

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended 01/31/96 or

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

For the transition period from to

Commission file number 1-8266

DATARAM CORPORATION

(Exact name of registrant as specified in its charter)

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

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

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

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

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

Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date. Common Stock (\$1.00 par value):

PART 1: FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Dataram Corporation And Subsidiary
Consolidated Balance Sheets
January 31, 1996 and April 30, 1995

Unaudited Audited
January 31, 1996 April 30, 1995

Current Assets:

Cash and cash equivalents	\$ 388,287	\$ 721,811
Trade receivables, less allowance for doubtful accounts and sales returns of \$506,000 at January 31, 1996 and \$495,000 at April 30, 1995	15,421,367	14,921,024
Inventories	5,483,938	8,060,807
Other current assets	851,977	1,129,630

Total current assets	22,145,569	24,833,272
Property and equipment, at cost:		
Land	875,000	875,000
Machinery and equipment	6,182,619	5,952,504
	<u>7,057,619</u>	<u>6,827,504</u>
Less: accumulated depreciation and amortization	4,697,899	4,197,158
Net property and equipment	2,359,720	2,630,346
Other assets	5,730	15,076
	<u>\$24,511,019</u>	<u>\$27,478,694</u>

Liabilities and Stockholders' Equity

Current liabilities:

Accounts payable	\$ 5,177,583	\$ 8,778,049
Accrued liabilities	947,958	2,069,348
Total current liabilities	<u>6,125,541</u>	<u>10,847,397</u>

Deferred income taxes	753,822	239,822
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Stockholders' Equity:

Common stock, par value
\$1.00 per share.

Authorized 18,000,000 shares;
issued 3,824,305 at January 31,
1996 and 3,792,305 at

April 30, 1995	3,824,305	3,792,305
Additional paid-in capital	3,425,142	3,219,142
Retained earnings	10,382,209	9,380,028

Total stockholders' equity	<u>17,631,656</u>	<u>16,391,475</u>
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	<u>\$24,511,019</u>	<u>\$27,478,694</u>
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See accompanying notes to consolidated financial statements

<TABLE>

Dataram Corporation and Subsidiary
Consolidated Statements of Operations
Three and Nine Months Ended January 31, 1996 and 1995
(Unaudited)

	1995		1996	
	3rd Quarter	Nine Months	3rd Quarter	Nine Months
<S>	<C>	<C>	<C>	<C>
Revenues	\$28,385,207	\$85,601,073	\$26,272,891	\$75,797,153
Costs and expenses:				
Cost of sales	26,910,340	77,689,791	22,477,326	63,752,346
Engineering and development	365,935	1,254,249	613,824	1,919,597
Selling, general and administrative	1,462,188	4,896,992	2,738,958	8,294,367
	<u>28,738,463</u>	<u>83,841,032</u>	<u>25,830,108</u>	<u>73,966,310</u>
Earnings (loss) from operations	(353,256)	1,760,041	442,783	1,830,843
Other income (expense):				
Other income (expense), net	0	0	5,800	64,002
Interest expense	(44,691)	(101,860)	(85,475)	(215,037)

	(44,691)	(101,860)	(79,675)	(151,035)
Net earnings (loss) before income taxes	(397,947)	1,658,181	363,108	1,679,808
Income tax provision (benefit)	(155,000)	656,000	148,000	671,000
Net earnings (loss)	\$ (242,947)	\$ 1,002,181	\$ 215,108	\$ 1,008,808
Net earnings (loss) per common and common equivalent share:				
Primary	\$ (.06)	\$.26	\$.06	\$.26
Fully Diluted	\$ (.06)	\$.26	\$.06	\$.26
Weighted average number of common and common equivalent shares outstanding:				
Primary	3,824,305	3,837,807	3,829,726	3,837,754
Fully Diluted	3,824,305	3,837,807	3,829,726	3,837,754

</TABLE>

<TABLE>

Consolidated Statements of Cash Flows
Nine Months Ended January 31, 1996 and 1995
(Unaudited)

	1996	1995
<S>	<C>	<C>
Sources of working capital:		
Net earnings	\$ 1,002,181	\$ 1,008,808
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	500,741	632,998
Bad debt expense	220,795	143,641
Changes in assets and liabilities:		
Increase in trade receivables	(721,138)	(3,354,995)
Decrease(increase) in inventories	2,576,869	(342,260)
Decrease in other current assets	277,653	1,112,933
Decrease in other assets	9,346	5,577
Decrease in accounts payable	(3,600,466)	(1,436,084)
Decrease in accrued liabilities	(1,121,390)	(168,538)
Increase in deferred income taxes	514,000	0
Total adjustments	(1,343,590)	(3,406,728)
Net cash used in operating activities	(341,409)	(2,397,920)
Cash flows from investing activities:		
Purchase of fixed assets	(230,115)	(394,855)
Net cash used in investing activities	(230,115)	(394,855)
Cash flows from financing activities:		
Proceeds from sale of common shares under stock option plan	238,000	2,438
Purchase of treasury stock	0	(468,751)
Increase in long-term debt	0	3,100,000
Net cash provided by financing activities	238,000	2,633,687

Net decrease in cash and cash equivalents	(333,524)	(159,088)
Cash and cash equivalents at beginning of year	721,811	437,779

Cash and cash equivalents at end of period	\$ 388,287	\$ 278,691
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Supplemental disclosures of cash flow information:

Cash paid during the period for:

Interest	\$ 101,860	\$ 215,037
Income taxes	\$ 582,000	\$ 5,238

See accompanying notes to consolidated financial statements

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Dataram Corporation and Subsidiary

Notes to Consolidated Financial Statements

January 31, 1996 and April 30, 1995

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

(2) Inventories consist of the following categories:

	01/31/96	4/30/95
Raw Materials	\$ 2,698,000	\$ 4,726,000
Work In Process	287,000	648,000
Finished Goods	2,499,000	2,687,000
	<u>\$ 5,484,000</u>	<u>\$ 8,061,000</u>

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

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

In September 1992, an incentive and nonstatutory stock option plan was adopted by the shareholders which provides for the granting of up to 950,000 shares of common stock to key employees. As of January 31, 1996, options to purchase 362,000 shares at prices ranging from \$5.125 to \$7.125 per share were outstanding. As of January 31, 1996 options to purchase 32,000 shares had been exercised and options to purchase 139,500 shares were exercisable.

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

and options to purchase 82,500 shares were exercisable.

- (5) Certain amounts in the fiscal year 1995 consolidated financial statements have been reclassified to conform to the fiscal year 1996 presentation.
- (6) Information furnished reflects all adjustments which are, in the opinion of management, necessary to a fair presentation of the results of this interim statement.

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

Liquidity and Capital Resources

As of January 31, 1996, working capital amounted to \$16.0 million reflecting a current ratio of 3.6 compared to working capital of \$14.0 million and a current ratio of 2.3 as of April 30, 1995.

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

Results of Operations

Revenues for the three month period ending January 31, 1996 were \$28,385,000 compared to revenues of \$26,272,000 for the comparable prior year period, an increase of 11%. Nine month revenues of \$85,601,000 reflected an increase of 13% over the prior fiscal year's nine month revenues of \$75,797,000.

Cost of sales for the second quarter and nine months were 95% and 91% of revenues, respectively versus 86% and 84% for the same prior year periods. Included in this year's second quarter and nine months cost of sales is a \$1,200,000 charge for a write down to market value primarily of 16 megabit dynamic random access memory (DRAM) chips in inventory. DRAMs are the primary raw material in computer memory boards and comprise approximately 95% of memory product cost. In the second half of the third quarter, the DRAM market underwent dramatic change. For approximately the last two years DRAMs have been in tight supply. Starting in late December, that situation changed. Spot market prices for 16 megabit DRAMs fell below contract prices indicating an oversupply situation. Contract prices for DRAMs also fell suddenly, approximately 15% from late December through January. The DRAM marketplace has not yet stabilized. Prices for DRAMs are continuing to fall. As a result of this change in the marketplace, the Company has been able to significantly reduce its inventory levels while still meeting its customer delivery requirements.

Engineering and development costs in fiscal 1996's third quarter and nine months were \$366,000 and \$1,254,000 versus \$614,000 \$1,920,000 for the same prior year periods. Today's workstation, server and personal computer memories have simple design characteristics. The Company intends to maintain its commitment to timely introduction of new memory products as new workstations and computers are introduced.

Selling, general and administrative costs in this year's second quarter and nine months declined to 5% and 6% of revenues, respectively from 10% and 11% for the same prior year periods. Three and nine month total expenditures decreased by \$1,277,000 and \$3,397,000, respectively from the prior year. This decrease is primarily the result of a restructuring of the Company's

operations related to a discontinued product line which occurred at the end of the fourth quarter of last fiscal year. As a result of the restructuring, the Company's engineering and development expenses and selling, general and administrative expenses have been significantly reduced.

Other income (expense), net for the third quarter and nine months of fiscal 1996 consisted primarily of interest expense associated with the Company's revolving credit line. Prior year other income (expense) consisted of interest expense offset by income from salvage of certain obsolete equipment and inventory items.

PART II: OTHER INFORMATION

ITEM 5. OTHER INFORMATION

The Annual Meeting of Dataram Corporation was held on September 12, 1995. At that meeting, all of the directors nominated by the Board of Directors were elected and the shareholders ratified the selection of KPMG Peat Marwick LLP as the independent certified public accounts of the Company. The voting on the election of directors was as follows:

NAME	FOR	WITHHELD
Richard Holzman	3,495,810	20,952
John J. Cahill	3,495,932	20,855
Robert V. Tarantino	3,480,227	36,560
Thomas A. Majewski	3,495,210	21,552
Bernard L. Riley	3,486,515	30,247

The voting on the ratification of accountants was as follows:

FOR:	3,502,672
AGAINST:	24,865
ABSTAIN:	16,800

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

A. Exhibits

- 27 (a). Financial Data Schedule (Attached)
- 28 (a). Press Release reporting results of Third Quarter, Fiscal Year 1996 (Attached).

B. Reports on Form 8-K

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

Signatures

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

DATARAM CORPORATION

Date: March 7, 1996 By: MARK E. MADDOCKS

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

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