

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the quarterly period ended 07/31/96 or

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 22-1831409  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

P.O. Box 7528, Princeton, NJ 08543  
(Address of principal executive offices) (Zip Code)

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

\_\_\_\_\_  
(Former name, former address and former fiscal year, if changed since last report)

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date. Common Stock (\$1.00 par value): As of September 5, 1996, there were 3,330,305 shares outstanding.

PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Dataram Corporation And Subsidiary  
Consolidated Balance Sheets  
July 31, 1996 and April 30, 1996

(Unaudited) (Audited)

July 31, 1996 April 30, 1996

Assets

Current Assets:

Cash and cash equivalents	\$ 8,901,431	\$ 8,482,447
Trade receivables, less allowance for doubtful accounts and sales returns of \$890,000 at July 31, 1996 and \$800,000 at April 30, 1996	9,338,894	12,077,714
Inventories	1,599,339	2,311,897

Other current assets	372,923	862,709
Total current assets	<u>20,212,587</u>	<u>23,734,767</u>
Property and equipment, at cost:		
Land	875,000	875,000
Machinery and equipment	6,251,786	6,190,426
	<u>7,126,786</u>	<u>7,065,426</u>
Less: accumulated depreciation and amortization	5,042,126	4,867,226
Net property and equipment	<u>2,084,660</u>	<u>2,198,200</u>
Other assets	5,730	5,730
	<u>\$ 22,302,977</u>	<u>\$ 25,938,697</u>

#### Liabilities and Stockholders' Equity

Current liabilities:		
Accounts payable	\$ 3,499,365	\$ 5,909,262
Accrued liabilities	882,215	1,022,404
Total current liabilities	<u>4,381,580</u>	<u>6,931,666</u>
Deferred income taxes	929,000	929,000
Stockholders' Equity:		
Common stock, par value \$1.00 per share.		
Authorized 18,000,000 shares; issued		
3,830,305 at July 31, 1996		
and 3,824,305 at April 30, 1996	3,830,305	3,824,305
Treasury stock, 323,400 shares	(2,071,485)	0
Additional paid-in capital	3,440,542	3,425,142
Retained earnings	11,793,035	10,828,584
Total stockholders' equity	<u>16,992,397</u>	<u>18,078,031</u>
	<u>\$ 22,302,977</u>	<u>\$ 25,938,697</u>

Dataram Corporation and Subsidiary  
Consolidated Statements of Earnings  
Three Months Ended July 31, 1996 and 1995  
(Unaudited)

	1996	1995
Revenues	\$ 17,448,290	% 24,884,747
Costs and expenses:		
Cost of sales	13,887,973	21,853,895
Engineering and development	229,682	434,963
Selling, general and administrative	1,833,752	1,691,045
	<u>15,951,407</u>	<u>23,979,903</u>
Earnings from operations	1,496,883	904,844
Other income (expense), net		
Interest income	68,568	0
Interest expense	0	(18,531)
	<u>68,568</u>	<u>(18,531)</u>
Earnings before income taxes	1,565,451	886,313
Income tax expense	601,000	349,000

Net earnings	\$ 964,451	\$ 537,313
Net earnings per share of common stock	\$ .26	\$ .14
Weighted average number of common shares outstanding	3,721,093	3,821,810

See accompanying notes to consolidated financial statements.

Dataram Corporation and Subsidiary  
Consolidated Statements of Cash Flows  
Three Months Ended July 31, 1996 and 1995  
(Unaudited)

	1996	1995
Cash flows from operating activities:		
Net earnings	\$ 964,451	\$ 537,313
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	174,900	167,100
Bad debt expense	220,795	58,097
Changes in assets and liabilities:		
Decrease in trade receivables	2,518,025	1,241,037
Decrease in inventories	712,558	413,251
Decrease in other current assets	489,786	277,669
Decrease in other assets	0	8,921
Decrease in accounts payable	(2,409,897)	(1,492,739)
Decrease in accrued liabilities	(140,189)	(1,323,866)
Net cash provided by (used in) operating activities	2,530,429	(113,217)
Cash flows from investing activities:		
Purchase of property and equipment	(61,360)	(92,208)
Disposal of fixed assets	0	(559)
Net cash used in investing activities	(61,360)	(92,767)
Cash flows from financing activities:		
Proceeds from sale of common shares under stock option plan	21,400	0
Purchase of treasury stock	(2,071,485)	0
Net cash used in financing activities	(2,050,085)	0
Net increase (decrease) in cash and cash equivalents	418,984	(205,984)
Cash and cash equivalents at beginning of year	8,482,447	721,811
Cash and cash equivalents at end of period	\$ 8,901,431	\$ 515,827

Supplemental disclosures of cash flow information:  
Cash paid during the period for:

Interest	\$	0	\$	18,531
Income taxes	\$	0	\$	0

Dataram Corporation and Subsidiary

Notes to Consolidated Financial Statements  
July 31, 1996 and April 30, 1996

(1) Cash and cash equivalents consist of unrestricted cash, bankers acceptances, commercial paper and other short term investments. All investments are convertible to cash within a period of approximately thirty days or less.

(2) Inventories consist of the following categories:

	7/31/96	4/30/96
Raw Materials	\$ 1,005,000	\$ 1,435,000
Work In Process	50,000	45,000
Finished Goods	544,000	832,000
	<u>                    </u>	<u>                    </u>
	\$ 1,599,000	\$ 2,312,000
	<u>                    </u>	<u>                    </u>

(3) The Company has an agreement with a bank which provides for a total unsecured line of credit of \$11,000,000 with interest at no higher than one - half percent below the bank's base commercial lending rate. Borrowings under the line of credit are at the convenience of Company management and may be repaid at any time. The line of credit agreement expires in October, 1997, unless otherwise amended or extended.

(4) In 1982, the Company adopted an incentive stock option plan. As of July 31, 1996, no further options may be granted under the plan and options to purchase 6,000 shares were exercised in the first quarter of fiscal 1997 at an exercise price of \$3.57 per share and no further options remain outstanding.

In September 1992, an incentive and nonstatutory stock option plan was adopted by the shareholders which provides for the granting of up to 950,000 shares of common stock to key employees. As of July 31, 1996, options to purchase 342,000 shares at prices ranging from \$5.125 to \$7.125 per share were outstanding. As of July 31, 1996 options to purchase 32,000 shares had been exercised and options to purchase 151,900 shares were exercisable.

In November 1992 and March 1993, the Company granted to three non-employee directors of the Company and the Company's outside general counsel five year options to acquire a total of 120,000 shares of the Company's common stock at an exercise price of \$11.25 per share. As of July 31, 1996, none of these options had been exercised and options to purchase 90,000 shares were exercisable.

(5) In June of 1996, the Company announced an open market repurchase plan providing for the repurchase of up to 250,000 shares of the Company's common stock. In July of 1996, the plan was amended to provide for the repurchase of up to 500,000 shares of the Company's common stock. As of July 31, 1996, 323,400 shares had been repurchased under the plan. On September 3, 1996, the Company announced that the repurchase plan had been completed. A total of 500,000 shares have been repurchased at a total cost of \$3,346,000.

(6) Information furnished reflects all adjustments which are, in the opinion of management, necessary to a fair presentation of the results of this interim statement.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

As of July 31, 1996, working capital amounted to \$15.8 million reflecting a current ratio of 4.6 compared to working capital of \$16.8 million and a current ratio of 3.4 as of April 30, 1996.

The Company's financial condition remains strong. The Company has an \$11.0 million unsecured line of credit with a bank which expires in October 1997. At the end of the quarter there was no amount outstanding under the line of credit. With its current working capital balance and the line of credit, management believes that it will be able to support its growth and other capital needs for the foreseeable future.

#### Results of Operations

Revenues for the three month period ending July 31, 1996 were \$17,448,000 compared to revenues of \$24,885,000 for the comparable prior year period. The decline in revenues was the result of declining average selling prices for the Company's products reflecting a seventy five percent decrease in the price of dynamic random access memory chips (DRAMs) which are the primary raw material in memory boards. As a result of competitive conditions in the memory board marketplace, the Company passed these cost savings through to our customers. Increased unit volume partially offset the reduction in selling prices. Total megabytes shipped have increased by approximately 110% in the first quarter versus the same period last year.

Cost of sales for the first quarter were 80% of revenues versus 88% for the same prior year period. The increase in operating margins is the result of increase unit volume which created significant economies of scale, combined with aggressive purchasing and materials management. Prices for the four and sixteen megabit, the primary raw material in computer memory boards, decrease by approximately 55% during the quarter. To minimize the impact of the changes in raw material values, the company has maintained tight control over inventory levels, while still meeting customer delivery requirements. The price of DRAMS has continued to decline and it is uncertain as to when prices will stabilize.

Engineering and development costs in fiscal 1997's first quarter were \$230,000 versus \$435,000 for the same prior year period. The decrease in cost was due to modest reductions in staff, and an overall control of cost primarily associated with lower product design costs of today's simplified memory boards. The Company intends to maintain its commitment to timely introduction of new memory products as new workstations and computers are introduced.

Selling, general and administrative costs in this year's first quarter increased to 11% of revenues from 7% for the same prior year period. Three month total expenditures increased by \$143,000 from the prior year period. This increase is primarily the result of planned marketing and promotional expenditures. The company has also strategically added to our sales department this quarter to accelerate our ability to service new and existing customers.

Other income (expense), net for the first quarter of fiscal 1997 consisted primarily of interest income on short term investments. Prior year other income (expense) consisted of interest expense associated with the Company's revolving credit line.

## PART II: OTHER INFORMATION

### ITEM 5. EXHIBITS AND REPORTS ON FORM 8-K

#### A. Exhibits

27 (a). Financial Data Schedule

28 (a). Press Release reporting results of First Quarter, Fiscal Year 1997 (Attached).

28 (b). Press Release reporting completion of stock repurchase program (Attached).

B. Reports on Form 8-K

No reports on Form 8-K have been filed during the current quarter.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DATARAM CORPORATION

Date: September 4, 1996      By: MARK E. MADDOCKS

\_\_\_\_\_  
Mark E. Maddocks  
Vice President, Finance  
(Principal Financial Officer)

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FOR IMMEDIATE RELEASE                      CONTACT: Mark Maddocks  
Vice-President, Finance  
Telephone: (609) 799-0071

#### DATARAM ANNOUNCES COMPLETION OF STOCK REPURCHASE PLAN

PRINCETON, NJ, September 3, 1996 -- Dataram Corporation (AMEX:  
DTM)

Robert V. Tarantino, president and chief executive officer, announced today that the Open Market Repurchase Plan announced on June 12, 1996 and amended on July 1, 1996 which provided for the repurchase of up to 500,000 shares of the Company's common stock has been completed. The Company has repurchased the full 500,000 shares at a total cost of \$3,346,000. Reflecting completion of the repurchase plan, there were 3,330,305 shares of the Company's common stock issued and outstanding as of September 1, 1996. "Shareholders will realize most of the earnings per share benefit in the reduction in shares outstanding starting in the current quarter," Tarantino said.

Dataram Corporation is a developer, manufacturer and marketer of quality computer memory products.

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