

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, 2004.

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: NONE

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

Common Stock, \$1.00 Par Value

(Title of Class)

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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.

Indicate by check mark whether registrant is an accelerated filer (as defined by Rule 12b-2 of the Act). Yes No

The aggregate market value of the Common Stock held by non-affiliates of the registrant on July 23, 2004 was \$54,169,042.

The number of shares of Common Stock outstanding on July 23, 2004 was 7,861,980 shares.

DOCUMENTS INCORPORATED BY REFERENCE:

(1) Definitive Proxy Statement for Annual Meeting of Shareholders to be held on September 14, 2004 (the "Definitive Proxy Statement") to be filed within 120 days of the end of the fiscal year.

(2) 2004 Annual Report to Security Holders

DATARAM CORPORATION
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PART I

Item 1. BUSINESS

(a) General Development of Business.

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 computers manufactured by Sun Microsystems, Inc. ("Sun"), Hewlett-Packard Company ("HP"), Silicon Graphics, Inc. ("SGI"), International Business Machines Corporation ("IBM") and Dell Corporation ("Dell"). The Company also manufactures a line of memory products for Intel motherboard based servers for sale to OEMs and channel assemblers.

The Company's memory products are sold worldwide to original equipment manufacturers, distributors, value-added resellers and end users. The Company has a manufacturing facility in the United States with sales offices in the United States, Europe and Japan.

The Company is an independent memory manufacturer specializing in high capacity memory and competes with several other large independent memory manufacturers as well as the original equipment manufacturers mentioned above. The primary raw material used in producing memory boards is dynamic random access memory ("DRAM") chips. The purchase cost of DRAM chips typically represents approximately 75% 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. At the end of fiscal 2003, the Company exited the market for desktop, notebook and flash memory (PC memory) and closed its manufacturing facility in Aarhus, Denmark. In fiscal 2004, the Company's revenues were derived solely from sales of compatible memory for high performance servers and workstations and from sales of customized memory for OEMs. Revenues for fiscal 2004 were \$62.0 million compared to \$53.5 million in fiscal 2003. The growth in revenue came primarily from sales to OEMs, which accounted for approximately 36% of revenue in fiscal 2004, compared to approximately 16% in fiscal 2003. Revenues from the sale of memory for the compatibles market grew by approximately 5% to approximately \$39.7 million in fiscal 2004 from fiscal 2003. Overall volume as measured by gigabytes shipped increased by approximately 25% in fiscal 2004 from fiscal 2003. Average selling price per gigabyte declined by approximately 8% in fiscal 2004 compared to the prior year.

During the year, the Company had positive cash flow from operating activities and remained debt free. After the close of the fiscal year, the Company established a \$5,000,000 line of credit with a major bank.

Dataram 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 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>.

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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, Dataram has been forced to invest substantial working capital resources in building and maintaining inventory. At such times Dataram has bought DRAMs in excess of its customers' needs in order to ensure future allocations from DRAM manufacturers. Dataram believes 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, Dataram may not be able to obtain sufficient DRAMs to meet customers' needs in the short term, and Dataram 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. Dataram is

often required to maintain substantial inventories during periods of shortage and allocation. During periods of increasing availability of DRAM and rapidly declining prices, Dataram has been forced to write down inventory. At the present time, the market is one of oversupply, and Dataram seeks to maintain a minimum inventory while meeting the needs of customers. But there can be no assurance that Dataram will not suffer losses in the future based upon high inventories and declining DRAM prices.

OUR MEMORY PRODUCTS MAY VIOLATE OTHERS' PATENTS. Certain of Dataram's memory products are designed to be used with proprietary computer systems built by various OEM manufacturers. Dataram often has to comply with 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 the policy of Dataram to, in unclear cases, either obtain an opinion of patent counsel prior to marketing, or obtain a license from the patent holder. Dataram is presently licensed by Sun Microsystems and Silicon Graphics to sell memory products for their principal 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 Dataram's 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 Dataram's existing products do not violate one or more existing patents.

WE FACE COMPETITION FROM OEMs. Dataram sells its 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 Dataram believes that with its manufacturing efficiency and low overhead it still would be able to compete favorably with OEMs, in such an event profit margins and earnings would be adversely affected. Also, OEM's can choose to use "free memory" as a promotional device in which case the Company's ability to compete is severely impaired.

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WE MAY LOSE AN IMPORTANT CUSTOMER. During fiscal 2004, one customer, SGI, accounted for approximately 22% of the Company's revenue and the largest ten customers accounted for approximately 52% of the Company's revenue. There can be no assurance that one or more of these customers will cease or materially decrease their business with the Company in the future and that Dataram's financial performance will not be adversely affected thereby.

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 computer manufacturers and large distributors and as such compete with the Company on a limited basis. There can be no assurance that DRAM manufacturers will not continue to expand their market and customer base. In such a case, they would become a more direct competitor to the Company and our profit margins and earnings could be adversely affected.

THE MARKET FOR OUR PRODUCTS MAY NARROW OVER TIME. A principal market of Dataram is the manufacturers, buyers and owners of workstations and enterprise servers, classes of machines lying between large mainframe computers and personal computers. The trend has been observed that 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 Dataram competes 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.

WE MAY MAKE UNPROFITABLE ACQUISITIONS. While the Company is not currently engaged in discussions which could lead to an acquisition, 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.

A PORTION OF OUR OPERATIONS ARE DESIGNED TO MEET THE NEEDS OF THE VERY COMPETITIVE INTEL 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 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 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.

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OUR STOCK HAS LIMITED LIQUIDITY. Although the stock of Dataram is publicly traded, it has been observed that this market is "thin." As a result, Dataram's 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 Dataram is unlikely to occur. As a result, hostile transactions which might be of benefit to shareholders may not occur because of this statute.

(b) Financial Information about Industry Segments.

The Company operates in one industry segment.

(c) Narrative Description of Business.

Dataram develops, manufactures and markets a variety of memory products for use with workstations and enterprise servers, including those sold by Sun, HP (including Compaq), SGI, IBM and Dell. The Company sells memory products both for new machines and for the installed base of these classes of computers at prices less than the computer manufacturer. The Company also develops, manufactures and markets memory boards for Intel processor based motherboards, principally based on sales to OEMs and distributors.

Industry Background

The market for the Company's memory products is principally OEMs, buyers and owners of workstations and enterprise servers. 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, a new class of computer system, the enterprise server, has emerged.

Enterprise 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.

Dataram designs, produces and markets memory products for workstations and servers sold by Sun, HP (including Compaq), Silicon Graphics, IBM and Dell. Additionally, the Company produces and markets memory for Intel 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.

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Business Strategy

Market Growth

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. While the past several fiscal years had resulted in negative growth as measured by revenue for memory, management estimates that long-term growth trends measured by revenue in the market for its products has resumed. That trend changed in the current fiscal year as demand for information technology products recovered.

Market Penetration

In addition to the growth in the market, management estimates that sales by system vendors constitute 80% of the memory market. Thus, there is an opportunity for growth through penetration of the system vendor's market share. To successfully compete with system vendors, Dataram must continue to respond to customers' needs in a short time frame. To support customers' needs, the Company has a dedicated and highly automated manufacturing facility that is designed to produce and ship customer orders within twenty-four hours or less.

Products

The Company's principal business is the development, manufacture and marketing of memory products which can be added to 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 Dataram and other independent memory manufacturers is straightforward and allows for the use of many standard components.

Distribution Channels

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

Product Warranty and Service

Management believes that the Company's reputation for the reliability of its memory products and the confidence of prospective purchasers in Dataram'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 Dataram's memory equipment is attached is almost always substantially less than the physical useful life of the equipment itself. Thus, memory systems 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.

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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 and the Company must invest heavily in inventory in order to continue to be assured of the supply of DRAMs from vendors. During a period of shortage, the Company must maintain larger cash reserves than it would in a period of oversupply. At the present time, the market for DRAMs is one of oversupply. At April 30, 2004, the Company had cash and cash equivalents of \$6.8 million and had no debt.

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 Dataram to increase its margins somewhat.

Engineering and Development

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. Dataram designs prototype memory products and subjects them to reliability testing procedures. During its fiscal year ended April 30, 2004, the Company incurred costs of \$1,284,000 for engineering and product development, \$1,539,000 in fiscal 2003 and \$1,839,000 in fiscal 2002.

Raw Materials

The Company purchases standard dynamic random access memory ("DRAM") chips. The costs of such chips is approximately 75% of the total cost of memory products. Fluctuations in the availability or prices of memory chips can have a significant impact on the Company's profit.

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

Manufacturing

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

Backlog

The Company expects that all backlog on hand will be filled during the current fiscal year. The Company's backlog at April 30, 2004 was \$4,682,000 and at April 30, 2003 was \$665,000.

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. Dataram competes with Sun, HP (including Compaq), Silicon Graphics, IBM and Dell, as well as with a number of third party memory suppliers, including Kingston Technology.

Although many of Dataram'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. Dataram'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. Dataram must continue low cost, high volume production while remaining flexible to satisfy the time-to-market requirement.

The Company believes that its 37-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 and service program which provides customers with added confidence in buying from Dataram. 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, 2004, the Company had 122 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.

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Environment

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 2005) or the succeeding fiscal year (fiscal 2006).

(d) Financial Information about Foreign and Domestic Operations

and Export Sales.

Fiscal	REVENUES (000's)			
	U.S.	Export Europe	Other	Consolidated
2004	\$43,780	10,994	7,210	\$61,984
2003	\$29,495	13,180	10,854	\$53,529
2002	\$39,296	27,131	14,763	\$81,190

Fiscal	PERCENTAGES			
	U.S.	Export Europe	Other	Consolidated
2004	70.6%	17.8%	11.6%	100.0%
2003	55.1%	24.6%	20.0%	100.0%
2002	48.4%	33.4%	18.2%	100.0%

Item 2. Properties

The Company occupies approximately 24,000 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, 2006.

The Company leases a 32,000 square foot assembly plant in Bucks County, Pennsylvania. The lease expires on January 31, 2006 and the Company has a two-year renewal option.

The Company also leases marketing facilities in The United Kingdom, Denmark, Germany, and Japan.

On September 29, 1980, the Company purchased approximately 81 acres of undeveloped property in West Windsor Township, New Jersey. The purchase price of \$875,000 was paid in cash. The Company has entered into a contract to sell this property for \$3,000,000. Closing of the sale is subject to several material contingencies and no assurance can be given that this sale will, in fact, close.

Item 3. Legal Proceedings

Lemelson Medical, Education & Research Foundation, Limited Partnership vs. Dataram et al., United States District Court for the District of Arizona; Docket No. CV-01-1440-PHX-HRH.

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This is a patent infringement case in which a holder of certain "Lemelson" patents brought an action in the Federal District Court for the District of Arizona against numerous defendants in the electronics industry, including the Company in November of 2001. Dataram has acknowledged service of the complaint but has not answered the complaint because the Court has stayed its further prosecution pending the results of a similar Nevada case involving the same patents. The case is in its very early stages. The alleged patent infringement does not implicate the Company's products, but rather the machinery that manufactures them, and if the case resumes it is anticipated that the sellers of that machinery would be joined by the Company.

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 and Related

Stockholder Matters

Incorporated by reference herein is the information set forth in the Company's 2004 Annual Report to Security Holders under the caption "Common Stock Information" at page 5 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 stock offering during the fourth quarter and no shares were repurchased during the fourth quarter.

Item 6. Selected Financial Data

Incorporated by reference herein is the information set forth in the 2004 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 Operations

Incorporated by reference herein is the information set forth in the 2004 Annual Report to Security Holders under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" at page 2 through page 5.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Incorporated by reference herein is the information set forth in the 2004 Annual Report to Security Holders under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" at page 5.

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Item 8. Financial Statements and Supplementary Data

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Consolidated Financial Statements:

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Consolidated Statements of Operations - Years ended April 30, 2004, 2003 and 2002	7
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Consolidated Statements of Cash Flows - Years ended April 30, 2004, 2003 and 2002	8
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Consolidated Statements of Stockholders' Equity and Comprehensive Income (Loss) - Years ended April 30, 2004, 2003 and 2002	9
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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.

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<TABLE>
Schedule II

DATARAM CORPORATION AND SUBSIDIARIES

Valuation and Qualifying Accounts

Years ended April 30, 2004, 2003 and 2002

Description	Balance at beginning of period	Additions charged to costs and expenses	Deduc- tions from reserves	Balance at close of period
<S>	<C>	<C>	<C>	<C>
Year ended April 30, 2004:				
Allowance for doubtful accounts	\$ 100,000	7,000	7,000*	100,000
Allowance for sales returns	\$ 220,000	584,000	584,000	220,000
Year ended April 30, 2003:				
Allowance for doubtful accounts	\$ 100,000	152,000	152,000*	100,000
Allowance for sales returns	\$ 220,000	405,000	405,000	220,000
Year ended April 30, 2002:				
Allowance for doubtful accounts	\$ 230,000	(65,000)	65,000*	100,000
Allowance for sales returns	\$ 220,000	657,000	657,000	220,000

*Represents write-offs and recoveries of accounts receivable.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Dataram Corporation:

Under date of June 3, 2004, we reported on the consolidated balance sheets of Dataram Corporation and subsidiaries as of April 30, 2004 and 2003, and the related consolidated statements of operations, stockholders' equity and

comprehensive income (loss), and cash flows for each of the years in the three-year period ended April 30, 2004, as contained in the April 30, 2004 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, 2004. 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. 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, 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.

As discussed in note 1 to the consolidated financial statements, the Company adopted the provisions of Statement of Financial Accounting Standards No. 141, "Business Combinations" for all business combinations consummated after June 30, 2001, and the provisions of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" effective May 1, 2001.

KPMG LLP

Short Hills, New Jersey
June 3, 2004

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Item 9. Changes In and Disagreements with Accountants on
Accounting and Financial Disclosure

Not Applicable.

Item 9A. Controls and Procedures

Dataram's management acting under the supervision of the Audit Committee is responsible for establishing and maintaining adequate internal controls and procedures to permit accurate financial reporting. During the past 90 days, Mr. Tarantino and Mr. Maddocks have evaluated those controls and procedures. Based upon this evaluation of the controls now in place, management believes that these internal controls and procedures are effective and there are no material weaknesses in those financial controls. There have been no significant changes in these controls since the date of this evaluation.

Item 9B. Other Information

New Line of Credit. As of June 21, 2004 the Company entered into a Loan Agreement with PNC Bank through June 21, 2006. The Company has not as of this date borrowed any money under this Agreement. Pursuant to the Agreement, the Company can borrow up to 75% of qualified accounts receivables (generally consisting of U.S. and Canadian accounts receivable less than 90 days old) up to a maximum amount of \$5,000,000. At the election of the Company, the interest rate is the bank's prime rate or LIBOR plus 2.5%. As security for any loans made under this Agreement, the Company has given a security interest in all of its personal property, including its accounts. Without the consent of the bank, the Company may not pay dividends nor expend more than \$1,000,000 a year in repurchasing its common stock. The Company

pays an annual commitment fee of .25% on the unused line.

PART III

Item 10. Directors and Executive Officers of the Registrant

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."

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 caption "Security Ownership of Certain Beneficial Owners and Management."

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."

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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 Schedule, and Reports on Form 8-K

(a) 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.

(b) Reports on Form 8-K:

1. Report filed on June 6, 2004 regarding annual earnings.

(c) Exhibits:

The Exhibit Index appears on page 18.

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 22, 2004 By: ROBERT V. TARANTINO

Robert V. Tarantino, 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 22, 2004 By: ROBERT V. TARANTINO

Robert V. Tarantino, President
Chief Executive Officer and
Chairman of the Board of Directors
(Principal Executive Officer)

Date: July 22, 2004 By: RICHARD HOLZMAN

Richard Holzman, Director

Date: July 22, 2004 By: THOMAS A. MAJEWSKI

Thomas A. Majewski,
Director

Date: July 21, 2004 By: BERNARD L. RILEY

Bernard L. Riley, Director

Date: July 22, 2004 By: ROGER C. CADY

Roger C. Cady, Director

Date: July 22, 2004 By: MARK E. MADDOCKS

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

EXHIBIT INDEX

- 3(a) Restated Certificate of Incorporation. Incorporated by reference from Exhibits to a Quarterly Report on Form 10-Q for the quarter ended July 31, 2000 and filed on September 13, 2000.
- 3(b) By-Laws. Incorporated by reference from Exhibits to an Annual Report on Form 10-K for the year ended April 30, 2003 and filed on July 26, 2003.
- 4(a) Loan Agreement with PNC Bank dated as of June 21, 2004
- 4(b) Committed Line of Credit Note with PNC Bank dated as of June 21, 2005.
- 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 and filed 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 and filed on July 26, 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 and filed on July 26, 2001.
- 10(d) Bucks County, Pennsylvania Lease dated January 31, 1995. Incorporated by reference from Exhibits to an Annual Report on Form 10-K for the year ended April 30, 2003 and filed on July 26, 2003.
- 10(e) Employment Agreement of Robert V. Tarantino dated May 1, 1997. Incorporated by reference from Exhibits to an Annual Report on Form 10-K for the year ended April 30, 2003 and filed on July 26, 2003.
- 10(f) Offer of Employment made to Lars Marcher dated July 12, 2002.
- 13(a) 2004 Annual Report to Shareholders
- 23(a) KPMG LLP Independent Accountants' Consent for S-8 Registration No. 33-56282
- 31(a) Section 906 Certification of Robert V. Tarantino (Furnished not Filed)
- 31(b) Section 906 Certification of Mark Maddocks (Furnished not Filed)
- 31(c) Section 1350 Certification of Robert V. Tarantino
- 31(d) Section 1350 Certification of Mark Maddocks

LOAN AGREEMENT

THIS LOAN AGREEMENT (the "Agreement"), is entered into as of June 21, 2004 between DATARAM CORPORATION, a corporation organized under the laws of the State of New Jersey (the "Borrower"), with an address at 186 Princeton Road, West Windsor, New Jersey 08550, and PNC BANK, NATIONAL ASSOCIATION (the "Bank"), with an address at Two Tower Center Boulevard, 16th Floor, East Brunswick, New Jersey 08816.

The Borrower and the Bank, with the intent to be legally bound, agree as follows:

1. Loan. The Bank has made or may make one or more loans (collectively, the "Loan") to the Borrower subject to the terms and conditions and in reliance upon the representations and warranties of the Borrower set forth in this Agreement. The Loan is or will be evidenced by a promissory note or notes of the Borrower and all renewals, extensions, amendments and restatements thereof (if one or more, collectively, the "Note") acceptable to the Bank, which shall set forth the interest rate, repayment and other provisions, the terms of which are incorporated into this Agreement by reference. The availability of advances under the Loan will be subject to a borrowing base formula and other provisions as set forth in a Borrowing Base Rider dated the same date as this Agreement between the Borrower and the Bank, the terms of which are incorporated herein by reference (the "Borrowing Base Rider"). At no time shall outstanding advances under the Loan exceed the Borrowing Base (as defined in the Borrowing Base Rider). Pursuant to the Borrowing Base Rider, the Borrower will be required to deliver periodic Borrowing Base Certificates, reporting on its accounts in accordance with defined eligibility standards, as a condition to advances under this Agreement.

2. Security. The security for repayment of the Loan shall include but not be limited to the collateral, guaranties and other documents heretofore, contemporaneously or hereafter executed and delivered to the Bank (the "Security Documents"), which shall secure repayment of the Loan, the Note and all other loans, advances, debts, liabilities, obligations, covenants and duties owing by the Borrower to the Bank or to any other direct or indirect subsidiary of The PNC Financial Services Group, Inc., of any kind or nature, present or future (including any interest accruing thereon after maturity, or after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding), whether direct or indirect (including those acquired by assignment or participation), absolute or contingent, joint or several, due or to become due, now existing or hereafter arising, whether or not (i) evidenced by any note, guaranty or other instrument, (ii) arising under any agreement, instrument or document, (iii) for the payment of money, (iv) arising by reason of an extension of credit, opening of a letter of credit, loan, equipment lease or guarantee, (v) under any interest or currency swap, future, option or other interest rate protection or similar agreement, (vi) under or by reason of any foreign currency transaction, forward, option or other similar transaction providing for the purchase of one currency in exchange for the sale of another currency, or in any other manner, or (vii) arising out of overdrafts on deposit or other accounts or out of electronic funds transfers (whether by wire transfer or through automated clearing houses or otherwise) or out of the return unpaid of, or other failure of the Bank to receive final payment for, any check, item, instrument, payment order or other deposit or credit to a deposit or other account, or out of the Bank's non-receipt of or inability to collect funds or otherwise not being made whole in connection with depository or other similar arrangements; and any amendments, extensions, renewals and increases of or to any of the foregoing, and all costs and expenses of the Bank incurred in the documentation, negotiation, modification, enforcement, collection and otherwise in connection with any of the foregoing, including reasonable attorneys' fees and expenses (hereinafter referred to collectively as the "Obligations"). Unless expressly provided to the contrary in documentation for any other loan or loans, it is the express intent of the Bank and the Borrower that all Obligations including those included in the Loan be cross-collateralized and cross-defaulted, such that collateral securing any of the Obligations shall secure repayment of all Obligations and a default under any Obligation shall be a default under all Obligations. This Agreement, the

Note, the Security Documents and all other agreements and documents executed and/or delivered pursuant hereto, as each may be amended, modified, extended or renewed from time to time, are collectively referred to as the "Loan Documents." Capitalized terms not defined herein shall have the meanings ascribed to them in the Loan Documents.

3. Representations and Warranties. The Borrower hereby makes the following representations and warranties, which shall be continuing in nature and remain in full force and effect until the Obligations are paid in full, and which shall be true and correct except as otherwise set forth on the Addendum attached hereto and incorporated herein by reference (the "Addendum"):

3.1. Existence, Power and Authority. The Borrower is duly organized, validly existing and in good standing under the laws of the State of its incorporation or organization and has the power and authority to own and operate its assets and to conduct its business as now or proposed to be carried on, and is duly qualified, licensed and in good standing to do business in all jurisdictions where its ownership of property or the nature of its business requires such qualification or licensing. The Borrower is duly authorized to execute and deliver the Loan Documents, all necessary action to authorize the execution and delivery of the Loan Documents has been properly taken, and the Borrower is and will continue to be duly authorized to borrow under this Agreement and to perform all of the other terms and provisions of the Loan Documents.

3.2. Financial Statements. Borrower has delivered or caused to be delivered to the Bank its most recent balance sheet, income statement and statement of cash flows (as applicable, the "Historical Financial Statements"). The Historical Financial Statements are true, complete and accurate in all material respects and fairly present the financial condition, assets and liabilities, whether accrued, absolute, contingent or otherwise and the results of the Borrower's operations for the period specified therein. The Historical Financial Statements have been prepared in accordance with generally accepted accounting principles ("GAAP") consistently applied from period to period, subject in the case of interim statements to normal year-end adjustments and to any comments and notes acceptable to the Bank in its sole discretion.

3.3. No Material Adverse Change. Since the date of the most recent Financial Statements (as hereinafter defined), the Borrower has not suffered any damage, destruction or loss, and no event or condition has occurred or exists, which has resulted or could result in a material adverse change in its business, assets, operations, condition (financial or otherwise) or results of operation.

3.4. Binding Obligations. The Borrower has full power and authority to enter into the transactions provided for in this Agreement and has been duly authorized to do so by appropriate action of its Board of Directors if the Borrower is a corporation, all its general partners if the Borrower is a partnership or otherwise as may be required by law, charter, other organizational documents or agreements; and the Loan Documents, when executed and delivered by the Borrower, will constitute the legal, valid and binding obligations of the Borrower enforceable in accordance with their terms.

3.5. No Defaults or Violations. There does not exist any Event of Default under this Agreement or any default or violation by the Borrower of or under any of the terms, conditions or obligations of: (i) its partnership agreement if the Borrower is a partnership, its articles or certificate of incorporation, regulations or bylaws if the Borrower is a corporation or its other organizational documents as applicable; (ii) any indenture, mortgage, deed of trust, franchise, permit, contract, agreement, or other instrument to which it is a party or by which it is bound; or (iii) any law, ordinance, regulation, ruling, order, injunction, decree, condition or other requirement applicable to or imposed upon it by any law, the action of any court or any governmental authority or agency; and the consummation of this Agreement and the transactions set forth herein will not result in any such default or violation or Event of Default.

3.6. Title to Assets. The Borrower has good and marketable title to the assets reflected on the most recent Financial Statements, free and clear of all liens and encumbrances, except for (i) current taxes and assessments not yet due and payable, (ii) assets disposed of by the Borrower in the

ordinary course of business since the date of the most recent Financial Statements, and (iii) those liens or encumbrances, if any, specified on the Addendum.

3.7. Litigation. Except as listed on the Addendum, there are no actions, suits, proceedings or governmental investigations pending or, to the knowledge of the Borrower, threatened against the Borrower, which could result in a material adverse change in its business, assets, operations, condition (financial or otherwise) or results of operations and there is no basis known to the Borrower for any action, suit, proceeding or investigation which could result in such a material adverse change. All pending and threatened litigation against the Borrower is listed on the Addendum.

3.8. Tax Returns. The Borrower has filed all returns and reports that are required to be filed by it in connection with any federal, state or local tax, duty or charge levied, assessed or imposed upon it or its property or withheld by it, including income, unemployment, social security and similar taxes, and all of such taxes have been either paid or adequate reserve or other provision has been made therefor.

3.9. Employee Benefit Plans. Each employee benefit plan as to which the Borrower may have any liability complies in all material respects with all applicable provisions of the Employee Retirement Income Security Act of 1974 (as amended from time to time, "ERISA"), including minimum funding requirements, and (i) no Prohibited Transaction (as defined under ERISA) has occurred with respect to any such plan, (ii) no Reportable Event (as defined under Section 4043 of ERISA) has occurred with respect to any such plan which would cause the Pension Benefit Guaranty Corporation to institute proceedings under Section 4042 of ERISA, (iii) the Borrower has not withdrawn from any such plan or initiated steps to do so, and (iv) no steps have been taken to terminate any such plan.

3.10. Environmental Matters. The Borrower is in compliance, in all material respects, with all Environmental Laws (as hereinafter defined), including, without limitation, all Environmental Laws in jurisdictions in which the Borrower owns or operates, or has owned or operated, a facility or site, stores Collateral, arranges or has arranged for disposal or treatment of hazardous substances, solid waste or other waste, accepts or has accepted for transport any hazardous substances, solid waste or other wastes or holds or has held any interest in real property or otherwise. Except as otherwise disclosed on the Addendum, no litigation or proceeding arising under, relating to or in connection with any Environmental Law is pending or, to the best of the Borrower's knowledge, threatened against the Borrower, any real property which the Borrower holds or has held an interest or any past or present operation of the Borrower. No release, threatened release or disposal of hazardous waste, solid waste or other wastes is occurring, or to the best of the Borrower's knowledge has occurred, on, under or to any real property in which the Borrower holds or has held any interest or performs or has performed any of its operations, in violation of any Environmental Law. As used in this Section, "litigation or proceeding" means any demand, claim notice, suit, suit in equity, action, administrative action, investigation or inquiry whether brought by a governmental authority or other person, and "Environmental Laws" means all provisions of laws, statutes, ordinances, rules, regulations, permits, licenses, judgments, writs, injunctions, decrees, orders, awards and standards promulgated by any governmental authority concerning health, safety and protection of, or regulation of the discharge of substances into, the environment.

3.11. Intellectual Property. The Borrower owns or is licensed to use all patents, patent rights, trademarks, trade names, service marks, copyrights, intellectual property, technology, know-how and processes necessary for the conduct of its business as currently conducted that are material to the condition (financial or otherwise), business or operations of the Borrower.

3.12. Regulatory Matters. No part of the proceeds of the Loan will be used for "purchasing" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U of the Board of Governors of the Federal Reserve System as now and from time to time in effect or for any purpose which violates the provisions of the Regulations of such Board of Governors.

3.13. Solvency. As of the date hereof and after giving effect to the

transactions contemplated by the Loan Documents, (i) the aggregate value of the Borrower's assets will exceed its liabilities (including contingent, subordinated, unmatured and unliquidated liabilities), (ii) the Borrower will have sufficient cash flow to enable it to pay its debts as they become due, and (iii) the Borrower will not have unreasonably small capital for the business in which it is engaged.

3.14. Disclosure. None of the Loan Documents contains or will contain any untrue statement of material fact or omits or will omit to state a material fact necessary in order to make the statements contained in this Agreement or the Loan Documents not misleading. There is no fact known to the Borrower which materially adversely affects or, so far as the Borrower can now foresee, might materially adversely affect the business, assets, operations, condition (financial or otherwise) or results of operation of the Borrower and which has not otherwise been fully set forth in this Agreement or in the Loan Documents.

4. Affirmative Covenants. The Borrower agrees that from the date of execution of this Agreement until all Obligations have been paid in full and any commitments of the Bank to the Borrower have been terminated, the Borrower will:

4.1. Books and Records. Maintain books and records in accordance with GAAP and give representatives of the Bank access thereto at all reasonable times, including permission to examine, copy and make abstracts from any of such books and records and such other information as the Bank may from time to time reasonably request, and the Borrower will make available to the Bank for examination copies of any reports, statements and returns which the Borrower may make to or file with any federal, state or local governmental department, bureau or agency.

4.2. Interim Financial Statements; Certificate of No Default. Furnish the Bank within forty five (45) days after the end of each quarter the Borrower's Financial Statements for such period, in reasonable detail, certified by an authorized officer of the Borrower and prepared in accordance with GAAP consistently applied from period to period. The Borrower shall also deliver a certificate as to its compliance with applicable financial covenants (containing detailed calculations of all financial covenants) for the period then ended and whether any Event of Default exists, and, if so, the nature thereof and the corrective measures the Borrower proposes to take. As used in this Agreement, "Financial Statements" means the Borrower's consolidated and, if required by the Bank in its sole discretion, consolidating balance sheets, income statements and statements of cash flows for the year, month or quarter together with year-to-date figures and comparative figures for the corresponding periods of the prior year.

4.3. Annual Financial Statements. Furnish the Borrower's Financial Statements to the Bank within ninety (90) days after the end of each fiscal year. Those Financial Statements will be prepared on a audited basis in accordance with GAAP by an independent certified public accountant selected by the Borrower and satisfactory to the Bank. Audited Financial Statements shall contain the unqualified opinion of an independent certified public accountant and all accountant examinations shall have been made in accordance with GAAP consistently applied from period to period. The Borrower shall also deliver a certificate as to its compliance with applicable financial covenants (containing detailed calculations of all financial covenants) for the period then ended and whether any Event of Default exists, and, if so, the nature thereof and the corrective measures the Borrower proposes to take

4.4. Payment of Taxes and Other Charges. Pay and discharge when due all indebtedness and all taxes, assessments, charges, levies and other liabilities imposed upon the Borrower, its income, profits, property or business, except those which currently are being contested in good faith by appropriate proceedings and for which the Borrower shall have set aside adequate reserves or made other adequate provision with respect thereto acceptable to the Bank in its sole discretion.

4.5. Maintenance of Existence, Operation and Assets. Do all things necessary to (i) maintain, renew and keep in full force and effect its organizational existence and all rights, permits and franchises necessary to enable it to continue its business as currently conducted; (ii) continue in operation in substantially the same manner as at present; (iii) keep its properties in good operating condition and repair; and (iv) make all

necessary and proper repairs, renewals, replacements, additions and improvements thereto.

4.6. Insurance. Maintain, with financially sound and reputable insurers, insurance with respect to its property and business against such casualties and contingencies, of such types and in such amounts, as is customary for established companies engaged in the same or similar business and similarly situated. In the event of a conflict between the provisions of this Section and the terms of any Security Documents relating to insurance, the provisions in the Security Documents will control.

4.7. Compliance with Laws. Comply with all laws applicable to the Borrower and to the operation of its business (including without limitation any statute, ordinance, rule or regulation relating to employment practices, pension benefits or environmental, occupational and health standards and controls).

4.8. Bank Accounts. Establish and maintain at the Bank (i) the Borrower's primary depository accounts, and (ii) all treasury management and foreign exchange services.

4.9. Financial Covenants. Comply with all of the financial and other covenants, if any, set forth on the Addendum.

4.10. Additional Reports. Provide prompt written notice to the Bank of the occurrence of any of the following (together with a description of the action which the Borrower proposes to take with respect thereto): (i) any Event of Default or any event, act or condition which, with the passage of time or the giving of notice, or both, would constitute an Event of Default (a "Default"), (ii) any litigation filed by or against the Borrower, (iii) any Reportable Event or Prohibited Transaction with respect to any Employee Benefit Plan(s) (as defined in ERISA) or (iv) any event which might result in a material adverse change in the business, assets, operations, condition (financial or otherwise) or results of operation of the Borrower.

5. Negative Covenants. The Borrower covenants and agrees that from the date of this Agreement until all Obligations have been paid in full and any commitments of the Bank to the Borrower have been terminated, except as set forth in the Addendum, the Borrower will not, without the Bank's prior written consent:

5.1. Indebtedness. Create, incur, assume or suffer to exist any indebtedness for borrowed money other than: (i) the Loan and any subsequent indebtedness to the Bank; and (ii) open account trade debt incurred in the ordinary course of business and not past due; (iii) indebtedness in respect of purchase money financings of personal property in an aggregate amount not to exceed Five Hundred Thousand Dollars (\$500,000.00) at any time; and (iv) indebtedness that is expressly subordinated to the Borrower's indebtedness to the Bank, on terms and conditions that are satisfactory of the Bank pursuant to any subordination agreement required in connection with this Agreement.

5.2. Liens and Encumbrances. Except as provided in Section 3.6, create, assume, incur or permit to exist any mortgage, pledge, encumbrance, security interest, lien or charge of any kind upon any of its property, now owned or hereafter acquired, or acquire or agree to acquire any kind of property subject to any conditional sales or other title retention agreement, except liens securing purchase money indebtedness permitted pursuant to Section 5.1 above.

5.3. Guarantees. Guarantee, endorse or become contingently liable for the obligations of any person, firm, corporation or other entity, except in connection with the endorsement and deposit of checks in the ordinary course of business for collection.

5.4. Loans or Advances. Purchase or hold beneficially any stock, other securities or evidences of indebtedness of, or make or have outstanding, any loans or advances to, or otherwise extend credit to, or make any investment or acquire any interest whatsoever in, any other person, firm, corporation or other entity, except investments disclosed on the Borrower's Historical Financial Statements or acceptable to the Bank in its sole discretion.

5.5. Merger or Transfer of Assets. Liquidate or dissolve, or merge or

consolidate with or into any person, firm, corporation or other entity, or sell, lease, transfer or otherwise dispose of all or any substantial part of its property, assets, operations or business, whether now owned or hereafter acquired.

5.6. Change in Business. Make or permit any change in its form of organization, or the nature of its business as carried on as of the date hereof.

5.7. Dividends. Declare or pay any dividends on or make any distribution with respect to any class of its equity or ownership interest, or purchase, redeem, retire or otherwise acquire any of its equity; provided, however, that so long as no Event of Default has occurred and is continuing, Borrower shall be permitted to redeem any common or preferred stock or options of Borrower up to an aggregate amount not to exceed One Million Dollars (\$1,000,000.00) per annum.

5.8. Acquisitions. Make acquisitions of all or substantially all of the property or assets of any person, firm, corporation or other entity.

6. Events of Default. The occurrence of any of the following will be deemed to be an Event of Default:

6.1. Covenant Default. The Borrower shall default in the performance of any of the covenants or agreements contained in this Agreement.

6.2. Breach of Warranty. Any Financial Statement, representation, warranty or certificate made or furnished by the Borrower to the Bank in connection with this Agreement shall be false, incorrect or incomplete when made.

6.3. Other Default. The occurrence of an Event of Default as defined in the Note or any of the Loan Documents. Upon the occurrence of an Event of Default, the Bank will have all rights and remedies specified in the Note and the other Loan Documents and all rights and remedies (which are cumulative and not exclusive) available under applicable law or in equity.

7. Conditions. The Bank's obligation to make any advance under the Loan is subject to the conditions that as of the date of the advance:

7.1. No Event of Default. No Event of Default or event which with the passage of time, the giving of notice or both would constitute an Event of Default shall have occurred and be continuing;

7.2. Authorization Documents. The Bank shall have received certified copies of resolutions of the board of directors, the general partners or the members or managers of any partnership, corporation or limited liability company that executes this Agreement, the Note or any of the other Loan Documents; or other proof of authorization satisfactory to the Bank; and

7.3. Receipt of Loan Documents. The Bank shall have received the Loan Documents and such other instruments and documents which the Bank may reasonably request in connection with the transactions provided for in this Agreement, which may include an opinion of counsel in form and substance satisfactory to the Bank for any party executing any of the Loan Documents.

8. Expenses. The Borrower agrees to pay the Bank, upon the execution of this Agreement, and otherwise on demand, all costs and expenses incurred by the Bank in connection with the preparation, negotiation and delivery of this Agreement and the other Loan Documents, and any modifications thereto, and the collection of all of the Obligations, including but not limited to enforcement actions, relating to the Loan, whether through judicial proceedings or otherwise, or in defending or prosecuting any actions or proceedings arising out of or relating to this Agreement, including reasonable fees and expenses of counsel (which may include costs of in-house counsel), expenses for auditors, appraisers and environmental consultants, lien searches, recording and filing fees and taxes.

9. Increased Costs. On written demand, together with written evidence of the justification therefor, the Borrower agrees to pay the Bank all direct costs incurred and any losses suffered or payments made by the Bank as a consequence of making the Loan by reason of any change in law or regulation, or the interpretation thereof, imposing any reserve, deposit, allocation of

capital or similar requirement (including without limitation, Regulation D of the Board of Governors of the Federal Reserve System) on the Bank, its holding company or any of their respective assets.

10. Miscellaneous.

10.1. Notices: All notices, demands, requests, consents, approvals and other communications required or permitted hereunder ("Notices") must be in writing and will be effective upon receipt. Notices may be given in any manner to which the parties may separately agree, including electronic mail. Without limiting the foregoing, first-class mail, confirmed facsimile transmission and commercial courier service are hereby agreed to as acceptable methods for giving Notices. Regardless of the manner in which provided, Notices may be sent to a party's address as set forth above or to such other address as any party may give to the other for such purpose in accordance with this section.

10.2. Preservation of Rights. No delay or omission on the Bank's part to exercise any right or power arising hereunder will impair any such right or power or be considered a waiver of any such right or power, nor will the Bank's action or inaction impair any such right or power. The Bank's rights and remedies hereunder are cumulative and not exclusive of any other rights or remedies which the Bank may have under other agreements, at law or in equity.

10.3. Illegality. If any provision contained in this Agreement should be invalid, illegal or unenforceable in any respect, it shall not affect or impair the validity, legality and enforceability of the remaining provisions of this Agreement.

10.4. Changes in Writing. No modification, amendment or waiver of, or consent to any departure by the Borrower from, any provision of this Agreement will be effective unless made in a writing signed by the party to be charged, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on the Borrower will entitle the Borrower to any other or further notice or demand in the same, similar or other circumstance.

10.5. Entire Agreement. This Agreement (including the documents and instruments referred to herein) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof.

10.6. Counterparts. This Agreement may be signed in any number of counterpart copies and by the parties hereto on separate counterparts, but all such copies shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart. Any party so executing this Agreement by facsimile transmission shall promptly deliver a manually executed counterpart, provided that any failure to do so shall not affect the validity of the counterpart executed by facsimile transmission.

10.7. Successors and Assigns. This Agreement will be binding upon and inure to the benefit of the Borrower and the Bank and their respective heirs, executors, administrators, successors and assigns; provided, however, that the Borrower may not assign this Agreement in whole or in part without the Bank's prior written consent and the Bank at any time may assign this Agreement in whole or in part.

10.8. Interpretation. In this Agreement, unless the Bank and the Borrower otherwise agree in writing, the singular includes the plural and the plural the singular; words importing any gender include the other genders; references to statutes are to be construed as including all statutory provisions consolidating, amending or replacing the statute referred to; the word "or" shall be deemed to include "and/or", the words "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; references to articles, sections (or subdivisions of sections) or exhibits are to those of this Agreement; and references to agreements and other contractual instruments shall be deemed to include all subsequent amendments and other modifications to such instruments, but only to the extent such amendments and other modifications are not prohibited by the terms of this Agreement. Section headings in this Agreement are included for

convenience of reference only and shall not constitute a part of this Agreement for any other purpose. Unless otherwise specified in this Agreement, all accounting terms shall be interpreted and all accounting determinations shall be made in accordance with GAAP. If this Agreement is executed by more than one party as Borrower, the obligations of such persons or entities will be joint and several.

10.9. No Consequential Damages, Etc. The Bank will not be responsible for any damages, consequential, incidental, special, punitive or otherwise, that may be incurred or alleged by any person or entity, including the Borrower and any Guarantor, as a result of this Agreement, the other Loan Documents, the transactions contemplated hereby or thereby, or the use of the proceeds of the Loan.

10.10. Assignments and Participations. At any time, the Bank may sell, assign, transfer, negotiate, grant participations in, or otherwise dispose of all or any part of the Bank's interest in the Loan; provided, however, that so long as no Event of Default has occurred, Bank shall obtain Borrower's consent to sell, assign, transfer, negotiate, grant participations in, or otherwise dispose of all or any part of the Bank's interest in the Loan, which consent shall not be unreasonably withheld, delayed or conditioned, provided, further, however, that the Bank may, at any time, without the consent of Borrower, sell, assign, transfer or otherwise dispose of its interest in the loan portfolio, including the Loan. In the event that Bank requests the consent of Borrower pursuant to this Section 10.10 and Borrower shall not respond or reply to Bank in writing within five (5) days of delivery of such request, Borrower shall be deemed to have consented to the matter that was the subject of the request. The Borrower hereby authorizes the Bank to provide, without any notice to the Borrower, any information concerning the Borrower, including information pertaining to the Borrower's financial condition, business operations or general creditworthiness, to any person or entity which may succeed to or participate in all or any part of the Bank's interest in the Loan.

10.11. Governing Law and Jurisdiction. This Agreement has been delivered to and accepted by the Bank and will be deemed to be made in the State of New Jersey. THIS AGREEMENT WILL BE INTERPRETED AND THE RIGHTS AND LIABILITIES OF THE PARTIES HERETO DETERMINED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW JERSEY, EXCLUDING ITS CONFLICT OF LAWS RULES. The Borrower hereby irrevocably consents to the exclusive jurisdiction of any state or federal court in the State of New Jersey; provided that nothing contained in this Agreement will prevent the Bank from bringing any action, enforcing any award or judgment or exercising any rights against the Borrower individually, against any security or against any property of the Borrower within any other state or other foreign or domestic jurisdiction. The Bank and the Borrower agree that the venue provided above is the most convenient forum for both the Bank and the Borrower. The Borrower waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Agreement.

10.12. WAIVER OF JURY TRIAL. EACH OF THE BORROWER AND THE BANK IRREVOCABLY WAIVES ANY AND ALL RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR CLAIM OF ANY NATURE RELATING TO THIS AGREEMENT, ANY DOCUMENTS EXECUTED IN CONNECTION WITH THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED IN ANY OF SUCH DOCUMENTS. THE BORROWER AND THE BANK ACKNOWLEDGE THAT THE FOREGOING WAIVER IS KNOWING AND VOLUNTARY.

The Borrower acknowledges that it has read and understood all the provisions of this Agreement, including the waiver of jury trial, and has been advised by counsel as necessary or appropriate.

IN WITNESS WHEREOF, the parties hereto have caused this Loan Agreement to be executed by their proper corporate officers and sealed with their seals as of the date and year first written above.

ATTEST: DATARAM CORPORATION

MARK E. MADDOCKS

By: _____ By: _____
Print Name: Mark E. Maddocks, Vice President,
Print Title: Finance

PNC BANK, NATIONAL ASSOCIATION

BRIAN DAUGHERTY

By: _____
Brian Daugherty, Vice President

ADDENDUM to that certain Loan Agreement dated as of June 21, 2004 between Dataram Corporation, as the Borrower and PNC Bank, National Association, as the Bank. Capitalized terms used in this Addendum and not otherwise defined shall have the meanings given them in the Agreement. Section numbers below refer to the sections of the Agreement.

A. 3.6 Title to Assets. Describe additional liens and encumbrances below:

NONE

B. 3.7 Litigation. Describe pending and threatened litigation, investigations, proceedings, etc. below:

1. The "Lemelson-Arizona" case. This is an action against thousands of users of electronic production equipment alleged to violate the "Lemelson Patents." Dataram was brought in as a third party defendant by the manufacturers of the production equipment Dataram was using. The Arizona Federal District Court where this action is pending has stayed the matter pending resolution of motions to dismiss which themselves have been stayed pending the resolution of the Lemelson-Nevada case. This latter case, raising identical issues with respect to other defendants, was recently dismissed by the Ninth Circuit Court of Appeals on the basis that the patents are invalid.

2. The "Higgins Dump" case. Dataram is one of many named defendants who are potentially responsible parties in an action by EPA to apportion responsibility for clean up of the Higgins Disposal Site, a Superfund site in southern New Jersey. A parallel action has been brought by FMC Corp. against its co-defendants. Dataram does not believe that its refuse was ever dumped at Higgins but some packaging, identifying Dataram, was found there which presumably was dumped by an end-user of Dataram products. All actions to dismiss have been stayed but Dataram intends to move to dismiss as soon as the stay is lifted. This matter has been pending for some time.

3. The "Vikon" case. Vikon was a supplier of printed circuit boards to Dataram in 1998. Its product quality was poor and many boards were returned. However, Vikon's accounting records were worse than its boards. In 1999, the President of Vikon and the Controller of Dataram worked through the records, what Dataram regards as an accord and satisfaction was then reached, and Dataram made a final payment to Vikon. Dataram heard nothing more from Vikon until this year when Dataram was served with an adversary proceeding in Vikon's bankruptcy seeking to collect on allegedly unpaid invoices. The Illinois statute of limitations (Vikon is in Illinois) appears to have run on these claims.

C. FINANCIAL COVENANTS

1. The Borrower will maintain at all times a ratio of Current Assets to Current Liabilities of at least 1.5 to 1.0.

2. The Borrower will maintain at all times a ratio of Total Liabilities to Tangible Net Worth of not more than 1.0 to 1.0.

3. The Borrower will maintain a positive Net Income calculated on a trailing twelve month basis, tested quarterly.

As used herein:

"Current Assets" at a particular date, shall mean all cash, cash equivalents, accounts and inventory of Borrower and all other items which would, in conformity with GAAP, be included under current assets on a balance sheet of Borrower as at such date; provided, however, that such amounts shall not include (a) any amounts for any Indebtedness owing by an affiliate of Borrower, unless such Indebtedness arose in connection with the sale of goods or rendition of services in the ordinary course of business and would otherwise constitute current assets in conformity with GAAP, (b) any shares

of stock issued by an affiliate of Borrower, or (c) the cash surrender value of any life insurance policy.

"Current Liabilities" at a particular date, shall mean all amounts which would, in conformity with GAAP, be included under current liabilities on a balance sheet of Borrower, as at such date, but in any event including, without limitation, the amounts of (a) all Indebtedness of Borrower payable on demand, or, at the option of the Person to whom such Indebtedness is owed, not more than twelve (12) months after such date, (b) any payments in respect of any Indebtedness of Borrower (whether installment, serial maturity, sinking fund payment or otherwise) required to be made not more than twelve (12) months after such date, (c) all reserves in respect of liabilities or Indebtedness payable on demand or, at the option of the Person to whom such Indebtedness is owed, not more than twelve (12) months after such date, the validity of which is not contested at such date, and (d) all accruals for federal or other taxes measured by income payable within a twelve (12) month period.

"Net Income" at a particular date, shall mean Borrower's net income as reflected on Borrower's income statement prepared in accordance with GAAP consistently applied from period to period.

"Tangible Net Worth" means stockholders' equity in the Borrower less any advances to affiliated parties less all items properly classified as intangibles, in accordance with GAAP.

"Total Liabilities" shall mean with respect to Borrower on a consolidated and consolidating basis, at any date means all amounts properly classified as liabilities on a balance sheet at such date in accordance with GAAP, plus all reserves for contingencies and all other potential liabilities for which no reserves have previously been established on such balance sheet, to the extent such amounts are not already classified as liabilities in accordance with GAAP.

D. ADDITIONAL COVENANTS

1. Borrower shall pay to Bank a fee equal to one-quarter of one percent (.25%) per annum of the average daily amount by which Five Million Dollars (\$5,000,000.00) exceeds the outstanding principal balance of the Loans ("Unused Line Fee"). The Unused Line Fee shall be calculated on the basis of a 360 day year for the actual number of days elapsed and shall be payable quarterly in arrears on the last day of each calendar quarter.

2. On the date of this Agreement, Borrower shall have Undrawn Availability (as hereinafter defined) of at least Three Million Dollars (\$3,000,000.00) after giving effect to the initial Loans hereunder. As used herein, "Undrawn Availability" shall mean, at a particular date, an amount equal to (a) the Borrowing Base, minus (b) the sum of (i) the outstanding amount of Loans, and (ii) all amounts due and owing to Borrower's trade creditors which are outstanding beyond normal trade terms, plus (c) fees and expenses for which Borrower is liable but which have not been paid or charged to Borrower's account.

BORROWING BASE RIDER

THIS BORROWING BASE RIDER ("Rider") is executed as of this 21st day of June, 2004, by and between DATARAM CORPORATION, a New Jersey corporation (the "Borrower") with an address at 186 Princeton Road, West Windsor, New Jersey 08550, and PNC BANK, NATIONAL ASSOCIATION (the "Bank"), with an address at Two Tower Center Boulevard, 16th Floor, East Brunswick, New Jersey 08816. This Rider is incorporated into and made part of that certain Loan Agreement dated June 21, 2004, and Committed Line of Credit Note dated June 21, 2004, and also into certain other financing documents and security agreements executed by and between the Borrower and the Bank (all such documents including this Rider are collectively referred to as the "Loan Documents"). All initially capitalized terms not otherwise defined in this Rider shall have the same meanings assigned to such terms in the other Loan Documents. Pursuant to the Loan Documents, the Bank has extended a "Facility" or "Loans" (as defined in the Loan Documents) to the Borrower, under which the Borrower may borrow, repay and reborrow funds at any time prior to the Expiration Date (such Facility or Loans being referred to herein as the "Facility"). As a condition to the Bank's willingness to extend the Facility to the Borrower,

the Bank and the Borrower are entering into this Rider in order to set forth their agreement regarding the maximum amount which may be outstanding under the Facility at any time, and for the other purposes set forth below.

NOW, THEREFORE, with the foregoing background deemed incorporated by reference and made a part hereof, the parties hereto, intending to be legally bound, covenant and agree as follows:

1. Limitations on Borrowings Under Facility. Notwithstanding any provision to the contrary in any of the other Loan Documents, at no time shall the aggregate principal amount of indebtedness outstanding at any one time under the Facility exceed the Borrowing Base (as hereinafter defined) at such time. If at any time the aggregate principal amount of indebtedness outstanding under the Facility exceeds the limitations set forth in this Section 1 for any reason, then the Borrower shall immediately repay the amount of such excess to the Bank in immediately available funds.

2. Borrowing Base Certificates. In addition to any and all provisions of the other Loan Documents which establish conditions to the Borrower's ability to request and obtain any advance under the Facility, the Borrower may not request an advance under the Facility unless a Borrowing Base Certificate (as hereinafter defined) shall have been delivered to the Bank on or before the tenth (10th) day of each month when borrowing; and at least three (3) business days before Borrower's request for an advance under the Facility if no Borrowing Base Certificate was furnished to the Bank within the last thirty (30) days.

3. Certain Defined Terms. In addition to the words and terms defined elsewhere in this Rider or in the other Loan Documents, the following words and terms, as used in this Rider, shall have the following meanings:

"Account" shall mean an "account" or a "general intangible" as defined in the Uniform Commercial Code as in effect in the jurisdiction whose Law governs the perfection of the Bank's security interest therein, whether now owned or hereafter acquired or arising.

"Account Debtor" shall mean, with respect to any Account, each Person who is obligated to make payments to the Borrower on such Account.

"Affiliate" of the Borrower or any Account Debtor shall mean (a) any Person who (either alone or with a group of Persons, and either directly or indirectly through one or more intermediaries) is in control of, is controlled by or is under common control with the Borrower or such Account Debtor, (b) any director, officer, partner, employee or agent of the Borrower or such Account Debtor, and (c) any member of the immediate family of any natural person described in the preceding clauses (a) and (b). A Person or group of Persons shall be deemed to be in control of the Borrower or an Account Debtor when such Person or group of Persons possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the Borrower or such Account Debtor, whether through the ownership of voting securities, by contract or otherwise.

"Borrowing Base" at any time shall mean the lesser of (a) \$5,000,000.00 (the maximum principal amount of the Facility) or (b) seventy five percent (75 %) of Qualified Accounts at such time. The value of Qualified Accounts at any time shall be determined by reference to the most recent Borrowing Base Certificate delivered by the Borrower to the Bank.

"Borrowing Base Certificate" shall mean each Borrowing Base Certificate to be delivered by the Borrower to the Bank pursuant to Section 2 of this Rider, in substantially the form attached as Exhibit A to this Rider, executed by the Borrower and with blanks appropriately completed, as amended, supplemented or otherwise modified from time to time.

"Law" shall mean any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, order, injunction, writ, decree or award of any Official Body.

"Lien" shall mean any mortgage, pledge, security interest, bailment, encumbrance, claim, lien or charge of any kind, including any agreement to give any of the foregoing, any conditional sale or other title retention agreement and any lease in the nature thereof, and the filing of or agreement to give any financing statement under the Uniform Commercial Code.

"Official Body" shall mean any government or political subdivision or any agency, authority, bureau, central bank, commission, department or instrumentality of any government or political subdivision, or any court, tribunal, grand jury or arbitrator, in each case whether foreign or domestic.

"Payment Intangible" shall mean a "payment intangible" as defined in the Uniform Commercial Code as in effect in the jurisdiction whose Law governs the perfection of the Bank's security interest in the Accounts.

"Person" shall mean an individual, sole proprietorship, corporation, partnership (general or limited), trust, business trust, limited liability company, unincorporated organization or association, joint venture, joint stock company, Official Body, or any other entity of whatever nature.

"Qualified Accounts" shall mean Accounts which are and at all times continue to be acceptable to the Bank in its sole discretion. Standards of acceptability include but are not limited to the following conditions:

- (a) The Account duly complies with all applicable Laws, whether Federal, state or local, including but not limited to usury Laws, the Federal Truth in Lending Act, the Federal Consumer Credit Protection Act, the Fair Credit Billing Act, and Regulation Z of the Board of Governors of the Federal Reserve System;
- (b) The Account was not originated in, and is not subject to the Laws of, a jurisdiction whose Laws would make the account or the grant of the security interest in the Account to the Bank unlawful, invalid or unenforceable;
- (c) The Account was originated by the Borrower in connection with the sale of goods or the rendering of services by the Borrower in the ordinary course of business under an enforceable contract, and such sale has been consummated and such goods have been delivered or such services have been rendered so that the performance of such contract has been completed by the Borrower and by all parties other than the Account Debtor;
- (d) The Account is evidenced by a written invoice or other documentation and arises from a contract, all of which are in form and substance satisfactory to the Bank;
- (e) The Account does not arise out of a contract with, or order from, an Account Debtor that, by its terms, forbids or makes void or unenforceable the grant of the security interest by the Borrower to the Bank in and to the Account arising with respect thereto;
- (f) The title of the Borrower to the Account and, except as to the Account Debtor, to any related goods is absolute and is not subject to any Lien except Liens in favor of the Bank;
- (g) The Account provides for payment in United States Dollars by the Account Debtor; (h) The Account shall have amounts owing that are not less than the amounts represented by the Borrower;
- (i) The portion of the Account for which income has not yet been earned or which constitutes unearned discount, service charges or deferred interest shall be ineligible;
- (j) The Account shall be eligible only to the extent that it is not subject to any defense, claim of reduction, counterclaim, set-off, recoupment, or any dispute or claim for credits, allowances or adjustments by the Account Debtor because of returned, inferior, damaged goods or unsatisfactory services, or for any other reason;
- (k) The goods the sale of which gave rise to the Account were shipped or delivered or provided to the Account Debtor on an absolute sale basis and not on a bill and hold sale basis, a consignment sale basis, a guaranteed sale basis, a sale or return basis, or on the basis of any other similar terms making the Account Debtor's payment obligations conditional;
- (l) The Account Debtor has not returned, rejected or refused to retain, or otherwise notified the Borrower of any dispute concerning, or claimed nonconformity of, any of the goods from the sale of which the Account arose;

(m) No default exists under the Account by any party thereto, and all rights and remedies of the Borrower under the Account are freely assignable by the Borrower;

(n) The Account has not been outstanding for more than ninety (90) days past the invoice date and is not subject to "dating" terms;

(o) The Account shall be ineligible if fifty percent (50%) or more of the accounts of the related Account Debtor and its Affiliates are more than ninety (90) days past due from the date of original invoice therefor;

(p) The Account shall be ineligible to the extent that the aggregate amount of all the Accounts of the Account Debtor and its Affiliates exceed thirty percent (30%) of all of the Borrower's Accounts;

(q) The Borrower has not received any note, trade acceptance, draft, chattel paper or other instrument with respect to, or in payment of, the Account, unless, if any such instrument has been received, the Borrower immediately notifies the Bank and, at the Bank's request, endorses or assigns and delivers such instrument to the Bank;

(r) The Borrower has not received any notice of (i) the death of the Account Debtor, if an individual, or of a partner or member thereof if a partnership or a limited liability company, (ii) the filing by or against the Account Debtor of any proceeding in bankruptcy, receivership, insolvency, reorganization, liquidation, conservatorship or any similar proceeding, or (iii) any assignment by the Account Debtor for the benefit of creditors. Upon receipt by the Borrower of any such notice, it will give the Bank prompt written notice thereof;

(s) The Account Debtor is not an Affiliate of the Borrower;

(t) The Account shall be ineligible if the related Account Debtor is domiciled in any country other than the United States of America or the Province of Ontario, Canada, or a Province of Canada which has adopted and has in effect the Personal Property Security Act, unless such Account is supported by a documentary letter of credit, duly assigned to and in the possession of the Bank, from a financial institution acceptable to the Bank and the terms and conditions of which are acceptable to the Bank;

(u) The Account shall be ineligible if the Account Debtor is an Official Body, unless the Borrower shall have taken all actions deemed necessary by the Bank in order to perfect the Bank's security interest therein, including but not limited to any notices or filings required under the Assignment of Claims Act of 1940, as amended, or other applicable Laws;

(v) The Bank has not deemed such Account ineligible because of uncertainty about the creditworthiness of the Account Debtor (including, without limitation, unsatisfactory past experiences of the Borrower or the Bank with the Account Debtor or unsatisfactory reputation of the Account Debtor) or because the Bank otherwise makes a determination that the collateral value of the Account to the Bank is impaired or that the Bank's ability to realize such value is insecure;

(w) The Account shall be eligible only to the extent that the amount owing on the Account is not a Payment Intangible; and

(x) The Account shall comply with the additional eligibility standards, if any, which are set forth on Exhibit B to this Rider.

Standards of acceptability shall be fixed and may be revised from time to time solely by the Bank in its exclusive judgment. In the case of any dispute about whether an Account is or has ceased to be a Qualified Account, the decision of the Bank shall be final.

4. Governing Law. This Rider will be interpreted and the rights and liabilities of the parties hereto determined in accordance with the laws of the State of New Jersey, excluding its conflicts of laws rules.

5. Counterparts. This Rider may be signed in any number of counterpart copies and by the parties hereto on separate counterparts, but all such copies shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by facsimile transmission shall be

effective as delivery of a manually executed counterpart. Any party so executing this Agreement by facsimile transmission shall promptly deliver a manually executed counterpart, provided that any failure to do so shall not affect the validity of the counterpart executed by facsimile transmission.

WITNESS the due execution of this Borrowing Base Rider as a document under seal, as of the date first written above.

ATTEST: DATARAM CORPORATION

MARK E. MADDOCKS

By: _____ By: _____
Print Name: Mark E. Maddocks, Vice President,
Print Title: Finance

PNC BANK, NATIONAL ASSOCIATION

BRIAN DAUGHERTY

By: _____
Brian Daugherty, Vice President

EXHIBIT A
TO BORROWING BASE RIDER
Borrowing Base Certificate

THIS BORROWING BASE CERTIFICATE, dated as of _____, _____, is executed and delivered by the undersigned borrower (the "Borrower") in favor of PNC BANK, NATIONAL ASSOCIATION (the "Bank"), pursuant to a letter agreement or loan agreement dated as of April _____, 2004 (including any Borrowing Base Rider executed pursuant thereto and made a part thereof, and as amended or otherwise modified from time to time, the "Agreement"). All initially capitalized terms used in this Certificate shall have the meanings assigned to them in the Agreement. To induce the Bank to make loans and other financial accommodations available to the Borrower under the Agreement, the Borrower hereby certifies, represents and warrants to the Bank, as of the date hereof, that (a) the person signing below is an authorized officer or representative of the Borrower; (b) the statements below concerning the collateral securing the Obligations are true and complete; (c) the eligible collateral described below represents only Qualified Accounts; (d) the Borrower is in compliance with all of the terms and provisions of the Agreement and the other Loan Documents; (e) all of the Borrower's representations and warranties in the Agreement and the other Loan Documents are true and correct; and (f) no Event of Default has occurred and is continuing or exists.

1. Collateral Availability

A. Accounts Receivable

1. Beginning A/R Balance \$ _____
2. Changes to A/R Balance \$ _____
3. Total A/R \$ _____
4. Ineligible A/R
 - (a) A/R over 90 days \$ _____
 - (b) Foreign A/R \$ _____
5. Qualified A/R (L3 - (L4a + L4b)) \$ _____
6. Advance Percentage 75%
7. Borrowing Availability (L5 X L6) \$ _____

2. Borrowing Availability

8. Maximum Line Amount \$5,000,000.00
9. Total Availability (L7) \$ _____
10. Maximum Borrowing Capacity (lesser of L8 and L9) \$ _____
11. Outstanding Principal Balance \$ _____
12. Available to Borrow (L10 - L11) \$ _____
13. Advance Request \$ _____
14. New Line Balance \$ _____
15. Collateral Coverage \$ _____

Dated: _____, 200__ DATARAM CORPORATION

By: _____
Print Name:
Print Title:

EXHIBIT B
TO BORROWING BASE RIDER

The following shall constitute additional eligibility standards for Accounts,
as fully as if set forth in the definition of "Qualified Accounts" in the
Rider to which this Exhibit B is attached:

NONE

COMMITTED LINE OF CREDIT NOTE

\$5,000,000.00

June 21, 2004

FOR VALUE RECEIVED, DATARAM CORPORATION, a New Jersey corporation (the "Borrower"), with an address at 186 Princeton Road, West Windsor, New Jersey 08550, promises to pay to the order of PNC BANK, NATIONAL ASSOCIATION (the "Bank"), in lawful money of the United States of America in immediately available funds at its offices located at Two Tower Center Boulevard, East Brunswick, New Jersey 08816, or at such other location as the Bank may designate from time to time, the principal sum of FIVE MILLION DOLLARS (\$5,000,000.00) (the "Facility") or such lesser amount as may be advanced to or for the benefit of the Borrower hereunder, together with interest accruing on the outstanding principal balance from the date hereof, all as provided below.

1. Advances. The Borrower may request advances, repay and request additional advances hereunder until the Expiration Date, subject to the terms and conditions of this Note and the Loan Documents (as hereinafter defined). The "Expiration Date" shall mean June 21, 2006, or such later date as may be designated by the Bank by written notice from the Bank to the Borrower. The Borrower acknowledges and agrees that in no event will the Bank be under any obligation to extend or renew the Facility or this Note beyond the Expiration Date. The Borrower may request advances hereunder upon giving oral or written notice to the Bank by 11:00 a.m. (East Brunswick, New Jersey time) (a) on the day of the proposed advance, in the case of advances to bear interest under the Base Rate Option (as hereinafter defined) and (b) three (3) Business Days prior to the proposed advance, in the case of advances to bear interest under the LIBOR Option (as hereinafter defined), followed promptly thereafter by the Borrower's written confirmation to the Bank of any oral notice. The aggregate unpaid principal amount of advances under this Note shall not exceed the face amount of this Note.

2. Rate of Interest. Each advance outstanding under this Note will bear interest at a rate or rates per annum as may be selected by the Borrower from the interest rate options set forth below (each, an "Option"):

(i) Base Rate Option. A rate of interest per annum which is at all times equal to the Prime Rate ("Base Rate"). For purposes hereof, the term "Prime Rate" shall mean the rate publicly announced by the Bank from time to time as its prime rate. The Prime Rate is determined from time to time by the Bank as a means of pricing some loans to its borrowers. The Prime Rate is not tied to any external rate of interest or index, and does not necessarily reflect the lowest rate of interest actually charged by the Bank to any particular class or category of customers. If and when the Prime Rate changes, the rate of interest with respect to any advance to which the Base Rate Option applies will change automatically without notice to the Borrower, effective on the date of any such change. There are no required minimum interest periods for advances bearing interest under the Base Rate Option.

(ii) LIBOR Option. A rate per annum equal to (A) LIBOR plus (B) two hundred fifty (250) basis points (2.50%), for the applicable LIBOR Interest Period.

For purposes hereof, the following terms shall have the following meanings:

"Business Day" shall mean any day other than a Saturday or Sunday or a legal holiday on which commercial banks are authorized or required by law to be closed for business in East Brunswick, New Jersey.

"LIBOR" shall mean, with respect to any advance to which the LIBOR Option applies for the applicable LIBOR Interest Period, the interest rate per annum determined by the Bank by dividing (the resulting quotient rounded upwards, if necessary, to the nearest 1/16th of 1%) (i) the rate of interest determined by the Bank in accordance with its usual procedures (which determination shall be conclusive absent manifest error) to be the eurodollar rate two (2) Business Days prior to the first day of such LIBOR Interest Period for an amount comparable to such advance and having a borrowing date and a maturity comparable to such LIBOR Interest Period by (ii) a number equal to 1.00 minus the LIBOR Reserve Percentage.

"LIBOR Interest Period" shall mean, as to any advance to which the LIBOR Option applies, the period of one (1), two (2) or three (3) month/months as selected by the Borrower in its notice of borrowing or notice of conversion, as the case may be, commencing on the date of disbursement of an advance (or the date of conversion of an advance to the LIBOR Option, as the case may be) and each successive period selected by the Borrower thereafter; provided that, (i) if a LIBOR Interest Period would end on a day which is not a Business Day, it shall end on the next succeeding Business Day unless such day falls in the next succeeding calendar month in which case the LIBOR Interest Period shall end on the next preceding Business Day, (ii) the Borrower may not select a LIBOR Interest Period that would end on a day after the Expiration Date, and (iii) any LIBOR Interest Period that begins on the last Business Day of a calendar month (or a day for which there is no numerically corresponding day in the last calendar month of such LIBOR Interest Period) shall end on the last Business Day of the last calendar month of such LIBOR Interest Period.

"LIBOR Reserve Percentage" shall mean the maximum effective percentage in effect on such day as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirements (including, without limitation, supplemental, marginal and emergency reserve requirements) with respect to eurocurrency funding (currently referred to as "Eurocurrency liabilities").

LIBOR shall be adjusted with respect to any advance to which the LIBOR Option applies on and as of the effective date of any change in the LIBOR Reserve Percentage. The Bank shall give prompt notice to the Borrower of LIBOR as determined or adjusted in accordance herewith, which determination shall be conclusive absent manifest error.

If the Bank determines (which determination shall be final and conclusive) that, by reason of circumstances affecting the eurodollar market generally, deposits in dollars (in the applicable amounts) are not being offered to banks in the eurodollar market for the selected term, or adequate means do not exist for ascertaining LIBOR, then the Bank shall give notice thereof to the Borrower. Thereafter, until the Bank notifies the Borrower that the circumstances giving rise to such suspension no longer exist, (a) the availability of the LIBOR Option shall be suspended, and (b) the interest rate for all advances then bearing interest under the LIBOR Option shall be converted at the expiration of the then current LIBOR Interest Period(s) to the Base Rate.

In addition, if, after the date of this Note, the Bank shall determine (which determination shall be final and conclusive) that any enactment, promulgation or adoption of or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by a governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Bank with any guideline, request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for the Bank to make or maintain or fund loans based on LIBOR, the Bank shall notify the Borrower. Upon receipt of such notice, until the Bank notifies the Borrower that the circumstances giving rise to such determination no longer apply, (a) the availability of the LIBOR Option shall be suspended, and (b) the interest rate on all advances then bearing interest under the LIBOR Option shall be converted to the Base Rate either (i) on the last day of the then current LIBOR Interest Period(s) if the Bank may lawfully continue to maintain advances based on LIBOR to such day, or (ii) immediately if the Bank may not lawfully continue to maintain advances based on LIBOR.

The foregoing notwithstanding, the Borrower may select different Options to apply simultaneously to different portions of the advances and may select up to five (5) different interest periods to apply simultaneously to different portions of the advances bearing interest under the LIBOR Option. Interest hereunder will be calculated based on the actual number of days that principal is outstanding over a year of 360 days. In no event will the rate of interest hereunder exceed the maximum rate allowed by law.

3. Interest Rate Election. Subject to the terms and conditions of this Note, at the end of each interest period applicable to any advance, the Borrower may renew the Option applicable to such advance or convert such advance to a different Option; provided that, during any period in which any Event of

Default (as hereinafter defined) has occurred and is continuing, any advances bearing interest under the LIBOR Option shall, at the Bank's sole discretion, be converted at the end of the applicable LIBOR Interest Period to the Base Rate and the LIBOR Option will not be available to Borrower with respect to any new advances (or with respect to the conversion or renewal of any existing advances) until such Event of Default has been cured by the Borrower or waived by the Bank. The Borrower shall notify the Bank of each election of an Option, each conversion from one Option to another, the amount of the advances then outstanding to be allocated to each Option and where relevant the interest periods therefor. In the case of converting to the LIBOR Option, such notice shall be given at least three (3) Business Days prior to the commencement of any LIBOR Interest Period. If no interest period is specified in any such notice for which the resulting advance is to bear interest under the LIBOR Option, the Borrower shall be deemed to have selected a LIBOR Interest Period of one month's duration. If no notice of election, conversion or renewal is timely received by the Bank with respect to any advance, the Borrower shall be deemed to have elected the Base Rate Option. Any such election shall be promptly confirmed in writing by such method as the Bank may require.

4. Advance Procedures. A request for advance made by telephone must be promptly confirmed in writing by such method as the Bank may require. The Borrower authorizes the Bank to accept telephonic requests for advances, and the Bank shall be entitled to rely upon the authority of any person providing such instructions. The Borrower hereby indemnifies and holds the Bank harmless from and against any and all damages, losses, liabilities, costs and expenses (including reasonable attorneys' fees and expenses) which may arise or be created by the acceptance of such telephone requests or making such advances. The Bank will enter on its books and records, which entry when made will be presumed correct, the date and amount of each advance, the interest rate and interest period applicable thereto, as well as the date and amount of each payment.

5. Payment Terms. The Borrower shall pay accrued interest on the unpaid principal balance of this Note in arrears: (a) for the portion of advances bearing interest under the Base Rate Option, on the first day of each month during the term hereof, (b) for the portion of advances bearing interest under the LIBOR Option, on the last day of the respective LIBOR Interest Period for such advance, (c) if any LIBOR Interest Period is longer than three (3) months, then also on the three (3) month anniversary of such interest period and every three (3) months thereafter, and (d) for all advances, at maturity, whether by acceleration of this Note or otherwise, and after maturity, on demand until paid in full. All outstanding principal and accrued interest hereunder shall be due and payable in full on the Expiration Date.

If any payment under this Note shall become due on a Saturday, Sunday or public holiday under the laws of the State where the Bank's office indicated above is located, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing interest in connection with such payment. The Borrower hereby authorizes the Bank to charge the Borrower's deposit account at the Bank for any payment when due hereunder. Payments received will be applied to charges, fees and expenses (including attorneys' fees), accrued interest and principal in any order the Bank may choose, in its sole discretion.

6. Late Payments; Default Rate. If the Borrower fails to make any payment of principal, interest or other amount coming due pursuant to the provisions of this Note within fifteen (15) calendar days of the date due and payable, the Borrower also shall pay to the Bank a late charge equal to the lesser of five percent (5%) of the amount of such payment or \$100.00 (the "Late Charge"). Such fifteen (15) day period shall not be construed in any way to extend the due date of any such payment. Upon maturity, whether by acceleration, demand or otherwise, and at the Bank's option upon the occurrence of any Event of Default (as hereinafter defined) and during the continuance thereof, each advance outstanding under this Note shall bear interest at a rate per annum (based on the actual number of days that principal is outstanding over a year of 360 days) which shall be two percentage points (2%) in excess of the interest rate in effect from time to time under this Note but not more than the maximum rate allowed by law (the "Default Rate"). The Default Rate shall continue to apply whether or not judgment shall be entered on this Note. Both the Late Charge and the Default Rate are imposed as liquidated damages for the purposes of defraying the Bank's expenses incident to the handling of

delinquent payments, but are in addition to, and not in lieu of, the Bank's exercise of any rights and remedies hereunder, under the other Loan Documents or under applicable law, and any fees and expenses of any agents or attorneys which the Bank may employ. In addition, the Default Rate reflects the increased credit risk to the Bank of carrying a loan that is in default. The Borrower agrees that the Late Charge and Default Rate are reasonable forecasts of just compensation for anticipated and actual harm incurred by the Bank, and that the actual harm incurred by the Bank cannot be estimated with certainty and without difficulty.

7. Prepayment. The Borrower shall have the right to prepay any advance hereunder at any time and from time to time, in whole or in part; subject, however, to payment of any break funding indemnification amounts owing pursuant to paragraph 8 below.

8. Yield Protection; Break Funding Indemnification. The Borrower shall pay to the Bank on written demand therefor, together with the written evidence of the justification therefor, all direct costs incurred, losses suffered or payments made by Bank by reason of any change in law or regulation or its interpretation imposing any reserve, deposit, allocation of capital, or similar requirement (including without limitation, Regulation D of the Board of Governors of the Federal Reserve System) on the Bank, its holding company or any of their respective assets. In addition, the Borrower agrees to indemnify the Bank against any liabilities, losses or expenses (including, without limitation, loss of margin, any loss or expense sustained or incurred in liquidating or employing deposits from third parties, and any loss or expense incurred in connection with funds acquired to effect, fund or maintain any advance (or any part thereof) bearing interest under the LIBOR Option which the Bank sustains or incurs as a consequence of either (i) the Borrower's failure to make a payment on the due date thereof, (ii) the Borrower's revocation (expressly, by later inconsistent notices or otherwise) in whole or in part of any notice given to Bank to request, convert, renew or prepay any advance bearing interest under the LIBOR Option, or (iii) the Borrower's payment or prepayment (whether voluntary, after acceleration of the maturity of this Note or otherwise) or conversion of any advance bearing interest under the LIBOR Option on a day other than the last day of the applicable LIBOR Interest Period A notice as to any amounts payable pursuant to this paragraph given to the Borrower by the Bank shall, in the absence of manifest error, be conclusive and shall be payable upon demand. The Borrower's indemnification obligations hereunder shall survive the payment in full of the advances and all other amounts payable hereunder.

9. Other Loan Documents. This Note is issued in connection with a loan agreement between the Borrower and the Bank, dated on or before the date hereof, and the other agreements and documents executed and/or delivered in connection therewith or referred to therein, the terms of which are incorporated herein by reference (as amended, modified or renewed from time to time, collectively the "Loan Documents"), and is secured by the property (if any) described in the Loan Documents and by such other collateral as previously may have been or may in the future be granted to the Bank to secure this Note.

10. Events of Default. The occurrence of any of the following events will be deemed to be an "Event of Default" under this Note: (i) the nonpayment of any principal, interest or other indebtedness under this Note when due; (ii) except as otherwise provided in any other subsection of this Section 10, the occurrence of any other event of default or any other default and the lapse of any notice or cure period, or any Obligor's failure to observe or perform any covenant or other agreement, under or contained in any Loan Document or any other document now or in the future evidencing or securing any debt, liability or obligation of any Obligor to the Bank except for the failure or neglect of any Obligor to observe, perform or keep any term, provision, condition or covenant in any Loan Document (other than a monetary default) which is cured within thirty (30) days from the occurrence of such failure or neglect and such failure or neglect would not, in Bank's sole discretion, during such thirty (30) day period, be reasonably likely to have a material adverse effect on the condition, operations, assets, business or prospects of any Obligor's ability to pay the Obligations (as defined in the Loan Documents) in accordance with the terms thereof, the value of the Collateral, or the Bank's liens on or security interest in the Collateral or the priority of any such liens or security interest of the practical realization of the benefit of the Bank's rights and remedies under this Note and the other Loan Documents; (iii) the filing by or against any Obligor of any proceeding in

bankruptcy, receivership, insolvency, reorganization, liquidation, conservatorship or similar proceeding (and, in the case of any such proceeding instituted against any Obligor, such proceeding is not dismissed or stayed within 30 days of the commencement thereof, provided that the Bank shall not be obligated to advance additional funds hereunder during such period); (iv) any assignment by any Obligor for the benefit of creditors, or any levy, garnishment, attachment or similar proceeding is instituted against any property of any Obligor held by or deposited with the Bank; (v) a default with respect to any other indebtedness of any Obligor for borrowed money, if the effect of such default is to cause or permit the acceleration of such debt; (vi) the commencement of any foreclosure or forfeiture proceeding, execution or attachment against any collateral securing the obligations of any Obligor to the Bank unless such proceeding instituted against any Obligor is dismissed or stayed within thirty (30) days of the commencement thereof, provided that the Bank shall not be obligated to advance additional funds hereunder during such period; (vii) the entry of a final judgment against any Obligor singly or in the aggregate in excess of Two Hundred Fifty Thousand Dollars (\$250,000.00) and the failure of such Obligor to discharge the judgment within ten (10) days of the entry thereof or to diligently contest the entry thereof by appropriate proceedings and for which Borrower shall have established adequate reserves or made other adequate provision with respect thereto acceptable to the Bank in its sole discretion, provided, however, execution or attachment against any collateral securing the Obligations shall be effectively stayed; (viii) any material adverse change in any Obligor's business, assets, operations, financial condition or results of operations; (ix) any Obligor ceases doing business as a going concern; (x) any representation or warranty made by any Obligor to the Bank in any Loan Document or any other documents now or in the future evidencing or securing the obligations of any Obligor to the Bank, is false, erroneous or misleading in any material respect; (xi) the failure of any Obligor to provide the Bank with additional collateral if in the Bank's opinion at any time or times, the market value of any of the collateral securing this Note or any guarantee has depreciated below that required pursuant to the Loan Documents or, if no specific value is so required, then in an amount deemed material by the Bank; and (xii) the revocation or attempted revocation, in whole or in part, of any guarantee by any Obligor. As used herein, the term "Obligor" means any Borrower and any guarantor of, or any pledgor, mortgagor or other person or entity providing collateral support for, the Borrower's obligations to the Bank existing on the date of this Note or arising in the future.

Upon the occurrence of an Event of Default: (a) the Bank shall be under no further obligation to make advances hereunder; (b) if an Event of Default specified in clause (iii) or (iv) above shall occur, the outstanding principal balance and accrued interest hereunder together with any additional amounts payable hereunder shall be immediately due and payable without demand or notice of any kind; (c) if any other Event of Default shall occur, the outstanding principal balance and accrued interest hereunder together with any additional amounts payable hereunder, at the Bank's option and without demand or notice of any kind, may be accelerated and become immediately due and payable; (d) at the Bank's option, this Note will bear interest at the Default Rate from the date of the occurrence of the Event of Default; and (e) the Bank may exercise from time to time any of the rights and remedies available under the Loan Documents or under applicable law.

11. Right of Setoff. In addition to all liens upon and rights of setoff against the Borrower's money, securities or other property given to the Bank by law, the Bank shall have, with respect to the Borrower's obligations to the Bank under this Note and to the extent permitted by law, a contractual possessory security interest in and a contractual right of setoff against, and the Borrower hereby grants the Bank a security interest in, and hereby assigns, conveys, delivers, pledges and transfers to the Bank, all of the Borrower's right, title and interest in and to, all of the Borrower's deposits, moneys, securities and other property now or hereafter in the possession of or on deposit with, or in transit to, the Bank or any other direct or indirect subsidiary of The PNC Financial Services Group, Inc., whether held in a general or special account or deposit, whether held jointly with someone else, or whether held for safekeeping or otherwise, excluding, however, all IRA, Keogh, and trust accounts. Every such security interest and right of setoff may be exercised without demand upon or notice to the Borrower. Every such right of setoff shall be deemed to have been exercised immediately upon the occurrence of an Event of Default hereunder without any action of the Bank, although the Bank may enter such setoff on its books and

records at a later time.

12. Indemnity. The Borrower agrees to indemnify each of the Bank, each legal entity, if any, who controls, is controlled by or is under common control with the Bank, and each of their respective directors, officers and employees (the "Indemnified Parties"), and to hold each Indemnified Party harmless from and against any and all claims, damages, losses, liabilities and expenses (including all fees and charges of internal or external counsel with whom any Indemnified Party may consult and all expenses of litigation and preparation therefor) which any Indemnified Party may incur or which may be asserted against any Indemnified Party by any person, entity or governmental authority (including any person or entity claiming derivatively on behalf of the Borrower), in connection with or arising out of or relating to the matters referred to in this Note or in the other Loan Documents or the use of any advance hereunder, whether (a) arising from or incurred in connection with any breach of a representation, warranty or covenant by the Borrower, or (b) arising out of or resulting from any suit, action, claim, proceeding or governmental investigation, pending or threatened, whether based on statute, regulation or order, or tort, or contract or otherwise, before any court or governmental authority; provided, however, that the foregoing indemnity agreement shall not apply to any claims, damages, losses, liabilities and expenses solely attributable to an Indemnified Party's gross negligence or willful misconduct. The indemnity agreement contained in this Section shall survive the termination of this Note, payment of any advance hereunder and the assignment of any rights hereunder. The Borrower may participate at its expense in the defense of any such action or claim.

13. Miscellaneous. All notices, demands, requests, consents, approvals and other communications required or permitted hereunder ("Notices") must be in writing (except as may be agreed otherwise above with respect to borrowing requests) and will be effective upon receipt. Notices may be given in any manner to which the parties may separately agree, including electronic mail. Without limiting the foregoing, first-class mail, facsimile transmission and commercial courier service are hereby agreed to as acceptable methods for giving Notices. Regardless of the manner in which provided, Notices may be sent to a party's address as set forth above or to such other address as any party may give to the other for such purpose in accordance with this paragraph. No delay or omission on the Bank's part to exercise any right or power arising hereunder will impair any such right or power or be considered a waiver of any such right or power, nor will the Bank's action or inaction impair any such right or power. The Bank's rights and remedies hereunder are cumulative and not exclusive of any other rights or remedies which the Bank may have under other agreements, at law or in equity. No modification, amendment or waiver of, or consent to any departure by the Borrower from, any provision of this Note will be effective unless made in a writing signed by the Bank, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. The Borrower agrees to pay on demand, to the extent permitted by law, all costs and expenses incurred by the Bank in the enforcement of its rights in this Note and in any security therefor, including without limitation reasonable fees and expenses of the Bank's counsel. If any provision of this Note is found to be invalid, illegal or unenforceable in any respect by a court, all the other provisions of this Note will remain in full force and effect. The Borrower and all other makers and indorsers of this Note hereby forever waive presentment, protest, notice of dishonor and notice of non-payment. The Borrower also waives all defenses based on suretyship or impairment of collateral. If this Note is executed by more than one Borrower, the obligations of such persons or entities hereunder will be joint and several. This Note shall bind the Borrower and its heirs, executors, administrators, successors and assigns, and the benefits hereof shall inure to the benefit of the Bank and its successors and assigns; provided, however, that the Borrower may not assign this Note in whole or in part without the Bank's written consent and the Bank at any time may assign this Note in whole or in part.

This Note has been delivered to and accepted by the Bank and will be deemed to be made in the State of New Jersey. THIS NOTE WILL BE INTERPRETED AND THE RIGHTS AND LIABILITIES OF THE BANK AND THE BORROWER DETERMINED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW JERSEY, EXCLUDING ITS CONFLICT OF LAWS RULES. The Borrower hereby irrevocably consents to the exclusive jurisdiction of any state or federal court in the State of New Jersey; provided that nothing contained in this Note will prevent the Bank from bringing any action, enforcing any award or judgment or exercising any rights against the Borrower individually, against any security or against any property of the

Borrower within any other state or other foreign or domestic jurisdiction. The Borrower acknowledges and agrees that the venue provided above is the most convenient forum for both the Bank and the Borrower. The Borrower waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Note.

14. WAIVER OF JURY TRIAL. THE BORROWER IRREVOCABLY WAIVES ANY AND ALL RIGHTS THE BORROWER MAY HAVE TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR CLAIM OF ANY NATURE RELATING TO THIS NOTE, ANY DOCUMENTS EXECUTED IN CONNECTION WITH THIS NOTE OR ANY TRANSACTION CONTEMPLATED IN ANY OF SUCH DOCUMENTS. THE BORROWER ACKNOWLEDGES THAT THE FOREGOING WAIVER IS KNOWING AND VOLUNTARY.

The Borrower acknowledges that it has read and understood all the provisions of this Note, including the waiver of jury trial, and has been advised by counsel as necessary or appropriate.

WITNESS the due execution of this Committed Line of Credit Note as a document under seal, as of the date first written above, with the intent to be legally bound hereby.

DATARAM CORPORATION

MARK E. MADDOCKS

By: _____
Mark E. Maddocks, Vice President, Finance

Exhibit 10(f)

DATARAM

The Gigabyte Memory Specialist

Dataram Corporation

P.O. Box 7528

186 Princeton-Hightstown Road

Princeton, NJ 08542-7528

(609) 799-0071

ROBERT V. TARANTINO

Chairman and Chief Executive Officer

July 12, 2002

Lars Marcher

Rislundvej 13

8240 Risskov

Denmark

Dear Lars:

On behalf of Dataram corporation, I am pleased to confirm our offer of employment, based in our West Windsor, New Jersey facility, as Executive Vice President, General Manager, and Chief Operating Officer, reporting to Robert V. Tarantino, President, Chief Executive Officer, and Chairman of the Board. Your starting date of employment with Dataram will be around August 1, 2002. Other terms of employment are:

1. SALARY: Your annual base salary will be \$232,000 per year, or \$4,461.54 per week. Merit salary increases are reviewed May 1st of each year. Any change in compensation levels will be based on your performance and will be consistent with that received by comparable level employees.

2. PROFIT SHARING: You will be eligible to participate in the Dataram Profit Sharing Plan for Fiscal Year 2003.

3. AUTOMOBILE ALLOWANCE: You will receive an automobile allowance of \$650.000 per month or \$7,800 per year.

4. BENEFITS: Employee benefits are effective on the first of the month following your hire date

Medical and Dental Benefits: You and your family may select coverage in our medical and dental plans.

Pension Plan: You are eligible to enroll in the Dataram Savings and Investment Plan (401k) at the beginning of the next calendar quarter following your date of employment (October 1, 2002). Your start date at MCT will be used to determine your years of service for this plan.

5. VACATION: Your vacation entitlement is based on a calendar year, January 1st through December 31st. Newly hired employees are entitled to a pro-rated number of vacation days in their first year of employment, and you will be eligible for nine (9) days in 2002. Starting January 1, 2003, you will be eligible for twenty (20) days vacation, plus four floating holidays.

6. RELOCATION EXPENSES: Dataram will pay expenses associated with moving your personal belongings to the United States. The amount of personal belongings will be consistent with what is usual and customary. In addition, you will receive a lump sum of \$15,000 to partially reimburse you for losses you will incur in disposing of personal belongings not usable in the USA. Your airfare for yourself, your spouse and family will be paid as you relocate to your new place of residence.

7. RELOCATION ASSISTANCE: Dataram will provide you with assistance in house finding through a Relocation Agency. We will also provide you and your family with a temporary residence during your

house finding.

8. VISA, WORK, OR RESIDENCE PERMITS: Dataram will assist you in acquiring the appropriate host-country documentation.

9. TAXES: You are responsible for the payment of all legal income taxes while you are in the United States. Dataram agrees to reimburse you for professional tax advice during the first year of your employment in the United States.

While we anticipate a long and mutually beneficial relationship, we recognize your right to terminate this relationship at any time, and similarly we reserve the same right to terminate this employment relationship at any time for any or no cause. If Dataram terminates this relationship you will be entitled to 18 months of salary.

If this offer is acceptable, please sign below. Congratulations, Lars! We look forward to seeing you on or around August 1, 2002.

Sincerely,

ROBERT V. TARANTINO

Robert V. Tarantino
President, Chief Executive Officer and Chairman of the Board

Agreed to 15/7/2002

LARS MARCHER

Lars Marcher

[DATARAM LOGO]

DATARAM CORPORATION

2004 ANNUAL REPORT

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[PICTURE OF ROBERT TARANTINO]

To Our Shareholders

Fiscal 2004 was a year of recovery and a return to growth for the Company. We began the year with a hard earned return to profitability, primarily as a result of cost reductions initiated at the end of last fiscal year. Our objective was to align our cost structure to the economic realities of the information technology marketplace while preserving our key resources to focus on future growth. Signs of market improvement surfaced in our second quarter when we had an order rate that was significantly in excess of our shipments. We continued to have a positive book-to-bill ratio throughout the remainder of the fiscal year. The result of this was renewed earnings growth in the second half of our fiscal year.

2004 Financial Highlights

Revenues in fiscal 2004 grew 16% to \$62 million.

We returned to profitability, earning \$2.3 million

We generated positive cash flow from operating activities this fiscal year of \$4.3 million.

We strengthened our balance sheet and working capital position. Working capital at the end of fiscal 2004 amounted to \$13.5 million, including cash and cash equivalents of \$6.8 million. Our current ratio at year-end was 3.5 to 1 and we are debt free.

The Year Ahead

The Company has historically derived the greater part of its revenue from the sale of its compatible memory products. Our product offering includes memory for enterprise servers and workstations produced by major manufacturers: HP, IBM, SGI, Sun Microsystems, Dell, Intel and AMD Opteron systems. Our design capabilities have kept the Company in the forefront of memory upgrades and enabled us to increase our presence within the server memory marketplace.

While our ability to grow revenue through the sales of compatible memory was encouraging, our real success came as a result of significant growth in our OEM business. Specifically, we worked diligently to further develop our OEM business leveraging our product design expertise, manufacturing expertise and our rapid prototyping capabilities. We capitalized on our relationships with the major DRAM suppliers to promote the routing of their smaller projects to Dataram, where these projects could be more efficiently and cost effectively handled for the customer. These initiatives proved successful as our OEM business grew to approximately 50% of our total business by the fourth quarter. Our strategy is continuing to prove successful, as we have just recently received our first order for a program from a major computer manufacturer, who had not previously been a Dataram OEM customer.

We enter our new fiscal year profitable and with a stronger balance sheet. In fiscal 2005, we expect continued growth from our compatible memory products line, but the rate of that growth will be very much dependant on the macro economic environment for the information technology industry. The prospects for our OEM business are good. While the sales and qualification cycles are long, we are confident that with our design and manufacturing expertise combined with our industry relationships, we will continue to be successful in securing projects with major computer and embedded systems manufacturers.

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. As many of our investors are aware, our management is comprised of many long-term and experienced professionals who have developed considerable personal equity interests in the Company and who are dedicated to building shareholder value.

We look forward to continued profitable growth in fiscal 2005.

July 16, 2004

ROBERT V. TARANTINO

Robert V. Tarantino
Chairman of the Board of Directors,

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 (including COMPAQ), IBM, Silicon Graphics and Sun Microsystems. The Company also manufactures a line of memory products for Intel motherboard based servers for sale to OEMs and channel assemblers.

The Company's memory products are sold worldwide to original equipment manufacturers, distributors, value-added resellers and end users. The Company has a manufacturing facility in the United States with sales offices in the United States, Europe and Japan.

The Company is an independent memory manufacturer specializing in high capacity memory and competes with several other large independent memory manufacturers as well as the original equipment manufacturers mentioned above. The primary raw material used in producing memory boards is dynamic random access memory (DRAM) chips. The purchase cost of DRAM chips typically represents approximately 75% 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,	2004	2003	2002
Revenues	100.0%	100.0%	100.0%
Cost of sales	74.7	73.9	69.9
Gross profit	25.3	26.1	30.1
Engineering and development	2.1	2.9	2.3
Selling, general and administrative	19.3	32.1	26.5
Restructuring charges	-	7.1	1.5
Asset impairment charge	-	21.5	7.2
Earnings (loss) from operations	3.9	(37.5)	(7.4)
Other income (expense), net	0.2	(0.2)	(1.1)
Earnings (loss) before income tax expense (benefit)	4.1	(37.7)	(8.5)
Income tax expense (benefit)	0.4	(8.5)	1.4
Net earnings (loss)	3.7	(29.2)	(9.9)

Fiscal 2004 Compared With Fiscal 2003

At the end of fiscal 2003, the Company exited the market for desktop, notebook and flash memory (PC memory) and closed its manufacturing facility in Aarhus, Denmark. In fiscal 2004, the Company's revenues were derived solely from sales of compatible memory for high performance servers and workstations and from sales of customized memory for OEMs. Revenues for fiscal 2004 were \$62.0 million compared to \$53.5 million in fiscal 2003. The growth in revenue came primarily from sales to OEMs, which accounted for approximately 36% of revenue in fiscal 2004, compared to approximately 16% in fiscal 2003. Revenues from the sale of memory for the compatibles market grew by approximately 5% to approximately \$39.7 million in fiscal 2004 from fiscal 2003. Overall volume as measured by gigabytes shipped increased by approximately 25% in fiscal 2004 from fiscal 2003. Average selling price per gigabyte declined by approximately 8% in fiscal 2004 compared to the prior year. Revenues for the fiscal year's ended April 30, 2004 and 2003 by geographic region were:

	Year ended April 30, 2004	Year ended April 30, 2003
United States	\$ 43,780,000	\$ 29,495,000
Europe	10,994,000	13,180,000
Other(principally Asia Pacific Region)	7,210,000	10,854,000
Consolidated	<u>\$ 61,984,000</u>	<u>\$ 53,529,000</u>

Cost of sales was \$46.3 million in fiscal 2004 or 74.7 percent of revenue compared to \$39.5 million or 73.9 percent of revenue in fiscal 2003. Fiscal 2004 cost of sales included royalty expense of approximately \$1,058,000, or 1.7% of revenue compared to \$464,000, or 0.8% of revenue in fiscal 2003. The 2004 increase is attributable to a recent agreement entered into with a company that allowed the Company to use their patented technology through the date of the agreement. The Company no longer manufactures products using this technology. Fiscal 2005 royalty expense is expected to be approximately the same percentage of revenue as fiscal 2003. Management expects that cost of sales as a percentage of revenue will generally be approximately 75%, which is in line with its historical norm. Fluctuations either up or down of 3% or less in any given period are not unusual and can result from many factors, some of which are a rapid change in the price of DRAMs, a change in product mix possibly resulting from a large order or series of orders for a particular product or a change in customer mix.

Engineering and development costs amounted to \$1.3 million in fiscal 2004 compared to \$1.5 million in fiscal 2003. The reduction in cost is primarily attributable to workforce reductions that occurred in fiscal 2003. The Company maintains its commitment to the timely introduction of new memory products.

Selling, general and administrative costs were \$12.0 million in fiscal 2004 versus \$17.2 million in fiscal 2003. The decline in expense is primarily the result of savings in personnel costs as a result of restructurings that occurred in the first and fourth quarter of fiscal 2003. These restructurings resulted in workforce reductions of approximately 24% and 28%, respectively and were recorded as a separate expense totaling \$3.8 million in fiscal 2003. Additionally, in Fiscal 2003, the Company recorded a separate asset impairment charge of approximately \$11.5 million, primarily related to the write-off of its purchased goodwill, net of the effect of certain foreign exchange translation gains.

Other income (expense), net for fiscal year 2004 totaled \$119,000 versus (\$84,000) in fiscal 2003. Fiscal 2004 income consisted primarily of \$6,000 of net interest income, \$47,000 of foreign currency transaction gains and \$66,000 of gains on sale of certain assets. Fiscal 2003 other expense consisted of \$84,000 of net interest expense.

Income tax expense (benefit) for fiscal 2004 was \$252,000 versus (\$4.6 million) in fiscal 2003. Fiscal 2004 expense represents a provision for state income tax expense only as the Company utilized a portion of its federal net operating loss (NOL) carry forwards to offset any federal tax due and therefore recorded no federal income tax expense. As of April 30, 2004, the Company has a NOL carry forward of approximately \$14.4 million which can be used to offset future taxable income.

Fiscal 2003 Compared With Fiscal 2002

In fiscal 2003, the Company continued to be adversely effected by the worldwide retrenchment in computer sales. Capital spending on new information technology equipment remained soft in light of the general economic uncertainty. In part, the Company was able to offset this trend by the sale of upgrades for existing equipment. The Company was also affected by the continuing worldwide decline in DRAM prices. DRAM costs represent approximately 75% of the cost of the Company's final product. Generally, competitive pressures require the Company to pass through these decreases to its customers. As a result of these factors, volume measured as gigabytes shipped declined by approximately 30% and average selling prices declined by approximately 7% from fiscal 2002 levels. Revenues in fiscal 2003 totaled \$53.5 million, a decrease of 34% from fiscal 2002 revenues of \$81.2 million, primarily as a result of the change in volume.

Cost of sales decreased \$17.2 million in fiscal 2003 to \$39.5 million from fiscal 2002 cost of sales of \$56.7 million. The decrease was mainly attributable to the decrease in volume. Cost of sales as a percentage of revenue increased by 4.0% in fiscal 2003 from fiscal 2002. The increase in percentage was primarily attributable to decreased utilization of production capacity resulting from the lower shipment levels.

Engineering and development costs amounted to \$1.5 million in fiscal 2003 compared to \$1.8 million in fiscal 2002. The reduction in cost was primarily attributable to workforce reductions.

Selling, general and administrative costs were \$17.2 million in fiscal 2003 versus \$21.5 million in fiscal 2002. The decline in expense was primarily the result of restructurings, which occurred, in fiscal 2002 and in the first quarter of fiscal 2003. These restructurings resulted in workforce reductions of approximately 25% and 24%, respectively.

During the fourth quarter of fiscal 2003, the Company announced a restructuring of its operations. As part of this restructuring, the Company ceased production of memory for the PC market and closed its production facility in Aarhus, Denmark. The Company consolidated all manufacturing into its facility located in Bucks County, Pennsylvania. As a result, the Company reduced its workforce by approximately 28 percent and incurred a consolidated pretax charge of approximately \$3.8 million in the fourth quarter, which consisted primarily of additional depreciation and amortization of fixed assets, a provision for leasehold impairment, a write down of PC related inventory and severance payments. Additionally, the Company wrote-off its purchased goodwill of approximately \$11.1 million. Of these amounts, \$300,000 was charged to cost of sales, with the balance recorded as restructuring charges of \$3.1 million and asset impairment charges of \$11.5 million, which was net of the effect of certain foreign exchange translation gains. The Company entered into lease termination agreements totaling approximately \$1 million and had severance obligations totaling approximately \$850,000. These obligations were paid in fiscal 2004. An additional restructuring charge was recorded in the first quarter of fiscal 2003, which totaled \$740,000 and was primarily related to severance costs. The severance payments were paid in fiscal 2003. Fiscal 2002 restructuring charges were \$1.2 million, also severance related. As of April 30, 2002, the Company had paid the majority of these costs, except for approximately \$50,000, which was paid early in fiscal 2003.

Other income (expense), net for fiscal year 2003 totaled (\$84,000) of net interest expense versus (\$916,000) of net interest expense in fiscal 2002. Fiscal 2002 interest income (expense), net consisted of \$291,000 of interest

income, offset by (\$1,207,000) of interest expense. During fiscal 2002 the Company elected to prepay certain capital lease obligations, which resulted in an incremental interest charge of \$141,000. The Company also terminated early its interest rate swap agreement in connection with the repayment of its term loan, which resulted in a one-time interest charge of \$259,000. The balance of the decline in interest expense in fiscal 2003 from fiscal 2002 was attributable to reduced debt levels.

Income tax expense (benefit) for fiscal 2003 was (\$4.6 million) versus \$1.2 million in fiscal 2002. Fiscal 2003 expected income tax benefit of approximately (\$7.1 million) was reduced by a valuation reserve of approximately \$2.5 million. The Company had a federal NOL carry back of approximately \$9.2 million, which resulted in an income tax receivable of \$3.1 million at April 30, 2003.

Liquidity and Capital Resources

The Company's cash and working capital position remains strong. Working capital at the end of fiscal 2004 amounted to \$13.5 million, including cash and cash equivalents of \$6.8 million, compared to working capital of \$9.4 million, including cash and cash equivalents of \$2.5 million in fiscal 2003. Current assets at year end were 3.5 times current liabilities compared to 2.5 at the end of fiscal 2003.

Inventories at the end of fiscal 2004 were \$2.5 million compared to fiscal 2003 year end inventories of \$2.9 million. Inventory levels for both years are within a normal range relative to the Company's revenue levels.

Capital expenditures, net of dispositions were \$160,000 in fiscal 2004 compared to \$673,000 in fiscal 2003. Capital expenditures in fiscal 2004 were unusually low. Fiscal 2005 capital expenditures are expected to be approximately at the same level as fiscal 2003 expenditures. At the end of fiscal 2004, contractual commitments for capital purchases were zero.

On June 21, 2004, the Company entered into a credit facility with a bank, which provides for up to a \$5 million revolving credit line. Advances under the facility are limited to 75% of eligible receivables, as defined in the agreement. The agreement provides for LIBOR rate loans and base rate loans at an interest rate no higher than the bank's base commercial lending rate. The Company is required to pay a commitment fee equal to 1/4

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of one percent per annum on the unused commitment. The agreement contains certain restrictive covenants, specifically a trailing twelve month profitability requirement, a current asset to current liabilities ratio, a total liabilities to tangible net worth ratio and certain other covenants, as defined in the agreement. The agreement limits the Company's open market stock repurchases to \$1,000,000 per year without prior waiver and precludes the payment of cash dividends.

Management believes that the Company's cash flows generated from operations will be sufficient to meet short term liquidity needs as the Company does not expect any unforeseen demands beyond general operating requirements for cash. Management further believes that its working capital together with internally generated funds from its operations and its bank line of credit are adequate to finance the Company's long term operating needs and future capital requirements.

Future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) as of April 30, 2004 are as follows:

	Operating leases	
Year ending April 30:		
2005	\$	531,000
2006		463,000
2007		48,000
2008 and thereafter		0

At April 30, 2004, the Company had open purchase orders outstanding totaling \$6,217,000 primarily for inventory items to be delivered in the first quarter of fiscal 2005. These purchase orders are cancelable.

Inflation has not had a significant impact on the Company's revenue and operations.

New Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 143, "Accounting for Retirement Obligations" ("SFAS 143"). SFAS 143 establishes accounting standards for the recognition and measurement of an asset retirement obligation and its associated asset retirement cost. It also provides accounting guidance for legal obligations associated with the retirement of tangible long-lived assets. SFAS 143 was effective for the Company's fiscal year beginning May 1, 2003. The adoption of SFAS 143 had no impact on its operations and financial position.

On April 22, 2003, the FASB determined that stock-based compensation should be recognized as a cost in the financial statements and that such cost be measured according to the fair value of stock options. On March 31, 2004, the FASB issued an exposure draft, Share-Based Payment, an amendment of FASB Statements No. 123 and 95, that addresses the accounting for share-based payment 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. The proposed Statement would eliminate the ability to account for share-based compensation transactions using APB Opinion No. 25, Accounting for Stock Issued to Employees, and generally would require instead that such transactions be accounted for using a fair-value-based method. The Company will continue to monitor communications on this subject from the FASB in order to determine the impact on the Company's consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity, ("SFAS 150"). SFAS 150 establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. SFAS 150 requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances) because that financial instrument embodies an obligation of the issuer. Many of those instruments were previously classified as equity. SFAS 150 requires an issuer to classify the following instruments as liabilities (or assets in some circumstances): mandatory redeemable financial instruments; obligations to repurchase the issuer's equity shares by transferring assets; and certain obligations to issue a variable number of its equity shares. SFAS 150 is effective for all financial instruments entered into or modified after May 31, 2003, and otherwise shall be effective at the beginning of the first interim period beginning after June 15, 2003. SFAS 150 was adopted by the Company in Fiscal 2004. The adoption had no material effect on its consolidated financial statements.

Critical Accounting Policies

In December 2001, the Securities and Exchange Commission ("SEC") published a Commission Statement in the form of Financial Reporting Release No. 60 which requested 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, it believes the following accounting policies to be critical:

Revenue Recognition—Revenue is recognized upon shipment of goods to customers. The Company's revenue earning activities involve delivering or producing goods, and revenues are considered to be earned when the Company has completed the process by which it is entitled to such revenues. The following criteria are used for revenue recognition: persuasive evidence of an arrangement exists, shipment has occurred, selling price is fixed or determinable and collection is reasonably assured. Estimated warranty costs are accrued by management upon product shipment based on an estimate of future warranty claims.

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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". 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. At April 30, 2004, the Company considered 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 during the past fiscal year have consisted of overnight deposits with banks. The average principal sum invested was approximately \$2.1 million and the weighted average effective interest rate for these investments was approximately 1.0%. 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.

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.

2004

2003

	High	Low	High	Low
First Quarter	\$ 3.98	\$ 2.42	\$ 7.62	\$ 2.61
Second Quarter	4.79	3.41	3.65	1.83
Third Quarter	7.12	3.75	4.39	2.42
Fourth Quarter	9.34	4.96	3.30	2.02

At April 30, 2004 there were approximately 7,000 shareholders.

The Company has never paid a dividend and does not at present have an intention to pay a dividend in the foreseeable future.

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DATARAM CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

April 30, 2004 and 2003

(In thousands, except share and per share amounts)

	2004	2003
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,806	\$ 2,500
Trade receivables, less allowance for doubtful accounts and sales returns of \$320 in 2004 and 2003	8,846	6,292
Income tax receivable	-	3,138
Inventories:		
Raw materials	1,302	1,972
Work in process	102	39
Finished goods	1,133	844
	<u>2,537</u>	<u>2,855</u>
Deferred income taxes	723	723
Other current assets	92	111
Total current assets	<u>19,004</u>	<u>15,619</u>
Property and equipment:		
Land (held for sale)	875	875
Machinery and equipment	11,934	12,576
	<u>12,809</u>	<u>13,451</u>
Less accumulated depreciation and amortization	9,951	8,887
Net property and equipment	<u>2,858</u>	<u>4,564</u>
Other assets	50	24
	<u>\$21,912</u>	<u>\$20,207</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	3,862	3,208
Accrued liabilities	1,646	2,978
Total current liabilities	<u>5,508</u>	<u>6,186</u>
Stockholders' equity:		
Common stock, par value \$1.00 per share. Authorized 54,000,000 shares; issued and outstanding 8,526,519 in 2004 and 8,497,219 in 2003	8,527	8,497
Additional paid-in capital	4,676	4,594
Retained earnings	3,201	930

Total stockholders' equity 16,404 14,021

Commitments and contingencies

\$21,912 \$20,207

See accompanying notes to consolidated financial statements.

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DATARAM CORPORATION AND SUBSIDIARIES
 Consolidated Statements of Operations
 Years ended April 30, 2004, 2003 and 2002
 (In thousands, except per share amounts)

	2004	2003	2002
Revenues	\$ 61,984	\$ 53,529	\$ 81,190
Costs and expenses:			
Cost of sales	46,311	39,529	56,737
Engineering and development	1,284	1,539	1,839
Selling, general and administrative	11,985	17,204	21,532
Restructuring charges	-	3,805	1,200
Asset impairment charge	-	11,535	5,856
	<u>59,580</u>	<u>73,612</u>	<u>87,164</u>
Earnings (loss) from operations	<u>2,404</u>	<u>(20,083)</u>	<u>(5,974)</u>
Other income (expense):			
Interest income	23	34	291
Interest expense	(17)	(118)	(1,207)
Currency gain	47	-	-
Other income	66	-	-
	<u>119</u>	<u>(84)</u>	<u>(916)</u>
Earnings(loss)before income tax expense (benefit)	<u>2,523</u>	<u>(20,167)</u>	<u>(6,890)</u>
Income tax expense (benefit)	252	(4,563)	1,211
Net earnings (loss)	<u>\$ 2,271</u>	<u>\$(15,604)</u>	<u>\$(8,101)</u>
Net earnings(loss) per common share:			
Basic	\$ 0.27	\$(1.84)	\$(0.95)
Diluted	\$ 0.25	\$(1.84)	\$(0.95)

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Cash Flows
Years ended April 30, 2004, 2003 and 2002
(In thousands)

	2004	2003	2002
Cash flows from operating activities:			
Net earnings (loss)	\$ 2,271	\$(15,604)	\$(8,101)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Asset impairment charge	-	11,535	-
Non-cash restructuring charges	-	1,003	-
Depreciation and amortization	1,847	3,925	10,450
Bad debt expense (recovery)	7	152	(65)
Deferred income tax expense (benefit)	-	(1,294)	125
Changes in assets and liabilities:			
(Increase) decrease in trade and other receivables	(2,561)	5,033	6,228
Decrease in inventories	318	2,580	490
Decrease (increase) in income tax receivable	3,138	(2,438)	(699)
(Increase) decrease in other current assets	19	345	(291)
(Increase) decrease in other assets	(26)	384	(43)
Increase (decrease) in accounts payable	654	(3,490)	(619)
Increase (decrease) in accrued liabilities	(1,332)	1,290	(2,256)
Net cash provided by operating activities	4,335	3,421	5,219
Cash flows from investing activities:			
Additions to property and equipment	(160)	(673)	(358)
Proceeds from sale of property and equipment	19	-	-
Net cash used in investing activities	(141)	(673)	(358)
Cash flows from financing activities:			
Payment of term loan	-	-	(10,000)
Borrowings (repayment) under revolving line of credit	-	(3,800)	3,800
Principal payments under capital lease obligations	-	-	(5,111)
Purchase and subsequent cancellation of shares of common stock	-	(524)	(650)
Proceeds from sale of common shares under stock option plan (including tax benefits)	112	420	520
Net cash provided by (used in) financing activities	112	(3,904)	(11,441)
Net increase (decrease) in cash and cash equivalents	4,306	(1,156)	(6,580)
Cash and cash equivalents at beginning of year	2,500	3,656	10,236
Cash and cash equivalents at end of year	\$ 6,806	\$ 2,500	\$ 3,656

Supplemental disclosures of cash flow information:

Cash paid during the year for:

Interest	\$ 16	\$ 125	\$ 1,177
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Balance at April 30, 2004	\$ 8,527	\$ 4,676	\$ 3,201	\$ -	\$16,404
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See accompanying notes to consolidated financial statements.

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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.

Until the closure of the Company's manufacturing operations in Denmark in the fourth quarter of fiscal 2003, the financial statements of its foreign subsidiaries were translated using the local currency as their functional currency. That is, assets and liabilities of the foreign subsidiaries were translated using the exchange rates in effect at the date of the balance sheet while the results of operations of those foreign subsidiaries were translated using the average exchange rates in effect for each year. Differences arising upon translation were then included as part of accumulated other comprehensive income (loss) in the Consolidated Statements of Stockholders' Equity and Comprehensive Income (loss). The closure of the operations in Denmark required the reversal of the balance in the cumulative foreign currency translation account in accumulated other comprehensive income (loss) since this event represented a substantial liquidation of those operations and such amount is included in the computation of the overall loss on the transaction (see note 2). Subsequently, the Company's foreign subsidiaries act only as marketing offices which are deemed to be essentially branches of the US company and the functional currency of these offices is considered to be the US dollar. Accordingly, from the date of this change, any amounts denominated in a currency other than the US dollar are being recorded at the balance sheet rate of exchange and gains and losses arising from changes in foreign currency rates for those assets and liabilities are being reported in the income statement.

Cash and Cash Equivalents

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

Inventory

Inventories are stated at the lower of cost or market, with cost determined by the first-in, first-out method.

Property and Equipment

Property and equipment is recorded at cost. Depreciation is generally computed on the straight-line basis. Depreciation and amortization rates are based on the estimated useful lives or lease terms for capital leases, whichever is shorter, which range from three to five years for machinery and equipment. When property or equipment is retired or otherwise disposed of, related costs and accumulated depreciation are removed from the accounts.

Repair and maintenance costs are charged to operations as incurred.

Goodwill and Acquired Intangible Assets

The Company adopted Statement of Financial Accounting Standards SFAS No. 142, Goodwill and Other Intangible Assets effective May 1, 2001. SFAS 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS No. 142. SFAS No. 142 also requires that intangible assets with finite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment periodically.

On April 28, 2003, the Company restructured its worldwide operations. As part of the restructuring, the Company ceased production of memory for the PC market and closed its production facility in Aarhus, Denmark. As a consequence of this action, the Company concluded that the estimated fair value of its acquired business (MCT) had no remaining value and the Company wrote-off its purchased goodwill of approximately \$11.1 million (see note 2).

Long-Lived Assets

Long-lived assets consist of property, plant and equipment. SFAS No. 144 provides a single accounting model for long-lived assets to be disposed of. SFAS No. 144 also changes the criteria for classifying an asset as held for sale, broadens the scope of businesses to be disposed of that qualify for reporting as discontinued operations and changes the timing of recognizing losses on such operations.

In accordance with SFAS No. 144, 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 reviews long-lived assets for impairment whenever events or changes in business circumstances occur that indicate that the carrying amount of the assets may not be recoverable. Impairments are recognized when the expected future undiscounted cash flows derived from such assets are less than their carrying value. For such cases, losses are recognized for the difference between the fair value and the carrying amount. The Company considers various valuation factors, principally discounted cash flows, to assess the fair values of long-lived assets.

Revenue Recognition

Revenue is recognized upon shipment of goods to customers. The Company's revenue earning activities involve delivering or producing goods, and revenues are considered to be earned when the Company has completed the process by which it is entitled to such revenues. The following criteria are used for revenue recognition: persuasive evidence of an arrangement exists, delivery has occurred, selling price is fixed or determinable and collection is reasonably assured.

Product Development and Related Engineering

The Company expenses product development and related engineering costs as incurred. Engineering effort is directed to the development of new or improved products as well as ongoing support for existing products.

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". 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 assets and liabilities and their respective tax bases. 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.

In fiscal 2004, sales to one customer accounted for approximately 22% of revenues and 37% of accounts receivable at April 30, 2004. In fiscal 2003 and fiscal 2002, no customer generated revenues of 10% or greater.

Net Earnings/(Loss) Per Share

Net Earnings/(Loss) Per Share is presented in accordance with SFAS No. 128, "Earnings Per Share". Basic net earnings/(loss) per share is calculated by dividing net earnings/(loss) by the weighted average number of common shares outstanding during the period. Diluted net earnings per share in 2004 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). During 2003 and 2002, the Company excluded the dilutive effect of stock options in the calculation of diluted net loss per share, because they were anti-dilutive. As such, the numerator and denominator used in computing basic and diluted net loss per share are equal.

The following presents a reconciliation of the numerator and denominator used in computing Basic and Diluted net earnings per share for fiscal 2004.

(Earnings in thousands)

Year ended April 30, 2004
Earnings Shares Per share
(numerator) (denominator) amount

Basic net earnings per share			
- -net earnings and weighted average common shares outstanding	\$ 2,271	8,502,000	\$.27

Effect of dilutive securities			
- -stock options	-	405,000	

Diluted net earnings per share			
- -net earnings, weighted average common shares			

outstanding and effect of			
stock options	\$ 2,271	8,907,000	\$.25
	<u> </u>	<u> </u>	<u> </u>

Diluted net earnings (loss) per common share does not include the effect of options to purchase 463,080 shares of common stock for the year ended April 30, 2004 because they are anti-dilutive.

Diluted net earnings (loss) per common share does not include the effect of options to purchase 1,515,350 shares of common stock for the year ended April 30, 2003 because they are anti-dilutive.

Diluted net earnings (loss) per common share does not include the effect of options to purchase 1,797,800 shares of common stock for the year ended April 30, 2002 because they are anti-dilutive.

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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 cost are probable and can be reasonably estimated.

	Balance Beginning of Year	Charges to Costs and Expenses	Balance End Deductions	Balance of Year
Year Ended April 30, 2004	\$ 54	26	(26)	\$ 54
Year Ended April 30, 2003	\$ 54	23	(23)	\$ 54
Year Ended April 30, 2002	\$ 54	6	(6)	\$ 54

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, 2004, the Company has stock-based employee and director compensation plans, which are described more fully in Note 7. The Company accounts for those plans under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations. No stock-based compensation cost is reflected in net income

for stock options, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of the grant.

The following table illustrates the effect on net earnings (loss) and earnings (loss) per share if the Company had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123") to stock-based employee compensation:

	Years ended April 30		
	2004	2003	2002
Net earnings (loss), as reported	\$ 2,271	\$(15,604)	\$(8,101)
Deduct: Total stock-based employee compensation expense determined under the fair value method for all awards	(784)	(885)	(1,191)
Pro forma under SFAS 123	\$ 1,487	\$(16,489)	\$(9,292)
Basic and diluted net earnings (loss) per common share:			
Basic:			
As reported	\$.27	\$(1.84)	\$(.95)
Pro forma under SFAS 123	.17	(1.94)	(1.10)
Diluted:			
As reported	\$.25	\$(1.84)	\$(.95)
Pro forma under SFAS 123	.17	(1.94)	(1.10)

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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:

	2004	2003	2002
Expected life (years)	7.5	7.5	7.5
Expected volatility	57%	72%	63%
Expected dividend yield	-	-	-
Risk-free interest rate	3.0%	5.0%	5.0%
Weighted average fair value of options granted during the year	\$ 2.50	\$ 2.19	\$ 5.62

(2) Acquisition and Restructuring of Operations

On March 23, 2001, the Company acquired certain assets, principally including inventory, accounts receivable and equipment of Memory Card Technology A/S ("MCT"), a corporation in suspension of payments under Danish bankruptcy law. MCT designed and manufactured memory from its facility in Denmark and had sales offices in Europe, Latin America and the Pacific Rim. The Company purchased the assets from MCT for total consideration of approximately \$32,006 of which approximately \$28,581 was paid in cash plus the assumption of certain payables and accrued expenses, certain direct transaction cost and certain MCT employee rationalization costs all of which total approximately \$3,425. The net assets acquired by the Company were recorded at their respective fair values under the purchase method of accounting. The Company evaluated the carrying value of both its intangible assets and goodwill as of May 1, 2001 and concluded that such assets had not been impaired. Due to the pressure on the Company's worldwide operations during fiscal 2002 caused by

continued economic weakness and its associated impact on capital spending coupled with the overall decline in pricing for DRAMs and its associated impact on the Company's selling prices, the Company was required to perform another impairment analysis for both the intangible assets and the acquired goodwill. That analysis was performed in the third quarter ended January 31, 2002. The Company evaluated the carrying value of goodwill as of that date and concluded that the asset had not been impaired. The Company also evaluated the carrying value of its intangible assets (acquired customer base) and concluded that it was in fact impaired. The Company's integration activities included: narrowing its combined product offerings to certain strategic platforms; redefining its targeted customer base; and directing the efforts of its acquired sales force to sell memory products only for those identified platforms through the targeted customer base. As a result, the Company's customer base has changed and the future cash flows expected to be generated by the acquired customer base, as it existed at the date of acquisition no longer supported any carrying value for those assets. Accordingly, the Company fully amortized its intangible assets in fiscal 2002, which totaled \$5.8 million.

During the fourth quarter of fiscal 2003, the Company announced a restructuring of its operations. As part of this restructuring, the Company ceased production of memory for the PC market and closed its production facility in Aarhus, Denmark. The Company has consolidated all manufacturing into its facility located in Bucks County, Pennsylvania. As a result, the Company reduced its workforce by approximately 28 percent and incurred a consolidated pretax charge of approximately \$3,800 in the fourth quarter, which consists primarily of additional depreciation and amortization of fixed assets in Denmark, a provision for leasehold impairment, a write down of PC related inventory and severance payments. Additionally, the Company wrote-off its purchased goodwill of \$11,144. Of these amounts, \$300 has been charged to cost of sales, with the balance recorded as restructuring charges of \$3,065 million and asset impairment charges of \$11,535, which is net of the effect of certain foreign exchange translation gains. The Company has entered into lease termination agreements totaling approximately \$1,000 and has severance obligations totaling approximately \$850. The lease termination obligations were paid in the first quarter of fiscal 2004. Approximately \$750 of the severance obligations was paid by the end of the first quarter of fiscal 2004 with the balance of approximately \$100 paid in the second quarter of fiscal 2004.

An additional restructuring charge had been recorded in June 2002, which totaled \$740 and was primarily related to severance costs. The severance payments have all been made as of April 30, 2003. Fiscal 2002 restructuring charges were \$1,200, also severance related. As of April 30, 2002, the Company had paid the majority of these costs, except for approximately \$50, which was paid in early fiscal 2003.

(3) Long-Term Debt

On March 31, 2001, the Company drew \$10,000 against its existing credit facility to fund a portion of the purchase price of the MCT acquisition. On April 16, 2001, the Company entered into a new \$10,000 term note ("term note") and a \$15,000 revolving credit line ("credit line") with a commercial bank (together, referred to as the "credit facility"), which expires on April 16, 2004. The credit facility contains financial covenants as defined in the agreement for which the Company was in compliance with at April 30, 2002. The proceeds from the term note were used to repay the existing obligation under the original credit facility. The term note was due in twenty quarterly installments of \$500 until March 31, 2006. The term note bore interest, which was payable monthly in arrears, at the LIBOR rate for 90 day maturities plus 1.9% computed on the basis of a 360 day year for the actual number of days elapsed. In January 2002, the Company amended and restated its credit facility. In doing so, the Company repaid the term note in its entirety. As of April 30, 2002, there was \$3,800 outstanding on the revolving credit line that was paid in fiscal 2003. On April 4, 2003, the Company terminated this credit facility.

(4) Income Taxes

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

(In thousands)	2004	2003	2002
Current:			
Federal	\$ 47	\$(3,307)	\$ 870
Foreign	-	37	103
State	205	1	113
	<u>252</u>	<u>(3,269)</u>	<u>1,086</u>
Deferred:			
Federal	-	(1,247)	(8)
Foreign	-	-	134
State	-	(47)	(1)
	<u>-</u>	<u>(1,294)</u>	<u>125</u>
Total income tax expense	<u>\$ 252</u>	<u>\$(4,563)</u>	<u>\$ 1,211</u>

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:

	2004	2003	2002
Computed "expected" tax expense(benefit)	\$ 883	\$(7,058)	\$(2,411)
State income taxes(net of Federal income tax benefit)	150	(30)	74
Difference in federal graduated rates	-	202	(21)
Difference in foreign income tax	-	-	451
Foreign taxes	-	37	103
Foreign permanent differences	-	-	598
Change in valuation allowances	-	2,504	2,400
Utilization of net operating Losses	(1,191)	-	-
Alternative minimum tax	232	-	-
Other	178	(218)	17
	<u>\$ 252</u>	<u>\$(4,563)</u>	<u>\$ 1,211</u>

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

(In thousands)	2004	2003
Deferred tax assets:		
Compensated absences, principally due to accrual for financial reporting purposes	\$ 94	\$ 98
Accounts receivable, principally due to allowance for doubtful accounts and sales returns	119	119

Property and equipment, principally due to differences in depreciation	142	303
Inventory, principally due to reserve for obsolescence	143	131
Domestic net operating losses	4,944	6,135
Alternative minimum tax	217	-
Total gross deferred tax assets	<u>5,659</u>	<u>6,786</u>
Less valuation allowance	<u>(3,777)</u>	<u>(4,904)</u>
Net deferred tax asset	1,882	1,882
Deferred tax liabilities:		
Investment in wholly-owned subsidiary, principally due to unremitted earnings of DISC	(663)	(663)
Other	(496)	(496)
Total gross deferred tax liabilities	<u>(1,159)</u>	<u>(1,159)</u>
Net deferred tax assets (liabilities)	<u>\$ 723</u>	<u>\$ 723</u>

At April 30, 2004 a valuation allowance of \$3,777 has been provided for on the deferred tax assets since management believes that it is more likely than not that such assets will not be realized through the reversal of existing deferred tax assets, future taxable income, or certain tax planning strategies. The Company has U.S. net operating loss carry forwards of approximately \$14,400, which can be used to offset income through 2023.

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(5) Stock Option Plans

The Company has an 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 allows 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. 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, 2004, 960,350 of the outstanding options are exercisable.

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. The holder of the option may purchase 25% 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 25% of such shares on or after each of the three succeeding anniversary dates. At April 30, 2004, 87,875 of the outstanding options are exercisable.

The status of the plans for the three years ended April 30, 2004, is as follows:

	Options Outstanding		
	Shares	Exercise price per share	Weighted average exercise price
Balance April 30, 2001	1,541,450	\$ 1.708-24.250	\$ 5.626

Granted	192,900	6.610-10.000	8.316
Exercised	(38,300)	1.708- 6.000	4.458
Cancelled	(253,000)	1.708- 6.000	12.652
<hr/>			
Balance April 30, 2002	1,443,050	1.708-24.250	4.785
Granted	156,800	2.990- 3.830	3.017
Exercised	(156,000)	1.708- 2.375	2.349
Cancelled	(108,500)	2.990-24.250	7.440
<hr/>			
Balance April 30, 2003	1,335,350	1.708-24.250	4.646
Granted	130,000	4.090	4.090
Exercised	(29,300)	2.990- 3.604	3.573
Cancelled	(69,850)	2.990-24.250	7.641
<hr/>			
Balance April 30, 2004	1,366,200	\$ 1.708-24.250	\$ 4.463

The Company also granted non-qualified options to acquire 150,000 shares of common stock to certain employees in connection with the acquisition of certain assets of MCT. These options are exercisable at a price of \$9.875 per share, which represents the fair value at the date of grant and expire ten years after the date of grant. Of each option, 20% are exercisable on or after the first anniversary of the date of the grant and an additional 20% on or after each of the four succeeding anniversary dates. During fiscal year 2003, 50,000 of these shares were cancelled. At April 30, 2004, 60,000 of the outstanding options are exercisable.

The Company also 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 ten years after date of grant. Of each option, 100% are exercisable one year after the date of grant. At April 30, 2004, 80,000 of the outstanding options are exercisable.

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The status of the non-employee director options for the three years ended April 30, 2004, is as follows:

Options Outstanding

	Shares	Exercise price per share	Weighted average exercise price
Balance April 30, 2001	225,000	\$ 2.313-2.813	\$ 2.763
Granted	40,000	7.980	7.980
Exercised	(60,250)	2.313-2.813	2.626
Cancelled	-	-	-
<hr/>			
Balance April 30, 2002	204,750	2.313-7.980	3.822
Granted	40,000	2.990	2.990
Exercised	(10,000)	2.813	2.813
Cancelled	(154,750)	2.813	2.813
<hr/>			
Balance April 30, 2003	80,000	2.990-7.980	5.485
Granted	40,000	4.090	4.090
Exercised	-	-	-
Cancelled	-	-	-

Balance April 30, 2004 120,000 \$ 2.990-7.980 \$ 5.020

The following table summarizes information about stock options outstanding at April 30, 2004:

Options outstanding		Options exercisable		
Range of exercise price	Number outstanding at April 30, 2004	Weighted average remaining contractual life	Number exercisable at April 30, 2004	Weighted average exercise price
\$1.708- 2.813	699,000	3.13	\$ 2.64 699,000	\$ 2.64
2.990- 3.604	321,000	6.11	3.26 230,775	3.37
4.090- 7.980	382,700	8.08	5.87 149,450	7.06
9.875-11.380	135,500	6.84	10.21 80,200	10.22
24.250	48,000	6.25	24.25 28,800	24.25
\$1.708-24.250	1,586,200	5.34	\$ 4.85 1,188,225	\$ 4.37

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(6) Accrued Liabilities

Accrued liabilities consist of the following at April 30:

	2004	2003
Royalty (See note 7)	\$ 755	\$ 36
Payroll, including vacation	344	427
Commissions	125	67
Taxes	136	-
Leasehold termination provision	-	1,000
Severance	-	850
Other restructuring costs	-	261
Other	286	337
	\$ 1,646	\$ 2,978

(7) 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 \$692 in 2004, \$1,552 in 2003 and \$1,375 in 2002.

Future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) as of April 30, 2004 are as follows:

Year ending April 30:	Operating Leases
2005	\$ 531
2006	463
2007	48

2008 and thereafter 0

Total minimum lease payments \$ 1,042
=====

At April 30, 2004, the Company had open purchase orders outstanding totaling \$6,217 primarily for inventory items to be delivered in the first quarter of fiscal 2005. 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.

Legal Proceedings

The Company is involved in various other claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material effect on the Company's consolidated financial position, results of operations or liquidity.

(8) 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 6 percent of the employee's eligible compensation, based on the employee's years of service. The Company's matching contributions aggregated approximately \$273, \$258 and \$210 in 2004, 2003 and 2002, respectively.

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(9) 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 and total assets for 2004, 2003 and 2002 by geographic region is as follows:

	United States	Europe	Other	Consolidated
April 30, 2004				
Revenues	\$ 43,780	\$ 10,994	\$ 7,210	\$ 61,984
Total assets	\$ 20,963	\$ 949	\$ 0	\$ 21,912
Long lived assets	\$ 2,811	\$ 47	\$ 0	\$ 2,858
April 30, 2003				
Revenues	\$ 29,495	\$ 13,180	\$ 10,854	\$ 53,529
Total assets	\$ 15,398	\$ 4,809	\$ 0	\$ 20,207
Long lived assets	\$ 4,473	\$ 91	\$ 0	\$ 4,564
April 30, 2002				
Revenues	\$ 39,296	\$ 27,131	\$ 14,763	\$ 81,190
Total assets	\$ 14,671	\$ 25,658	\$ 2,233	\$ 42,562
Long lived assets	\$ 5,103	\$ 15,071	\$ 180	\$ 20,354

(10) Quarterly Financial Data (Unaudited)

Quarter Ended

Fiscal 2004	July 31	October 31	January 31	April 30
Revenues	\$12,267	\$12,638	\$17,131	\$19,948
Gross profit	3,449	3,006	4,208	5,010
Net earnings(loss)	171	(162)	732	1,530
Net earnings (loss)per diluted Common and common equivalent share		.02	(.02)	.08 .17

Quarter Ended

Fiscal 2003	July 31	October 31	January 31	April 30
Revenues	\$14,281	\$13,970	\$12,758	\$12,520
Gross profit	3,541	4,200	3,472	2,786
Net earnings(loss)	(1,823)	(253)	(793)	(12,735)
Net earnings (loss)per diluted Common and common equivalent share		(.21)	(.03)	(.09) (1.50)

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Dataram Corporation:

We have audited the accompanying consolidated balance sheets of Dataram Corporation and subsidiaries as of April 30, 2004 and 2003, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended April 30, 2004. 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, 2004 and 2003, and the results of their operations and their cash flows for each of the years in the three-year period ended April 30, 2004, in conformity with U.S. generally accepted accounting principles.

As discussed in note 1 to the consolidated financial statements, the Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations," for all business combinations consummated after June 30, 2001 and the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets" effective May 1, 2001.

Short Hills, New Jersey
June 3, 2004

Selected Financial Data

(Not covered by independent auditors' report)
(In thousands, except per share amounts)

Years Ended April 30,	2004	2003	2002	2001	2000
Revenues	\$ 61,984	\$ 53,529	\$ 81,190	\$ 130,577	\$ 109,152
Net earnings (loss)	2,271	(15,604)	(8,101)	8,595	7,846
Basic earnings (loss) per share	.27	(1.84)	(.95)	1.01	.99
Diluted earnings (loss) per share	.25	(1.84)	(.95)	.88	.81
Current assets	19,004	15,619	21,800	34,690	35,127
Total assets	21,912	20,207	42,562	65,281	40,151
Current liabilities	5,508	6,186	8,287	14,157	12,416
Long-term debt	-	-	3,800	10,000	-
Total stockholders' equity	16,404	14,021	29,828	38,043	26,894
Cash dividends	-	-	-	-	-

Earnings per share data has been adjusted to reflect the three-for-two stock split for shareholders of record on November 24, 1999.

DIRECTORS AND CORPORATE OFFICERS

Directors

Robert V. Tarantino
Chairman of the Board of Directors,
President and Chief Executive Officer
of Dataram Corporation

Richard Holzman*
Private Investor

Thomas A. Majewski*
Principal, Walden Inc.

Bernard L. Riley*
Private Investor

Roger C. Cady*
Principal, Arcadia Associates

*Member of audit committee

Corporate Officers

Robert V. Tarantino
President and Chief Executive Officer

Lars Marcher
Executive Vice President,
and Chief Operating Officer

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

Jeffrey H. Duncan
Vice President of Manufacturing
and Engineering

Hugh F. Tucker
Vice President, Sales

Mark R. Bresky
Vice President, Information Technology

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

KPMG LLP
Short Hills, NJ

General Counsel

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

Transfer Agent and Registrar

Wachovia Bank
Customer Information Center
1525 West W.T. Harris Boulevard
Building 3C3
Charlotte, NC 28288

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 Tuesday, September 14,
2004, 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 June 3, 2004, relating to the consolidated balance sheets of Dataram Corporation and subsidiaries as of April 30, 2004 and 2003, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended April 30, 2004, and the related financial statement schedule which reports appear in the April 30, 2004 annual report on Form 10-K of Dataram Corporation.

As discussed in note 1 to the consolidated financial statements, the Company adopted the provisions of Statement of Financial Accounting Standards No. 141, "Business Combinations" for all business combinations consummated after June 30, 2001, and the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets" effective May 1, 2001.

KPMG LLP

Short Hills, New Jersey
July 27, 2004

Exhibit 31(a)

Section 906 Certification
of
Robert V. Tarantino

I certify that the Annual Report of Dataram Corporation fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended, and that the information contained in the periodic report fully presents, in all material respects, the financial condition and results of operations of Dataram Corporation.

July 26, 2004

ROBERT V. TARANTINO

Robert V. Tarantino, President and
Chief Executive Officer

Exhibit 31(b)

Section 906 Certification
of
Mark E. Maddocks

I certify that the Annual Report of Dataram Corporation fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended, and that the information contained in the periodic report fully presents, in all material respects, the financial condition and results of operations of Dataram Corporation.

July 26, 2004

MARK E. MADDOCKS

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

Exhibit 31(c)

CERTIFICATIONS

I, Robert V. Tarantino, certify that:

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

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures 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 annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date");
and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, 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 in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: July 26, 2004

ROBERT V. TARANTINO

Robert V. Tarantino, President
Chief Executive Officer and
Chairman of the Board of Directors
(Principal Executive Officer)

Exhibit 31(d)

CERTIFICATIONS

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 annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures 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 annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date");
and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, 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 in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: July 26, 2004

MARK E. MADDOCKS

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