

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, 2009.

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 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, 2008, was \$11,352,555.

The number of shares of Common Stock outstanding on July 24, 2009 was 8,869,184 shares.

DOCUMENTS INCORPORATED BY REFERENCE:

(1) Definitive Proxy Statement for Annual Meeting of Shareholders to be held on September 24, 2009 (the "Definitive Proxy Statement") to be filed within 120 days of the end of the fiscal year.

(2) 2009 Annual Report to Security Holders

1

DATARAM CORPORATION
INDEX

Part I	Page
Item 1. Business	3
Item 1A. Risk Factors	8
Item 1B. Unresolved Staff Comments.	10
Item 2. Properties	10
Item 3. Legal Proceedings	11
Item 4. Submission of Matters to a Vote of Security Holders	11
Part II	
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.	11
Item 6. Selected Financial Data.	11
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation . .	11
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	11
Item 8. Financial Statements and Supplementary Data. . .	12
Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure	15
Item 9A. Controls and Procedures	15
Item 9A(T)Controls and Procedures	15

Item 9B. Other Information 15

Part III

Item 10. Directors, Executive Officers, and Corporate Governance 16

Item 11. Executive Compensation 16

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters. 16

Item 13. Certain Relationships and Related Transactions, and Director Independence. . . . 16

Item 14. Principal Accounting Fees and Services 16

Part IV

Item 15. Exhibits, Financial Statement Schedules 16

Signatures. 17

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 provides customized memory solutions for original equipment manufacturers ("OEMs") and compatible memory for computers manufactured by Hewlett-Packard Company ("HP"), Sun Microsystems, Inc. ("Sun"), International Business Machines Corporation ("IBM") and Dell Corporation ("Dell"). 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 two manufacturing facilities in the United States with sales and/or marketing offices in the United States, Europe and Japan. The Company 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.

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 \$2,253,000 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. 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") and consists of a percentage, averaging 65%, payable quarterly, over the next four years of earnings before interest, taxes, depreciation and amortization of the Unit. At April 30, 2009 the estimated remaining purchase price to be paid under the agreement is \$1,029,000 and is recorded as an accrued liability in the Company's consolidated balance sheet. Dataram has also employed David Sheerr, sole owner and former President of MMB, as general manager of the Unit.

The Unit designs and manufactures memory from the Company's leased

facility in Montgomeryville, Pennsylvania. Its products include memory upgrades for IBM, Sun, HP and Compaq computer systems. The MMB Unit 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 2009 were \$25.9 million compared to \$30.9 million in fiscal 2008. The decline in revenues is primarily the result of decreased selling prices. The Company's selling prices are significantly dependent on the pricing and availability of DRAM chips. The Company's products utilize DRAMs of varying capacities, organizations and package types. While the changes in the purchase cost of specific DRAMs over time are not necessarily uniform or even move in the same direction, over the last fiscal year the Company's purchase cost of the primary DRAMs used in our products declined by over 44 percent. This resulted in a larger than anticipated reduction in our selling prices as we passed our cost savings through to our customers. Consequently, the Company's selling prices for similar products when compared on a year over year basis were lower than expected.

Cost of sales was \$17.4 million in fiscal 2009 or 67.4 percent of revenues compared to \$19.0 million or 61.6 percent of revenues in fiscal 2008. Fluctuations in cost of sales as a percentage of revenues are not unusual and can result from many factors, some of which are a rapid change in the price of DRAMs, or a change in product mix possibly resulting from a large order or series of orders for a particular product or a change in customer mix.

3

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 186 Princeton Road (Route 571), West Windsor, New Jersey 08550, 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.

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.

4

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.

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, France, 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

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. Thus, the Company must maintain large cash reserves. At the present time, the market for DRAMs is one of oversupply. At April 30, 2009, the Company had cash and cash equivalents of \$12.5 million and had no debt.

5

Memory Product Complexity

DRAM memory products for workstations and enterprise servers had, for many years, been undergoing a process of simplification with a corresponding decline in profit margins as competitors' entry into the market became easier. However, recent trends in the market have seen the development by OEMs of more complex memory designs. This has enabled the Company to increase its margins.

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, 2009, the Company incurred costs of \$1,219,000 for engineering, \$1,267,000 in fiscal 2008 and \$1,243,000 in fiscal 2007.

Research and Development

Research and development expense in fiscal 2009 were \$1,531,000, versus nil in fiscal 2008 and fiscal 2007. In the current fiscal year, the Company has 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.

Raw Materials

The Company purchases standard DRAMs. The cost of such 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 two manufacturing facilities 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, 2009 was \$936,000, at April 30, 2008 it was \$255,000 and at April 30, 2007 it was \$579,000.

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.

6

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 42-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, 2009, the Company had 109 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 2010) or the succeeding fiscal year (fiscal 2011).

7

(d) Financial information about geographic area sales.

REVENUES (000's)
Export

Fiscal	U.S.	Europe	Other*	Consolidated
2009	\$19,088	\$4,793	\$2,016	\$25,897
2008	\$22,270	\$5,875	\$2,748	\$30,893
2007	\$27,583	\$6,484	\$4,337	\$38,404

PERCENTAGES

Fiscal	Export			Consolidated
	U.S.	Europe	Other*	
2009	73.7%	18.5%	7.8%	100.0%
2008	72.1%	19.0%	8.9%	100.0%
2007	71.8%	16.9%	11.3%	100.0%

*Principally Asia Pacific Region

Item 1A. RISK FACTORS

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. We believe that the market for DRAMs is presently out of balance and there is an oversupply of DRAMs, but there can be no assurance that conditions of shortage may not prevail in the future. 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. At the present time, the market is one of oversupply, and we seek to maintain a minimum inventory while meeting the needs of customers. But there can be no assurance that we will not suffer losses in the future based upon high inventories and declining DRAM prices.

OUR MEMORY PRODUCTS MAY VIOLATE OTHERS' PATENTS. Certain of our memory 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 memory 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 computer memory 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 memory 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

8

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 2009, the largest ten customers accounted for approximately 44.7% of the Company's revenues, with one customer accounting for approximately 16.7% 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 CAN MAKE OUR REVENUES, EARNINGS, BACKLOG AND INVENTORY LEVELS UNEVEN. Revenue and earnings from OEM sales may become uneven as order sizes are typically large and often a completed order cannot be shipped until released by the OEM, e.g., to meet a "just in time"

inventory requirement. This may occur at or near the end of an accounting period. In such case, revenues and earnings could decline for the period and inventory and backlog could increase.

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

WE FACE COMPETITION FROM DRAM MANUFACTURERS. DRAM manufacturers not only sell their product as 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.

9

A PORTION OF OUR OPERATIONS ARE 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 recently acquired business of MMB will be, or remain, a profitable operating unit of the Company or that expected savings from having a larger consolidated business operation will occur.

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. 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.

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.

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 15,200 square feet of space for administrative, sales, research and development and manufacturing support in West Windsor Township, New Jersey under a lease expiring on June 30, 2011.

The Company leases 32,000 square feet of assembly plant and office space in Bucks County, Pennsylvania. The lease expires on January 31, 2011. In the event the Lessor enters into a bona fide agreement for sale of the premises, the Lessor can terminate this lease on two (2) years notice.

The Company leases 17,500 square feet of assembly plant and office space in Montgomery County, Pennsylvania. The lease expires on March 31, 2011. In the event the Lessor enters into a bona fide agreement for sale of the premises, the Lessor can terminate this lease on two (2) years notice.

The Company also leases marketing facilities in New Jersey, Denmark, France, Germany, and Japan.

10

Item 3. LEGAL PROCEEDINGS

None.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of Security Holders in the fourth quarter of the fiscal year covered by this report.

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 2009 Annual Report to Security Holders under the caption "Common Stock Information" at page 6 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 2009. In the fourth quarter of fiscal 2009, 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 2009 Annual Report to Security Holders under the caption "Selected Financial Data" at page 20.

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 2009 Annual Report to Security Holders under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operation" at page 2 through page 6.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Incorporated by reference herein is the information set forth in the 2009 Annual Report to Security Holders under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operation" at page 5.

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, 2009 and 2008. . .	7
--	---

Consolidated Statements of Operations - Years ended April 30, 2009, 2008 and 2007	8
---	---

Consolidated Statements of Cash Flows - Years ended April 30, 2009, 2008 and 2007	9
---	---

Consolidated Statements of Stockholders' Equity - Years ended April 30, 2009, 2008 and 2007	10
---	----

Notes to Consolidated Financial Statements - Years ended April 30, 2009, 2008 and 2007	11-19
--	-------

Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements	20
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Financial Statement Schedule:

Valuation and Qualifying Accounts - Years ended April 30, 2009, 2008 and 2007.	13
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Report of Independent Registered Public Accounting Firm on Financial Statement Schedule	14
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All other 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.

<TABLE>
Schedule II

DATARAM CORPORATION AND SUBSIDIARIES
Valuation and Qualifying Accounts
Years ended April 30, 2009, 2008 and 2007

Additions

Description	Balance at beginning of period	charged to costs and expenses	Deduc- tions from	Balance at close of period	Balance at close of period
<S>	<C>	<C>	<C>	<C>	<C>
Year ended April 30, 2009:					
Allowance for doubtful accounts	\$ 50,000	234,000	164,000*	120,000	
Allowance for sales returns	\$ 200,000	269,000	299,000	170,000	
Year ended April 30, 2008:					
Allowance for doubtful accounts	\$ 70,000	12,000	32,000*	50,000	
Allowance for sales returns	\$ 230,000	375,000	405,000	200,000	
Year ended April 30, 2007:					
Allowance for doubtful accounts	\$ 60,000	40,000	30,000*	70,000	
Allowance for sales returns	\$ 240,000	393,000	403,000	230,000	

*Represents write-offs and recoveries of accounts receivable.

</TABLE>

13

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Dataram Corporation:

Under date of July 24, 2009, we reported on the consolidated balance sheets of Dataram Corporation and Subsidiaries as of April 30, 2009 and 2008, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three-year period then ended, as contained in the April 30, 2009 Annual Report to Security Holders. These consolidated financial statements and our report thereon are incorporated by reference in the annual report on Form 10-K for the year ended April 30, 2009. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule as listed in the accompanying Index at Item 8. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement schedule based on our audits.

In our opinion, such consolidated financial statement schedule referred to above, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ J.H. COHN LLP

J.H. Cohn LLP
Lawrenceville, New Jersey
July 24, 2009

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

Not applicable.

Item 9A. CONTROLS AND PROCEDURES

No 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, 2009 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 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, 2009. 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 pursuant to temporary rules of the SEC that permit the Company to provide only management's report in the Annual Report.

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

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

Item 11. EXECUTIVE COMPENSATION

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

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

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

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Incorporated by reference herein is the information set forth in the Definitive Proxy Statement under the captions "Executive Compensation" and "Board of Directors."

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. Financial Statement Schedule included in Part II of this Report.
3. The documents identified in the Exhibit Index which appears on page 18.

16

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 24, 2009 By: 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 24, 2009 By: ROGER C. CADY

Roger C. Cady, Chairman of the
Board of Directors

Date: July 24, 2009 By: JOHN H. FREEMAN

John H. Freeman, President
Chief Executive Officer and
Director

Date: July 24, 2009 By: THOMAS A. MAJEWSKI

Thomas A. Majewski, Director

Date: July 24, 2009 By: ROSE ANN GIORDANO

Rose Ann Giordano, Director

Date: July 24, 2009 By: MARK E. MADDOCKS

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

17

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.
- 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) West Windsor, New Jersey Lease dated September 19, 2000. Incorporated by reference from Exhibits to an Annual Report on Form 10-K for the year ended April 30, 2001, filed with the Securities and Exchange Commission, SEC file number 001-08266, on July 26, 2001.
- 10(d) Addendum "D" to West Windsor, New Jersey Lease dated February 13, 2006. 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 February 14, 2006.
- 10(e) Bucks County, Pennsylvania Lease dated January 11, 2006. 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 January 26, 2006.
- 10(f) 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(g) Lease Agreement, dated December 31, 2000, between Nappen & Associates and Micro Memory Bank, Inc. and assigned to Dataram Corporation.
- 10(h) Lease Renewal Agreement, dated February 13, 2006, between Nappen & Associates and Micro Memory Bank, Inc. and assigned to Dataram Corporation.

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

10(j) Employment Agreement of 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.

18

13(a) 2009 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 Maddocks

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

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

*Management Contract or Compensatory Plan or Arrangement

19

LEASE AGREEMENT

THIS AGREEMENT OF LEASE, made as of the last date endorsed hereon ("Effective Date"), by and between NAPPEN & ASSOCIATES, a Pennsylvania limited partnership, t/a 309 DEVELOPMENT COMPANY ("Lessor")

A N D

MICRO MEMORY BANK, INC., a Pennsylvania corporation ("Lessee").

Lessee and Lessor, in consideration of the mutual covenants herein contained and other good and valuable consideration, receipt of which is hereby acknowledged and intending to be legally bound hereby, agree as follows:

1. Lease and Premises.

A. Lessor hereby demises and leases to Lessee and Lessee hereby leases from Lessor that certain premises situate in Montgomery Township, Montgomery County, Pennsylvania, known and numbered Lot No. 16, Montgomeryville Industrial Center, having a post office address of 130 Corporate Drive, Montgomeryville, PA 18936 together with the building ("Building") containing approximately 17,500 sq. ft., more or less, and improvements constructed thereon, such ground, Building and improvements being hereinafter collectively called the "Premises."

B. Lessee acknowledges that it has inspected the Premises and leases the same (other than Lessor's Work {as hereinafter defined} and Lessee's Work {as hereinafter defined}) in the condition existing on the Effective Date. Notwithstanding anything set forth herein to the contrary, prior to the Lease Commencement Date (as hereinafter defined), Lessor shall construct, at Lessor's cost and expense, the office improvements as set forth in Exhibit "A" attached hereto and made part hereof, in accordance with Lessor's standard office specifications ("Lessor's Work"). Additionally, prior to the Lease Commencement Date, Lessor shall construct, at Lessee's expense, the improvements set forth in Exhibit "B" attached hereto and made part hereof ("Lessee's Work"). Within ten (10) days after rendition of an invoice (and as a condition precedent to commencement of Lessee's Work), Lessee shall pay to Lessor a sum equal to twenty percent (20%) of the estimated price of Lessee's Work. Upon completion of Lessee's Work by Lessor, Lessee shall pay the remaining balance of the price of Lessee's Work to Lessor within ten (10) days of final invoicing therefor.

C. The Premises shall be occupied and used for office, warehouse and manufacturing, in accordance with applicable laws, ordinances and regulations. Under no circumstances whatsoever may the Premises be used in whole or in part for personal, family, residential or household purposes.

2. Term.

A. The term of this Lease shall be five (5) years, commencing April 1, 2001 ("Lease Commencement Date") and expiring at 11:59 p.m. on March 31, 2006, unless extended, renewed or previously terminated, as hereinafter set forth.

B. If Lessee remains in possession of the Premises, including failure to restore the same to the conditions required hereunder after the expiration of the term of this Lease, or any extension or renewal thereof (a "Holding Over"), without the prior written consent of Lessor, such Holding Over shall create a Holding Over tenancy from month to month with respect to the Premises on all of the same terms and conditions as are in effect on the last day of the preceding term, except that the monthly installment of Minimum Annual Rent shall be increased to an amount equal to Two (2) times the monthly installment of Minimum Annual Rent in effect on the last day of the preceding term. Notwithstanding anything set forth to the contrary, Lessor may cancel such month to month Holding Over tenancy at any time within such Holding Over tenancy upon Fifteen (15) days prior written notice, but such cancellation notwithstanding, Minimum Annual Rent shall accrue at the Holding Over rate set forth herein until Tenant vacates fully the Premises and restores the same to the condition required hereunder.

C. Lessor shall not be liable to Lessee in any respect in the event that Lessor is unable to deliver possession of the Premises to Lessee, provided Lessee shall not be required to pay any installment of Minimum Annual Rent (as hereinafter defined) or Additional Rent.(as hereinafter defined) until such time as Lessor delivers possession. If such delivery is not made on or before thirty (30) days after the Lease Commencement Date set forth above, either party may terminate this Lease by written notice to the other as provided herein, and such termination shall be effective upon rendition of said notice.

3. Minimum Annual Rent.

The minimum annual rent ("Minimum Annual Rent") payable by Lessee to Lessor 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 said term of this Lease in sums of Eight Thousand Twenty and 83/100 Dollars (\$8,020.83) on the first day of each month, rent to begin from the Lease Commencement Date, the first installment to be paid on or before the Lease Commencement Date, subject to the requirements of subparagraph 2 (C), supra. The first installment of Minimum Annual Rent to be made during the occupancy of the Premises shall be adjusted to pro rate a partial month of occupancy, if any, at the inception of this Lease at the rate of Minimum Annual Rent in effect during the first Lease Year, i.e., the period of twelve (12) calendar months following the Lease Commencement Date. If the date of commencement of the term of this Lease shall be a day other than the first day of the calendar month, then the term of this Lease shall be deemed extended by the number of days between the Lease Commencement Date and the last day of said month, so that the term of this Lease shall expire five (5) years after such first day of the first calendar month following the Lease Commencement Date, unless extended or previously terminated, as herein set forth.

4. Additional Rent.

As Additional Rent ("Additional Rent") hereunder, Lessee shall pay Lessor the following on or before the date such additional payment shall become due, but not later than ten (10)n business days from rendition of a bill therefor (unless otherwise set forth herein):

A. All "Taxes" (as hereinafter defined) assessed or imposed upon the Premises during the term of this Lease and any extension or renewal term or applicable to the Premises during' the term of this Lease. The amount due hereunder oh account of such Taxes shall be apportioned for that part of the first and last calendar years covered by the original, renewal or extension term hereof as regards county and township real estate taxes and for that part of the first and last July 1st fiscal years covered by the original, renewal or extension term hereof regarding school real estate taxes. At the time of execution of this Lease, Lessee shall pay Lessor the pro rated portion of school real estate taxes on the Premises for the fiscal year commencing July 1, 2000. Lessor shall promptly forward to Lessee all bills received by Lessor for such Taxes and the amount of such Taxes shall be paid by Lessee to Lessor at least Fifteen (15) days before the expiration of the net payment period for said Taxes and before penalties are assessed. In the event Lessee desires to take advantage of any nonobligatory early payment discount, said tax payment shall be paid by Lessee to Lessor at least one (1) month before the expiration of any discount period. A bill submitted by Lessor to Lessee, accompanied by a true and correct copy of a bill for Taxes, shall be conclusive evidence of the amount of Taxes assessed or levied as well as the items taxed.

"Taxes" as utilized in this Lease shall mean all taxes, assessments and charges of whatsoever nature levied upon or with respect to the Premises or Lessor's ownership interest in the Premises. "Taxes" shall include, without limitation, all general real property taxes and general and special assessments, charges, fees, or assessments for transit, housing, police, fire or other governmental services or purported benefits inuring to the Premises, service payments in lieu of taxes, and any tax, fee or excise on the act of entering into and/or maintaining this Lease or any other lease of space on the Premises, or the use or occupancy of the Premises or any part thereof, or on the rent payable under any lease or in connection with the business of leasing the Premises, including, but not limited to, business privilege taxes that have been, or are now, or hereafter levied or assessed against Lessor by the United States of America, the Commonwealth

of Pennsylvania or any political subdivision, political corporation, district or other political or public entity, whether quasi in nature or otherwise, but not including any federal or state income tax levied solely on Lessor's income generally. "Taxes" does not include transfer taxes of any nature whatsoever arising from the purchase, sale or lease of any real property.

Lessee at all times shall be responsible for and shall pay before delinquency, all municipal, county, state or federal taxes assessed against any leasehold interest or any personal property of any kind, owned, installed or used by Lessee.

Lessee, at its sole cost and expense, and after having given twenty (20) days prior written notice to Lessor, may contest by appropriate legal proceedings, promptly instituted and thereafter conducted in good faith with due diligence, the amount or validity, in whole or in part of any Taxes; provided, however, Lessee shall have at the time of giving notice to Lessor, contemporaneously deposited with Lessor such financial security, by certified funds or an irrevocable letter of credit, for payment of the contested Taxes, said amount deposited with Lessor to equal one hundred twenty percent (120%) of the total contested Taxes, including interest and penalties, or other security as may reasonably be required by Lessor.

B. All sums which may become due by reason of the failure of Lessee to comply with any of the terms, covenants and conditions of this Lease to be kept and observed by Lessee, and any and all damages and costs and expenses (including without limitation thereto, reasonable attorney's fees) which Lessor may suffer or incur by reason of any default of Lessee and any damages to the Premises caused by any act or omission of Lessee together with interest to the date of payment at a rate per annum equal to five hundred (500) basis points above the prime interest rate (Prime + 5%) of First Union National Bank, Philadelphia, Pennsylvania, or its successor, in effect during the period said payment is due.

C. The premiums for insuring the Premises, including alterations, additions and improvements other than Lessee's fixtures and equipment against loss or damage by fire, all extended coverage, and rental value insurance (covering twelve (12) months' rental on a fully gross basis) for the full, fair and insurable value thereof, exclusive of foundations, excavations, and pavement, and insuring Lessor against liability for bodily injury (including death), personal injury and property damage. The premiums shall be pro-rated for such portion of the term of the Lease that is included within any period in which an insurance policy is in effect.

D. Upon the written request of Lessor's mortgagee, (other than the existing mortgage) Lessee will pay to Lessor, together with each monthly installment of Minimum Annual Rent, an amount equal to one-twelfth of the aggregate annual amount of (i) the taxes referred to in subparagraph A hereof and (ii) the insurance premiums referred to in subparagraph C hereof, all as estimated by Lessor; such amounts shall be held in escrow by Lessor or transmitted to any Mortgagee requiring such payments and applied on account of the taxes and insurance premiums as and when payments therefor are due. Without limitation of the foregoing, Lessee shall also pay to Lessor such additional amounts as Lessor's Mortgagee may request from time to time to provide a sufficient fund, at least thirty (30) days prior to the due date (or, in the case of any tax which may be paid in installments, the due date of the next installment thereof) for payment of such taxes and premiums. Any amounts held in escrow by Lessor pursuant to this paragraph may be deposited in a non-interest bearing account. Lessor may apply such deposit against any arrearages by Lessee in the payment of Minimum Annual Rent and/or Additional Rent. In the event Lessor assigns its interest in this Lease, Lessor shall have the right to pay the balance of such amounts then in its possession to the assignee, and Lessor shall thereupon be completely released from any liability with respect to such amounts.

E. Intentionally Deleted by the Parties

F. In the event Lessee requests any consents or approvals of Lessor and Lessor is reasonably obliged to expend counsel fees and costs by reason thereof, Lessee will reimburse Lessor for the reasonable counsel fees and costs incurred, as Additional Rent, within ten (10) days of submission of bills therefor.

G. If Lessee does not pay any installment of Minimum Annual Rent or any item of Additional Rent on the day when the same shall become due and payable, and such failure shall continue for a period of ten (10) days, Lessee shall pay Lessor as Additional Rent a service charge at the rate of One and One-Half Percent (1-1/2%) per month (or such lesser charge as may be the legal maximum for a debtor of the same nature and character as Lessee in the jurisdiction which the Premises is located) on the amount of such installment of Minimum Annual Rent or item of Additional Rent or all of the same for each month or a portion of a month that the same shall remain unpaid; provided, however, that such charge shall in no event be less than Twenty-Five Dollars (\$25.00) for any month or a portion of a month that any installment of Minimum Annual Rent or item of Additional Rent shall remain unpaid. Such charge shall be in the form of Additional Rent for the purposes of defraying administrative expenses of Lessor and is not intended as a penalty against Lessee. The provision of this paragraph shall not preclude Lessor from exercising its options as set forth in any other sections of this Lease, or as provided by law.

5. Utilities.

Lessee shall heat the Premises at its own expense and shall also pay all charges of utility companies or public authorities for electricity, gas, telephone, water, steam, sewer service or other services or utilities furnished to the Premises. Under no circumstances shall Lessor be required to furnish or be responsible for the furnishing of or the failure of any utility companies or public authorities to furnish any utilities or any other service of any kind to the Premises or any part thereof.

6. Repairs.

A. Except as otherwise set forth herein, Lessee shall be responsible for all maintenance to the Premises and at Lessee's sole expense, shall make all necessary or appropriate repairs, replacements (except for the air conditioning components [but not any heating component] of warehouse air-conditioning units), renewals, and additions, interior and exterior, structural (not arising from the act or neglect of Lessee, its agents, servants, and business visitors) and non-structural, ordinary and extraordinary, foreseen and unforeseen, required to keep and maintain the Premises and all Systems (as hereinafter defined), equipment and apparatus appurtenant thereto or used in connection therewith in good order and condition including but not limited to lawn and shrub trimming, cutting and maintenance, and parking lot and driveway repair, replacement, maintenance, cleaning and snow and ice removal. Lessor shall be responsible only for maintenance to the roof and structural (defined as "load bearing elements and the exterior surface of exterior curtain walls") portions of the Building, not arising from the act or neglect of Lessee, its agents; servants, and business visitors; in accordance with the provisions of subparagraph B hereof. Pertaining to Lessee's responsibility to maintain the heating, air-conditioning, plumbing, electrical and sprinkler systems of the Premises ("Systems"), in addition to all required repairs and replacements, Lessee agrees that it shall, to the extent generally available, at its cost and expense, enter into a service contract or contracts with responsible service companies providing for at least two (2) semi-annual periodic inspections, and complete maintenance of all air-conditioning units, only including all necessary parts and labor, commencing upon the Lease Commencement Date, which contract or contracts shall continue during the term of this Lease and any renewal thereof and will be subject to the approval of Lessor, which Lessor agrees not to unreasonably withhold. A copy of said service contract shall be deposited with Lessor prior to the Lease Commencement Date and said contract must provide for at least fifteen (15) days' notice to Lessor prior to cancellation thereof. True and correct copies of all inspection reports received from the service contractor shall be furnished to Lessor no later than ten (10) days after receipt of same.

B. Upon receipt of written notice from Lessee, Lessor agrees to proceed with due diligence to repair at its own cost and expense, any leaks in the roof, or make any repairs to the structural portions of the Building, provided such repairs are not necessitated by any act or neglect on the part of Lessee, its agents, servants or business visitors. In no event, however, shall Lessor be liable to Lessee for damages, including consequential damages, for any loss or damage sustained by Lessee due to, or alleged to be due to, failure to make such repairs in a timely or proper manner. In the event Lessor fails to make said repairs within a reasonable

time and in a proper manner, after notice by Lessee, Lessee may proceed to effect said repairs and Lessor shall repay Lessee the reasonable costs of said repairs, together with interest to the date of payment at a rate per annum equal to five hundred (500) basis points above the prime interest rate (Prime + 5%) of First Union National Bank, Philadelphia, Pennsylvania, or its successor, in effect during the period said payment is due, but Lessee may not set off the amount of such costs against any rent due to Lessor pursuant to the terms of this Lease. Provided, however, that within ten (10) days of receipt of any such bill for repairs, Lessor may submit the questions of the reasonableness of said bills and/or Lessor's responsibility to pay for same to arbitration before the American Arbitration Association in Philadelphia, Pennsylvania, and in accordance with the rules and regulations of the American Arbitration Association in Philadelphia, Pennsylvania. The decision of the arbitrators shall be final and binding upon the parties and shall be unappealable. The cost of arbitration, as well as the reasonable counsel fees and costs of the prevailing party shall be borne by the non-prevailing party.

C. Any repairs, replacements, renewals and additions, and any labor performed or materials furnished in, on or about the Premises shall be performed and furnished by Lessee and/or Lessor, as the case may be, in strict compliance with all applicable laws, regulations, ordinances and requirements of all duly constituted municipal authorities or other governmental bodies having jurisdiction over the Premises and the requirements of any board of underwriters having jurisdiction thereof.

7. Insurance.

A. Liability.

Lessee shall provide and keep in force at its own cost and expense:

(i) Commercial General Liability Insurance, including Personal Injury, Bodily Injury Including Death, and Property Damage covering premises liability, independent contractors liability, and contractual liability, with minimum limits of coverage of One Million Dollars (\$1,000,000.00) per occurrence and Two Million Dollars (\$2,000,000.00) aggregate applicable to the Premises only.

(ii) Worker's Compensation Insurance in the full statutory amount.

(iii) All policies carried hereunder, providing liability coverage, will include Lessor as an additional named insured with respect to ownership of the Premises.

B. Lessee's Personal Property. Lessee shall keep its personal property and trade fixtures in the Premises insured with "all risks" insurance in an amount to cover 100% of the replacement cost of the property and fixtures.

C. Insurance policies required by this Lease shall:

(i) Be issued by insurance companies licensed to do business in the State of Pennsylvania, with general policyholder's ratings of at least A and a financial rating of at least XI in the most current Best's Insurance Reports available on the date of issuance. If the Best's ratings are changed or discontinued, the parties shall agree to an equivalent method of rating insurance companies;

(ii) Provide that the insurance not be cancelled or materially changed in scope or amount of coverage unless thirty (30) days advance notice is given to the Lessor;

(iii) Be primary policies -- not contributing with, or in excess of the coverage that the Lessor may carry;

(iv) Be permitted to be carried under a "blanket policy". However, a specific minimum limit must be listed which is applicable to the Premises and acceptable to the Lessor.

(v) Be maintained during the entire term and any

extension or renewal term of this Lease.

D. By the Lease Commencement Date and prior to Lessee entering possession of the Premises, and upon each renewal of its insurance policies, Lessee shall provide certificates of insurance to Lessor by notice hereunder. The certificates shall specify amounts, types of coverage, the waiver of subrogation, specified in Paragraph 16 hereof, and the insurance criteria listed in this paragraph 7. The policies shall be renewed or replaced and maintained by Lessee. If Lessee fails to give any required certificate within the time provided herein, Lessor may obtain and pay for that insurance and receive reimbursement from, Lessee as Additional Rent, any other provision of this Lease notwithstanding.

8. Destruction of Premises.

A. Total Destruction of Building. In the event the Building is totally destroyed or so damaged by fire or other casualty covered by a policy or policies of insurance maintained by Lessor that the same cannot be repaired and restored within ninety (90) days from the happening of such injury, the current term of this Lease shall absolutely cease and terminate and the Minimum Annual Rent and Additional Rent shall abate for the balance of the term, with reimbursement to Lessee of prepaid Minimum Annual Rent and Additional Rent. Nothing contained herein shall be construed to affect Lessor's right to collect the proceeds of rental value insurance on the Building.

B. Partial Destruction of Building. If the damage be only partial and such that the Building can be restored, to approximately its former condition within ninety (90) days from the date of the casualty loss, Lessor shall restore the same with reasonable promptness, reserving the right to enter upon the Premises for that purpose. Lessor also reserves the right to enter upon the Premises whenever necessary to repair damage caused by fire or other casualty to the building of which the Premises is a part if the building is a multi-tenant building, even though the affect of such entry be to render the Premises or part thereof untenable. The rent shall be apportioned and suspended during the term that any portion of the Premises is untenable (i.e., not fit for Lessee's reasonable business use), taking into account the ratio of the untenable portion to the total Premises and the duration of such untenability. Nothing contained herein shall affect or limit Lessor's right to collect the proceeds of any rental value insurance on the Premises.

C. Intentionally Deleted by the Parties

D. Lessor shall not be liable for any damage, compensation or claim by reason of the necessity of repairing any portion of the Premises, the interruption of the use of the Premises, any inconvenience or annoyance arising as a result of such repairs or interruption or the termination of this Lease by reason of damage or destruction of the Premises or any part thereof, unless caused by the negligence or fault of Lessor, its agents, servants, employees and/or contractors.

9. Condemnation.

A. Total Condemnation. In the event the entire Premises is taken or condemned by any public or quasi-public authority exercising the right of eminent domain, the term of this Lease shall terminate as of the date the condemning authority takes possession of the Premises, with the same force and effect as though such date were the date fixed herein for expiration of the term. The entire amount of any award for such taking shall belong to the Lessor, except for moving, business interruption expenses, and damages to Lessee's personal property, if any, awarded directly to Lessee and Lessee hereby waives any other right it may have to any portion of such award.

B. Partial Condemnation. In the event that a portion of the Premises, but not the entire Premises is taken or condemned for a public or quasi-public use, the Minimum Annual Rent herein shall abate equitably in proportion to the area of the building on the Premises condemned as of the date on which the condemning authority shall take possession of the condemned property. Provided, however, that if the condemnation was so extensive that the Premises is not suitable for Lessee's use as set forth herein, the taking shall be considered a total taking and subparagraph A

above will apply. The entire amount of any award for such taking shall belong to Lessor except for moving, business interruption expenses and damages to Lessee's personal property, if any, awarded directly to Lessee and Lessee hereby waives any other right it may have to any portion of such award. If the parties are unable to agree as to whether any taking is so substantial as to constitute a total taking for the purposes of this Lease, or as to the amount of abatement of rent after a partial taking, the matter shall be submitted to arbitration in Philadelphia, Pennsylvania, in accordance with the rules of the American Arbitration Association then in force and the decision of the arbitrators shall be final and binding on both parties.

10. Use and Compliance with Regulations.

A. Lessee hereby covenants and agrees that it will at no time use the Premises for any other use or purpose than lawful purposes. Lessee further agrees that it will at no time use the Premises in any manner which may be deemed a violation of any municipal (including but not limited to township authorities, regulatory agencies and water and sewer authorities), state or federal law, rules, regulations or requirements. Lessee shall comply at its sole cost and expense with any and all municipal, state and federal rules, regulations, requirements or laws, including additional installations which may be required, covering Lessee's specific use and occupancy of the Premises; Lessor shall comply, at its sole cost and expense with any and all municipal, state and federal rules, 'regulations, requirements or laws, and/or additional installations covering buildings and property generally, without regard to Lessee's specific use and occupancy thereof.' Lessor represents and warrants that the applicable zoning ordinances permit Lessee's intended use of the Premises as specified in Paragraph 1(C) hereof. The applicable use and occupancy regulations of Montgomery Township, Montgomery County, Pennsylvania, require a tenant to be in possession of its space and set up for operation before making application for a certificate of occupancy ("CO") and the necessary township inspection. Accordingly, Lessee shall take possession of the Premises, set up its operation and promptly thereafter, make application to Code Enforcement Officer of Montgomery Township for a CO for the Premises and obtain any required CO. Lessee shall provide Lessor with a true and correct copy of its CO promptly after issuance, by notice hereunder. In the event issuance of a CO is withheld by reason of any condition of the Premises not related to Lessee's specific use and occupancy, Lessor, at its sole cost and expense, shall promptly use its best efforts to rectify this condition and otherwise will cooperate with Lessee and render reasonable assistance to Lessee for issuance of the CO. Lessee hereby agrees to protect, indemnify and save Lessor harmless from and against any and all loss, damage, expense, cause of action, suits, demands, judgments and claims of any nature whatsoever arising as a result of Lessee's breach' of the covenants Contained in this paragraph, in addition to any other indemnification provisions set forth in this Lease. Lessee shall deposit no process wastes into the sanitary sewer system serving the Premises and agrees that only sanitary waste shall be inserted into the sanitary sewer system. Two (2) EDU(s) of sanitary sewer capacity has been allocated to the Premises and Lessee shall not exceed said allocation.

B. As used herein, "Hazardous Substance" means any substance which is toxic, ignitable, reactive or corrosive and which is regulated by any local government, the State of Pennsylvania or the United States Government. Hazardous Substance includes any and all materials or substances which are defined as 'hazardous waste', 'extremely hazardous waste' or 'hazardous substance' pursuant to state, federal or local governmental laws or regulations. "Hazardous Substance" includes, but is not restricted to asbestos, polychlorinated biphenyls (PCBs) and petroleum. Lessee shall not cause or permit any Hazardous Substance to be used, stored, generated or disposed of on or in the Premises by Lessee, Lessee's agents, employees, contractors or invitees, (except small quantities in sealed containers used in the ordinary course of Lessee's business) without first obtaining Lessor's written consent, which may be withheld or delayed at Lessor's sole and absolute discretion. If Hazardous Substances are used, stored, generated or disposed of on or in the Premises or if the Premises become contaminated in any manner for which Lessee is legally liable, Lessee shall indemnify, defend and hold harmless the Lessor from any and all claims, damages, fines, judgments, penalties, costs, liabilities or losses (including without limitation, a decrease in value of the Premises or the Building or the Lot, damages because of adverse impact on marketing of the

Premises and any and all sums paid for settlement of claims, attorneys', consultant and expert fees) arising during or after the term hereof and arising as a result of such contamination by Lessee. This indemnification includes, without limitation, any and all costs incurred because of any investigation of the Lot or any clean-up, removal or restoration mandated by a federal, state or local agency or political subdivision. In addition, if Lessee causes or permits the presence of any Hazardous Substance on the Premises and this results in contamination, Lessee shall promptly, at its sole expense, take any and all necessary actions to return the Premises to the condition existing before the presence of any such Hazardous Substance on the Premises, provided, however, that Lessee shall first obtain Lessor's approval for any such remedial action. Within ten (10) days after receipt, Lessor and Lessee shall advise the other party in writing and provide the other party with copies of (as applicable), any notices alleging violation of any law or regulation relating to any Hazardous Substance upon any portion of the Premises, the Building or the Lot; any claims made or threatened in writing regarding noncompliance with any law or regulation involving the presence of any Hazardous Substance on any portion of the Premises, the Building or the Lot; or any governmental or regulatory actions or investigations instituted or threatened regarding non-compliance with any law or regulation involving any Hazardous Substance upon any portion of the Premises, the Building or the Lot.

C. Within ten (10) days after receipt, Lessor and Lessee shall advise the other party in writing and provide the other with copies of (as applicable), any notices alleging violation of the Americans with Disabilities Act of 1990 ("ADA") relating to any portion of the Premises, the Building or the Lot; any claims made or threatened in writing regarding non-compliance with the ADA and relating to any portion of the Premises, the Building or the Lot; or any governmental or regulatory actions or investigations instituted or threatened regarding non-compliance with the ADA and relating to any portion of the Premises, the Building or the Lot. Lessor's Work shall comply with ADA requirements in effect on the Effective Date.

10.1 Lessor's Environmental Representation

A. Lessor warrants and represents that to the best of its knowledge information, and belief, no Hazardous Substances exist upon the Premises, as of the Effective Date.

B. Lessor shall reimburse Lessee for all out of pocket costs incurred by Lessee as a result of a breach of Lessor's environmental warranty and representation set forth in Subparagraph A.

11. Indemnification.

A. The Lessee shall keep, save and hold harmless the Lessor from any and all damages and liability for anything and everything whatsoever arising from or out of the occupancy of the Premises and abutting common areas by or under the Lessee, the Lessee's agents, servants, or business visitors, and from any loss or damage arising from any fault or negligence by the Lessee or any failure on the Lessee's part to comply with any of the covenants, terms and conditions contained in this Lease. Provided, however, that Lessee's obligations hereunder shall be pro-ratably reduced to the extent that a particular claim, liability, expense, loss, damage, demand, fine or cause of action is a result of Lessor's gross negligence or wilful misconduct.

B. Notwithstanding anything set forth herein to the contrary, in the event Lessor is held liable to an employee of Lessee (either an actual employee or one deemed to be an employee by operation of law) on account of work-related injuries sustained by such employee on the Premises, Lessee shall be liable to Lessor for damages, contribution and indemnity in any action at law or otherwise. This subparagraph 11(B) shall constitute "a written contract" between Lessor and Lessee pursuant to Section 303(b) of the Workmen's Compensation Act, 77 P.S. Section 481(b).

12. Mechanic's Liens.

Lessee shall not permit any mechanic's, materialmen's or similar liens to remain upon the Premises for labor or material furnished to Lessee or claimed to have been furnished to Lessee in connection with work of any

character performed or claimed to have been performed on the Premises by, or at the direction of, or with the consent of Lessee, whether such work was performed or materials furnished before or after the commencement of the term of this Lease. Lessee may, however, contest the validity of any such lien or claim, provided Lessee shall give Lessor such reasonable security to insure payment and to prevent any sale, foreclosure or forfeiture of the Premises by reason of such non-payment as Lessor may require. Upon final determination of the validity of any such lien or claim, Lessee shall immediately pay any judgment or decree rendered against Lessee or Lessor with all proper costs and charges and shall cause such lien to be released of record without cost to Lessor.

13. Subordination.

A. This Lease shall be subordinate in all respects to the lien of any mortgage now or hereafter encumbering the Premises or any part thereof, with the same force and effect as if such mortgage had been executed, acknowledged, delivered and recorded prior to the execution of this Lease. The subordination contained in this Paragraph 13 is and shall be effective without the necessity of any further act or writing by either party hereto, but Lessee agrees that it will, immediately upon Lessor's request, and at no additional charge to Lessor, deliver such additional documents as any mortgagee may require to confirm such subordination. Lessee, at the request of any mortgagee or any one acquiring title to Lessor's estate or the Premises by foreclosure, deed in lieu of foreclosure or otherwise, shall attorn to the then owner and recognize such owner as Lessor for the balance of the term of this Lease, subject to all of the terms and provisions hereof. Such mortgagee or purchaser at said foreclosure sale shall not be:

- (1) Liable for any act or omission of Lessor;
- (2) Subject to any offsets or defenses which Lessee may have against the Lessor;
- (3) Bound by any rent or Minimum Annual Rent which the Lessee may have paid to the Lessor for more than the current month; or
- (4) Bound by any amendment or modification of the Lease made, without its consent.

B. At Lessee's request, by notice hereunder, Lessor shall obtain a Subordination, Non-Disturbance and Attornment Agreement from Lessor's mortgagee. Any fee charged for this agreement by the mortgagee shall be paid by Lessee as Additional Rent.

14. Estoppel Certificate.

Lessee agrees to execute and deliver to any mortgagee or purchaser of the Premises immediately upon request, and at no additional charge to Lessor, an "Estoppel Certificate" stating the amount of rent due from Lessee hereunder, that this Lease remains in full force and effect without modification, any reasonable representations requested by said mortgagee or purchaser, and that Lessee has no setoffs against rent; or if this Lease has been modified, or if Lessee has any setoffs against rent, the exact nature of the modification and the precise amount of the setoffs.

15. Assignment and Subletting.

Lessee may assign this Lease in whole or in part and sublet all or a portion of the herein demised Premises providing the business of the assignee or sublessee shall be no more hazardous than that of Lessee's present business and shall comply with the zoning and all other governmental regulations and regulations of insurance underwriters, and provided further that Lessee shall obtain prior written approval from Lessor which shall not be unreasonably withheld or delayed; provided, that Lessor may specifically withhold consent if the proposed assignee's or sublessee's projected use of the Premises involves the use, storage, generation or disposal of Hazardous Substances, as defined in subparagraph 10(B) of this Lease. However, Lessee shall not be relieved of any liability or responsibility under the terms of this Lease by reason of such assignment or subletting.

An assignment of this Lease shall be deemed to have occurred if in

a single transaction or a related or unrelated series of transactions, and whether Lessee is a corporation, partnership or other entity, more than fifty percent (50%) or more of the ownership interests in Lessee (whether shares, partnership interests, membership interests or other equity, and whether one or more classes thereof) are transferred, diluted, reduced, or otherwise affected with the result that the owners or holders on the date of this Lease of the ownership interests in each class of equity of Lessee together cease to own fifty percent (50%) or more of such equity. This section shall not apply to sale of shares of stock on the NASDAQ National Listings or the New York or American Stock Exchanges.

16. Waiver of Subrogation.

Lessor and Lessee hereby release each other and otherwise waive any claim that each may have against the other for damage to property which and to the extent such damage is covered by property insurance maintained by such party and further agree that all insurance policies which each of them shall carry to insure the Premises and the contents therein against casualty loss shall contain waivers of the right of subrogation against Lessor and Lessee herein, their heirs, administrators, successors and assigns.

17. Security Deposit.

Lessee shall have deposited with Lessor upon execution hereof, the sum of (\$16,041.66) SIXTEEN THOUSAND FORTY ONE DOLLARS AND SIXTY SIX CENTS as security for Lessee's faithful performance of Lessee's obligations hereunder. If Lessee fails to pay rent or other charges due hereunder, or otherwise defaults with respect to any provision of this Lease, Lessor may use, apply or retain all or any portion of said security deposit for the payment of any rent or other charge in default or for the payment of other sums to which Lessor may become obligated by reason of Lessee's default, or to compensate Lessor for any loss or damage which Lessor may suffer thereby. If Lessor so uses or applies all or any portion of said deposit, Lessee shall within ten (10) days after written demand thereof, deposit funds with Lessor, by good check, in an amount sufficient to restore said deposit to the full amount hereinabove stated and Lessee's failure to do so shall be a material breach of this Lease. If Lessee is in default under this Lease more two (2) times within any twelve (12) month period, irrespective of whether or not such default is cured, then, without limiting Lessor's other rights and remedies provided for in this Lease or at law or equity, or both, the Lessee, within ten (10) days of notice from Lessor, shall deposit with Lessor such amount as is necessary to increase the deposit held by Lessor to two (2) times the amount held at the time of said notice. Lessor shall be required to keep said deposit separate from its general accounts, in an interest bearing account. If Lessee performs all of Lessee's obligations hereunder, said deposit, or so much thereof as had not theretofore been applied by Lessor, shall be returned to Lessee with interest earned thereon (or at Lessor's option, to the last assignee, if any, of Lessee's interest hereunder) at the expiration of the term hereof, and after Lessee has vacated the Premises. No trust relationship is granted herein between Lessor and Lessee with respect to said security deposit.

18. Inspection - Access.

A. Lessor may, at all reasonable times, by itself or its duly authorized agents, go upon and inspect the Premises and every part thereof and/or at its option to make repairs, alterations and additions to the Premises or the building of which the Premises is a part, without materially interfering with the operation of Lessee's business. Provided, however, that Lessor agrees that it will not enter upon the Premises for repairs except during business hours, without the consent of Lessee, unless said repairs are of an emergency nature.

19. Right of Assignee.

All rights granted to Lessor hereunder may be exercised by any assignee of Lessor's right, title and interest in this Lease in his, her or their name, any statute, rule of court, custom or practice to the contrary notwithstanding. In addition, upon such assignment, Lessor may pay over any security deposit hereunder to said assignee and upon said payment, all obligations of Lessor to Lessee pertaining to said security deposit shall terminate. In addition, upon assignment of Lessor's interest herein to an assignee which assumes, in writing, Lessor's obligations hereunder, any

obligations of Lessor hereunder shall cease and terminate and said Assignee shall be responsible therefor to Lessee.

20. Restrictions on Floor and Wall Loads.

Lessee shall not place a load on any floor or wall of the Premises which is greater than the floor load per square foot or wall load per square foot respectively which such floor or wall respectively was designed to bear and which is permitted by law.

21. Signs.

Lessee may erect reasonable signs which will not damage or injure in any way the roof or structural portions of the Premises, or any buildings on the Premises and will not materially detract from the appearance of the Premises and surrounding environments, having first obtained Lessor's permission, said permission to not be unreasonably withheld. Lessee shall conform, at its sole cost and expense, with all governmental rules and regulations, with respect to Lessee's sign, and will save Lessor harmless from any mechanic's lien claim or claims for personal injury or property damage arising from the erection, provision, installation or maintenance and removal of said sign. At the termination of this Lease, Lessee shall remove all signs and shall restore the Premises to its original good condition, at Lessee's sole cost and expense.

22. Quiet Enjoyment.

Notwithstanding anything herein contained to the contrary, Lessee's possession and quiet enjoyment of the Premises will not be interfered with by Lessor or any person claiming by, through or under Lessor or by any predecessor of Lessor so long as Lessee complies with the terms of this Lease and is not in default hereunder.

23. Events of Default - Remedies.

A. Subject to the grace and cure periods set forth in subparagraph 23(P),infra, the following events or any one or more of them shall be events of default under this Lease:

(i) Lessee shall fail to pay any Minimum Annual Rent, Additional Rent or other sums payable hereunder when the same are due and payable; or

(ii) Lessee shall fail to perform or comply with any of the other terms, covenants, agreements or conditions hereof; or

(iii) Lessee shall make a general assignment for the benefit of creditors or shall admit in writing its inability to pay its debts as they become due, or shall file a petition in bankruptcy or shall be adjudged a bankrupt or insolvent, or shall file a petition seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, or shall file an answer admitting or not, contesting the material allegations of a petition against it in any such proceeding, or shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of Lessee or any material part of its property; or

(iv) If within sixty (60) days after commencement of any proceedings against Lessee seeking any reorganization, arrangement, composition, readjustment, liquidation or dissolution or similar relief under any present or future statute, law or regulation, such proceedings shall not have been dismissed or, if, within sixty (60) days after the appointment without the consent or acquiescence of Lessee of any trustee, receiver or liquidator of Lessee or any material part of its properties, such appointment shall not have been vacated

(v) Lessee shall vacate the Premises in violation of Paragraph 28 hereof.

B. In the event of any such event of default (regardless of the pendency of any proceeding which has or might have the effect of preventing Lessee from complying with the terms of this Lease) Lessor at any time thereafter may exercise any one or more of the following remedies:

(i) Intentionally Deleted by the Parties

(ii) Termination of Lease. Lessor may terminate this Lease without any right by Lessee to reinstate its rights by payment of rent due or other performance of the terms and conditions hereof. Upon such termination, Lessee shall immediately surrender possession of the Premises to Lessor and Lessor shall immediately become entitled to receive from Lessee damages equal to the difference between the aggregate rentals reserved for the balance of the term and the fair rental value of the Premises for that period, determined as of the date of such termination; provided, however, that the amount of such damages shall be discounted at the rate of Five Percent (5%) per annum for the period from the date of payment by Lessee to Lessor to the date of expiration of the term of this Lease.

(iii) Reletting. With or without terminating this Lease, as Lessor may elect, Lessor may re-enter and repossess the Premises or any part thereof, and lease them to any other person upon such terms as Lessor shall deem reasonable for a term within or beyond the term of this Lease; provided, however, that any such reletting prior to termination shall be for the account of Lessee, and Lessee shall remain liable for:

(1) All Minimum Annual Rent, Additional Rent and other sums which would be payable under this Lease by Lessee in the absence of such expiration, termination or repossession, less

(2) The net proceeds, if any, of any reletting effective for the account of Lessee after deducting from such proceeds without limitation, all repossession costs, broker's commissions, attorneys' commissions, attorneys' fees and expenses, employees' expenses, reasonable alteration costs and expenses of preparation for such reletting.

If the Premises are at the time of default sublet or leased by Lessee to others, Lessor may, as Lessee's agent, collect rents due from any subtenant or other tenant and apply such rents to the rent and other obligations due hereunder without in any way affecting Lessee's obligations to Lessor hereunder. Such agency, being given for security, is hereby declared to be irrevocable.

(iv) Acceleration of Rent. Lessor may declare rent and all items of Additional Rent for the entire balance of the then current term immediately due and payable, together with all other charges, payments, costs and expenses payable by Lessee as though such amounts were payable in advance on the date of the event of default occurred.

C. No expiration or termination of this Lease term pursuant to subparagraph (B)(ii) above or by operation of law or otherwise (except as expressly provided herein), and no repossession of the Premises or any part thereof or exclusion of Lessee from the Premises pursuant to subparagraph B above or otherwise shall relieve Lessee of its liabilities and obligations hereunder, all of which shall survive such exclusion, expiration, termination or repossession and Lessor may, at its option, sue for and collect rent and other charges due hereunder at any time and from time to time as and when such charges accrue.

D. With respect to any portion, of the Premises which is vacant or which is physically occupied by Lessee, Lessor may remove all persons and property therefrom and store such property in a public warehouse or elsewhere at the cost of and for the account of Lessee, without service of notice or resort to legal process (all of which Lessee expressly waives) and without being deemed guilty of trespass or becoming liable for any loss or damage which may be occasioned thereby. Lessor shall have a lien for the payment of all sums agreed to be paid by Lessee herein upon all Lessee's property, which lien is to be in addition to any landlord's lien now or hereafter provided by law.

E. Intentionally Deleted by the Parties

F. Intentionally Deleted by the Parties

G. In the event of breach or anticipatory breach by Lessee of any provision of this Lease, Lessor shall have the right of injunction as if

other remedies were not provided for herein.

H. No right or remedy herein conferred upon or reserved to Lessor is intended to be exclusive of any other right or remedy herein or by law provided, but each shall be cumulative and in addition to every other right or remedy given herein or now or hereafter existing at law or in equity or by statute.

I. If Lessee shall default in the performance of any covenant required to be performed by it under this Lease, Lessor may perform the same for the account and at the expense of Lessee, after first giving notice to Lessee of its intention to do so. If Lessor at any time is compelled to pay or elects to pay, any sum of money or to do any act which will require the payment of any sum of money by reason of the failure of Lessee to comply with any provisions hereof, or if Lessor is compelled to incur any expense, including reasonable counsel fees, in instituting, prosecuting or defending against any action or proceedings instituted by reason of any default of Lessee hereunder, the amount of such payments or expenses shall be paid by Lessee to Lessor as Additional Rent on the next day following such payment or the incurring of such expenses upon which a regular monthly rental is due, together with interest thereon at the rate set forth herein.

J. No waiver by Lessor of any breach by Lessee of any of its obligations, agreements or covenants hereunder shall be a waiver of any subsequent breach or of any other obligation, agreement or covenant, nor shall any forbearance by Lessor to seek a remedy for any breach by Lessee be a waiver by Lessor of its rights and remedies with respect to such or any subsequent breach.

K. Intentionally deleted by the Parties

THE FOLLOWING PARAGRAPH 23(M) SETS FORTH A WARRANT OF ATTORNEY 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 LEASE 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.

Notwithstanding anything in Paragraph 23(M) to the contrary, this Paragraph and the authority granted by Lessee therein are not and shall not be construed to constitute a "tower of attorney" and are not governed by the provisions of 20 Pa. C. S. Chapter 56. Furthermore, an attorney or other person or entity acting under this Paragraph 23(M) shall not have any fiduciary obligations to Lessee and, without limiting the foregoing shall have NO duty to: (1) exercise the powers for the benefit of Lessee, (2) keep separate any assets of Lessee from those of such attorney, other person or entity or Lessor, (3) exercise reasonable caution and prudence on behalf of Lessee, or (4) keep a full and accurate record of all actions, receipts and disbursements on behalf 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 HERewith, 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 THIS 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 INFRA. LESSOR AND LESSEE HEREBY WAIVES ANY AND ALL OBJECTIONS TO SUFFICIENCY OF SERVICE OF PROCESS IF DULY SERVED IN THIS MANNER.

L. Intentionally Deleted by the Parties

M. Upon the expiration of the then current term of this Lease or the earlier termination or surrender hereof as provided in this Lease, Lessee with understanding of the RELINQUISHMENT OF CERTAIN RIGHTS, to which Lessee would otherwise be entitled as a matter of law and due process, including the right to notice and judicial hearing, hereby authorizes and empowers any attorney of any court of record in the Commonwealth of Pennsylvania as attorney. for Lessee, as well as for all persons claiming under, by or through Lessee, to appear for Lessee and enter in any competent court, in accordance with the then applicable rules of such court, an action in ejectment for possession of the Premises, without any stay of execution or appeal, against Lessee and all persons claiming under, by or through Lessee and therein CONFESS JUDGMENT FOR THE RECOVERY BY LESSOR OF POSSESSION OF THE PREMISES, for which this Lease (or a copy of thereof) shall be sufficient warrant, whereupon if Lessor so desires, a writ of possession may be issued forthwith, without any prior writ or proceeding whatsoever. It is hereby expressly agreed that if for any reason, after such action has been commenced, the same shall be discontinued, marked satisfied of record or terminated, or possession of the Premises remain in or be restored to Lessee, Lessor shall have the right for the same default, or any subsequent default, to bring one or more actions in the manner herein set forth to recover possession of the Premises.

N. In any action involving a confession of judgment by Lessor against Lessee, Lessor shall first cause to be filed in such action an affidavit made by it or someone acting for it, setting forth the facts necessary to authorize the entry of judgment and if a true copy of this Lease (and such affidavit shall be sufficient evidence of the truth of the copy) be filed in such action, it shall not be necessary to file the original as warrant of attorney, any rule of court, custom or practice to the contrary notwithstanding. Lessee hereby releases Lessor and any and all attorneys who may appear for Lessee, from all liability for any non-material procedural errors in said proceedings.

O. If proceedings shall be commenced by Lessor to recover possession under the Acts of Assembly and Rules of Civil Procedure, either at the end of the term or earlier termination of this Lease, or for nonpayment of rent or any other reason, Lessee specifically waives the right to the three (3) month notice and to the fifteen (15) or thirty (30) days notice required by the Landlord and Tenant Act of 1951, and agrees that notice under either Pa. R.C.P. 2973.2 or Pa. R.C.P. 2973.3, as amended from time to time, shall be sufficient in either or any such case.

P. Notwithstanding anything herein elsewhere contained to the contrary, Lessor agrees that Lessor will not exercise any right or remedy provided for in this Lease or allowed by law, because of any default of Lessee, unless Lessor shall first have given written notice thereof to Lessee, and Lessee, (i) within a period of ten (10) days thereafter shall have failed to pay the sum or sums due if the default' consists of the failure to pay money, or (ii) if said default shall consist of anything other than the failure to pay the sum or sums due hereunder, Lessee shall have failed within the period of Thirty (30) days after notice from Lessor to have cured said default, except that if such default cannot be cured within said Thirty (30) days, Lessee shall only be in default if Lessee shall have failed to begin and actively and diligently in good faith proceed with the correction of the default until it shall be fully corrected not later than Seventy-five (75) days after such notice; provided, further, however, that no such notice from Lessor shall be required nor shall Lessor be required to allow any part of the said notice periods if Lessee shall have removed from or shall be in the course of removing from the Premises, or Lessee shall have failed to provide the insurance required by this Lease or if a Petition in Bankruptcy or for reorganization shall have been filed by or against the Lessee resulting in an order for relief in bankruptcy, or for reorganization, or if a receiver or trustee is appointed for Lessee and such appointment and such receivership or trusteeship is not terminated within sixty (60) days, or if Lessee makes an assignment for the benefit of creditors, or if Lessee is levied upon and is about to be sold out upon the Premises by any sheriff, Marshall or constable; provided, further, however, that Lessor shall not be required to give any notice called for by this Paragraph of the Lease more than two (2) times within any twelve (12) month period.

24. Alterations and Additions.

A. Lessee may, at its own cost and expense, install additional improvements other than Lessor's Work or Lessee's Work, ("Alterations and Improvements") upon the Premises, provided that such Alterations and Improvements shall not adversely affect the roof and structural soundness of the Premises, or any Systems contained therein.

B. All such Alterations and Improvements shall be in accordance with plans and specifications to be supplied by Lessee, which plans shall in all instances first be subject to Lessor's prior written approval, ("Lessor's Approval") which shall not be unreasonably withheld or delayed. Lessee shall provide Lessor with evidence that each contractor performing Alterations and Improvements on the Premises has adequate workmen's compensation insurance and general liability insurance in the amount of at least Two Million Dollars (\$2,000,000.00) for bodily injury or death to any person or persons and property damage, on an occurrence basis, together with a certificate from the insurer who shall be reasonably satisfactory to Lessor, to the effect that such insurance may not be cancelled or substantially modified without at least thirty (30) days' prior written notice to Lessor. Lessor's Approval is intended solely for purposes of this Paragraph 24, to provide Lessor with notice of all Alterations and Improvements, and the opportunity to reject any adverse effect on Lessor's obligations under this Lease. Lessor's Approval shall not signify approval by Lessor of the design or functionality of any Alterations and Improvements and shall not confer any rights whatsoever on third parties.

C. To the extent permitted by law, no Alterations or Improvements at the Premises shall be done except after filing a waiver of the right to file any lien therefor (commonly known as "mechanic's lien") in the local prothonotary's office or elsewhere as provided by law, so as to constitute an effective waiver by anyone having a right to file such a lien.

D. As to Alterations and Improvements installed with prior Lessor's Approval (except Lessor's Work and such portions of Lessee's Work not designated for removal in Exhibit "B"), Lessee may, or at Lessor's demand, shall remove all Alterations and Improvements prior to the end of the term of this Lease and Lessee shall at its own cost and expense, return the Premises to its condition as of the Lease Commencement Date, ordinary wear and tear and damage by insured casualty excepted. In the event, in violation of subparagraph B hereof, Lessee installs Alterations and Improvements upon the Premises without prior Lessor's Approval, Lessee shall remove all Alteration's and Improvements prior to the end of this Lease, at its own cost and expense, returning the Premises to its condition as of the Lease Commencement Date. In the event Lessee shall fail to remove the Alterations and Improvements and restore the Premises, as herein provided, Lessor shall have the right to go upon the Premises and do so, and Lessee agrees to pay the cost thereof as Additional Rent. Additionally, Lessor may decline to accept surrender of the Premises by Lessee so long as such Alterations and Improvements have not been removed and until removal of the same, Lessee shall be deemed to have held over under the provisions of paragraph 2(B), supra.

E. If as a result of any Alterations and Improvements which may be made to the Premises by the Lessee, either pursuant to this clause or without Prior Lessor's Approval, any person and/or property shall be injured and/or damaged, the liability therefor shall be the sole responsibility of Lessee.

F. In making any Alterations and Improvements, Lessee shall comply with any and all laws, statutes, ordinances, rules, regulations and requirements of the municipal and other duly constituted governmental authorities and insurance organizations.

25. Extensions - Renewals - CPI Escalator.

A. Extensions. Lessee may terminate this Lease at the end of this term and any renewal term or extension term, by giving to Lessor written notice at least one hundred eighty (180) days prior thereto, and Lessor may terminate this Lease at the end of this term and any renewal or extension thereof by giving to Lessee written notice at least one hundred fifty (150) days 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 current term, upon the terms and conditions in force immediately prior to the expiration of the then-current term, extension term or renewal term (except for the Minimum Annual Rent, which shall be computed in subparagraph 25(C)), 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 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(H) hereof.

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 as well during any extension or renewal of the original term of this Lease as during the original term hereof.

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.

B. Option to Renew.

(i) Provided Lessor has not previously given Lessee more than Five (5) notices under paragraph 23(P) hereof, during the term, and Lessee is not in default under the terms of this Lease at the end of the original term hereof, Lessee shall have the right and privilege at its election to renew the term of this Lease for a further period of Five (5) years to commence upon expiration of the original term hereof ("First Renewal Term"), by giving Lessor written notice of its election to renew at least one hundred eighty (180) days prior to the expiration of the original term hereof. Such renewal shall be on the same terms and conditions (except for this option to renew which shall be eliminated and except for the rental as is set forth in subparagraph C hereof) as herein provided for in the original term. In the event Lessee does not exercise its first option to renew, then the term of this Lease shall continue in accordance with the provisions of subparagraph A hereof except for any increase in Minimum Annual Rent as is set forth in subparagraph C hereof and except further if Lessor has given Lessee notice to vacate as provided in subparagraph A hereof, and Lessee's second option to renew set forth in paragraph B(ii) hereof shall be cancelled without further notice.

(ii) Provided Lessor has not previously given Lessee more than Five (5) notices under paragraph 23(P) hereof during the First Renewal Term, and Lessee is not in default under the terms of this Lease at the end of the First Renewal Term hereof, and Lessee has exercised its first option to renew as set forth in subparagraph B(i) hereof, Lessee shall have the right and privilege at its election to renew the term of this Lease for a further period of Five (5) years to commence upon expiration of the First Renewal Term hereof, by giving Lessor written notice of its election to renew at least one hundred eighty (180) days prior to the expiration of the First Renewal Term hereof. Such renewal shall be on the same terms and conditions (except for this option to renew which shall be eliminated and except for the rental as is set forth in subparagraph C hereof) as herein provided for the First Renewal Term. In the event Lessee does not exercise its second option to renew, then the term of this Lease shall continue in accordance with the provisions of subparagraph A hereof except for any increase in Minimum Annual Rent as is set forth in subparagraph C hereof and except further if Lessor has given Lessee notice to vacate as provided in subparagraph A hereof.

C. Computation of Minimum Annual Rent in the Event of Extension or Renewal.

In the event of extension of this Lease in accordance with

subparagraph A hereof or exercise of Lessee's option to renew in accordance with the terms of subparagraphs B (i) and (ii) hereof, commencing with the installment of Minimum Annual Rent due on the first day of the extension term or renewal term as the case may be, the Minimum Annual Rent set forth in this Lease for the last Lease Year of the original term shall be increased by the lesser of:

(i) Three Percent (3%) per annum from the Lease Commencement Date to the date of termination of the term previous to the extension or renewal term for which the computation is made; or

(ii) The extent that the Consumer Price Index for "All Urban Consumers" (the "CPI U") for the United States of America published by the "Bureau of Labor Statistics of the United States Department of Labor" (1982-84 = 100) for the last reported month at the time of the expiration of the term of this Lease and the same month for each succeeding year (the "Adjustment Index") is higher than the CPI U for the last reported month at the time of execution of this Lease (the "Base Index").

The new Minimum Annual Rent effective on and after the first day of the extension or renewal term, for the balance of the extension or renewal term shall be (a) the Minimum Annual Rent as set forth in this Lease for the last Lease Year of the term plus the lesser of (b) the percentage increase computed under subparagraph 25(C) (i) above multiplied by the Minimum Annual Rent as set forth in this Lease for the last Lease Year of the term hereof or (c) an amount which is equal to the product obtained by multiplying the said Minimum Annual Rent for the last Lease Year of the term by a fraction, the numerator of which is the difference between the Adjustment Index and the Base Index and the denominator of which is the Base Index.

Said Minimum Annual Rent shall be payable in advance in equal monthly installments commencing on the first day of the extension or renewal term and on the first day of each month thereafter during said extension or renewal term.

If at the time of any adjustment of the Minimum Annual Rent, the CPI U is no longer reported or its basic principal has been altered, an alternative method shall be used to increase the Minimum Annual Rent to equitably reflect any increase in the cost of living.

26. Place of Payment of Rent and Notices.

All rent shall be payable without notice or demand and all notices shall be given to Lessor by registered or certified mail, return-receipt requested, or by nationally-recognized private delivery service issuing return-receipts, at the following address or at such address as Lessor may designate by notice to Lessee:

Nappen & Associates t/a 309 Development Company
119 Keystone Drive
Montgomeryville, PA 18936

All notices required to be given by Lessor to Lessee shall be sufficiently given if sent by registered or certified mail, return-receipt requested, or by nationally-recognized private delivery service issuing return-receipts, to the Premises or to such other place as Lessee may designate by notice to Lessor.

All notices or consents required by this Agreement shall be in writing.

27. Condition of Premises at Termination.

At the expiration of the term hereof, Lessee shall surrender the Premises to Lessor in good order and condition, broom clean, all Alterations and Improvements designated for removal under the provisions of paragraph 24, supra, having been removed, reasonable wear and tear and damage by insured casualty alone excepted. Provided Lessee is not in default hereunder, all furniture and trade fixtures installed at the expense of Lessee shall remain the property of Lessee. Provided Lessee is not in default hereunder, Lessee shall have the right to remove fixtures and/or equipment installed by Lessee in the herein demised Premises during the term of this Lease and any renewal or extension term. Lessee agrees to repair at

its cost and expense any damage done to the Premises by reason of the removal of such fixtures and/or equipment.

28. Vacation.

Lessee shall not vacate or desert the Premises during the term of this Lease or permit the same to be empty and unoccupied without taking adequate measures to secure the Premises, reasonably satisfactory to Lessor.

29. Net Lease.

The parties intend this to be a " fully net" Lease pursuant to which the rent payable hereunder shall be an absolutely net return to Lessor for the term of this Lease, undiminished by the taxes, or any of them or any part thereof or any other carrying charges, maintenance charges (except for roof and structural maintenance and other items specifically set forth herein) or any other charges of any kind or nature whatsoever except any mortgage now or hereafter placed upon the Premises and Lessor shall not be required to perform any services or furnish any utilities of any kind or nature whatsoever, except as specifically provided herein. Lessor may discontinue at any time, any and all facilities furnished and services rendered by Lessor not expressly covenanted for herein or required to be furnished or rendered by law; it being understood that they constitute no part of the consideration for this Lease.

30. Miscellaneous.

A. Parties Bound. Subject to the provisions of this Lease regarding consent by Lessor, this Lease shall be binding upon the parties hereto and shall be binding upon and inure to the benefit of and be enforceable by their respective successors and assigns.

B. Waiver of Custom. Lessor shall have the right at all times, any law, usage or custom notwithstanding, to enforce strictly the provisions of this Lease, and the failure of Lessor at any time or times, strictly to enforce any provision hereof, shall not be construed as having created a custom or waiver in any way contrary to the specific provisions of this Lease or as having in any way or manner modified this Lease.

C. Number and Gender. For the purposes of this Lease, the singular shall include the plural and the plural shall include the singular and the masculine shall include the feminine and the neuter, as the context may require. The word " Lessor" as used herein shall mean the owner from time to time of the fee or equitable title to the Premises and upon transfer of the fee or equitable title, the person named herein as Lessor shall have no further liability or obligation hereunder.

D. Captions. The captions contained herein are for the convenience of the parties only. They do not in any way modify, amplify, alter or give full notice of the provisions hereof.

E. Amendments. This Lease may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought.

F. Partial Invalidity. If any clause or provision of this Lease or the application thereof to any person or in any circumstance shall to any extent be invalid or unenforceable, the remainder of this Lease, or the application of such clause or provision to persons or in circumstances other than those as to which it is valid or unenforceable, shall not be affected thereby, and each clause and provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

G. Governing Law. This Lease shall be governed by the laws of the Commonwealth of Pennsylvania.

H. Lessor's Signs. Lessor shall have the right to display a "For Sale" sign at any time within Six (6) months prior to the end of the current term hereof, and also, after notice from either party of intention to determine this Lease, or any time within three (3) months prior to the expiration of this Lease, a "For Rent" sign, or both "For Rent" and "For Sale" signs; and all said signs shall be placed upon such part of the Premises as Lessor may elect and may contain such matter as Lessor shall

require, but no sign shall materially interfere with Lessee's quiet enjoyment of the Premises. Prospective purchasers or tenants, authorized by Lessor may inspect the Premises at reasonable hours at any time on reasonable advanced notice to Lessee so as to minimize the effect of same on Lessee's use and enjoyment of the Premises.

I. Entire Agreement. This Lease constitutes the entire agreement between the parties hereto. Except as set forth herein, there are no promises, representations or understandings between the parties of any kind or nature whatsoever.

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

K. Time of the Essence. All times set forth herein shall be of the essence of this agreement.

31. Bankruptcy or Insolvency.

A. If a petition is filed by or an order for relief is entered against Lessee under Chapter 7 of the Bankruptcy Code and the trustee of Lessee elects to assume this Lease for the purpose of assigning it, the election or assignment, or both, may be made only if all of the terms and conditions of Paragraphs 31(B) and 31(D) of this Lease are satisfied. If the trustee fails to elect to assume this Lease for the purpose of assigning it within sixty (60) days after his appointment, this Lease shall be deemed to have been rejected. Lessor shall then immediately be entitled to possession of the Premises without further obligation to Lessee or to the trustee and this Lease will be cancelled. Lessee's rights to be compensated for damages in the bankruptcy proceeding, however, shall survive.

B. If Lessee files a petition for reorganization under Chapter 11 or 13 of the Bankruptcy Code or a proceeding that is filed by or against Lessee under any other chapter of the Bankruptcy Code is converted to a Chapter 11 or 13 proceeding and Lessee's trustee or Lessee as a debtor-in-possession fails to assume this Lease within sixty (60) days of filing of the petition or the conversion, the trustee or the debtor-in-possession will be deemed to have rejected this Lease. The election to assume this Lease must be given by notice hereunder and, in Lessor's business judgment, all of the following conditions, which Lessor and Lessee acknowledge to be commercially reasonable, must have been satisfied:

(a) The trustee or the debtor-in-possession has cured or has provided to the Lessor adequate assurance, as defined in this Paragraph, that:

(i) The trustee will cure all monetary defaults under this Lease within ten (10) days from the date of the assumption; and

(ii) The trustee will cure all non-monetary defaults under this Lease within thirty (30) days from date of assumption.

(b) The trustee or the debtor-in-possession has compensated Lessor, or has provided to Lessor adequate assurance as defined in this Paragraph, that within ten (10) days from the date of the assumption, Lessor will be compensated for any pecuniary loss it incurred arising from the default of the Lessee, the trustee or the debtor-in-possession as recited in Lessor's written statement of pecuniary loss sent to the trustee or the debtor-in-possession by notice hereunder.

(c) The trustee or the debtor-in-possession has provided Lessor with adequate assurance of the future performance of each of Lessee's obligation under the Lease; provided, however, that:

(i) The trustee or debtor-in-possession will also deposit with Lessor as security for the timely payment of rent, an amount equal to three months Minimum Annual Rent and Additional Rent accruing under this Lease on a fully gross basis;

(ii) The obligations imposed upon the trustee or the debtor-in-possession will continue for Lessee after the completion of

bankruptcy proceedings.

(d) Lessor has determined that the assumption of the Lease will not breach any provision in any other lease, mortgage, refinancing agreement or other agreement by which Lessor is bound relating to the Premises.

(e) For purposes of this Paragraph, "adequate assurance" means that:

(i) Lessor will determine that the trustee or the debtor-in-possession has, will continue to have, sufficient unencumbered assets after payment of all secured obligations and administrative expenses to assure Lessor that the trustee or debtor-in-possession will have sufficient funds to fulfill Lessee's obligations under this Lease.

(ii) An order will have been entered segregating sufficient cash payable to Lessor and/or a valid and perfected first lien in security interest will have been granted in property of Lessee, trustee or debtor-in-possession that is acceptable for value in kind to Lessor to secure to Lessor the obligation of the trustee or debtor-in-possession to cure the monetary or non-monetary defaults under this Lease within the time periods set forth above.

C. In the event that this Lease is assumed by a trustee appointed to Lessee or by Lessee as debtor-in-possession under the provisions of Paragraph 31(B) of this Lease, and thereafter Lessee is either adjudicated bankrupt or files a subsequent petition for arrangement under Chapter 11 of the Bankruptcy Code, then Lessor may terminate, at its option, this Lease and all of Lessee's rights under it, by giving notice of Lessor's election to terminate.

D. If the trustee or the debtor-in-possession has assumed the Lease, under the terms of subparagraphs (A) or (B) hereof, to assign or to elect to assign Lessee's interest under this Lease of the estate created by that interest to any other person, that interest or estate may be assigned only if Lessor acknowledges in writing that the intended assignee has provided adequate assurance, as defined in this subparagraph (D), of future performance of all of the terms, covenants and conditions of this Lease to be performed by the Lessee.

For the purpose of this subparagraph (D), "adequate assurance of future performance" means that the Lessor has ascertained that each of the following conditions have been satisfied;

(a) The assignee has submitted a current financial statement, audited by a certified public accountant, that shows a net worth and working capital in amounts determined by Lessor to be sufficient to assure the future performance by the assignee of Lessee's obligations under this Lease;

(b) If requested by Lessor, the assignee will obtain guaranties in form and substance satisfactory to Lessor from one or more persons who satisfy Lessor's standards of creditworthiness;

(c) Lessor has obtained all consents or waivers from any third party required under any lease, mortgage, financing arrangement, or other agreement by which Lessor is bound to enable Lessor to permit the assignment.

E. When, pursuant to the Bankruptcy Code, the trustee or the debtor-in-possession is obligated to pay reasonable use and occupancy charges for the use of all or part of the Premises, the charges will not be less than the minimum monthly rent and all Additional Rent accruing hereunder on a fully gross basis.

F. Neither Lessee's interest in the Lease or any estate of Lessee created in the Lease will pass to any trustee, receiver, assignee for the benefit of creditors, or any other person or entity or otherwise by operation of law under the laws of any state having jurisdiction over the person or property of Lessee ("State Law") unless Lessor consents in writing to this transfer. Lessor's acceptance of rent or any other payments from any trustee, assignee, receiver, person or entity will not be deemed to have

been waived, or waive, the need to obtain Lessor's consent or Lessor's right to terminate this Lease for any transfer of Lessee's interest under this Lease without this consent.

G. Lessor may terminate, at its option, by giving Lessee written notice of this election, this Lease and all of Lessee's rights under this Lease if any of the following events occur:

- (a) Lessee's estate created by this Lease is taken in execution or by other process of law;
- (b) Lessee or any guarantor of Lessee's obligations under this Lease (" Guarantor") is adjudicated insolvent pursuant to the provisions of any present or future insolvency law under the laws of any state having jurisdiction;
- (c) Any proceedings or filings by or against that Guarantor under the Bankruptcy Code or any similar provisions of any future federal bankruptcy laws;
- (d) A receiver or trustee of the property of Lessee or the Guarantor is appointed under State Law by reason of Lessee's or Guarantor's insolvency or inability to pay its debts as they become due or otherwise; or
- (e) Any assignment for the benefit of creditors is made of Lessee's or Guarantor's property under State Law.

32. Landlord's Waiver. Notwithstanding anything contained within this Lease to the contrary, Lessee shall have the right to finance and to secure under the Uniform Commercial Code, inventory, fixtures, furnishings, furniture, equipment, machinery, signs, leasehold improvements and other personal property located upon the Premises. Lessee's right to finance as herein provided shall be paramount and superior to any lien of Lessor and Lessor agrees to execute one or more "Landlord Waiver" agreements (in Lessor's standard format) in favor of any purchase money seller, lessor or lender which has financed or may finance in the future such items.

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: 12/31/00

By: /s/ Robert W. Nappen
Robert W. Nappen
General Partner

MICRO MEMORY BANK, INC.
A Pennsylvania corporation

By: /s/
Title: President

Dated: December 29, 2000

Attest: /s/
Title: Chief Financial Officer

(CORPORATE SEAL)

TIN NO 23 2784943

LEASE RENEWAL AGREEMENT

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

MICRO MEMORY BANK, INC., a Pennsylvania corporation ("Lessee").
Basis of Agreement

A. By Lease Agreement dated December 31, 2000 (together with this Lease Renewal Agreement on and after April 1, 2006, the "Lease"), Lessor demised and let to Lessee, who hired from Lessor that certain portion of building situate Lot No. 16, Montgomeryville Industrial Center, 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, 2006.

B. The parties desire to extend the term of the Lease for an additional term of five (5) years, commencing April 1, 2006, and ending March 31, 2011 ("Renewal Term").

C. The parties desire to set forth herein their agreement regarding the terms of the Lease during the 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 Renewal Term of five (5) years, commencing April 1, 2006, and terminating March 31, 2011, at 11:59 p.m., unless extended, renewed or previously terminated, as set forth in the Lease.

2. During the 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 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 Renewal Term in sums of Eight Thousand Twenty and 83/100 Dollars (\$8,020.83) on the first day of each month during the Renewal Term, commencing April 1, 2006."

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 Renewal Term and any subsequent renewal term or extension term, by giving to Lessor written notice at least one hundred eighty (180) days prior thereto, and Lessor may terminate this Lease at the end of the Renewal Term and any subsequent renewal or extension thereof by giving to Lessee written notice at least one hundred fifty (150) days 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 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 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 Renewal Term and terminating five (5) years thereafter without further notice. Such five-year period is hereinafter referred to as the "Second Renewal Term".

In order to exercise said option, Lessee must give Lessor written notice of its election to renew ("Preliminary Renewal Notice") at least one hundred eighty (180) days prior to the expiration of the term of the Renewal Term. Said Second Renewal Term shall be on the same terms and conditions as herein provided for the 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 Second Renewal Term, the Minimum Annual Rent shall be the greater of the Minimum Annual Rent set forth in this Lease for the 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 Second Renewal Term, by notice hereunder, including examples of rentals for comparable space in the Bucks and Montgomery County areas. 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 one hundred fifty-one (151) days prior to the end of the Renewal Term.

(ii) The new Minimum Annual Rent, effective on or after the first day of the Second Renewal Term and for the balance of the Second 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 Renewal Term. This Minimum Annual Rent shall be payable in equal monthly installments commencing on the first day of the Second Renewal Term and on the first day of each month thereafter during the Second 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 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), 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 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: 2/13/06

By: /s/Robert W. Nappen
Robert W. Nappen,
Managing General Partner

MICRO MEMORY BANK, INC.
A Pennsylvania corporation

By: /s/
Title: President

Dated:

Attest:
Title:

(CORPORATE SEAL)

[DATARAM LOGO]

DATARAM CORPORATION

2009 ANNUAL REPORT

Table of Contents

1 President's Letter

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

7 Financial Review

20 Selected Financial Data

[PICTURE OF JOHN FREEMAN]

President's Letter

To Our Shareholders:

The steady decline in global economic conditions has presented increasing challenges and an unsettled business environment. Customers have reduced or deferred capital spending. Consumer confidence and spending have dropped. These factors and others have negatively impacted Dataram's business in 2009 while also presenting opportunities which would not have been available in a different economy. As a result, we have adapted our plans and revised our implementation to take advantage of these changing times.

The Board of Directors and I outlined and finalized a growth and diversification strategy for Dataram one year ago. The foundation of this strategy was to:

- add new and complementary products to our offerings portfolio
- increase internal investment in new product development
- acquire and license intellectual property
- return our traditional memory solutions business to a growth business

Although we had to modify our plans in response to the global economic downturn, we have still made significant progress toward improving the Company and positioning it for growth as the economy begins to turn. This has required significant changes and increased investments in research, development, manufacturing, sales and support. I would now like to report on our achievements and our plans for the future.

During Fiscal 2009, we have made changes to improve our business position and results. Some of the key changes include:

Five of the seven top executives are new to Dataram this year. They bring new leadership and skills to sales, marketing, product development and manufacturing. Each of our new executives has a strong entrepreneurial spirit and has managed highly successful businesses in their previous positions. Our sales and marketing executives have extensive management experience with two of the world's largest and most successful computer companies. We have made these changes while retaining two highly skilled executives who have been responsible for Dataram's long history of high quality engineering, manufacturing, procurement and finance.

We have a new go to market strategy for our memory solutions business. This expands our traditional direct sales model by adding partners and e-sales. We have Alliance Partners for corporations, Reseller and Distributor Partners, Government Partners and Individual Partners.

Our direct sales team works closely with our inside sales team and focuses exclusively on major accounts in the Government, Finance, Oil & Gas and Pharmaceutical industries. Our Government industry initiative is new to Dataram this year. We have partnership agreements with key Government contractors and resellers and are positioned for success in 2010. Major clients' needs in other industries are addressed by our direct geographic sales team.

We have created and published a new corporate website incorporating new features, functions, content and branding which reflects our revitalized corporate strategy. These improvements have made a favorable and measurable impact on how customers, investors, business partners and employees view our company. The new interactive e-commerce capabilities have already generated business leads and sales in just a few short months. Our website now represents a viable and important instrument to enhance Dataram's market position and our ability to compete.

A by-product of the numerous marketing initiatives we have deployed is increased and more favorable market awareness. One measure of this is the more active monitoring and responses we receive to our press releases by analysts and investors.

On March 31, 2009, we acquired certain assets of Micro Memory Bank, Inc., a prominent memory module company offering legacy to advanced solutions in laptop, desktop and server memory products. This acquisition positions the Company to offer our customers a more comprehensive product line and supports our strategy to grow our memory solutions business as well as expand our routes to market through e-tail and web stores.

The development of our new storage product line continues to progress. In Fiscal 2009 we invested approximately \$1.5 million in this new business. Our storage products are in beta test at multiple customer sites, consistently delivering very significant performance benefits and cost savings. We are continuing to make investments in our storage products and are preparing for a formal launch later this calendar year.

In Fiscal 2009 Dataram introduced its first software product, the Dataram RAMDisk. In tandem with our storage systems product lines, we are continuing to develop stand-alone software to support both our memory business and our storage business.

We have responded to the current economic conditions by increasing our operational efficiencies and reducing our cost structure.

In fiscal 2010, our task is to fully implement the strategies and initiatives we began in 2009. We have new products, routes to market and executives. Each is making a contribution toward returning Dataram to a growth business.

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 10, 2009

John H. Freeman
President and Chief Executive Officer

1

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

Overview

Dataram 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. The Company also manufactures a line of memory products for Intel and AMD motherboard based servers.

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, 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.

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, 2009 2008 2007

Revenues	100.0%	100.0%	100.0%
Cost of sales	67.4	61.6	76.6
Gross profit	32.6	38.4	23.4
Engineering	4.7	4.1	3.2
Research and development	5.9	0	0
Selling, general and administrative	42.7	28.6	25.0
Earnings (loss) from operations	(20.7)	5.7	(4.8)
Other income, net	0.9	2.8	8.0
Earnings (loss) before income tax expense	(19.8)	8.5	3.2
Income tax expense (benefit)	(7.7)	3.3	1.2
Net earnings (loss)	(12.1)	5.2	2.0

Fiscal 2009 Compared With Fiscal 2008

Revenues for fiscal 2009 were \$25.9 million compared to \$30.9 million in fiscal 2008. There has been a softening in demand due to the weakening economy. Many of our customers have curtailed or temporarily suspended their capital spending while they adapt their business plans to the current environment. In response to these conditions, the Company instituted a reduction in workforce in the fourth quarter of fiscal 2009. Additionally, the Company has increased its allowance for doubtful accounts since, in management's opinion, there is increasingly higher risk inherent in carrying accounts receivable in the current economic environment. Also, as previously stated, the Company's selling prices are significantly dependent on the pricing and availability of DRAM chips. The Company's products utilize DRAMs of varying capacities, organizations and package types. The change in the purchase cost of specific DRAMs over time are not necessarily uniform or even move in the same direction. Over the last fiscal year, the Company's purchase cost of the primary DRAMs used in our products declined by over 44 percent. This resulted in a larger than anticipated reduction in our selling prices as we passed our cost savings through to our customers. Consequently, the Company's selling prices for similar products when compared on a year over year basis were lower than expected.

Revenues for the fiscal years ended April 30, 2009 and 2008 by geographic region were:

	Year ended April 30, 2009	Year ended April 30, 2008
United States	\$ 19,088,000	\$ 22,270,000
Europe	4,793,000	5,875,000
Other (principally Asia Pacific Region)	2,016,000	2,748,000
Consolidated	\$ 25,897,000	\$ 30,893,000

Cost of sales was \$17.4 million in fiscal 2009 or 67.4 percent of revenues compared to \$19.0 million or 61.6 percent of revenues in fiscal 2008. Fluctuations in cost of sales as a percentage of revenues are not unusual and can result from many factors, some of which are a rapid change in the

price of DRAMs, or a change in product mix possibly resulting from a large order or series of orders for a particular product or a change in customer mix.

Engineering expenses in fiscal 2009 were \$1.2 million, versus \$1.3 million in fiscal 2008.

Research and development expenses in fiscal 2009 were \$1.5 million, versus nil in fiscal 2008. In the current fiscal year, the Company has 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 has the exclusive right to purchase specified software for a price of \$900,000 plus a contingent payment of \$100,000. Research and development expense includes \$300,000 of expense related to the initial payment for the software purchase and license. The storage product, which incorporates the software, is currently under development and is not deemed saleable at the present time. Additionally, approximately \$121,000 of research and development expense recorded in this year's fiscal first quarter represented a non-cash expense for the fair value of stock options issued to a privately held company to acquire certain patents and other intellectual property. These patents and other intellectual property were deemed to have no alternative future use when acquired and we had an uncertainty in receiving future economic benefits from them.

Selling, general and administrative(S,G&A)expenses were \$11.1 million in fiscal 2009 versus \$8.8 million in fiscal 2008. S,G&A expense in fiscal 2009 includes a charge of approximately \$716,000 related to a retirement agreement entered into with the Company's former chief executive officer. Of this amount, approximately \$660,000 relates to payments defined in the agreement and the balance consists primarily of legal fees incurred by the Company associated with this matter. Fiscal 2009 expense also includes \$418,000 of severance for terminated employees and a \$138,000 charge as a result of one of the Company's foreign customers entering receivership. Additionally, the Company charged S,G&A expense to increase its allowance for doubtful accounts by \$50,000. Management concluded that the increase in the reserve was warranted given the inherent increase in risk level of carrying accounts receivable, due to the recent, well-publicized increase in economic uncertainty. Fiscal 2009 S,G&A expense includes approximately \$161,000 associated with the operations of an acquired business (See Note 2 in the Notes to Consolidated Financial Statements). The remaining increase in S,G&A expense is primarily attributable to planned increases in the Company's sales and marketing infrastructure which occurred prior to the current economic downturn. Subsequently, in the fourth quarter of fiscal 2009, the Company took actions to reduce its S,G&A expenses in response to the changed economic environment. Stock-based compensation expense is recorded as a component of S,G&A expense and totaled \$533,000 in fiscal 2009 versus \$297,000 in fiscal 2008.

2

Other income, net for fiscal year 2009 totaled \$223,000 versus \$868,000 in fiscal 2008. Other income in fiscal 2009 includes \$294,000 of net interest income. Additionally, other income includes \$68,000 of foreign currency transaction losses, primarily as a result of the EURO weakening against the US dollar. Other income in Fiscal 2008 includes \$748,000 of net interest income and \$120,000 of foreign currency transaction gains, primarily as a result of the EURO strengthening relative to the US dollar.

Income tax expense (benefit) for fiscal 2009 was a benefit of \$2.0 million versus \$1.0 million of tax expense in fiscal 2008. The Company's effective tax rate for financial reporting purposes in fiscal 2009 was approximately 39%. The Company has Federal and State net operating loss (NOL) carryforwards of approximately \$5,578,000 and \$3,981,000, respectively. These can be used to offset future taxable income and expire between 2023 and 2029 for Federal tax purposes and 2016 and 2029 for State tax purposes. In April 2009, after review of its operating results and operating plans, management concluded that it remains more likely than not that the Company will utilize all of its NOL carry-forwards.

Revenues for fiscal 2008 were \$30.9 million compared to \$38.4 million in fiscal 2007. The decline in revenues came primarily from decreased selling prices. In fiscal 2008, the Company's purchase cost of the primary DRAMs used in our products declined by over 60 percent. This resulted in a larger than anticipated reduction in our selling prices as we passed our cost savings through to our customers. Consequently, the Company's selling prices for similar products when compared on a year over year basis were lower than expected.

Cost of sales was \$19.0 million in fiscal 2008 or 61.6 percent of revenues compared to \$29.4 million or 76.6 percent of revenues in fiscal 2007. There were several primary factors which contributed to the percentage decline. The Company's general pricing strategy has been to reduce its selling prices by approximately the same amount as the cost savings realized from lower DRAM prices. This has had the effect of increasing the realized gross margin percentage. Also, during fiscal 2008, there was a shift in sales to larger capacity memory modules, which typically command higher margins. As the price of the Company's higher capacity products came down as a result of lower DRAM costs, they became a more affordable option for customers with memory intensive applications. Finally, year over year cost of sales expense also included savings of approximately \$626,000 as a result of a reduction in workforce and other manufacturing costs initiated in the fourth quarter of the fiscal year 2007.

Engineering expenses were \$1.3 million in fiscal 2008 versus \$1.2 million in fiscal 2007.

Selling, general and administrative expenses were \$8.8 million in fiscal 2008 versus \$9.6 million in fiscal 2007. The decline in expense was primarily the result of workforce and other cost reductions initiated at the end of the prior fiscal year. Also, included in the fiscal year 2008 expense is \$297,000 of stock-based compensation expense, compared to \$440,000 in fiscal 2007.

Other income, net for fiscal year 2008 totaled \$868,000 versus \$3.1 million in fiscal 2007. Other income in fiscal 2008 included \$748,000 of net interest income and \$120,000 of foreign currency transaction gains, primarily as a result of the EURO strengthening relative to the US dollar. Other income in fiscal 2007 included \$2.3 million received from a DRAM manufacturer related to a settlement agreement. In fiscal 2007, the Company also received \$712,000 of net interest income and realized approximately \$97,000 of foreign currency transaction gains.

Income tax expense for fiscal 2008 was \$1.0 million versus \$450,000 in fiscal 2007.

Liquidity and Capital Resources

The Company's cash and working capital position remains strong. Working capital at the end of fiscal 2009 amounted to \$15.5 million, including cash and cash equivalents of \$12.5 million, compared to working capital of \$22.4 million, including cash and cash equivalents of \$17.6 million, at the end of fiscal 2008. Current assets at the end of fiscal 2009 were 6.0 times current liabilities compared to 10.0 times at the end of fiscal 2008.

Accounts receivable at the end of fiscal 2009 were \$3.4 million compared to fiscal 2008 year-end trade receivables of \$4.0 million.

The Company used \$3.6 million of cash flows from operating activities primarily as a result of net losses of \$3.1 million. Other uses of operating cash flows included a deferred income taxes increase of \$2.0 million, an accounts payable decrease of \$594,000 and an inventories increase of \$223,000. Cash used in operating activities was partially offset by a \$940,000 decrease in accounts receivable, which was primarily the result of reduced revenues. Also, depreciation and amortization expense of \$456,000, non-cash stock-based compensation expense of \$533,000 and other non-cash stock option expense of \$121,000 offset the cash used in operating activities. Other net changes in assets and liabilities increased cash flows from operating activities by \$421,000.

Cash used in investing activities totaled approximately \$1.5 million and consisted of the acquisition of a business, more fully described below,

totaling approximately \$912,000 and additions of property and equipment totaling approximately \$617,000.

Capital expenditures were \$617,000 in fiscal 2009 compared to \$235,000 in fiscal 2008. Fiscal 2010 capital expenditures are expected to total approximately \$650,000. At the end of fiscal 2009, contractual commitments for capital purchases were zero.

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, 2009, the total number of shares authorized for purchase under the program is 172,196 shares. In fiscal 2009 and 2008, the Company did not repurchase any shares of its common stock.

On June 21, 2004, the Company entered into a credit facility with a bank, which provided for up to a \$5 million revolving credit line. The Company was required to pay a fee equal to one-eighth of one percent per annum on the unused commitment. There have been no borrowings against the credit line. On February 23, 2009, the Company canceled this agreement.

3

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 \$2,253,000, 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. 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) and consists of a percentage, averaging 65%, payable quarterly, over the next four years of earnings before interest, taxes, depreciation and amortization of the Unit. At April 30, 2009 the estimated remaining purchase price to be paid under the agreement is \$1,029,000. The net assets acquired by the Company were recorded at their respective fair values under the purchase method of accounting in accordance with the provisions of SFAS No. 141. The results of operations of MMB for the period from the acquisition date, March 31, 2009, through April 30, 2009 have been included in the consolidated results of operations of the Company.

Management believes that the Company's existing cash resources will be sufficient to meet short-term liquidity needs. Management further believes that its working capital is adequate to finance the Company's long-term operating needs and future capital requirements.

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, 2009 are as follows:

	Operating leases
Year ending April 30:	
2010	\$ 533,000
2011	387,000
2012	34,000
Thereafter	0
	\$ 954,000

Purchases

At April 30, 2009, the Company had open purchase orders outstanding totaling \$1.1 million primarily for inventory items to be delivered in the first quarter of fiscal 2010. These purchase orders are cancelable.

Recently Adopted Accounting Pronouncements

In February 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" (SFAS 159). SFAS 159 gives the Company the irrevocable option to carry many financial assets and liabilities at fair values, with changes in fair value recognized in earnings. SFAS 159 was effective for the Company beginning May 1, 2008. The Company has reviewed the provisions of SFAS 159, and has determined that as of April 30, 2009 the provisions of SFAS 159 do not apply to any of the Company's assets or liabilities. In the event that the Company acquires any future assets or liabilities which would be subject to the provisions of SFAS 159, the Company will make an election relative to those assets or liabilities at the time of acquisition.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133" (SFAS 161), which requires additional disclosures about the objectives of the derivative instruments and hedging activities, the method of accounting for such instruments under SFAS Statement No. 133 and its related interpretations, and a tabular disclosure of the effects of such instruments and related hedged items on our consolidated financial position, financial performance, and cash flows. SFAS 161 was effective for us beginning February 1, 2009. The Company does not own any derivative instruments nor does it participate in hedging activity.

Recent Accounting Pronouncements Not Yet Adopted

In December 2007, the FASB issued SFAS No. 141R, "Business Combinations" (SFAS 141R), which replaces SFAS No. 141. The statement retains the purchase method of accounting for acquisitions, but requires a number of changes, including changes in the way assets and liabilities are recognized in the purchase accounting. It also changes the recognition of assets acquired and liabilities assumed arising from contingencies, requires the capitalization of in-process research and development at fair value, and requires the expensing of acquisition-related costs as incurred. SFAS 141R is effective for us beginning May 1, 2009 and will apply prospectively to business combinations completed on or after that date.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51" (SFAS 160), which changes the accounting and reporting for minority interests. Minority interests will be recharacterized as noncontrolling interests and will be reported as a component of equity separate from the parent's equity, and purchases or sales of equity interests that do not result in a change in control will be accounted for as equity transactions. In addition, net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement and, upon a loss of control, the interest sold, as well as any interest retained, will be recorded at fair value with any gain or loss recognized in earnings. SFAS 160 is effective for us beginning May 1, 2009 and will apply prospectively, except for the presentation and disclosure requirements, which will apply retrospectively. The Company has no minority or noncontrolling interest as defined in SFAS 160.

In May 2009, the FASB issued SFAS 165, "Subsequent Events." (SFAS 165). SFAS 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS 165 is effective for periods ending after June 15, 2009. The adoption of SFAS 165 is not expected to have a material impact on our consolidated financial statements.

In June 2009, the FASB issued SFAS No. 168, "The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162" (SFAS 168). SFAS 168 defines the order in which accounting principles generally accepted in the United States of America should be followed. SFAS 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of SFAS 168 is not expected to have a material impact on our consolidated financial statements.

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 SFAS No. 48, "Revenue Recognition When Right of Return Exists". Estimated warranty costs are accrued by management upon product shipment based on an estimate of future warranty claims.

Stock Option Expense - In December 2004, SFAS No. 123 (revised 2004), "Share-Based Payment"(SFAS 123R) was issued. SFAS 123R revises SFAS 123 and supersedes APB No. 25, "Accounting for Stock Issued to Employees" (APB 25). SFAS 123, as originally issued in 1995, established as preferable a fair value-based method of accounting for share-based payment transactions with employees. The Company adopted the guidance in SFAS 123R effective May 1, 2006. The accompanying consolidated statement of earnings for the fiscal year ended April 30, 2009 includes approximately \$533,000 of compensation expense in the selling, general and administrative expense line item related to the fair value of options granted to employees and directors under the Company's stock-based employee compensation plans, which amount is being amortized over the service period in the financial statements, as required by SFAS 123R. These awards 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 balance sheet as of April 30, 2009. 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: Expected life 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 share price; expected dividend yield assumes the current dividend rate remains unchanged; risk-free interest rate approximates United States government debt rates at the time of 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 have an uncertainty in receiving future economic benefits.

Income Taxes - The Company utilizes the asset and liability method of accounting for income taxes in accordance with the provisions of SFAS No. 109, "Accounting for Income Taxes"(SFAS No. 109). Under the asset and liability method of SFAS No. 109, 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 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. Deferred 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. Under SFAS No. 109, 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.

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. The Company's investments consist of overnight deposits with banks, money market accounts and commercial paper, which matures within ninety days. 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 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 fiscal year ended April 30, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

5

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. Based on this evaluation, management has concluded that the Company's internal control over financial reporting was effective as of April 30, 2009. There were no changes in our

internal control over financial reporting during the quarter ended April 30, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. 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 pursuant to temporary rules of the SEC that permit the Company to provide only management's report in the Annual Report.

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.

	2009		2008	
	High	Low	High	Low
First Quarter	\$ 3.35	\$ 2.21	\$ 4.60	\$ 4.01
Second Quarter	2.50	1.13	4.08	3.05
Third Quarter	1.88	1.08	3.59	2.95
Fourth Quarter	1.40	1.11	3.55	2.82

At April 30, 2009, there were approximately 7,000 shareholders. Dividends paid in the fiscal year ended April 30, 2008 totaled \$0.24 per common share and were paid quarterly at the rate of \$0.06 per common share. In a press release dated June 4, 2008, the Company announced that the Board of Directors suspended future dividend payments.

6

DATARAM CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

April 30, 2009 and 2008

(In thousands, except share and per share amounts)

	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	\$12,525	\$17,642
Accounts receivable, less allowance for doubtful accounts and sales returns of \$290 in 2009 and \$250 in 2008	3,381	4,047
Inventories:		
Raw materials	1,345	1,379
Work in process	15	65
Finished goods	841	533
	<u>2,201</u>	<u>1,977</u>
Deferred income taxes	300	1,101
Other current assets	126	98
Total current assets	<u>18,533</u>	<u>24,865</u>
Deferred income taxes	3,282	480
Property and equipment:		
Machinery and equipment	11,761	11,075
Leasehold improvements	2,225	2,103
	<u>13,986</u>	<u>13,178</u>
Less accumulated depreciation and amortization	12,886	12,492

Net property and equipment	1,100	686
Other assets	136	79
Intangible assets, less accumulated amortization of \$55	1,504	-
	<u>\$24,555</u>	<u>\$26,110</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,386	\$ 1,789
Accrued liabilities	1,689	702
Total current liabilities	<u>3,075</u>	<u>2,491</u>
Accrued liabilities	381	-
Total liabilities	<u>3,456</u>	<u>2,491</u>

Commitments and contingencies

Stockholders' equity:

Common stock, par value \$1.00 per share.		
Authorized 54,000,000 shares; issued and outstanding 8,869,184 in 2009 and 2008		
	8,869	8,869
Additional paid-in capital	7,023	6,408
Retained earnings	5,207	8,342
Total stockholders' equity	<u>21,099</u>	<u>23,619</u>

<u>\$24,555</u>	<u>\$26,110</u>
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See accompanying notes to consolidated financial statements.

7

DATARAM CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations
Years ended April 30, 2009, 2008 and 2007
(In thousands, except per share amounts)

	2009	2008	2007
Revenues	\$ 25,897	\$ 30,893	\$ 38,404
Costs and expenses:			
Cost of sales	17,443	19,016	29,410
Engineering	1,219	1,267	1,243
Research and development	1,531	-	-
Selling, general and administrative	11,064	8,837	9,605
	<u>31,257</u>	<u>29,120</u>	<u>40,258</u>
Earnings (loss) from operations	(5,360)	1,773	(1,854)
Other income (expense):			
Interest income	300	754	717
Interest expense	(6)	(6)	(5)
Currency gain (loss)	(68)	120	97
Other income (expense)	(3)	-	2,265

223 868 3,074

Earnings (loss) before income tax			
Expense (benefit)	(5,137)	2,641	1,220
Income tax expense (benefit)	(2,002)	1,033	450
Net earnings (loss)	<u>\$ (3,135)</u>	<u>\$ 1,608</u>	<u>\$ 770</u>
Net earnings (loss) per common share:			
Basic	<u>\$ (0.35)</u>	<u>\$ 0.18</u>	<u>\$ 0.09</u>
Diluted	<u>\$ (0.35)</u>	<u>\$ 0.18</u>	<u>\$ 0.09</u>

See accompanying notes to consolidated financial statements.

8

DATARAM CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years ended April 30, 2009, 2008 and 2007
(In thousands)

2009 2008 2007

Cash flows from operating activities:			
Net earnings (loss)	\$ (3,135)	\$ 1,608	\$ 770
Adjustments to reconcile net earnings (loss)to net cash provided by (used in)operating activities:			
Depreciation and amortization	456	312	383
Bad debt expense (recovery)	204	(18)	29
Stock-based compensation expense	533	297	440
Other stock option expense	121	-	-
Loss on sale of property and equipment	2	-	-
Deferred income tax expense (benefit)	(2,040)	691	269
Excess tax benefits from sale of common shares under stock option plan	-	(81)	(113)
Changes in assets and liabilities (net of effect of acquisition of business):			
Decrease in accounts receivable	940	688	146
Decrease (increase) in inventories	(223)	144	67
Decrease (increase) in other current assets	(28)	133	(150)
Decrease (increase) in other assets	(41)	26	-
Increase (decrease) in accounts payable	(594)	192	(460)
Increase (decrease) in accrued liabilities	217	(274)	324
Net cash provided by (used in) operating activities	<u>(3,588)</u>	<u>3,718</u>	<u>1,705</u>
Cash flows from investing activities:			
Acquisition of business	(912)	-	-
Collection of note receivable	-	1,537	-
Additions to property and equipment	(617)	(235)	(320)
Proceeds from sale of property and equipment	-	21	-
Net cash provided by (used in)	<u></u>	<u></u>	<u></u>

investing activities	(1,529)	1,323	(320)
	<u> </u>	<u> </u>	<u> </u>
Cash flows from financing activities:			
Proceeds from sale of common shares under stock option plan (including tax benefits)	-	496	651
Excess tax benefits from sale of common shares under stock option plan	-	81	113
Dividends paid	-	(2,114)	(2,055)
Net cash used in financing activities	-	(1,537)	(1,291)
	<u> </u>	<u> </u>	<u> </u>
Net increase (decrease) in cash and cash equivalents	(5,117)	3,504	94
Cash and cash equivalents at beginning of year	17,642	14,138	14,044
	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents at end of year	\$ 12,525	\$ 17,642	\$ 14,138
	<u> </u>	<u> </u>	<u> </u>

Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	\$ 6	\$ 6	\$ 5
	<u> </u>	<u> </u>	<u> </u>
Income taxes	\$ 20	\$ 134	\$ 205
	<u> </u>	<u> </u>	<u> </u>

See accompanying notes to consolidated financial statements.
9

DATARAM CORPORATION AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity
Years ended April 30, 2009, 2008 and 2007
(In thousands, except share amounts)

	Total			
	Additional Common stock	paid-in Retained earnings	stock- holders' equity	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at April 30, 2006	\$ 8,487	\$ 4,906	\$ 10,133	\$ 23,526
Issuance of 200,359 shares under stock option plans, including income tax benefit of \$113	201	450	-	651
Net earnings	-	-	770	770
Stock-based compensation expense	-	440	-	440
Dividends paid (1)	-	-	(2,055)	(2,055)
Balance at April 30, 2007	<u>\$ 8,688</u>	<u>\$ 5,796</u>	<u>\$ 8,848</u>	<u>\$ 23,332</u>
Issuance of 181,429 shares under stock option plans, including income tax benefit of \$81	181	315	-	496
Net earnings	-	-	1,608	1,608
Stock-based compensation expense	-	297	-	297
Dividends paid (2)	-	-	(2,114)	(2,114)

Balance at April 30, 2008	\$ 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	\$ 7,023	\$ 5,207	\$ 21,099

(1) Dividends paid in the fiscal year ended April 30, 2007 totaled \$0.24 per common share and were paid quarterly at the rate of \$0.06 per common share.

(2) Dividends paid in the fiscal year ended April 30, 2008 totaled \$0.24 per common share and were paid quarterly at the rate of \$0.06 per common share.

See accompanying notes to consolidated financial statements.

10

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share amounts)

(1) Significant Accounting Policies

Description of Business

Dataram Corporation is a worldwide provider of server and workstation memory. The Company offers a specialized line of gigabyte-class memory for entry to enterprise-level servers and workstations as well as customized memory solutions for original equipment manufacturers.

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.

Cash and Cash Equivalents

Cash and cash equivalents consist of unrestricted cash, money market accounts and commercial paper purchased with maturities of three months or less when acquired.

Accounts Receivable

Accounts receivable consists of the following categories:

	April 30, 2009	April 30, 2008
Trade receivables	\$ 3,599	\$ 4,173
VAT receivable	72	124
Allowance for doubtful accounts and sales returns	(290)	(250)
	<u>\$ 3,381</u>	<u>\$ 4,047</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.

Note Receivable

On December 29, 2005, the Company closed on an agreement to sell its undeveloped land. The purchase price was \$3,075 of which half, or \$1,537, was paid in the form of a note that accrued interest, payable monthly, at 5% per annum for a period of one year and 7.5% per annum thereafter. In fiscal 2008, the note was paid in full.

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 three 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.

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 balance sheet 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

Intangible assets with determinable lives are amortized using the straight-line method over their estimated period of benefit, ranging from two to five years. We evaluate the recoverability of intangible assets periodically and take into account events or circumstances that warrant revised estimates of useful lives or that indicate that impairment exists. All of our intangible assets are subject to amortization. No material impairments of intangible assets have been identified during any of the periods presented.

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 SFAS No. 48, "Revenue Recognition When Right of Return Exists". Estimated warranty costs are accrued by management upon product shipment based on an estimate of future warranty claims.

Engineering and Research and Development

The Company expenses engineering costs as incurred. Engineering effort is directed to the development of new or improved computer memory products as well as ongoing support for existing products. Research and development expenses for the fiscal year ended April 30, 2009 include payroll, employee benefits, stock-based compensation, other headcount-related expenses, licensing fees and third-party development and programming costs associated with development of the Company's storage product line. These storage products are not yet released for sale.

Income Taxes

The Company utilizes the asset and liability method of accounting for income taxes in accordance with the provisions of SFAS No. 109, "Accounting for Income Taxes"(SFAS 109). Under the asset and liability method of SFAS 109, deferred 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 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 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. Under SFAS No. 109, 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.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration 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, 2009, amounts due from one customer totaled approximately 21% of accounts receivable. At April 30, 2008, amounts due from two customers totaled approximately 26% of accounts receivable.

11

In fiscal 2009, the Company had sales to one customer that accounted for approximately 17% of revenue. In fiscal 2008, the Company had sales to one customer that accounted for approximately 14% of revenue. In fiscal 2007, the Company had no sales to any one customer that accounted for 10% or more of revenues.

Net Earnings Per Share

Net Earnings Per Share is presented in accordance with SFAS No. 128, "Earnings Per Share". Basic net earnings per share is calculated by dividing net earnings by the weighted average number of common shares outstanding during the period. Diluted net earnings per share was calculated in a manner consistent with basic net earnings 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 earnings per share.

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

Year ended April 30, 2008
Earnings Shares Per share
(numerator) (denominator) amount

	Earnings (numerator)	Shares (denominator)	Per share amount
Basic net earnings per share			
- net earnings and weighted average common shares outstanding	\$ 1,608	8,825,000	\$.18
Effect of dilutive securities			
- stock options	-	29,000	-
<hr/>			
Diluted net earnings per share			
- net earnings, weighted average common shares outstanding and effect of stock options	\$ 1,608	8,854,000	\$.18
	<u>=====</u>	<u>=====</u>	<u>=====</u>

Year ended April 30, 2007
Earnings Shares Per share
(numerator) (denominator) amount

	Earnings (numerator)	Shares (denominator)	Per share amount
Basic net earnings per share			
- net earnings and weighted average common shares outstanding	\$ 770	8,572,000	\$.09
Effect of dilutive securities			
- stock options	-	232,000	-
<hr/>			
Diluted net earnings per share			
- net earnings, weighted average common shares outstanding and effect of stock options	\$ 770	8,804,000	\$.09
	<u>=====</u>	<u>=====</u>	<u>=====</u>

Diluted net loss per common share does not include the effect of options to purchase 1,307,675 shares of common stock for the year ended April 30, 2009 because they are anti-dilutive.

Diluted net earnings per common share does not include the effect of options to purchase 756,135 shares of common stock for the year ended April 30, 2008 because they are anti-dilutive.

Diluted net earnings per common share does not include the effect of options to purchase 555,938 shares of common stock for the year ended April 30, 2007 because they are anti-dilutive.

12

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	Balance End Deductions of Year	
Year Ended					
April 30, 2009	\$ 54	5	25(1)	(5)	\$ 79

Year Ended					
April 30, 2008	\$ 54	20	-	(20)	\$ 54

Year Ended					
April 30, 2007	\$ 54	4	-	(4)	\$ 54

(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 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. 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, 2009, the Company has stock-based employee and director compensation plans, which are described more fully in Note 6. New shares of the Company's common stock are issued upon exercise of stock options.

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), "Share-Based Payment" (SFAS 123R). SFAS 123R addresses 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. SFAS 123R requires that such transactions be accounted for using a fair value-based method. SFAS 123R requires companies to recognize an expense for compensation cost related to share-based payment arrangements, including stock options and employee stock purchase plans. The Company implemented SFAS 123R effective May 1, 2006.

As a result of adopting SFAS 123R, our consolidated statement of operations for fiscal year ended April 30, 2009 includes \$533 of compensation expense. Compensation expense is recognized in the selling, general and administrative 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 balance sheet as of April 30, 2009. In fiscal 2008 and fiscal 2007, stock-based compensation expense totaled \$297 and \$440, respectively. A corresponding increase of \$297 is reflected in additional paid-in capital in fiscal 2008's balance sheet. The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option pricing model.

SFAS 123R requires excess tax benefits to be reported as a financing cash inflow. The Company had \$81 of excess tax benefits in fiscal 2008. The Company had \$113 of excess tax benefits in fiscal 2007.

A summary of option activity under the plans for the fiscal year ended April 30, 2009 is as follows:

Weighted average	Weighted average remaining	Aggregate intrinsic
---------------------	-------------------------------	------------------------

	Shares	exercise price	contractual life	value(1)
Balance				
April 30, 2008	899,000	\$5.69	3.64	\$ 26
Granted	468,000	\$2.36	-	-
Exercised	-	-	-	-
Expired	(109,325)	\$4.74	-	-
Balance				
April 30, 2009	1,257,675	\$4.53	4.37	\$ 4
Exercisable				
April 30, 2009	796,175	\$5.79	2.40	\$ -

(1) These amounts represent the difference between the exercise price and \$1.32, the closing price of Dataram common stock on April 30, 2009 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 2009 was nil. During fiscal 2009, 116,500 options completed vesting. As of April 30, 2009, there was \$538 of total unrecognized compensation expense related to stock options. This expense is expected to be recognized over a weighted average period of approximately one year. At April 30, 2009, an aggregate of 793,227 shares were authorized for future grant under the Company's stock option plans.

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

	2009	2008	2007
Expected life (years)	5.0 or 10.0	4.0	4.0
Expected volatility	110%	110%	67%
Expected dividend yield	-	7.2%	5.1%
Expected forfeiture rate	5.0%	5.0%	-
Risk-free interest rate	4.0%	5.0%	5.0%
Weighted average fair value of options granted during the year	\$ 2.36	\$ 1.81	\$ 2.00

Expected life 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 share price. Expected dividend yield assumes the current dividend rate remains unchanged. Expected forfeiture rate is based on the Company's historical experience. Risk free interest rate approximates United States government debt rates at the time of option grants.

13

(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 new Dataram business unit to be operated as a result of the acquisition (the Unit) and consists of a percentage, averaging 65%, payable quarterly, over the next four years of earnings before interest, taxes, depreciation and amortization of the Unit. At April 30, 2009, the estimated remaining purchase price to be paid under the agreement is \$1,029 and is recorded as an accrued liability (of which, \$381 has been classified as long-term) in the Company's consolidated balance sheet. The net assets acquired by the Company were recorded at their respective fair values under the purchase method of

accounting in accordance with the provisions of SFAS No. 141. The results of operations of MMB for the period from the acquisition date, March 31, 2009, through April 30, 2009 have been included in the consolidated results of operations of the Company.

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

Gross assets acquired	2,253
Liabilities assumed	312
Net assets acquired	\$ 1,941
	=====

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 \$55 for fiscal year 2009 and nil for fiscal years 2008 and 2007. The components of finite-lived intangible assets acquired during fiscal year 2009 are as follows:

	Gross Carrying Amount	Weighted Average Life	Net Accumulated Amortization	Net Carrying Amount
Trade names	\$ 733	5 Years	\$ 41	\$ 692
Customer relationships	758	2 Years	12	746
Non-compete agreement	68	4 Years	2	66
	-----	----	-----	
	\$ 1,559	\$ 55	\$ 1,504	
	=====	=====	=====	

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

Year ending April 30:	
2010	\$ 637
2011	407
2012	164
2013	162
2014	134
	\$ 1,504
	=====

(3) Long-Term Debt

On June 21, 2004, the Company entered into a credit facility with a bank, which provided for up to a \$5 million revolving credit line. The Company was required to pay a fee equal to one-eighth of one percent per annum on the unused commitment. There have been no borrowings against the credit line. On February 23, 2009, the Company canceled this agreement.

(4) Related Party Transactions

During fiscal 2009, the Company purchased inventory for resale totaling approximately \$727 from Sheerr Memory, LLC (Sheerr Memory). Sheerr Memory is wholly owned by Mr. David Sheerr, who is employed by the Company as the general manager of the acquired MMB business unit described in Note 2. 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 \$167 of these purchases were paid for by the Company in fiscal 2009 and the remaining \$560 are classified as accounts payable in the Company's consolidated balance sheet as of April 30, 2009. 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, 2009 and management anticipates that the Company will continue to do so, although the Company has no obligation to do so.

14

(5) Income Taxes

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

	2009	2008	2007	
Current:				
Federal	\$ -	\$ 75	\$ 113	
State	-	267	68	
	<u> </u>	<u> </u>	<u> </u>	
		342	181	
Deferred:				
Federal	(1,595)	678	274	
State	(407)	13	(5)	
	<u>(2,002)</u>	<u>691</u>	<u>269</u>	
Total income tax expense (benefit)	<u> </u>	<u>\$ (2,002)</u>	<u>\$ 1,033</u>	\$ 450

The actual income tax expense (benefit) differs from "expected" tax expense (benefit) (computed by applying the U. S. corporate tax rate of 35% to earnings before income taxes) as follows:

	2009	2008	2007
Computed "expected" tax expense (benefit)	\$(1,798)	\$ 924	\$ 427
State income taxes(net of Federal income tax benefit)	(269)	173	41
Other	65	(64)	(18)
	<u> </u>	<u> </u>	<u> </u>
	<u>\$ (2,002)</u>	<u>\$ 1,033</u>	<u>\$ 450</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:

	2009	2008
Deferred tax assets:		
Compensated absences and severance, principally due to accruals for financial reporting purposes	\$ 139	\$ 75
Stock-based compensation expense	493	289
Accounts receivable, principally due to allowance for doubtful accounts and sales returns	113	98
Property and equipment, principally due to differences in depreciation	(40)	63
Intangible assets	63	-
Inventories	94	115
Foreign tax credit	53	53
Domestic net operating losses	2,142	506
Alternative minimum tax	438	382
Other	87	-
	<u> </u>	<u> </u>

Gross deferred tax assets	3,582	1,581
Deferred tax liabilities	-	-
Net deferred tax assets	<u>\$ 3,582</u>	<u>\$ 1,581</u>

The Company has Federal and State net operating loss carryforwards of approximately \$5,578 and \$3,981, respectively. These can be used to offset future taxable income and expire between 2023 and 2029 for Federal tax purposes and 2016 and 2029 for State tax purposes. The tax benefit of net operating loss carryforwards utilized in each of the three years ended April 30, 2009 is as follows:

	Federal	State	Total
2009	\$ -	\$ -	\$ -
2008	\$2,208	\$ -	\$2,208
2007	\$1,056	\$ -	\$1,056

15

(6) Stock Option Plans

The Company has a 1992 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 allowed granting of up to 2,850,000 shares, adjusted for stock splits, of the Company's common stock at an option price to be no less than the fair market value of the stock on the date such options are granted. Under option agreements granted under the plan, the holder of the option may purchase 20% of the common stock with respect to which the option has been granted on or after the first anniversary of the date of the grant and an additional 20% of such shares on or after each of the four succeeding anniversary dates. At April 30, 2009, 54,050 of the outstanding options are exercisable. No further options may be granted under this plan.

The Company also 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, 2009, 506,125 of the outstanding options are exercisable.

The status of the plans for the three years ended April 30, 2009, is as follows:

	Options Outstanding		
	Shares	Exercise price per share	Weighted average exercise price
Balance April 30, 2006	1,127,375	\$ 1.708-24.250	\$ 4.767
Granted	103,300	4.700	4.700
Exercised	(200,359)	2.313-4.090	2.684
Expired	(18,250)	2.313-10.000	6.026
Balance April 30, 2007	1,012,066	2.813-24.250	5.150
Granted	95,000	3.330	3.330
Exercised	(292,464)	2.813	2.813
Expired	(151,602)	2.813-24.250	5.553
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	<u>965,675</u>	<u>\$ 1.280-24.250</u>	<u>\$ 4.491</u>

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. Of each option, 100% are exercisable one year after the date of grant. At April 30, 2009, 236,000 of the outstanding options are exercisable.

16

The status of the non-employee director options for the three years ended April 30, 2009, is as follows:

	Options Outstanding		
	Shares	Exercise price per share	Weighted average exercise price
Balance April 30, 2006	172,000	\$ 2.990-7.980	\$ 6.095
Granted	40,000	4.700	4.700
Exercised	-	-	-
Expired	(16,000)	6.750-7.980	7.365
Balance April 30, 2007	<u>196,000</u>	<u>2.990-7.980</u>	<u>5.965</u>
Granted	40,000	3.330	3.330
Exercised	-	-	-
Expired	-	-	-
Balance April 30, 2008	<u>236,000</u>	<u>2.990-7.980</u>	<u>5.304</u>
Granted	56,000	1.990	1.990
Exercised	-	-	-
Expired	-	-	-
Balance April 30, 2009	<u>292,000</u>	<u>\$ 1.990-7.980</u>	<u>\$ 4.668</u>

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, are 100% exercisable on the date of grant and expire ten years after 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.

(7) Accrued Liabilities

Accrued liabilities consist of the following at April 30:

	2009	2008
	-----	-----
Contingently payable acquisition		
purchase price (See Note 2)	\$ 648	\$ -
Payroll, including vacation	490	317
Severance costs	174	-
Commissions	42	133
Other	335	252
	-----	-----
	\$ 1,689	\$ 702
	=====	=====

17

(8) Commitments

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 \$561 in 2009, \$655 in 2008 and \$725 in 2007.

Future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) as of April 30, 2009 are as follows:

	Operating leases

Year ending April 30:	
2010	\$ 533
2011	387
2012	34
Thereafter	-

	\$ 954
	=====

Purchases

At April 30, 2009, the Company had open purchase orders outstanding totaling \$1.1 million, primarily for inventory items to be delivered in the first quarter of fiscal 2010. 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 \$160 in 2009, \$171 in 2008 and \$119 in 2007.

Legal Proceedings

The Company is not involved in any claim or legal action that, in the opinion of management, would have a material effect on the Company's consolidated financial position, results of operations or liquidity.

(9) Employee Benefit Plan

The Company has a defined contribution plan (the Plan) which is available to all qualified employees. Employees may elect to contribute a portion of their compensation to the Plan, subject to certain limitations. The Company contributes a percentage of the employee's contribution, subject to a maximum of 4.5 percent effective January 1, 2008. In prior years the Company contributed up to 6 percent of the employee's eligible compensation, based on the employee's years of

service. The Company's matching contributions aggregated approximately \$ 249, \$239 and \$236 in 2009, 2008 and 2007, respectively.

18

(10) Revenues by Geographic Location

The Company operates in one business segment and develops, manufactures and markets a variety of memory systems for use with servers and workstations which are manufactured by various companies. Revenues, total assets and long lived assets for 2009, 2008 and 2007 by geographic region is as follows:

	United States	Europe	Other*	Consolidated
<hr/>				
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
April 30, 2008				
Revenues	\$ 22,270	\$ 5,875	\$ 2,748	\$ 30,893
Total assets	\$ 26,030	\$ 78	\$ 2	\$ 26,110
Long lived assets	\$ 686	\$ 0	\$ 0	\$ 686
April 30, 2007				
Revenues	\$ 27,583	\$ 6,484	\$ 4,337	\$ 38,404
Total assets	\$ 25,428	\$ 464	\$ 13	\$ 25,905
Long lived assets	\$ 784	\$ 0	\$ 0	\$ 784

*Principally Asia Pacific Region

(11) Quarterly Financial Data (Unaudited)

Fiscal 2009	Quarter Ended			
	July 31	October 31	January 31	April 30
<hr/>				
Revenues	\$ 7,563	\$ 7,059	\$ 5,635	\$ 5,639
Gross profit	2,628	2,399	1,739	1,688
Net loss	(606)	(393)	(1,024)	(1,112)
Net loss per diluted common share	(.07)	(.04)	(.12)	(.13)
<hr/>				
Quarter Ended Fiscal 2008	July 31	October 31	January 31	April 30
<hr/>				
Revenues	\$ 8,617	\$ 8,556	\$ 6,675	\$ 7,045
Gross profit	3,037	3,242	2,644	2,954
Net earnings	405	569	233	401
Net earnings per diluted common and common equivalent share	.05	.06	.03	.05

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

19

Dataram Corporation:

We have audited the accompanying consolidated balance sheets of Dataram Corporation and Subsidiaries as of April 30, 2009 and 2008, 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, 2009. 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, 2009 and 2008, and their results of operations and cash flows for each of the years in the three-year period ended April 30, 2009 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for share-based compensation in fiscal 2007.

J.H. Cohn LLP
Lawrenceville, New Jersey
July 24, 2009

Selected Financial Data

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

Years Ended April 30,	2009	2008	2007	2006	2005
Revenues	\$ 25,897	\$ 30,893	\$ 38,404	\$ 41,795	\$ 65,684
Net earnings (loss)	(3,135)	1,608	770	2,772	6,715
Basic earnings (loss) per share	(.35)	.18	.09	.33	.78
Diluted earnings (loss) per share	(.35)	.18	.09	.31	.74
Current assets	18,533	24,865	23,893	24,108	23,435
Total assets	24,555	26,110	25,905	26,236	26,147
Current liabilities	3,075	2,491	2,573	2,710	3,966
Total stockholders' equity	21,099	23,619	23,332	23,526	22,181
Cash dividends paid	-	2,114	2,055	1,773	-

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

Anthony M. Lougee
Controller

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

Corporate Headquarters
Dataram Corporation
186 Princeton Road (Route 571)
West Windsor, NJ 08550
609-799-0071

Auditors
J.H. COHN LLP
Lawrenceville, NJ

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

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 24, 2009, at 2:00 p.m. at Dataram's corporate headquarters at:
186 Princeton Road (Route 571)
West Windsor, NJ 08550

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
186 Princeton Road (Route 571)
West Windsor, NJ 08550

Corporate Headquarters

Dataram Corporation
186 Princeton Road (Route 571)
West Windsor, NJ 08550
Toll Free: 800-DATARAM
Phone: 609-799-0071
Fax: 609-799-6734
www.dataram.com

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Dataram Corporation:

We consent to incorporation by reference in the Registration Statement (No. 33-56282) on Form S-8 of Dataram Corporation and Subsidiaries of our reports dated July 24, 2009, relating to the consolidated balance sheets of Dataram Corporation and Subsidiaries as of April 30, 2009 and 2008, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three-year period then ended, and the related financial statement schedule which reports appear in the April 30, 2009 annual report on Form 10-K of Dataram Corporation.

/s/ J.H. COHN LLP

J.H. Cohn LLP
Lawrenceville, New Jersey
July 24, 2009

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 24, 2009 /s/ John H. Freeman

John H. Freeman, President and
Chief Executive Officer

(Principal Executive Officer)

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

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302

I, 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 24, 2009 /s/ Mark E. Maddocks

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, 2009, 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 24, 2009

/s/ John H. Freeman

John H. Freeman
President and Chief Executive Officer

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

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, 2009, 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 24, 2009 /s/ Mark E. Maddocks

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.]