

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended 1/31/97 or

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

For the transition period from to

Commission file number 1-8266

DATARAM CORPORATION

(Exact name of registrant as specified in its charter)

New Jersey 22-1831409

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date. Common Stock (\$1.00 par value): As of February 14, 1997, there were 3,179,410 shares outstanding.

PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

<TABLE>

Dataram Corporation And Subsidiary
Consolidated Balance Sheets
January 31, 1997 and April 30, 1996

(Unaudited) (Audited)

January 31, 1997 April 30, 1996

Assets		
<S>	<C>	<C>
Current Assets:		
Cash and cash equivalents	\$ 6,702,754	\$ 8,482,447
Trade receivables, less allowance for doubtful accounts and sales returns of \$800,000 at January 31, 1997 and \$800,000 at April 30, 1996	8,731,837	12,077,714
Inventories	2,440,464	2,311,897

Other current assets	521,256	862,709
Total current assets	18,396,311	23,734,767
Property and equipment, at cost:		
Land	875,000	875,000
Machinery and equipment	6,513,478	6,190,426
	7,388,478	7,065,426
Less: accumulated depreciation and amortization	5,342,126	4,867,226
Net property and equipment	2,046,352	2,198,200
Other assets	5,730	5,730
	=====	=====
	\$ 20,448,393	\$ 25,938,697
	=====	=====

</TABLE>

<TABLE>

January 31, 1997 April 30, 1996

Liabilities and Stockholders' Equity		
<S>	<C>	<C>
Current liabilities:		
Accounts payable	\$ 1,792,052	\$ 5,909,262
Accrued liabilities	1,238,941	1,022,404
Total current liabilities	3,030,993	6,931,666
Deferred income taxes	929,000	929,000
Stockholders' Equity:		
Common stock, par value \$1.00 per share.		
Authorized 18,000,000 shares; issued 3,183,310 at January 31, 1997 and 3,824,305 at April 30, 1996	3,183,310	3,824,305
Additional paid-in capital	2,568,807	3,425,142
Retained earnings	10,736,283	10,828,584
Total stockholders' equity	16,488,400	18,078,031
	=====	=====
	\$ 20,448,393	\$ 25,938,697
	=====	=====

</TABLE>

See accompanying notes to consolidated financial statements.

<TABLE>

Dataram Corporation and Subsidiary
Consolidated Statements of Operations
Three and Nine Months Ended January 31, 1997 and 1996
(Unaudited)

	1997	1996		
	3rd Quarter	Nine Months	3rd Quarter	Nine Months
<S>	<C>	<C>	<C>	<C>
Revenues	\$ 17,514,342	\$ 52,130,588	\$ 28,385,207	\$ 85,601,073
Costs and expenses:				
Cost of sales	13,944,417	41,165,237	26,910,340	77,689,791
Engineering and development	253,887	732,977	365,935	1,254,249
Selling, general and administrative	1,941,700	5,788,074	1,462,188	4,896,992
	16,140,004	47,686,288	28,738,463	83,841,032
Earnings (loss)from operations	1,374,338	4,444,300	(353,256)	1,760,041
Other income (expense), net				

Other income, net	1,840	18,447	0	0
Interest income	73,063	201,352	0	0
Interest expense	0	0	(44,691)	(101,860)
	<hr/>	<hr/>	<hr/>	<hr/>
Earnings (loss) before income taxes	1,449,241	4,664,099	(397,947)	1,658,181
Income tax expense (benefit)	537,000	1,773,000	(155,000)	656,000
Net earnings (loss)	<hr/> \$ 912,241	<hr/> \$ 2,891,099	<hr/> \$ (242,947)	<hr/> \$ 1,002,181
	<hr/>	<hr/>	<hr/>	<hr/>

Net earnings (loss) per share of common stock				
Primary	\$.27	\$.83	\$ (.06)	\$.26
Fully Diluted	\$.27	\$.80	\$ (.06)	\$.26

Weighted average number of common shares outstanding				
Primary	3,356,920	3,479,844	3,824,305	3,837,807
Fully Diluted	3,441,108	3,610,129	3,824,305	3,837,807

</TABLE>

Dataram Corporation and Subsidiary
Consolidated Statements of Cash Flows
Nine Months Ended January 31, 1997 and 1996
(Unaudited)

	<S>	<C>	<C>
	1997	1996	
Cash flows from operating activities:			
Net earnings	\$ 2,891,099	\$ 1,002,181	
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Depreciation and amortization	474,900	500,741	
Bad debt expense	251,220	220,795	
Changes in assets and liabilities:			
Decrease (increase) in trade receivables	3,094,656	(721,138)	
Decrease (increase) in inventories	(128,567)	2,576,869	
Decrease in other current assets	341,453	277,653	
Decrease in other assets	0	9,346	
Decrease in accounts payable	(4,117,210)	(3,600,466)	
Increase (decrease) in accrued liabilities	216,537	(1,121,390)	
Increase (decrease) in deferred income taxes	0	514,000	
	<hr/>	<hr/>	
Net cash provided by (used in) operating activities	3,024,088	(341,409)	
	<hr/>	<hr/>	

Cash flows from investing activities:		
Purchase of property and equipment	(323,052)	(230,115)
Net cash used in investing activities	(323,052)	(230,115)

Cash flows from financing activities:		
Proceeds from sale of common shares under stock option plan	21,400	238,000
Purchase of and retirement of common shares	(4,502,129)	0

Net cash provided by (used in) financing activities	(4,480,729)	238,000
Net increase (decrease) in cash and cash equivalents	(1,779,693)	(333,524)
Cash and cash equivalents at beginning of year	8,482,447	721,811
Cash and cash equivalents at end of period	\$ 6,702,754	\$ 388,287
	<hr/>	<hr/>

Supplemental disclosures of cash flow information:

Cash paid during the period for:

Interest	\$ 0	\$ 101,860
Income taxes	\$ 1,290,000	\$ 582,000

</TABLE>

Dataram Corporation and Subsidiary

Notes to Consolidated Financial Statements

January 31, 1997 and April 30, 1996

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

(2) Inventories consist of the following categories:

1/31/97 4/30/96

Raw Materials	\$ 1,837,000	\$ 1,435,000
Work In Process	98,000	45,000
Finished Goods	505,000	832,000
	<hr/>	<hr/>
	\$ 2,440,000	\$ 2,312,000
	<hr/>	<hr/>

(3) The Company has an agreement with a bank which provides for a total unsecured line of credit of \$12,000,000 with interest at no higher than one-half percent below the bank's base commercial lending rate. Borrowings under the line of credit are at the convenience of Company management and may be repaid at any time. The line of credit agreement expires in October, 1998, unless otherwise amended or extended.

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

In September 1992, an incentive and nonstatutory stock option plan was adopted by the shareholders which provides for the granting of up to 950,000 shares of common stock to key employees. As of January 31, 1997, options to purchase 479,000 shares at prices ranging from \$5.125 to \$7.125 per share were outstanding. As of January 31, 1997 options to purchase 32,000 shares had been exercised and options to purchase 204,400 shares were exercisable.

In November 1992 and March 1993, the Company granted to three non-employee directors of the Company and the Company's outside general counsel five year options to acquire a total of 120,000 shares of the Company's common stock at an exercise price of \$11.25 per share. On September 10, 1996, the Company granted to a fourth non-employee director five year options to acquire 30,000 shares at an exercise price of \$6.9375. As of January 31, 1997, none of these options had been exercised and options to purchase 112,500 shares were exercisable.

(5) In June of 1996, the Company announced an open market repurchase plan providing for the repurchase of up to 250,000 shares of the Company's common stock. In July of 1996, the plan was amended to provide for the repurchase of up to 500,000 shares of the Company's common stock. On September 10, 1996 the Board of Directors authorized the repurchase of an additional 300,000 shares. As of January 31, 1997 a total of 647,000 shares had been repurchased at a total cost of \$4,503,000.

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

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

Liquidity and Capital Resources

As of January 31, 1997, working capital amounted to \$15.4 million reflecting a current ratio of 6.1 compared to working capital of \$16.8 million and a current ratio of 3.4 as of April 30, 1996.

The Company's financial condition remains strong. The Company has renegotiated its line of credit. The new agreement provides for a \$12.0 million unsecured line of credit with a bank which expires in October 1998. The line of credit has not been used during the current fiscal year. With its current working capital balance and its line of credit, management believes that it will be able to support its growth and other capital needs for the foreseeable future.

Results of Operations

Revenues for the three month period ending January 31, 1997 were \$17,514,000 compared to revenues of \$28,385,000 for the comparable prior year period. Fiscal 1997 nine month revenues totaled \$52,131,000 versus nine month revenues of \$85,601,000 for the prior fiscal year. The decline in revenues was the result of declining average selling prices for the Company's products reflecting an eighty percent decrease in the price of dynamic random access memory chips (DRAMs) which are the primary raw material in memory boards. As a result of competitive conditions in the memory board marketplace, the Company passed these cost savings through to our customers. Increased unit volume partially offset the reduction in selling prices. Total units shipped have increased by approximately 180% in this year's third quarter, versus the third quarter last year.

Cost of sales for the third quarter and nine months of fiscal 1997 were 80% and 79%, respectively of revenues versus 95% and 91% for the same prior year periods. Included in last years third quarter and nine months cost of sales was a \$1,200,000 charge for a write down to market value of inventory. The remaining increase in operating margins is the result of increased unit volume which created significant economies of scale. Prices for the four and sixteen megabit DRAM continued to decline during the third quarter. To minimize the impact of the changes in raw material values, the Company has maintained tight control over inventory levels, while still meeting customer delivery requirements.

Engineering and development costs in fiscal 1997's third quarter and nine months were \$264,000 and \$733,000, respectively versus \$366,000 and \$1,254,000 for the same prior year periods. The decrease in cost was due to modest reductions in staff, and an overall control of cost primarily associated with lower product design costs of today's simplified memory boards. The Company intends to maintain its commitment to timely introduction of new memory products as new workstations and computers are introduced.

Selling, general and administrative costs in this year's third quarter increased to 11% of revenues from 5% for the same prior year period. Three month total expenditures increased by \$480,000 from the comparable prior year period. Nine month selling, general and administrative costs increased by \$891,000 in fiscal 1997 versus fiscal 1996. These increases are primarily attributable to certain planned marketing and promotional expenditures and legal expenses incurred related to a Complaint filed by Sun Microsystems, Inc. The Company has continued to strategically add to its sales department this year to accelerate our ability to service new and existing customers.

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

PART II: OTHER INFORMATION

ITEM 5. EXHIBITS AND REPORTS ON FORM 8-K

A. Exhibits

27 (a). Financial Data Schedule

10 (a) Amendment Number One To Loan Agreement

99 (a). Press Release reporting results of Third Quarter, Fiscal Year 1997 (Attached).

B. Reports on Form 8-K

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

Signatures

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

DATARAM CORPORATION

Date: Feb. 26, 1997 By: MARK E. MADDOCKS

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

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

DATARAM RECORDS STRONG EARNINGS
FOR THIRD QUARTER, NINE MONTHS OF FISCAL '97

PRINCETON, NJ, February 7, 1997 Dataram Corporation (AMEX: DTM) sustained its favorable earnings performance for the third quarter and nine months of fiscal 1997, Robert V. Tarantino, president and chief executive officer, announced today.

The Company achieved net earnings of \$912,000 or \$.27 primary and fully diluted earnings per share, for the third quarter ended January 31, 1997, compared to a loss of \$243,000, or \$.06 per share, for the comparable prior year quarter. The prior year third quarter operating results included a \$1,200,000 pre-tax charge for a write down to market value of inventory. Third quarter revenues totaled \$17.5 million versus \$28.4 million in the year earlier period.

For the nine months ended January 31, 1997, net earnings were \$2,891,000 or \$.83 primary and \$.80 fully diluted earnings per share, versus \$1,002,000 million, or \$.26 per share, for the prior period. Revenues were \$52.1 million compared to \$85.6 million recorded in the comparable period.

Continued....

Dataram Earnings Release - Page 2

Tarantino attributed the strong earnings to continued high unit volume demand for the Company's memory products, combined with economies of scale and production efficiencies achieved at the Company's state-of-the-art manufacturing facility.

"Third quarter units shipped were 180% greater than last year's comparable quarter," Tarantino stated. "Revenues continue to be affected by the dramatic decline in the price of Dynamic Random Access Memory (DRAM) chips, the major cost component of computer memory boards. DRAM chips, which were approximately \$25 per megabyte last year, are now available at less than \$5 per megabyte."

"While we are pleased with our operating results, the Company must continue to make the strategic investments which will result in future profitable growth," Tarantino declared. "Dataram's established operational efficiency allows us to broaden our product line at an extremely low incremental cost. We continue to upgrade our sales, marketing and manufacturing capabilities to capitalize on future opportunities in the computer memory marketplace."

Tarantino announced that the Company has entered into an agreement with IBM whereby IBM will service their computers containing Dataram memory products. "This agreement attests to the quality and reliability of our products and underscores our reputation as a leading supplier of memory in the industry," Tarantino stated.

Dataram Earnings Release - Page 3

Tarantino also announced that Dataram continued its stock repurchase program during the third quarter, purchasing 115,300 shares of its common stock, bringing the total year to date purchases to 645,200 shares.

Dataram recently renegotiated its line of credit agreement with its bank. The new agreement provides for an increase in the Company's unsecured revolving credit line to \$12 million and extends its maturity. With no debt and strong operating cash flow, Tarantino said the Company is solidly positioned to pursue opportunities in the computer memory industry while maintaining its strong financial condition.

Dataram develops, manufactures and markets quality computer memory products for workstations, servers and personal computers.

Continued....

Dataram Earnings Release - Page 4

Dataram Corporation and Subsidiary
Consolidated Summary Information
(In thousands except per share amounts)

	Quarter Ended		Nine Months Ended	
	January 31		January 31	
	1997	1996	1997	1996
Revenues	\$17,514	\$28,385	\$52,131	\$85,601
Net Earnings (Loss)	\$912	\$ (243)	\$ 2,891	\$ 1,002

Net Earnings (Loss) Per Share

Primary	\$.27	\$ (.06)	\$.83	\$.26
Fully Diluted	\$.27	\$ (.06)	\$.80	\$.26

Average Shares Outstanding

Primary	3,357	3,824	3,480	3,838
Fully Diluted	3,441	3,824	3,610	3,838

AMENDMENT NUMBER ONE TO LOAN AGREEMENT

This Amendment to Loan Agreement (the "Amendment") is made this 1 day of November, 1996 by and between DATARAM CORPORATION, a New Jersey corporation, having an address at Route 571, Princeton Road, West Windsor Township, New Jersey (the "Borrower") and NEW JERSEY NATIONAL BANK, having an address at CN-1, Pennington, NJ 08534 (the "Bank").

BACKGROUND

WHEREAS, the Borrower and the Bank entered into a certain Loan Agreement dated October 27, 1994 (the "Agreement");

WHEREAS, the Borrower and the Bank have agreed to amend the Agreement to increase the amount of the Revolver Credit Advance Limit and Revolver Note from \$10,000,000 to \$12,000,000 until October 31, 1997, then decrease the Revolver Credit Advance Limit to \$6,000,000 on November 1, 1997, extend the Revolving Credit Maturity Date to October 31, 1998 and correct the Agreement as hereinafter set forth.

WHEREAS, all capitalized terms used herein and not otherwise defined herein shall have the meaning assigned to them in the Agreement.

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

1. The Revolving Credit Maturity Date is hereby extended to October 31, 1998. To that end, the definition of Revolving Credit Maturity Date contained in Section 1.01 of the Agreement is hereby amended to read in its entirety as follows:

"Revolving Credit Maturity Date" means October 31, 1998.

2. The amount of the Revolver Credit Advance Limit is increased from \$10,000,000 to \$12,000,000 until October 31, 1997, then decreased to \$6,000,000 on November 1, 1997 until the Revolver Credit Maturity Date. To that end, the definition of Revolving Credit Advance Limit contained in Section 1.01 of the Agreement is hereby amended to read in its entirety as follows:

"Revolving Credit Advance Limit" means the sum of Twelve Million Dollars (\$12,000,000) through October 31, 1997 and the sum of Six Million Dollars (\$6,000,000) from November 1, 1997 until the Revolving Credit Maturity Date.

3. Section 6.26 of the Agreement is hereby amended to read in its entirety as follows:

"6.26. Tangible Net Worth. The Borrower shall maintain as of April 30, 1996, and thereafter, Tangible Net Worth of not less than \$16,000,000."

4. The Borrower shall execute and deliver to the Bank a replacement revolver note of the Borrower in substantially the form attached as Exhibit A-1 (the "Replacement Revolver Note") to evidence the indebtedness of the Borrower for the Revolving Credit Advances by the Bank. The Replacement Revolver Note shall replace and supersede the Revolver Note but shall not extinguish the Borrower's unconditional obligation to repay the indebtedness evidenced by the Revolver Note of the Borrower to the Bank dated October 27, 1994. All references in the Agreement to the Revolver Note shall henceforth be deemed to refer to the Replacement Revolver Note.

5. The effectiveness of this Amendment is conditioned upon the Bank's receipt of the following documents:

- (A) This Amendment Number One to Loan Agreement;
- (B) Replacement Revolver Note;
- (C) Certified Resolutions of the Board of Directors of the Borrowers authorizing the execution of this Amendment; and
- (D) Favorable opinion of counsel to the Borrower dated the date of this Amendment.

6. Representations and Warranties. The Borrower has taken all corporate action necessary to authorize the execution, delivery and performance of this Amendment and the Replacement Revolver Note. This Amendment and the Replacement Revolver Note is, or when executed by the Borrower and delivered to the Bank will be, duly executed and constitute the valid and legally binding obligations of the Borrower, enforceable against the Borrower in accordance with their respective terms. The Borrower hereby ratifies and confirms the representations and warranties of the Borrower set forth in Article IV of the Agreement (as updated to reflect Borrower's most recent financial statements) as being true and correct on the date hereof.

7. Borrower Remains Liable. Nothing contained herein shall release, satisfy or extinguish any existing obligations of Borrower to Bank. Borrower hereby confirms that each of the existing loan documents and all collateral, liens, mortgages, security interests and pledges created by Borrower and described therein continue unimpaired and in full force and effect.

8. Indemnity. Borrower agrees to indemnify Bank from and against any and all claims, losses and liabilities growing out of or resulting from this Amendment.

9. Waivers. The Bank waives any default or Event of Default existing on or prior to the date hereof which is cured or which would not have occurred or arisen if the amendments set forth herein had taken retroactive effect on the date of the Agreement.

10. Incorporation of Amendment. The parties hereto acknowledge and agree that this Amendment is incorporated into and made a part of the Agreement and the other existing loan documents, the terms and provisions of which, unless expressly modified herein, or unless no longer applicable by their terms, continue unchanged and in full force and effect. To the extent that any term or provision of this Amendment is or may be deemed expressly inconsistent with any term or provision in the Agreement and the other existing loan documents, the terms and provisions hereof shall control.

11. Miscellaneous.

(a) Headings. The section headings contained in this Amendment are included for convenience of reference only and shall not be used to interpret any provision of this Amendment.

(b) Governing Law. The laws of the State of New Jersey shall govern the construction of this Amendment and the rights and remedies of the parties thereto. The provisions hereof are severable and the validity or unenforceability of any provision shall not affect or impair the remaining provisions which shall continue in full force and effect. This Amendment shall bind the parties hereto and their respective successors and assigns.

(c) Modifications. No modification hereof or any agreement referred to herein shall be binding or enforceable unless in writing and signed on behalf of the party against whom enforcement is sought.

(d) Third Parties. No rights are intended to be created hereunder for the benefit of any third party, creditor or incidental beneficiary.

IN WITNESS WHEREOF, the parties have caused the Amendment to
be executed as of the date first above written.

ATTEST: DATARAM CORPORATION,
a New Jersey corporation

By: ROBERT TARANTINO By: MARK MADDOCKS

Print Name and Title Print Name and Title

Robert Tarantino Mark Maddocks
Pres & CEO Vice President, Finance

[Signatures Continued on Next Page]

ATTEST: NEW JERSEY NATIONAL BANK

By: OLIVER B. TAYLOR By: STEPHEN F. BAYER

Print Name and Title Print Name and Title
Oliver B. Taylor Stephen F. Bayer
Vice President Vice President

REPLACEMENT
REVOLVER NOTE

\$12,000,000.00

Princeton, New Jersey
November __, 1996

FOR VALUE RECEIVED, DATARAM CORPORATION, a New Jersey corporation, having an address at Route 571, Princeton Road, West Windsor Township, New Jersey 08543 ("Borrower"), promises to pay to the order of NEW JERSEY NATIONAL BANK, a national banking association, having its principal office at 360 Scotch Road, Pennington, NJ 08034 ("Bank"), at its offices or at such other address as may hereafter be specified by Bank, in lawful money of the United States of America, the principal sum of TWELVE MILLION DOLLARS (\$12,000,000.00) (the "Loan"), together with interest thereon at the rate or rates and in the installments and at the times hereinafter provided.

1. Definitions. Whenever used in this Replacement Revolver Note, the following words and phrases shall have the respective meanings ascribed to them below.

(A) "Adjusted LIBO Rate" - means the LIBO Rate plus the Applicable Margin.

(B) "Adjusted Prime Rate" - means the Prime Rate minus the Applicable Margin.

(C) "Applicable Margin" - means, for Prime Rate Tranches 0.75% per annum and for LIBOR Tranches 1.00% per annum.

(D) "Applicable Treasury Bond Obligation(s)" - means the debt obligation(s) of the United States Treasury having a maturity date(s) nearest in time to the maturity date(s) of the principal being prepaid and the maturity date(s) and yield(s) to maturity of such Applicable Treasury Bond Obligation(s) shall be determined by Bank in its sole discretion on the basis of quotations published in the Wall Street Journal (or comparable source) on the date of prepayment.

(E) "Assessment Rate" - means, for any elected LIBOR Interest Period for any LIBOR Tranche, the actual rate (rounded upwards, if necessary, to the nearest 1/100 of 1%) at which premiums for Federal deposit insurance (if any) are then charged during such LIBOR Interest Period to CoreStates Bank, N.A. for Dollar time deposits with CoreStates Bank, N.A. at its foreign branch.

(F) "Bank" as defined in the introductory paragraph hereof.

(G) "Borrower" - as defined in the introductory paragraph hereof.

(H) "Business Day" - means any day other than a Saturday, Sunday, or other day on which commercial banks in New Jersey are State of New Jersey.

(I) "Contract Right" - as defined in Section 7 hereof.

(J) "Default" - means and refers to any event, act or occurrence, which with the passing of time or the giving of notice or both, would constitute an Event of Default as defined in the Loan Agreement.

(K) "Default Rate" - as defined in Section 7 hereof.

(L) "Dollars" and "\$" - mean lawful money of the United States of America.

(M) "Effective Date" - means, for the Prime Rate Tranche, the date on which a Prime Rate Interest Period commences,

pursuant to Section 3 hereof, for the LIBOR Tranche, the date Borrower designates as the date on which a LIBOR Interest Period is to commence pursuant to Section 3 hereof.

(N) "Eurocurrency Reserve Requirement" - means, for any LIBOR Tranche for any LIBOR Interest Period relating thereto, the daily average of the stated maximum rate (expressed as a decimal) at which reserves (including any marginal, supplemental, or emergency reserves) are required to be maintained during such LIBOR Interest Period under Regulation D by a member bank of the Federal Reserve System against "Eurocurrency liabilities" (as such term is used in Regulation D) but without benefit of or credit for proration, exemptions, or offsets that might otherwise be available to such member bank from time to time under Regulation D. Without limiting the effect of the foregoing, the Eurocurrency Reserve Requirement shall reflect any other reserves required to be maintained by such member bank against (1) any category of liabilities which includes deposits by reference to which the LIBOR Interest Rate for LIBOR Tranches is to be determined or (2) any category of extension of credit or other assets that include LIBOR Tranches.

(O) "Event of Default" - shall mean an Event of Default as defined in the Loan Agreement.

(P) "Interest Period" - means any period during which the Interest Rate is the Adjusted Prime Rate, or any Adjusted LBO Rate, as appropriate.

(Q) "Interest Rate" - means the Adjusted LBO Rate and the Adjusted Prime Rate, or the Default Rate, as appropriate.

(R) "LIBOR Interest Period" - for a LIBOR Tranche means a period of time, beginning on an Effective Date, of 30, 60 or 90 days in length, selected by Borrower - by telephone or in writing (and if by telephone, confirmed by Borrower the same day by facsimile), during which the Interest Rate for such LIBOR Tranche is the Adjusted LBO Rate. If a LIBOR Interest Period would

otherwise end on a day that is not a Business Day, such LIBOR Interest Period shall be extended to the next Business Day, unless such Business Day would fall in the next calendar month, in which event such LIBOR Interest Period shall end on the immediately preceding Business Day.

(S) "LBO Rate" - means, for each LIBOR Tranche, the rate per annum (rounded upwards, if necessary, to the nearest 1/16th of 1%) determined by Bank according to the following formula:

$$R = X + Z$$

$$\frac{1-Y}{}$$

where R = LBO Rate

X = London Interbank Offered Rate for such LIBOR

Tranche for the applicable LIBOR Interest Period

Y = Eurocurrency Reserve Requirement for such LIBOR

Tranche for the applicable LIBOR Interest Period

Z - the Assessment Rate (if applicable).

(AA) "LIBOR Tranche" - means each portion of the Loan to which an Adjusted LBO Rate applies.

(AB) "Loan" - as defined in the introductory paragraph hereof.

(AC) "Loan Documents" - means that certain term note or notes executed by Borrower to Bank which, in the aggregate does not exceed Three Million Five Hundred Thousand Dollars (\$3,500,000.00), this Replacement Revolver Note in the principal amount of Twelve Million Dollars (\$12,000,000.00), that certain Loan Agreement dated of even date herewith between Borrower and Bank and any and all other documents executed by Borrower in

connection with the Loan.

(AD) "London Business Day" - means any Business Day on which commercial banks, are open for international business (including dealing in Dollar deposits) in London, England and New Jersey.

(AE) "London Interbank Offered Rate" - applicable to any elected LIBOR Interest Period for a LIBOR Tranche means the rate per annum (rounded upwards, if necessary, to the nearest 1/16th of 1%) quoted by the principal London branch of CoreStates Bank, N.A. two London Business Days prior to the first day of such LIBOR Interest Period for the offering to leading banks in the London interbank market of Dollar deposits in immediately available funds for a period, and in an amount, comparable to the LIBOR Interest Period and principal amount of the LIBOR Tranche which shall be made by Bank and/or be outstanding during such LIBOR Interest Period.

(AF) "Material Adverse Effect" - has the meaning given such term in the Loan Agreement.

(AG) "Maturity Date" - as defined in Section 3 hereof.

(AH) "Operating Account" - has the meaning given to such term in Section 3 hereof.

(AI) "Person" - has the meaning given such term in the Loan Agreement.

(AJ) "Prime Rate" - means for each day, the lending rate set and announced by Bank from time to time for purposes of fixing interest rates on various categories of loans which Bank determines are to be tied to such Prime Rate. The Prime Rate is not necessarily the lowest rate of interest which Bank charges any of its customers.

(AK) "Prime Rate Interest Period" - for a Prime Rate Tranche, means a period of time beginning with an Effective Date, of 365 days in length, selected by Borrower by telephone or in writing (and if by telephone, confirmed by Borrower the same day by facsimile) during which the Interest Rate for such Prime Rate Tranche is the Adjusted Prime Rate. If the Prime Rate Interest Period would otherwise end on a day that is not a Business Day, such Prime Rate Interest Period shall be extended to the next Business Day, unless such Business Day would fall into the next calendar month, in which event such Prime Rate Interest Period shall end on the immediately preceding day.

(AL) "Prime Rate Tranche" - means each portion of the Loan to which the Adjusted Prime Rate applies.

(AM) "Regulation D" - means Regulation D of the Board of Governors of the Federal Reserve System as amended or supplemented from time to time.

2. Interest Rate.

(A) The principal sum outstanding from time to time hereunder shall bear interest from the date or dates advanced until the date repaid at a rate equal to the Adjusted Prime Rate. The Adjusted Prime Rate shall change simultaneously with each change in the Prime Rate.

(B) Notwithstanding the foregoing, at any time up to that date which is 90 days prior to the Maturity Date, provided no Event of Default or Default has occurred, Borrower shall have the option to fix the interest rate on portions of the Loan of TWO HUNDRED THOUSAND DOLLARS (\$200,000.00) or more, in a minimum of TWO HUNDRED THOUSAND DOLLARS (\$200,000.00) at the Adjusted LIBO Rate, subject to Bank's ability to secure such funds for such periods.

(C) Borrower may exercise the option to have portions of the Loan from time to time bear interest at the Adjusted LIBO Rate by giving Bank written notice (which shall be irrevocable), by

telephone or in writing, by 10:00 A.M. at least two London Business Days before each proposed LIBOR Tranche, specifying the date and the amount of the proposed LIBOR Tranche and the length of the proposed LIBOR Interest Period. Borrower will confirm any telephonic notice of a proposed LIBOR Tranche the same day by facsimile copy.

(D) The interest due on the Loan shall be payable as provided in Section 3 below.

3. Interest and Principal Payments; Maturity Date.

(A) Prime Rate Loans. Borrower shall pay interest in arrears on the unpaid principal amount of the Prime Rate Tranche, from the date on which the Prime Rate Tranche is created until such principal amount has been repaid in full, or converted to a LIBOR Tranche, as the case may be, (1) every thirty (30) days after the Effective Date of such Prime Rate Tranche and (2) on the Maturity Date, at the Adjusted Prime Rate.

(B) Conversions to LIBOR Tranches. By notifying Bank at least two (2) London Business Days prior to an Effective Date, Borrower may convert into a LIBOR Tranche all or any part of any Prime Rate Tranche at any time in a minimum principal amount of \$200,000.00. At the end of the applicable LIBOR Interest Period, the LIBOR Tranche will convert to a Prime Rate Tranche unless Borrower notifies Bank at least two (2) London Business Days before the end of the existing LIBOR Interest Period that Borrower is electing to continue all or any part of the tranche as a LIBOR Tranche and is selecting a new LIBOR Interest Period.

(C) Libor Tranches. Borrower shall pay interest in arrears on the unpaid principal amount of each LIBOR Tranche at the Adjusted LIBO Rate for such LIBOR Tranche from the date on which such LIBOR Tranche is created until such principal amount has been paid in full, or converted to a Prime Rate Tranche, as the case may be, (1) every 30 days after the Effective Date of such LIBOR Tranche, and (2) on the Maturity Date at the adjusted LIBO Rate.

(D) Principal Repayment. Borrower shall repay the outstanding principal balance of the Loan, all accrued and unpaid interest thereon and any other sums then outstanding hereunder or under the Loan Documents on October 31, 1998 (the "Maturity Date"). Notwithstanding the foregoing, any principal amount outstanding hereunder in excess of \$6,000,000 on October 31, 1997 shall be repaid on that date.

(E) Operating Account. Borrower covenants and agrees to maintain an operating account with Bank at all times during which any portion of the Loan remains outstanding (the "Operating Account"). Borrower hereby authorizes Bank to charge the Operating Account for all payments hereunder as they become due. Borrower agrees to keep in the Operating Account sufficient amount to make such payments as and when they come due. Bank's failure to so charge the Operating Account in order to satisfy Borrower's payment obligations hereunder shall not relieve Borrower's obligations to make all such payments. In the event that Borrower shall fail to maintain a sufficient balance in the Operating Account to satisfy a payment obligation on the date such payment becomes

due, Borrower shall continue to be obligated to make such payment and, if such payment is not made by Borrower in some other manner on or before the date such payment becomes due, such failure

shall constitute an Event of Default hereunder. All payments received by Bank from Borrower shall be applied in the following order: (a) to the payment of fees and other costs and expenses then due and owing from Borrower, (b) to the payment of accrued and unpaid interest then due, (c) to the payment of any outstanding principal hereunder.

(F) Interest Calculation. Both before and after any default, interest shall be calculated on the basis of a 360 day year but charged on the basis of the actual number of days elapsed in any calendar year or part thereof.

4. Prepayments.

(A) Borrower may prepay the Prime Rate Tranches in whole or in part at any time and from time to time in a minimum amount of Two Hundred Thousand Dollars (\$200,000.00).

(B) Borrower may, at any time, prepay the principal balance of a LIBO Rate Tranche in whole or in part, provided that Borrower simultaneously therewith pays to Bank a prepayment premium equal to the amount, if any, by which (a) the principal being prepaid plus the installments of interest which would have been payable thereon when discounted to a present value at a rate per annum equal to the yield to maturity of the Applicable Treasury Bond Obligation(s) exceed(s) (b) the principal amount being prepaid. Borrower agrees to pay prepayment premium as calculated in the foregoing sentence upon any prepayment of the LIBOR Tranche, whether voluntary, required by Bank in connection with any acceleration of the indebtedness hereunder upon the occurrence of an Event of Default, or as otherwise required under this Replacement Revolver Note. A determination of Bank as to the amounts payable pursuant to this Section 4(B) shall be conclusive absent manifest error.

5. Late Charges. If any installment of principal or interest or both hereunder or other payment required to be made by Borrower under the other Loan Documents is not paid within ten (10) days after becoming due, Borrower shall pay to Bank on demand a late charge of five percent (5%) of such overdue amount to reimburse Bank for the additional expenses to be incurred as a result of such delinquency, but such late payment fee shall not obligate Bank to accept any overdue payment hereunder nor limit the rights and remedies available to Bank as a result of Borrower's default, as hereinafter provided. The amount of any such late charge not paid promptly following demand shall be deemed outstanding and payable pursuant to this Replacement Revolver Note.

6. Event of Default. An Event of Default shall mean an Event of Default as defined in the Loan Agreement .

7. Default Rate. Upon the occurrence of an Event of Default hereunder, the interest rate otherwise payable hereunder (the "Contract Rate") shall increase immediately and without notice

and thereafter shall be payable at a rate of three percent (3%) per annum in excess of the Contract Rate (said higher rate is hereinafter called the "Default Rate"), until the Event of Default has been cured, or in the event the principal of this Replacement Revolver Note has been accelerated, until this Replacement Revolver Note is paid in full, including the period following entry of any judgment on or relating to this Replacement Revolver Note or the other Loan Documents. Interest on any such judgment shall accrue and be payable at the Default Rate, and not at the statutory rate of interest, after judgment, any execution thereon, and until actual receipt by the holder of payment in full of this Replacement Revolver Note and said judgment. Interest at the Default Rate shall be collectible as part of any judgment hereunder and shall be secured by the other Loan Documents.

8. Remedies. Upon the occurrence of an Event of Default, the Bank shall be entitled to exercise all remedies available to it under the terms of the Loan Agreement.

9. Accounts. Borrower hereby covenants and agrees that while the Loan is outstanding it will maintain all of its bank accounts with Bank.

10. Waivers by Borrower, Cumulative Remedies.

(A) Borrower hereby waives presentment for payment, demand, notice of non-payment, notice of protest and protest of this Replacement Revolver Note. The Borrower hereby consents to any and all extensions of time, renewals, waivers or modifications that may be granted by the Bank with respect to the payment or other provisions of this Replacement Revolver Note, and agrees that additional obligors may become parties hereto without notice to the Borrower without affecting the Borrower's liability hereunder.

(B) Borrower hereby waives-the benefit of any laws which now or hereinafter might otherwise authorize the stay of any execution to be issued on any judgment covered on this Replacement Revolver Note. Borrower hereby waives its right to trial by jury in connection with a portion of this Replacement Revolver Note or under the loan agreement or any other document executed in connection with this Loan and any legal proceeding arising hereunder or thereunder.

(C) No failure or delay on the part of the Bank in exercising any right, power or privilege under this Replacement Revolver Note and no course of dealing between the Borrower and the Bank shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise of any right, power or privilege that the Bank would otherwise have. No notice to, or demand on, the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances would constitute a waiver of the right of the Bank to any other or further action and any circumstances without notice or demand.

11. Costs and Expenses. The Borrower agrees, in accordance with the terms of the Loan Agreement, to pay all costs and expenses of the Bank incurred in order to enforce any remedy available to the Bank under this Replacement Revolver Note, the Loan Agreement or any Loan

Document.

12. Reimbursement to Bank for Increased Costs Due to Capital Adequacy Requirements. If after the date hereof any change in law or regulation or the interpretation thereof by any court or administrative or governmental authority charged with the administration thereof, or compliance by Bank with any request or directive (whether or not having the force of law) of any such authority, applicable from time to time now or after the date hereof to banks in general, shall (A) impose, modify, deem applicable or result in the application of any capital maintenance, capital ratio or similar requirements against loan commitments or other facilities made by Bank and the result thereof shall be to impose upon Bank a fee or a requirement to increase any capital requirement applicable as a result of the making or maintenance of the Loan (which imposition of or increase in capital requirements may be determined by Bank's reasonable allocation of the aggregate of such capital impositions or increases), or (B) subject Bank to any tax, duty or other charge with respect to the Loan, the Replacement Revolver Note, or change the basis of taxation of payments to Bank of the principal of or interest on the Loan or any other amounts due under this Agreement, in respect of the Loan (except

for changes in the rate of tax on the overall net income of Bank imposed by any jurisdiction in which Bank is obligated to pay taxes), then, upon demand by Bank, Borrower shall immediately pay to Bank from time to time as specified by Bank, such additional amounts or fees which shall be sufficient to compensate Bank for such impositions of or increases in capital requirements or taxes from the date of such change, together with interest on each such amount from the date demanded until payment in full thereof at the Default Rate with respect to amounts or fees not paid when due. Upon the occurrence of any event referred to above, a certificate setting forth in reasonable detail the amounts necessary to compensate Bank as a result of an imposition of or increase in capital requirements or taxes submitted by Bank to Borrower shall be conclusive, absent manifest error or bad faith, as to the amount thereof.

13. Special Provisions of LIBOR Tranches.

(A) Unavailability of Funds and Indeterminate Interest Rates. If on or before the date Bank is to make any LIBOR Tranche or on or before any Effective Date (1) Bank determines in good faith that it is unable to obtain funds at the LIBO Rate for the elected Interest Period for any reason, including, but not limited to the unavailability of funds at such rate, any change in existing law, any new law, the length of such Interest Period, or otherwise or (2) Bank determines in good faith that no adequate means exists to determine the LIBO Rate for such Interest Period, then, at Bank's option, Borrower shall be deemed to have requested a Prime Rate Tranche or shall be required to elect an Interest Period of a length for which Bank may obtain funds at the rate the adjustment of which determines the LIBO Rate.

(B) Changes Affecting Ability to Maintain Funds. If, during any Interest Period, any change in existing law, any new law, or any other factor beyond the control of Bank prevents Bank in its good faith determination from maintaining funds at the rate the adjustment of which determines the LIBO Rate for such Interest Period and requires Bank to cease so maintaining funds actually so

maintained prior to termination of such Interest Period, then on the date of such required cessation, Borrower shall be required to specify a different Interest Rate for such Interest Period or, in the alternative, to elect an Interest Period of a length for which Bank may maintain funds at the rate the adjustment of which determines the LIBO Rate. In addition, within five days after Bank notifies Borrower of such required conversion, Borrower shall reimburse Bank for any loss or expense Bank has certified in writing to Borrower that Bank has incurred as a result of any such required cessation.

14. Interest Limitation; Severability.

(A) Nothing herein contained nor any transaction related hereto shall be construed or shall operate either presently or prospectively to require Borrower to pay interest at a rate greater than is now lawful in such case to contract for, but shall require payment of interest only to the extent of such lawful rate. Any interest paid in excess of the lawful rate shall be refunded to Borrower. Such refund shall be made by application of the excessive amount of interest paid against any sums outstanding hereunder, in which event any applicable prepayment premium shall be waived with respect to the amount so prepaid, and shall be applied in such order as Bank may determine. If the excessive amount of interest paid exceeds the sums outstanding hereunder, the portion exceeding the said sums outstanding hereunder shall be refunded in cash by Bank. Any such crediting or refund shall not cure or waive any default by Borrower hereunder or under the other Loan Documents. Borrower agrees, however, that in determining whether or not any interest

payable hereunder exceeds the highest rate permitted by law, any non-principal amount (except payments specifically stated herein to be "interest"), including, without limitation, late charges, shall be deemed, to the extent permitted by law, to be an expense, fee, premium or penalty rather than interest.

(B) In the event that for any reason one or more of the provisions of this Replacement Revolver Note or their application to any person or circumstance shall be held to be invalid, illegal or unenforceable in any respect or to any extent, such provisions shall, to such extent, be held for naught as though not herein contained but shall nevertheless remain valid, legal and enforceable in all such other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provisions of this Replacement Revolver Note, but this Replacement Revolver Note shall be construed as if such invalid, illegal or unenforceable provisions had never been contained herein.

15. Notices. All notices, requests, demands or other communications to or upon the Borrower or the Bank shall be deemed to have been given or made when hand delivered or deposited in the mail by certified mail, return receipt requested, postage prepaid, addressed to the Borrower or the Bank, as the case may be, at their respective addresses indicated herein or at such other addresses as the Borrower or the Bank may hereafter specify in writing to the other, except that any communication with respect to a change of address shall be deemed to be given or made when received by the Borrower or the Bank to whom such communication was sent.

16. Successors and Assigns. This Replacement Revolver Note is binding upon the

Borrower and its successors and assigns except that Borrower shall not have the right to assign its rights or obligations hereunder or any interest herein.

17. Amendment. This Replacement Revolver Note may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

18. Governing Law. This Replacement Revolver Note has been executed and delivered in the State of New Jersey and shall be construed and enforced in accordance with the laws of the State of New Jersey.

19. Captions. The captions or headings of the sections in this Replacement Revolver Note are for convenience only and shall not control or effect the meaning or construction of any term or provision of this Replacement Revolver Note.

IN WITNESS WHEREOF, the Borrower has executed this Replacement Revolver Note as of the date and year first above written.

ATTEST: DATARAM CORPORATION,
a New Jersey corporation

By: ROBERT TARANTINO

By: MARK MADDOCKS

Print Name and Title

Print Name and Title

Robert Tarantino
President & CEO

Mark Maddocks
Vice President, Finance

Unpaid
Principal

Date	Amount of Loan	Amount of Principal Prepaid	Balance of Revolving Credit Note	Name of Person Making Notation
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