lease.

All powers granted to Lessor by this Lease shall be exercised and all obligations imposed upon Lessee by this Lease shall be performed by Lessee during the Second Renewal Term, as well as during any subsequent extension or renewal terms of this Lease.

Notwithstanding anything set forth in subparagraph 25(A) to the contrary, if the term of this Lease is not previously terminated, the term of this Lease shall end absolutely, without further notice, at 11:59 p.m. on the day previous to the 29th anniversary of the Lease Commencement Date set forth in the Lease.

#### B. Option to Renew.

(i) Provided Lessor has not previously given Lessee a notice under paragraph 23(P) hereof, and Lessee is not in default under the terms of this Lease at the end of the term of the Second Renewal Term, Lessee shall have the right and privilege, at its election, to renew the term of this Lease for an additional period of five (5) years commencing upon the day after the expiration of the term of the Second Renewal Term and terminating five (5) years thereafter without further notice. Such five-year period is hereinafter referred to as the "Third Renewal Term".

In order to exercise said option, Lessee must give Lessor written notice of its election to renew ("Preliminary Renewal Notice") at least six (6) months prior to the expiration of the term of the Second Renewal Term. Said Third Renewal Term shall be on the same terms and conditions as herein provided for the Second Renewal Term except that the Minimum Annual Rent shall be calculated as set forth in the following paragraph. In the event Lessee does not exercise its option to renew within the time set forth, the provisions of subparagraph 25(A) shall apply.

#### C. Computation of Minimum Annual Rent in the event of Extension/Renewal.

In the event of exercise of the option to renew this Lease by Lessee in accordance with the terms of subparagraph B, commencing with the rental payment due on the first day of the Third Renewal Term, the Minimum Annual Rent shall be the greater of the Minimum Annual Rent set forth in this Lease for the Second Renewal Term, or the fair market rental. The fair market rental shall be determined as follows:

(i) Within fifteen (15) days from receipt of the Preliminary Renewal Notice, Lessor shall advise Lessee of the fair market rental of the Premises as of the commencement of the Third Renewal Term, by notice hereunder. In the event Lessee is dissatisfied with the fair market rental as specified by Lessor, it may withdraw the Preliminary Renewal Notice, by notice to Lessor, given at least five (5) months one (1) day prior to the end of the Second Renewal Term.

(ii) The new Minimum Annual Rent, effective on or after the first

day of the Third Renewal Term and for the balance of the Third Renewal Term shall be the greater of the fair market rental set forth in Lessor's notice or the Minimum Annual Rent as set forth in this Lease for the Second Renewal Term. This Minimum Annual Rent shall be payable in equal monthly installments commencing on the first day of the Third Renewal Term and on the first day of each month thereafter during the Third Renewal Term.

(iii) For extensions of this Lease under subparagraph 25(A), the Minimum Annual Rent during a one-year extension term shall be the greater of the Minimum Annual Rent for the previous Lease Year or the fair market rental for the Premises as of the commencement of the extension term, as determined by Lessor, payable in monthly installments on the first day of each month during the extension term."

THE FOLLOWING PARAGRAPH 4 SETS FORTH AN ACKNOWLEDGEMENT AND CONFIRMATION OF WARRANT OF AUTHORITY FOR ANY PROTHONOTARY OR ATTORNEY OF COURT OF RECORD TO CONFESS JUDGMENT AGAINST THE LESSEE. IN GRANTING THIS WARRANT OF ATTORNEY TO CONFESS JUDGMENT AGAINST THE LESSEE, THE LESSEE, FOLLOWING CONSULTATION WITH (OR DECISION NOT TO CONSULT) SEPARATE COUNSEL FOR THE LESSEE AND WITH KNOWLEDGE OF THE LEGAL EFFECT THEREOF, HEREBY KNOWINGLY, INTENTIONALLY, VOLUNTARILY AND UNCONDITIONALLY WAIVES ANY AND ALL RIGHTS THE LESSEE HAS OR MAY HAVE TO PRIOR NOTICE AND AN OPPORTUNITY FOR HEARING UNDER THE RESPECTIVE CONSTITUTIONS AND LAWS OF THE UNITED STATES OF AMERICA, THE COMMONWEALTH OF PENNSYLVANIA OR ELSEWHERE. IT IS SPECIFICALLY ACKNOWLEDGED BY THE LESSEE THAT THE LESSOR HAS RELIED ON THIS WARRANT OF ATTORNEY IN EXECUTING THIS SECOND LEASE RENEWAL AGREEMENT AND AS AN INDUCEMENT TO GRANT FINANCIAL ACCOMMODATIONS HEREUNDER TO THE LESSEE. LESSEE EXPRESSLY WARRANTS AND REPRESENTS THAT THE FOLLOWING WARRANT OF ATTORNEY TO CONFESS JUDGMENT HAS BEEN AUTHORIZED EXPRESSLY BY PROPER ACTION OF THE BOARD OF DIRECTORS OF LESSEE.

LESSEE AND LESSOR HEREBY CONSENT TO THE JURISDICTION OF THE COURT OF COMMON PLEAS OF MONTGOMERY COUNTY PENNSYLVANIA OR THE FEDERAL DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA FOR ANY PROCEEDING IN CONNECTION WITH THE LEASE, AND HEREBY WAIVE OBJECTIONS AS TO VENUE AND CONVENIENCE OF FORUM IF VENUE IS IN MONTGOMERY COUNTY, PENNSYLVANIA OR IN THE FEDERAL DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA. IN ANY ACTION OR SUIT UNDER THE LEASE, SERVICE OF PROCESS MAY BE MADE UPON LESSOR OR ANY LESSEE BY MAILING A COPY OF THE PROCESS BY FIRST CLASS MAIL TO THE RECIPIENT AT THE RESPECTIVE ADDRESS SET FORTH IN PARAGRAPH 26 OF THE LEASE. LESSOR AND LESSEE HEREBY WAIVE ANY AND ALL OBJECTIONS TO SUFFICIENCY OF SERVICE OF PROCESS IF DULY SERVED IN THIS MANNER

4. Lessee and Lessor, jointly and severally, acknowledge and confirm that the Lease contains paragraph 23(M) (specifically ratified and assumed by Lessee in the Assignment), which permits the Lessor to CONFESS JUDGMENT AGAINST LESSEE FOR THE RECOVERY BY LESSOR OF POSSESSION OF THE PREMISES upon the expiration of the then current term of the Lease. The parties hereto further acknowledge and agree that nothing contained herein can be construed to impair in any manner whatsoever Lessor's ability to confess judgment against Lessee for the recovery by Lessor of possession of the Premises pursuant to the terms of the Lease.

5. Effectiveness. The furnishing of the form of this agreement shall not constitute an offer and this agreement shall become effective upon and only upon its execution by and delivery to each party hereto.

6. In all other respects, the terms and conditions of the Lease not inconsistent with the terms hereof are hereby ratified and confirmed and shall remain in full force and effect during the Second Renewal Term.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, intending to be legally bound, as of the day and year last below written.

NAPPEN & ASSOCIATES,  
a Pennsylvania limited partnership  
t/a 309 DEVELOPMENT COMPANY

Dated:

By: \_\_\_\_\_  
Robert W. Nappen,

Managing General Partner

DATARAM CORPORATION, A New Jersey  
corporation,

By: \_\_\_\_\_

Title: \_\_\_\_\_

Dated:

Attest: \_\_\_\_\_

Title: \_\_\_\_\_

(CORPORATE SEAL)

[DATARAM LOGO]

DATARAM CORPORATION

2011 ANNUAL REPORT

Table of Contents

1 President's Letter

3 Management's Discussion and Analysis  
of Financial Condition and Results  
of Operations

16 Financial Review

20 Selected Financial Data

[PICTURE OF JOHN FREEMAN]

President's Letter

To Our Shareholders:

Two years ago, I outlined our growth and diversification strategy for the Company and the initiatives we put in place to implement that strategy. I am pleased to report on our growth, progress and future plans.

We continued the implementation of our new go to market corporate strategy instituted last fiscal year. As I stated last year, we changed our traditional direct sales model. We focused a direct sales team on selling solutions within industry verticals, opened web based e-sales, created an inside sales team and increased our investment in our partner strategy. We now have implemented Alliance Partners for corporations, Reseller and Distributor Partners, Government Partners and Individual Partners. Each of these changes made contributions to our growth.

In fiscal 2011, our memory solutions business grew by 6 percent to \$46.8 million and we posted our second consecutive year of growth after five years of negative growth. This business is now operating profitably.

On March 31, 2009, we acquired certain assets of Micro Memory Bank, Inc. (MMB), a prominent memory module company offering legacy to advanced solutions in laptop, desktop and server memory products. Both MMB and the traditional Dataram memory business have benefited from leveraging each other's skills, strategies, marketing, sales, engineering and purchasing resources.

During fiscal 2011, we continued our integration of MMB and our traditional memory business. In March, 2011, we completed the consolidation of our two manufacturing facilities and reduced our expenses by approximately \$1.2 million annually as a result.

In fiscal 2010, we developed and launched a new corporate website incorporating new features, functions, content, and branding which reflects and supports our new corporate mission and strategy.

The website's interactive e-commerce capabilities generated business leads and sales representing over \$1.7 million in revenues in fiscal 2011 compared to approximately \$1.0 million last year. Revenues generated through the website are continuing to grow and are trending towards an annualized run rate exceeding \$2.0 million.

In fiscal 2011, we incorporated a quote and order application to facilitate ease of quotation and order placement and further strengthen our business relationship with our premier channel partners and select enterprise clients.

During fiscal 2011, we continued to make significant investments in the development of our XcelaSAN product line. XcelaSAN is a unique intelligent Storage Area Network (SAN) optimization solution that delivers substantive application performance improvement to applications such as Oracle, SQL and VMware. XcelaSAN augments existing storage systems by transparently applying intelligent caching algorithms that serve the most active block-level data from high-speed storage, creating an intelligent, virtual solid state SAN. This breakthrough solution allows organizations to dramatically increase the performance of their business-critical applications without the costly hardware upgrades or over-provisioning of storage typically found in current solutions for increased performance.

3

Our development team has successfully incorporated high availability functionality into the product software and the first generation product is now available for sale. The product is currently installed and being evaluated for purchase at selected customer sites. XcelaSAN continues to provide significant performance improvements over traditional solutions at dramatically less cost.

Many clients are reconsidering traditional computing paradigms requiring major technology refreshes every several years. Instead we have seen our clients seek out solutions which optimize the performance and extend the useful life of existing IT assets. By doing so, our clients realize substantial reductions in computing costs, eliminate business risks

associated with the introduction of new technology, and avoid substantial resource overhead required to implement these new IT assets. We believe the timing of introducing XcelaSAN into the market is ideal as it provides exponential optimization of storage assets while also extending their useful life. In addition, as our clients deploy "tiered" storage architectures designed to store data in the most logical and economical repository, XcelaSAN represents a critical component in leveraging and supporting that strategy.

We have completed the formation of a dedicated XcelaSAN lead generation and sales team.

In May, 2011, we secured the financing we believe necessary to sustain the Company through the period of the product launch.

We will continue to execute our new strategy and leverage the investments we have made in sales, marketing and new product development to increase our growth and profits in our memory solutions and XcelaSAN storage businesses. These investments have also set the stage for Dataram to provide more solutions and optimization benefits to our clients as we continue to diversify and create a stronger foundation for growth.

On behalf of the Company's Board of Directors and management team, I would like to thank our shareholders for their continued support and our employees for their hard work and dedication.

July 17, 2011

John H. Freeman  
President and Chief Executive Officer

## Management's Discussion and Analysis of Financial Condition and Results of Operations

### 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 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 is also a developer, manufacturer and marketer of a line of high performance storage caching products.

The Company's products are sold worldwide to OEMs, distributors, value-added resellers and end-users. The Company has a 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.

On March 31, 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. The results of operations of MMB for the period from the acquisition date through April 30, 2011 have been included in the consolidated results of operations of the Company.

#### 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,	2011	2010	2009
Revenues	100.0%	100.0%	100.0%
Cost of sales	76.4	73.6	67.4
Gross profit	23.6	26.4	32.6
Engineering	2.2	2.3	4.7
Research and development	4.0	9.7	5.9
Selling, general and administrative	26.4	30.3	42.7
	5		

Loss from operations	(9.0)	(15.9)	(20.7)
Other income (expense), net	(0.9)	(0.3)	0.9
Loss before income tax expense (benefit)	(9.9)	(16.2)	(19.8)
Income tax expense (benefit)	0.0	8.2	(7.7)
Net loss	(9.9)	(24.4)	(12.1)

#### Fiscal 2011 Compared With Fiscal 2010

Revenues for fiscal 2011 were \$46.8 million compared to \$44.0 million in fiscal 2010. The Company's revenues increased by approximately 6% in fiscal 2011 versus fiscal 2010.

Revenues for the fiscal years ended April 30, 2011 and 2010 by geographic region were:

	Year ended April 30, 2011	Year ended April 30, 2010
United States	\$ 37,400,000	\$ 36,410,000
Europe	6,481,000	5,055,000
Other (principally Asia Pacific Region)	2,966,000	2,555,000
Consolidated	\$ 46,847,000	\$ 44,020,000

Cost of sales was \$35.8 million in fiscal 2011 or 76.4 percent of revenues compared to \$32.4 million or 73.6 percent of revenues in fiscal 2010. Management expects that cost of sales as a percentage of revenue will generally be approximately 75%. Fluctuations either up or down of 3% or less are not unusual and can result from many factors, some of which are rapid changes in the price of DRAMs, 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.

Engineering expenses in each of fiscal 2011 and fiscal 2010 were \$1.0 million.

Research and development expenses in fiscal 2011 were \$1.9 million, versus \$4.3 million in fiscal 2010. Research and development expense includes payroll, employee benefits, stock-based compensation expense and other headcount-related expenses associated with product development. Research and development expense also includes third-party development and programming costs. In the first quarter of fiscal 2009, the Company implemented a strategy to introduce new and complementary products into its offerings portfolio. The Company is currently focusing on the development of a line of high-performance storage caching products ("XcelaSAN"). XcelaSAN is a unique intelligent Storage Area Network ("SAN") optimization solution that delivers substantive application performance improvement to applications such as Oracle, SQL and VMware. XcelaSAN augments existing storage systems by transparently applying intelligent caching algorithms that serve the most

6

active block-level data from high-speed storage, creating an intelligent, virtual solid state SAN. As part of that strategy, in January 2009, the Company entered into a software purchase and license agreement with another company whereby the Company acquired the exclusive right to purchase specified software for a price of \$900,000 plus a contingent payment of \$100,000. Fiscal 2010's research and development expense includes \$600,000 of expense related to this agreement, of which \$300,000 was expensed in the first fiscal quarter and \$300,000 was expensed in the second fiscal quarter. The Company exclusively owns the software. The software and the storage products, which incorporate the software, are currently under development. On November 4, 2011, the Company determined that technological feasibility of the product was established. In fiscal 2011 the Company capitalized \$1.5 million of research and development costs. We expect to make further investments in this area.

Selling, general and administrative(S,G&A) expenses were \$12.4 million in fiscal 2011 versus \$13.4 million in fiscal 2010. Stock-based compensation expense was recorded as a component of S,G&A expense and totaled approximately \$482,000 in fiscal 2011, versus \$918,000 in fiscal 2010. In fiscal 2011, there were options granted to purchase 139,000 shares of the Company's common stock compared to grants to purchase 899,500 shares in fiscal 2010. Intangible asset amortization is recorded as a component of S,G&A expense and totaled approximately \$407,000 in fiscal 2011, versus \$637,000 in fiscal 2010.

Other income (expense), net for fiscal year 2011 totaled \$401,000 expense versus \$117,000 expense in fiscal 2010. Other income (expense) in fiscal 2011 includes \$286,000 of interest expense. Other income in fiscal year 2011 also includes \$135,000 of foreign currency transaction losses, primarily as a result of the US dollar strengthening against the EURO. Additionally, other income (expense) includes approximately \$47,000 of income recorded for the gain on sale of assets. Other income in fiscal 2010 includes \$85,000 of foreign currency transaction losses and approximately \$42,000 of interest expense, net of interest income.

The Company's consolidated statements of operations for fiscal 2011 include tax expense of approximately \$5,000 that consists of state minimum tax payments.

The Company's consolidated statements of operations for fiscal 2010 include approximately \$3.6 million of income tax expense. 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 Financial Accounting Standards Board (FASB) Accounting Standards Codification (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 the Company determines that 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 deferred income tax assets. In each reporting period, the Company assesses, based on the weight of all evidence, both positive and negative, whether a valuation allowance on its deferred income tax assets is warranted. Based on the assessment conducted in the Company's reporting period ended January 31, 2010, the Company concluded that such an allowance was warranted and, accordingly, recorded a valuation allowance of approximately \$5.8 million in that reporting period. Deferred income tax assets and liabilities are measured

7

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 tax assets and liabilities of a change in tax rates is recognized in earnings in the period that the tax rate changes. As of April 30, 2011 the Company had Federal and State net operating loss (NOL) carry-forwards of approximately \$17.1 million and \$15.1 million, respectively. These can be used to offset future taxable income and expire between 2023 and 2031 for Federal tax purposes and 2016 and 2031 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 at April 30, 2011 and at April 30, 2010.

#### Fiscal 2010 Compared With Fiscal 2009

Revenues for fiscal 2010 were \$44.0 million compared to \$25.9 million in fiscal 2009. The Company's acquired MMB business unit generated revenues of approximately \$14.0 million in fiscal 2010 and \$0.9 million in fiscal 2009. Exclusive of the effect of the acquired MMB business units revenues, the Company's revenues increased by approximately 20% in fiscal 2010 versus fiscal 2009.

Cost of sales were \$32.4 million in fiscal 2010 or 73.6 percent of revenues compared to \$17.4 million or 67.4 percent of revenues in fiscal 2009. Fiscal year 2010 cost of sales as a percentage of revenue is considered by management to be within the Company's normal range. Fiscal year 2009 percentages are considered by management to be unusually low and were the result of a product mix skewed more heavily toward higher margin legacy products as sales of lower margin mainstream products were negatively impacted by the world financial crisis. Fluctuations in cost of sales as a percentage of revenues are not unusual 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 expenses in fiscal 2010 were \$1.0 million, versus \$1.2 million in fiscal 2009.

Research and development expenses in fiscal 2010 were \$4.3 million, versus \$1.5 million in fiscal 2009. In the first quarter of the prior fiscal year, the Company implemented a strategy to introduce new and complementary products into its offerings portfolio. The Company is currently focusing on the development of certain high performance storage products. As part of that strategy, in January 2009, the Company entered into a software purchase and license agreement with another company whereby the Company acquired the exclusive right to purchase specified software for a price of \$900,000 plus a contingent payment of \$100,000. Fiscal 2010's research and development expense includes \$600,000 of expense related to this agreement, of which \$300,000 was expensed in the first fiscal quarter and \$300,000 was expensed in the second fiscal quarter.

Selling, general and administrative(S,G&A) expenses were \$13.4 million in fiscal 2010 versus \$11.1 million in fiscal 2009. The acquired MMB business unit's S,G&A expense recorded in fiscal 2010 was approximately \$2.1 million, versus \$161,000 in fiscal 2009. The prior fiscal year's expense included a charge of approximately \$716,000 related to a retirement agreement entered into with the Company's former chief executive officer. Stock-based compensation expense was recorded as a component of S,G&A expense and totaled approximately \$918,000 in fiscal 2010, versus \$533,000 in fiscal

8

2009. In fiscal 2010, the Company recorded marketing and sales expense related to our new storage products of approximately \$906,000 versus nil in the comparable prior year. These expenses are mainly related to the addition of sales personnel and sales engineers for the storage products.

Other income (expense), net for fiscal year 2010 totaled \$117,000 expense versus \$223,000 income in fiscal 2009. Other income (expense) in fiscal 2010 includes \$85,000 of foreign currency transaction losses, primarily as a result of the EURO weakening against the US dollar. Additionally, other income (expense) includes \$42,000 of interest expense, net of interest income. Approximately \$10,000 of income was recorded for the gain on sale of assets. Other income in fiscal 2009 includes \$294,000 of interest income, net of interest expense. Additionally, other income includes \$68,000 of foreign currency transaction losses, primarily as a result of the EURO weakening against the US dollar.

The Company's consolidated statements of operations for fiscal 2010 include approximately \$3.6 million of income tax expense. 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 Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) (Codification). Under the asset and liability method, deferred 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 the Company determines that it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company considers certain tax planning strategies in its assessment as to the recoverability of its tax assets. In each reporting period, the Company assesses, based on the weight of all evidence, both positive and negative, whether a valuation allowance on its deferred tax assets is warranted. Based on the assessment conducted in the Company's reporting period ended January 31, 2010, the Company concluded that such an allowance was warranted and accordingly, recorded a valuation allowance of approximately, \$5.8 million in that reporting period. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences or tax attributes are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that the tax rate changes. Income tax expense (benefit) for fiscal 2009 was a benefit of \$2.0 million. The Company's effective tax rate for financial reporting purposes in fiscal 2009 was approximately 39%.

#### Liquidity and Capital Resources

Cash and cash equivalents at April 30, 2011 amounted to \$345,000 and working capital amounted to \$3.1 million, reflecting a current ratio of 1.4 to 1, compared to cash and cash equivalents of \$2.5 million, working capital of \$8.5 million and a current ratio of 2.4 to 1 as of April 30, 2010.

Accounts receivable at the end of fiscal 2011 totaled \$4.6 million compared to fiscal 2010 year end accounts receivable of \$5.3 million.

Net cash used in operating activities totaled \$2.4 million and consisted primarily of net losses totaling approximately \$4.6 million, non-cash depreciation and amortization expense of approximately \$1.0 million and non-cash stock-based compensation expense of \$610,000. Net changes in assets and liabilities reduced net cash used in operating activities by

\$608,000. Of these, accrued liabilities decreased by approximately

9

\$898,000, primarily as a result of payments made for the accrued contingently payable acquisition price for MMB recorded at April 30, 2010. Accounts payable decreased by approximately \$578,000, primarily as a result of a reduction in inventories of approximately \$1.4 million. The reduction in inventory is attributable to higher availability of DRAMs resulting in shorter lead times.

Cash used in investing activities totaled approximately \$2.4 million and consisted of a contingently payable purchase price of approximately \$488,000 for the MMB acquisition, more fully described below, capitalized software development costs totaling approximately \$1.5 million and additions of property and equipment, totaling approximately \$478,000.

Cash provided by financing activities totaled approximately \$2.7 million and consisted of borrowings under a revolving credit facility, more fully described below, totaling approximately \$2.2 million and net proceeds from a loan from a related party totaling \$500,000. Proceeds from the sale of common shares under the Company's stock option plan totaling approximately \$13,000 were also received.

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. The amount of financing available to the Company under the agreement varies with the level of the Company's eligible accounts receivable. At April 30, 2011 the Company had \$28,000 of financing available to it under the terms of the agreement.

Also, on July 27, 2010, the Company entered into an agreement with a vendor, which is wholly owned by an employee and executive officer of the Company, to consign a formula-based amount of up to \$3,000,000 of certain inventory into the Company's manufacturing facilities. As of April 30, 2011, the Company has received financing totaling \$1,500,000 under this agreement, of which \$1,000,000 was used to repay in full a Note payable to the employee arising from an agreement entered into with the employee in February, 2010 and which expired in August, 2010. At April 30, 2011 no further financing was available to the Company under the formulas contained in the consignment agreement, although the formulas provide for additional possible financing in the future.

The weighted average interest rate on amounts borrowed under these agreements at April 30, 2011 and 2010 was 11.4% and 5.25%, respectively. The average dollar amounts borrowed under these agreements for the fiscal years ended April 30, 2011, 2010 and 2009 was \$2,263,000, \$250,000 and nil, respectively.

On May 11, 2011, the Company and certain investors entered into a securities purchase agreement pursuant to which the Company agreed to sell an aggregate of 1,775,000 shares of its common stock and warrants to purchase a total of 1,331,250 shares of its common stock to such investors. The aggregate net proceeds of such offering and sale, after deducting fees to the Placement Agent and other estimated offering expenses payable by the Company, was approximately \$3.0 million. The transaction closed on May 17, 2011.

Based on the cash received from the Purchase Agreement and on the cash flows expected to be provided from the two financing agreements above along with the cash flows projected to result from the Company's operations, management has concluded that the Company's liquidity needs will be satisfied. The Company's short-term cash flow projections include cash flow generated from its traditional memory solutions business as well as from revenues generated

10

by sales of its recently developed XcelaSAN product line. There can be no

assurance, however, that in the short-term, realized revenues will be in line with the Company's projections. Management continues to evaluate the Company's liquidity needs and expense structure as it executes its business plan.

On December 4, 2002, the Company announced an open market repurchase plan providing for the repurchase of up to 500,000 shares of the Company's common stock. As of April 30, 2011, the total number of shares authorized for purchase under the program is 172,196 shares. In fiscal 2011 and 2010, the Company did not repurchase any shares of its common stock.

On March 31, 2009, the Company acquired certain assets of MMB. The Company purchased the assets from MMB for total consideration of approximately \$2.3 million, of which approximately \$912,000 was paid in cash. The Company also assumed certain accounts payable totaling approximately \$190,000 and certain accrued liabilities totaling approximately \$122,000. The net assets acquired by the Company were recorded at their respective fair values under the purchase accounting guidance existing at the date of acquisition. Under the terms of the agreement with MMB, the remaining portion of the purchase price is contingently payable based upon the performance of the new Dataram business unit to be operated as a result of the acquisition (the Unit). Through April 30, 2011, the Company has paid or accrued approximately \$2.2 million of the contingently payable purchase price which is recorded as a component of Goodwill in the Company's consolidated financial statements.

The remaining contingently payable purchase price consists of a percentage, averaging approximately 55%, payable quarterly, over the next twenty-three months of earnings before interest, taxes, depreciation and amortization of the Unit and will be recorded as a component of Goodwill in the Company's consolidated financial statements.

#### 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, 2011 are as follows:

Year ending April 30:	
2012	\$ 272,000
2013	352,000
2014	365,000
2015	374,000
2016	368,000
Thereafter	147,000
	<u>\$ 1,878,000</u>
	=====

#### Purchases

At April 30, 2011, the Company had open purchase orders outstanding totaling \$3.1 million primarily for inventory items to be delivered in the first six months of fiscal 2012. These purchase orders are cancelable.

#### Recently Adopted Accounting Guidance

We have adopted the authoritative guidance issued by the FASB on the consolidation of variable interest entities. The new guidance requires revised evaluations of whether entities represent variable interest entities, ongoing assessments of control over such entities and additional disclosures for variable interests. The adoption of the FASB authoritative guidance did not have a material impact on our consolidated financial statements.

We have adopted the authoritative guidance on revenue recognition issued by the FASB. Under the new guidance on arrangements that include software elements, tangible products that have software components that are essential to the functionality of the tangible product are no longer within the scope of the software revenue recognition guidance, and software-enabled products are now subject to other relevant revenue recognition guidance. Additionally, the FASB issued authoritative guidance on revenue arrangements with multiple deliverables that are outside the scope of the software revenue recognition guidance. Under the new guidance, when vendor specific objective evidence or third party evidence for deliverables in an arrangement cannot be determined, a best estimate of the selling price is required to separate deliverables and allocate arrangement consideration using the relative selling price method. The new guidance includes new disclosure requirements on how the application of the relative selling price method affects the timing and amount of revenue recognition. The adoption of the FASB authoritative guidance on revenue recognition did not have a material impact on our consolidated financial statements.

#### Recent Accounting Guidance Not Yet Adopted

There are no new pronouncements which affect the Company.

#### 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 to the 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.

**Stock Option Expense** - As required by the Compensation - Stock Compensation Topic of FASB ASC, the accounting for transactions in which an entity receives employee services in exchange for (a) equity instruments of the enterprise or (b) liabilities that are based on the fair value of the entity'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 consolidated statements of operations for fiscal 2011 and fiscal 2010 include approximately \$610,000 and \$918,000, respectively, of stock-based compensation expense. Stock-based compensation expense is recognized in the operating expenses line item of the accompanying consolidated statements 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, net of the reversal of the previously recorded income tax benefit for options which expired during the reporting period, has been reflected in additional paid-in capital in

the accompanying consolidated balance sheet. The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: The expected life in fiscal year 2011 and 2010 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) No. 107 (SAB 107) and SAB No. 110. Expected life for fiscal years 2009 is based on the Company's historical experience of option exercises relative to option contractual lives. 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 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.

Research and Development Expense - All 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. The Company has 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. At the time the product is made available for general release to customers the capitalized costs will be amortized to cost of sales over the estimated useful life of the underlying technology.

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 - Goodwill is tested for impairment on an annual basis and between annual tests if indicators of potential impairment exist, using a fair-value-based approach. The date of our annual impairment test is March 1.

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 tax asset valuation allowance and other operating allowances and accruals. Actual results could differ from those estimates.

#### Quantitative and Qualitative Disclosure 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's rate of return on its investment portfolio changes with short-term interest rates, although such changes will not affect the value of its portfolio. The Company's objective in connection with its investment strategy is to maintain the security of its cash reserves without taking market risk with principal.

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 10 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.

#### 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

14

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.

#### 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 our 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. There were no changes in our internal control over financial reporting during fiscal 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Management has concluded that the Company's internal control over financial reporting was effective as of

April 30, 2011. This Annual Report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm.

#### Common Stock Information

The Common Stock of the Company is traded on the NASDAQ National Market with the symbol "DRAM". The following table sets forth, for the periods indicated, the high and low prices for the Common Stock.

	2011		2010	
	High	Low	High	Low
First Quarter	\$ 2.40	\$ 1.19	\$ 1.75	\$ 1.27
Second Quarter	2.63	1.52	4.49	1.39
Third Quarter	2.54	1.42	5.49	2.50
Fourth Quarter	2.65	1.91	3.51	2.22

At April 30, 2011, there were approximately 5,000 shareholders.

#### DATARAM CORPORATION AND SUBSIDIARIES

##### Consolidated Balance Sheets

April 30, 2011 and 2010

(In thousands, except share and per share amounts)

	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 345	\$ 2,507
Accounts receivable, less allowance for doubtful accounts and sales returns of \$225 in 2011 and \$250 in 2010	4,630	5,344
Inventories:		
Raw materials	3,229	3,919
Work in process	36	32
Finished goods	2,197	2,921
	<u>5,462</u>	<u>6,872</u>
Other current assets	127	87
Total current assets	<u>10,564</u>	<u>14,810</u>
Property and equipment:		
Machinery and equipment	11,931	12,300
Leasehold improvements	1,239	2,235
	<u>13,170</u>	<u>14,535</u>
Less accumulated depreciation and amortization	12,207	13,418
Net property and equipment	<u>963</u>	<u>1,117</u>
Other assets	111	105
Intangible assets, less accumulated		

amortization of \$1,099 in 2011 and \$692 in 2010	1,940	867
Goodwill	1,242	754
	<u>14,820</u>	<u>17,653</u>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities:</b>		
Note payable-revolving credit line	\$ 2,154	\$ 0
Accounts payable	2,945	3,523
Accrued liabilities	840	1,738
Due to related party	1,500	1,000
Total current liabilities	<u>7,439</u>	<u>6,261</u>

16

#### Commitments and contingencies

#### Stockholders' equity:

Common stock, par value \$1.00 per share.		
Authorized 54,000,000 shares; issued and outstanding 8,928,309 at April 30, 2011 and 8,918,309 on April 30, 2010		
	8,929	8,919
Additional paid-in capital	8,622	8,009
Accumulated deficit	(10,170)	(5,536)
Total stockholders' equity	<u>7,381</u>	<u>11,392</u>

\$14,820   \$17,653

See accompanying notes to consolidated financial statements.

**DATARAM CORPORATION AND SUBSIDIARIES**  
Consolidated Statements of Operations  
Years ended April 30, 2011, 2010 and 2009  
(In thousands, except per share amounts)

	2011	2010	2009
	<u>          </u>	<u>          </u>	<u>          </u>
Revenues	\$ 46,847	\$ 44,020	\$ 25,897
Costs and expenses:			
Cost of sales	35,777	32,408	17,443
Engineering	1,033	997	1,219
Research and development	1,894	4,265	1,531
Selling, general and administrative	12,371	13,365	11,064
	<u>51,075</u>	<u>51,035</u>	<u>31,257</u>
Loss from operations	(4,228)	(7,015)	(5,360)
Other income (expense):			
Interest income	0	12	300
Interest expense	(286)	(54)	(6)
Currency loss	(135)	(85)	(68)
Other income (expense)	20	10	(3)
	<u>(401)</u>	<u>(117)</u>	<u>223</u>

Loss before income tax

expense (benefit)	(4,629)	(7,132)	(5,137)
Income tax expense (benefit)	5	3,611	(2,002)
Net loss	<u>\$ (4,634)</u>	<u>\$(10,743)</u>	<u>\$(3,135)</u>
Net loss per common share:			
Basic	<u>\$ (0.52)</u>	<u>\$(1.21)</u>	<u>\$(0.35)</u>

17

Diluted	<u>\$ (0.52)</u>	<u>\$(1.21)</u>	<u>\$(0.35)</u>
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See accompanying notes to consolidated financial statements.

DATARAM CORPORATION AND SUBSIDIARIES  
Consolidated Statements of Cash Flows  
Years ended April 30, 2011, 2010 and 2009  
(In thousands)

2011    2010    2009

	2011	2010	2009
Cash flows from operating activities:			
Net loss	\$ (4,634)	\$(10,743)	\$(3,135)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	1,039	1,193	456
Bad debt expense (recovery)	(6)	32	204
Stock-based compensation expense	610	918	533
Other stock option expense	-	-	121
Loss (gain) on sale of property and equipment	(47)	(10)	2
Deferred income tax expense (benefit)	-	3,582	(2,040)
Changes in assets and liabilities (net of effect of acquisition of business):			
Decrease (increase) in accounts receivable	720	(1,994)	940
Decrease (increase) in inventories	1,410	(4,672)	(223)
Decrease (increase) in other current assets	(40)	39	(28)
Decrease (increase) in other assets	(6)	31	(41)
Increase (decrease) in accounts payable	(578)	2,137	(594)
Increase (decrease) in accrued liabilities	(898)	650	217
Net cash used in operating activities	(2,430)	(8,837)	(3,588)
Cash flows from investing activities:			
Acquisition of business	(488)	(1,736)	(912)
Additions to property and equipment	(478)	(573)	(617)
Software development costs	(1,480)	-	-
Proceeds from sale of property and equipment	47	10	-
Net cash used in investing activities	(2,399)	(2,299)	(1,529)

Cash flows from financing activities:			
Net proceeds from borrowings under			
Revolving credit line	2,154	-	-
Proceeds from related party			
note payable	500	1,000	-
Proceeds from sale of common shares			
under stock option plan	13	118	-
Net cash provided by financing			
activities	2,667	1,118	-
Net decrease in cash and			
cash equivalents	(2,162)	(10,018)	(5,117)
Cash and cash equivalents at			
beginning of year	2,507	12,525	17,642
Cash and cash equivalents at end			
of year	\$ 345	\$ 2,507	\$ 12,525

## Supplemental disclosures of cash flow information:

Cash paid during the year for:			
Interest	\$ 275	\$ 54	\$ 6
Income taxes	\$ 5	\$ 35	\$ 20

See accompanying notes to consolidated financial statements.

<TABLE>

DATARAM CORPORATION AND SUBSIDIARIES  
Consolidated Statements of Stockholders' Equity  
Years ended April 30, 2011, 2010 and 2009  
(In thousands, except share amounts)

Number		Retained	Total	
of	Additional	paid-in	stock-	
Common	Common	paid-in	(accumulated)	holders'
Shares	stock	capital	(deficit)	equity

<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at April 30, 2008	8,869	\$ 8,869	\$ 6,408	\$ 8,342		\$23,619
Net loss	-	-	(3,135)	(3,135)		
Stock-based compensation expense						
Net of tax effect of expired options of \$39	-	494	-	494		
Other stock option expense	-	121	-	121		
Balance at April 30, 2009	8,869	\$ 8,869	\$ 7,023	\$ 5,207		\$21,099
Issuance of shares under stock option plans	50	50	68	-	118	
Net loss	-	-	(10,743)	(10,743)		
Stock-based compensation expense	-	918	-	918		
Balance at April 30, 2010	8,919	\$ 8,919	\$ 8,009	\$ (5,536)		\$11,392
Issuance of shares under stock option plans	10	10	3	-	13	
Net loss	-	-	(4,634)	(4,634)		
Stock-based compensation expense	-	610	-	610		
Balance at April 30, 2011	8,929	\$ 8,929	\$ 8,622	\$ (10,170)		\$ 7,381

See accompanying notes to consolidated financial statements.

20

</TABLE>

## Notes to Consolidated Financial Statements

(Dollars in thousands, except per share amounts)

### (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 is also developing 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 two manufacturing facilities 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 (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.

### 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.

#### Liquidity

As discussed in Note 3, the Company entered into financing agreements to address short-term liquidity needs. Also, as discussed in Note 5, on May 11, 2011, the Company entered into a securities purchase agreement with certain investors and received approximately \$3.0 million in net proceeds in connection with the agreement on May 17, 2011. Based on the cash provided by the securities purchase agreement and the cash flows expected to be provided from the financing agreements along with the cash flows projected to result from the Company's operations, management has concluded that the Company's short-term liquidity needs have been satisfied. The Company's short-term cash flow projections include cash flow generated from its traditional memory solutions business as well as from revenues generated by sales of its recently developed XcelaSAN product line. There can be no assurance, however, that in the short-term, realized revenues will be in line with the Company's projections. In order to satisfy long-term liquidity needs, the Company will need to generate profitable operations and positive cash flows.

#### Cash and Cash Equivalents

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

#### Accounts Receivable

Accounts receivable consist of the following categories:

	April 30, 2011	April 30, 2010
Trade receivables	\$ 4,643	\$ 5,000
VAT receivable	212	594
Allowance for doubtful accounts and sales returns	(225)	(250)
	<u>\$ 4,630</u>	<u>\$ 5,344</u>

#### 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, 2011, 2010 and 2009 totaled \$632, \$556, and \$407, respectively.

Repair and maintenance costs are charged to operations as incurred.

#### Long-Lived Assets

Long-lived assets, such as property, plant 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.

#### Intangible Assets and Goodwill

Intangible assets with determinable lives, other than customer relationships and research and development, are amortized on a straight-line basis over their estimated period of benefit, ranging from four to five years. Research and development and customer relationships are amortized over a two-year period at a rate of 65% of the gross value acquired in the first year

22

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. No impairments of intangible assets have been identified during any of the periods presented. Goodwill is tested for impairment on an annual basis and between annual tests if indicators of potential impairment exist, using a fair-value-based approach. The date of the annual impairment test is March 1. There has been no impairment of Goodwill in any of the periods presented.

The Company estimates that it has no significant residual value related to its intangible assets. Acquired intangibles generally are amortized on a straight-line basis over weighted average lives. Intangible assets amortization expense was \$407 for fiscal year 2011, \$637 for fiscal year 2010 and \$55 for fiscal year 2009. The components of finite-lived intangible assets acquired are as follows:

	Gross Carrying Amount	Weighted Average Life	Net Accumulated Amortization	Carrying Amount
Customer relationships	\$ 758	2 Years	\$ 758	\$ 0
Trade names	733	5 Years	305	428
Non-compete agreement	68	4 Years	36	32
Software development costs (a)	1,480			1,480
	<u>\$ 3,039</u>		<u>\$ 1,099</u>	<u>\$ 1,940</u>

The following table outlines the estimated future amortization expense related to intangible assets:

Year ending April 30:

2012	\$ 164
2013	162
2014	134
	<u>\$ 460</u>

(a) At the time XcelaSAN is made available for general release to customers the capitalized costs will be amortized to cost of sales over the estimated useful life of the underlying technology.

## 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.

23

## Engineering and Research and Development

Research and development costs are expensed as incurred. 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 has 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 totaling \$1,480 have been capitalized. Prior to November 4, 2010, the Company expensed all development costs related to this product line.

At the time the product is made available for general release to customers the capitalized costs will be amortized to cost of sales over the estimated useful life of the underlying technology.

## Income Taxes

The Company utilizes the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to temporary 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 deferred income 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 tax assets and liabilities of a change in tax rates is recognized in earnings in the period that the tax rate changes.

## 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, 2011 and 2010, amounts due from one customer totaled approximately 22% and 14%, respectively of accounts receivable.

In fiscal 2011, fiscal 2010 and fiscal 2009, the Company had sales to one customer that accounted for approximately 11%, 11% and 17%, respectively of revenues.

Net income (loss) per share

Basic net income per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per share was calculated in a manner consistent with

24

basic net income 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.

	Year ended April 30, 2011		
	Loss	Shares	Per share
	(numerator)	(denominator)	amount
Basic net loss per share			
-net loss and weighted average common shares outstanding	\$ (4,634)	8,923,268	\$ (.52)
Effect of dilutive securities			
-stock options	-	-	-
Diluted net loss per share			
-net loss weighted average common shares outstanding and effect of stock options	\$ (4,634)	8,923,268	\$ (.52)

	Year ended April 30, 2010		
	Loss	Shares	Per share
	(numerator)	(denominator)	amount
Basic net loss per share			
-net loss and weighted average common shares outstanding	\$ (10,743)	8,890,914	\$ (1.21)
Effect of dilutive securities			
-stock options	-	-	-
Diluted net loss per share			
-net loss weighted average common shares outstanding and effect of stock options	\$ (10,743)	8,890,914	\$ (1.21)

	Year ended April 30, 2009		
	Earnings	Shares	Per share
	(numerator)	(denominator)	amount
Basic net earnings per share			
-net earnings and weighted average common shares outstanding	\$ (3,135)	8,869,184	\$ (.35)
Effect of dilutive securities			
-stock options	-	-	-
Diluted net earnings per share			
-net earnings, weighted average common shares outstanding and effect of stock options	\$ (3,135)	8,869,184	\$ (.35)

25

Diluted net loss per common share does not include the effect of options to purchase 1,899,200, 1,996,800 and 1,307,675 shares of common stock for the years ended April 30, 2011, 2010 and 2009, 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	Other	Deductions	Balance End of Year
Year Ended April 30, 2011	\$ 79	1	-	(1)	\$ 79
Year Ended April 30, 2010	\$ 79	6	-	(6)	\$ 79
Year Ended April 30, 2009	\$ 54	5	25(1)	(5)	\$ 79

(1) Includes a warranty obligation of an acquired business (See Note 2).

#### 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.

#### Fair Value of Financial Instruments

The fair value of financial instruments is determined by reference to market data and other valuation techniques as appropriate. The Company believes that there is no material difference between the fair value and the reported amounts of financial instruments in the consolidated balance sheets.

#### Stock-Based Compensation

At April 30, 2011, the Company has stock-based employee and director compensation plans, which are described more fully in Note 7. 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, 2011 includes \$610 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, 2011. In fiscal 2010 and fiscal 2009, stock-based compensation expense totaled \$918 and \$533, respectively. A corresponding increase of \$918 is reflected in additional paid-in capital in fiscal 2010's consolidated balance sheet. 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, 2011 is as follows:

	Weighted average Shares	Weighted average exercise price	Weighted average remaining contractual life	Aggregate intrinsic value(1)
Balance				
April 30, 2010	1,946,800	\$3.25	6.38	\$ 175
Granted	139,000	\$1.76	-	-
Exercised	(10,000)	\$1.28	-	-
Expired	(226,600)	\$5.72	-	-
Balance				
April 30, 2011	1,849,200	\$2.88	5.91	\$ 88
Exercisable				
April 30, 2011	1,229,200	\$3.10	5.09	\$ 65
Expected to vest				
April 30, 2011	1,757,000	\$2.88	5.91	-

(1) These amounts represent the difference between the exercise price and \$1.92, the closing price of Dataram common stock on April 29, 2011 as reported on the NASDAQ Stock Market, for all in-the-money options outstanding. For exercised options, intrinsic value represents the difference between the exercise price and the closing price of Dataram common stock on the date of exercise.

Total cash received from the exercise of options in fiscal 2011 was \$13. During fiscal 2011, 139,500 options completed vesting. As of April 30, 2011, there was \$554 of total unrecognized compensation expense related to stock options. This expense is expected to be recognized over a weighted average period of approximately twelve months. At April 30, 2011, an aggregate of 88,527 shares were authorized for future grant under the Company's stock option plans.

27

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:

	2011	2010	2009
Expected life (years)	3.0 to 6.0	3.0 to 6.0	5.0 to 10.0
Expected volatility	56% to 79%	56%	110%
Expected dividend yield	-	-	-
Expected forfeiture rate	5.0%	5.0%	5.0%
Risk-free interest rate	0.7% to 2.9%	1.6% to 2.8%	4.0%
Weighted average fair value of options granted during the year	\$ 1.07	\$ 2.55	\$ 2.36

The expected life in fiscal years 2011 and 2010 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 life for fiscal year 2009, is based on the Company's historical experience of option exercises relative to option contractual lives. 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) Acquisition

On March 31, 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 expands the Company's memory product offerings and routes to market. The Company purchased the assets from MMB for total consideration of approximately \$2,253 of which approximately \$912 was paid in cash. The Company also assumed certain accounts payable totaling approximately \$190 and certain accrued liabilities totaling approximately \$122. Under the terms of the agreement with MMB, the remaining portion of the purchase price is contingently payable based upon the performance of the MMB business unit operating as a result of the acquisition ("the Unit") and consists of a percentage, averaging 65%, payable quarterly, over the four year period from date of acquisition, of earnings before interest, taxes, depreciation and amortization of the Unit. The net assets acquired by the Company were recorded at their respective fair values under the purchase method of accounting. The results of operations of MMB for the period from the acquisition date, March 31, 2009, through April 30, 2011 have been included in the consolidated results of operations of the Company.

The following unaudited pro forma financial information presents the combined results of operations of the Company and MMB for the year ended April 30, 2009 as if the acquisition had occurred at May 1, 2008. The pro forma financial information does not necessarily reflect the results of operations that would have occurred had the Company been a single entity during this period.

28

Fiscal year  
ended  
April 30, 2009

Revenues	\$37,814
Net loss	(\$2,929)
Basic and diluted loss per share	(\$0.33)

The total consideration of the acquisition has been allocated to the fair value of the assets of MMB as follows:

Accounts receivable	\$ 478
Machinery and equipment	200
Deposits	16
Trade names	733
Customer relationships	758
Non-compete agreement	68
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Gross assets acquired	2,253
Liabilities assumed	312

Net assets acquired	\$ 1,941
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The contingent purchase price amount for the acquisition in the fiscal year ended April 30, 2011 totaled \$488 and is recorded as an addition to goodwill. The cumulative contingent purchase amount for the acquisition through April 30, 2011 totaled \$2,224.

Following are details of the changes in our goodwill balances during the fiscal years ended April 30, 2011 and 2010:

	Fiscal year ended April 30, 2011	Fiscal year ended April 30, 2010
Beginning balance	\$ 754	\$ -
Contingently payable acquisition purchase price	488	754
Ending balance	\$1,242	\$ 754

We test goodwill for impairment annually on March 1, using a fair value approach.

### (3) Financing Agreements

On February 24, 2010, the Company entered into a Note and Security Agreement with Sheerr Memory's, LLC ("Sheerr Memory") owner (See Note 4). Under the agreement, the Company borrowed the principal sum of \$1,000 for a period of six months, which the Company could extend for an additional three months without penalty. The loan bore interest at the rate of 5.25%. Interest was payable monthly, and the entire principal amount was payable in the event of the employee's termination of employment by the Company. The loan was secured by a security interest in all machinery, equipment and inventory of Dataram at its Montgomeryville, PA location. The loan was paid in full on August 13, 2010. No further financing is available to the Company under this agreement.

On July 27, 2010, the Company entered into a secured credit facility with a bank, which provides for up to a \$5,000 revolving credit line. Advances under the facility are limited to 80% of eligible receivables, as defined in the agreement. The agreement does not have a fixed term. The agreement provides for Prime Rate loans at an interest rate equal to the Prime Rate plus two percent, subject to minimum interest rate of five and one quarter percent. The Company is required to pay a monthly maintenance fee equal to six-tenths of one percent (0.6%) of the monthly average principal balance of any borrowings under the facility in the prior month. Advances under the facility are secured by substantially all assets of the Company. The agreement contains certain restrictive covenants, specifically a minimum tangible net worth covenant and certain other covenants, as defined in the agreement. At April 30, 2011, the Company is in compliance with all covenants of the agreement. The amount of financing available to the Company under the agreement varies with the level of the Company's eligible accounts receivable as defined in the agreement. At April 30, 2011 the Company had \$28 of financing available to it under the terms of the agreement.

On July 27, 2010, the Company entered into an agreement with Sheerr Memory, (See Note 4) to consign a formula based amount of up to \$3,000 of certain inventory into the Company's manufacturing facilities. At April 30, 2011 no further financing was available to the Company under the formulas contained in the agreement, although the formulas defined in the agreement provide for additional possible financing in the future.

The weighted average interest rate on amounts borrowed under these agreements at April 30, 2011 and 2010 was 11.4% and 5.25%, respectively. The average dollar amount borrowed under these agreements for the fiscal years

ended April 30, 2011, 2010 and 2009 was \$2,263, \$250 and nil, respectively.

#### (4) Related Party Transactions

During fiscal 2011 and 2010, the Company purchased inventories for resale totaling approximately \$2,623 and \$4,976, respectively from Sheerr Memory. Sheerr Memory's owner is employed by the Company as the general manager of the acquired MMB business unit described in Note 2 and is an executive officer of the Company. When the Company acquired certain assets of MMB, it did not acquire any of its inventory. 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 \$1,131 and \$400, respectively, of accounts payable in the Company's consolidated balance sheets as of April 30, 2011 and 2010 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, 2011 and management anticipates that the Company will continue to do so, although the Company has no obligation to do so.

On February 24, 2010, the Company entered into a Note and Security Agreement (See Note 3) with Sheerr Memory's owner. Under the agreement, the Company borrowed the principal sum of \$1,000 for a period of six months, which the Company could extend for an additional three months without penalty. Interest paid to Sheerr Memory under this agreement in the fiscal year ended April 30, 2011 was \$19.

On July 27, 2010, the Company entered into an agreement with Sheerr Memory to consign a formula based amount of up to \$3,000 of certain inventory into the Company's manufacturing facilities (see Note 3). The agreement has a two-year term and the Company is obligated to pay monthly a fee equal to 0.833% of the average daily balance of the purchase cost of the consigned products held by Sheerr Memory under the agreement. The Company is obligated to purchase any consigned products acquired by Sheerr Memory under the agreement within ninety days of the acquisition date of the product. The Company and Sheerr Memory must jointly agree to the products to be held in consignment under the agreement. As of April 30, 2011, the Company has received financing totaling \$1,500 under the agreement which is recorded as a liability in the accompanying consolidated balance sheets. Interest paid to Sheerr Memory in fiscal 2011 under this agreement was \$23. Interest payable to Sheerr Memory at April 30, 2011 was \$10.

#### (5) Subsequent Event

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 1,775,000 shares of its common stock and warrants to purchase a total of 1,331,250 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 \$3,000. On May 17, 2011, this transaction closed.

#### (6) Income Taxes

Income (loss) before provision for income taxes for the years ended April 30 is as follows:

	2011	2010	2009
Current:			
Federal	\$ (4,629)	\$ (7,132)	\$ (5,137)

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

	2011	2010	2009
Current:			
Federal	\$ -	\$ -	\$ -
State	5	29	-
	<u>5</u>	<u>29</u>	<u>-</u>
Deferred:			
Federal	-	3,216	(1,595)
State	-	366	(407)
	<u>-</u>	<u>3,582</u>	<u>(2,002)</u>
Total income tax expense (benefit)	<u>\$ 5</u>	<u>\$ 3,611</u>	<u>\$(2,002)</u>

31

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

	2011	2010	2009
Federal income tax at statutory rates	\$ (1,574)	\$ (2,425)	\$ (1,798)
State income taxes (net of Federal income tax benefit)	(319)	395	(269)
Other	(259)	(138)	65
Total income tax expense (benefit) before provision for valuation allowance	<u>(2,152)</u>	<u>(2,168)</u>	<u>(2,002)</u>
Changes in valuation allowance		(2,157)	5,779
Total income tax expense (benefit)	<u>\$ 5</u>	<u>\$ 3,611</u>	<u>\$(2,002)</u>

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

	2011	2010
Deferred tax assets:		
Compensated absences and severance, principally due to accruals for financial reporting purposes	\$ 121	\$ 96
Stock-based compensation expense	1,026	838
Accounts receivable, principally due to allowance for doubtful accounts and sales returns	88	98
Property and equipment, principally due to differences in depreciation	289	(27)
Intangible assets	390	288
Inventories	183	217
Foreign tax credit	0	53
Domestic net operating losses	6,703	4,488

Software development costs	(577)	-
Alternative minimum tax	438	438
Other	58	73
Net deferred tax assets	8,719	6,562
Valuation allowance	(8,719)	(6,562)
Net deferred tax assets	\$ 0	\$ 0

32

The Company recorded a valuation allowance of \$2,157 and \$6,562 for the fiscal years ended April 30, 2011 and 2010, respectively. Management believes sufficient uncertainty exists regarding the realizability 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 carryforwards of approximately \$17,053 and \$15,091, respectively. These can be used to offset future taxable income and expire between 2023 and 2031 for Federal tax purposes and 2016 and 2031 for State tax purposes.

The Company adopted 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, 2011, 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, 2011, nor were any amounts accrued as of April 30, 2011.

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 2007 remain open to examination by the taxing authorities.

#### (7) 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 1,800,000 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, 2011, 1,015,200 of the outstanding options are exercisable.

The status of the plan for the three years ended April 30, 2011, is as follows:

Options Outstanding			
Shares	Exercise price per share	Weighted average exercise price	
Balance April 30, 2008	663,000	\$ 2.813-24.250	\$ 5.828

Granted	412,000	1.280-3.200	2.405
Exercised	-	-	-
Expired	(109,325)	1.990-7.9800	4.738
Balance April 30, 2009	965,675	\$ 1.280-24.250	\$ 4.491

33

Granted	899,500	1.530-2.650	2.549
Exercised	(17,125)	1.990-4.090	2.576
Expired	(221,250)	1.990-24.250	6.303
Balance April 30, 2010	1,626,800	\$ 1.280-24.250	\$ 3.191

Granted	139,000	1.580-2.160	1.758
Exercised	(10,000)	1.280	1.280
Expired	(190,600)	1.580-24.250	5.566
Balance April 30, 2011	1,565,200	\$ 1.280-7.980	\$ 2.786

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, 2011, 214,000 of the outstanding options are exercisable.

The status of the non-employee director options for the three years ended April 30, 2011, is as follows:

#### Options Outstanding

	Shares	Exercise price per share	Weighted average exercise price
Balance April 30, 2008	236,000	\$ 2.990-7.980	\$ 5.304
Granted	56,000	1.990	1.990
Exercised	-	-	-
Expired	-	-	-
Balance April 30, 2009	292,000	\$ 1.990-7.980	\$ 4.668
Granted	140,000	2.570	2.570
Exercised	(32,000)	1.990-3.330	2.325
Expired	(80,000)	2.990-7.980	5.672
Balance April 30, 2010	320,000	\$ 1.990-7.980	\$ 3.734
Granted	-	-	-
Exercised	-	-	-
Expired	(36,000)	6.420-6.630	6.560
Balance April 30, 2011	284,000	\$ 1.990-7.980	\$ 3.375

#### Other Stock Option Expense

During fiscal 2009's first quarter, the Company granted options to purchase 50,000 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 is approximately \$121 and was determined using the Black-Scholes option-pricing model based upon the market price of the underlying common stock as of the date of grant, reduced by the present value of estimated future dividends, using an expected quarterly dividend rate of zero, an expected forfeiture rate of zero, a calculated volatility factor of 110% and a risk-free interest rate of 4.0%. Such calculated fair value has been charged in its entirety to the research and development expense line item in the accompanying consolidated statement of operations for this grant as of April 30, 2009. These stock option grants have been classified as equity instruments, and as such, a corresponding increase of \$121 has been reflected in additional paid-in capital in the accompanying consolidated balance sheet as of April 30, 2009.

#### (8) Accrued Liabilities

Accrued liabilities consist of the following at April 30:

	2011	2010
	-----	-----
Contingently payable acquisition		
purchase price (See Note 2)	\$ 56	\$ 788
Payroll, including vacation	331	334
Commissions	125	130
Bonuses	148	275
Other	180	211
	-----	-----
	\$ 840	\$ 1,738
	=====	=====

#### (9) 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 \$655 in 2011, \$654 in 2010 and \$561 in 2009.

Future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) as of April 30, 2011 are as follows:

Year ending April 30:	
2012	\$ 272
2013	352
2014	365
2015	374
2016	368
Thereafter	147
	-----
	\$ 1,878
	=====

##### Purchases

At April 30, 2011, the Company had open purchase orders outstanding totaling \$3.1 million primarily for inventory items to be delivered in

the first six months of fiscal 2012. 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 \$93 in 2011, \$131 in 2010 and \$160 in 2009.

#### Legal Proceedings

The Company is not involved in any claim or legal action.

#### (10) 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 \$301, \$307 and \$249 in 2011, 2010 and 2009, respectively.

#### (11) 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 2011, 2010 and 2009 by geographic region is as follows:

	United States	Europe	Other*	Consolidated
April 30, 2011				
Revenues	\$ 37,400	\$ 6,481	\$ 2,966	\$ 46,847
Total assets	\$ 14,783	\$ 37	\$ 0	\$ 14,820
Long lived assets	\$ 4,256	\$ 0	\$ 0	\$ 4,256
April 30, 2010				
Revenues	\$ 35,566	\$ 4,484	\$ 3,970	\$ 44,020
Total assets	\$ 17,511	\$ 133	\$ 9	\$ 17,653
Long lived assets	\$ 2,738	\$ 0	\$ 0	\$ 2,738
April 30, 2009				
Revenues	\$ 19,088	\$ 4,793	\$ 2,016	\$ 25,897
Total assets	\$ 24,416	\$ 106	\$ 33	\$ 24,555
Long lived assets	\$ 2,604	\$ 0	\$ 0	\$ 2,604

\*Principally Asia Pacific Region

#### (12) Quarterly Financial Data (Unaudited)

Fiscal 2011	Quarter Ended			
	July 31	October 31	January 31	April 30
Revenues	\$12,744	\$10,949	\$11,873	\$11,281
Gross profit	3,123	2,413	2,903	2,631
Net loss	(1,239)	(1,715)	(839)	(841)
Net loss per basic and				

diluted common share            (.14)    (.19)    (.09)    (.09)

Fiscal 2010	Quarter Ended			
	July 31	October 31	January 31	April 30
Revenues	\$ 9,190	\$10,673	\$12,284	\$11,873
Gross profit	2,535	2,737	3,385	2,955
Net loss	(978)	(1,616)	(6,538)	(1,611)
Net loss per basic and diluted common share	(.11)	(.18)	(.74)	(.18)

Earnings (loss) per share is calculated independently for each quarter and, therefore, may not equal the total for the year.

#### 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, 2011 and 2010, 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, 2011. 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 and Subsidiaries as of April 30, 2011 and 2010, and their results of operations and cash flows for each of the years in the three-year period ended April 30, 2011 in conformity with accounting principles generally accepted in the United States of America.

J.H. Cohn LLP  
Roseland, New Jersey  
July 28, 2011

Selected Financial Data  
(Not covered by Independent Registered Public Accounting Firm's Reports)  
(In thousands, except per share amounts)

Years Ended April 30,	2011	2010	2009	2008	2007
Revenues	\$ 46,847	\$ 44,020	\$ 25,897	\$ 30,893	\$ 38,404
Net earnings (loss)	(4,634)	(10,743)	(3,135)	1,608	770
Basic earnings (loss) per share	(.52)	(1.21)	(.35)	.18	.09
Diluted earnings (loss) per share	(.52)	(1.21)	(.35)	.18	.09
Current assets	10,564	14,810	18,533	24,865	23,893
Total assets	14,820	17,653	24,555	26,110	25,905
Current liabilities	7,439	6,261	3,075	2,491	2,573
Total stockholders' equity	7,381	11,392	21,099	23,619	23,332
Cash dividends paid	-	-	-	2,114	2,055

DIRECTORS AND CORPORATE OFFICERS

Directors

John H. Freeman  
President and Chief Executive Officer  
of Dataram Corporation

Thomas A. Majewski\*  
Principal, Walden Inc.

Roger C. Cady\*  
Principal, Arcadia Associates

Rose Ann Giordano\*  
President, Thomis Partners

\*Member of audit committee

Corporate Officers

John H. Freeman  
President and Chief Executive Officer

Mark E. Maddocks  
Vice President, Finance and  
Chief Financial Officer

Jeffrey H. Duncan  
Vice President of Manufacturing  
and Engineering

David A. Sheerr  
General Manager, Micro Memory Bank

Anthony M. Lougee  
Controller

Thomas J. Bitar  
Secretary  
Member, Dillon, Bitar & Luther, L.L.C.

#### Corporate Headquarters

Dataram Corporation  
777 Alexander Park  
Princeton, NJ 08540  
609-799-0071

#### Auditors

J.H. COHN LLP  
Roseland, NJ

#### General Counsel

Dillon, Bitar & Luther, L.L.C.  
Morristown, NJ

39

#### Transfer Agent and Registrar

American Stock Transfer and Trust Company  
10150 Mallard Creek Drive  
Suite 307  
Charlotte, NC 28262

#### Stock Listing

Dataram's common stock is listed on  
the NASDAQ with the trading symbol DRAM.

#### Annual Meeting

The annual meeting of shareholders  
will be held on Thursday, September 22,  
2011, at 2:00 p.m. at Dataram's  
corporate headquarters at:  
777 Alexander Park  
Princeton, NJ 08540

#### Form 10-K

A copy of the Company's Annual Report  
on Form 10-K filed with the Securities  
& Exchange Commission is available  
without charge to shareholders.

#### Address requests to:

Vice President, Finance  
Dataram Corporation  
777 Alexander Park  
Princeton, NJ 08543

#### Corporate Headquarters

Dataram Corporation  
777 Alexander Park  
Princeton, NJ 08540  
Toll Free: 800-DATARAM  
Phone: 609-799-0071  
Fax: 609-799-6734  
[www.dataram.com](http://www.dataram.com)

Exhibit 23(a)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement (No. 33-56282) on Form S-8 and the Registration Statement (No. 333-173212) on Form S-3 of Dataram Corporation and of our report dated July 28, 2011, relating to the consolidated balance sheets of Dataram Corporation and Subsidiaries as of April 30, 2011 and 2010, 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, 2011 which report appears in the April 30, 2011 Annual Report on Form 10-K of Dataram Corporation.

/s/ J.H. Cohn, LLP

Roseland, New Jersey  
July 28, 2011

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 28, 2011

/s/ John H. Freeman

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John H. Freeman, President and  
Chief Executive Officer  
(Principal Executive Officer)

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302

I, Mark E. Maddocks, 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 28, 2011

/s/ Mark E. Maddocks

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Mark E. Maddocks  
Vice President, Finance  
(Principal Financial & Accounting Officer)

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, 2011, 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.

July 28, 2011

/s/ John H. Freeman

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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.]

CERTIFICATION OF CHIEF FINANCIAL 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, 2011, as filed with the Securities and Exchange Commission (the "Report"), Mark E. Maddocks, 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.

July 28, 2011      /s/ Mark E. Maddocks

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Mark E. Maddocks  
Vice President, Finance and Chief Financial 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.]