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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 10/31/99 or

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

For the transition period from to

Commission file number 1-8266

DATARAM CORPORATION

(Exact name of registrant as specified in its charter)

New Jersey 22-1831409

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

P.O. Box 7528, Princeton, NJ 08543

(Address of principal executive offices) (Zip Code)

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

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

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

Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date. Common Stock (\$1.00 par value): As of December 2, 1999, there were 5,281,236 shares outstanding. This amount does not reflect the pending 3 for 2 stock split announced November 10, 1999 and distributable on December 15, 1999.

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PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Dataram Corporation And Subsidiary
Consolidated Balance Sheets
October 31, 1999 and April 30, 1999

(Unaudited) (Audited)
October 31, 1999 April 30, 1999

Assets

Current Assets:

Cash and cash equivalents	\$ 8,389,248	\$ 8,092,527
Trade receivables, less allowance for doubtful accounts and sales returns of \$600,000 at October 31, 1999 and \$450,000 at April 30, 1999	16,955,823	12,016,106
Inventories	4,449,631	3,290,300
Other current assets	653,210	475,387
 Total current assets	 30,447,912	 23,874,320

Property and equipment, at cost:

Land	875,000	875,000
Machinery and equipment	5,929,089	5,188,696
	6,804,089	6,063,696

Less: accumulated depreciation
and amortization

	3,172,993	2,572,993
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Net property and equipment	3,631,096	3,490,703
Other assets	9,210	8,655

	\$ 34,088,218	\$ 27,373,678
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Liabilities and Stockholders' Equity

Current liabilities:

Accounts payable	\$ 10,062,136	\$ 4,344,179
Accrued liabilities	2,054,773	1,840,647
Income taxes payable	230,408	250,408
 Total current liabilities	 12,347,317	 6,435,234

Deferred income taxes

	919,000	919,000
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Stockholders' Equity:

Common stock, par value \$1.00 per share.

Authorized 18,000,000 shares; issued

7,575,015 at October 31, 1999 and issued and outstanding		
5,236,810 at April 30, 1999	7,575,015	5,236,810

Retained earnings	13,246,886	14,782,634
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	20,821,901	20,019,444
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	\$ 34,088,218	\$ 27,373,678
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See accompanying notes to consolidated financial statements.

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<TABLE>

Dataram Corporation and Subsidiary
Consolidated Statements of Earnings
Three and Six Months Ended October 31, 1999 and 1998
(Unaudited)

	1999		1998	
	2nd Quarter	Six Months	2nd Quarter	Six Months
Revenues	<C> \$ 29,385,690	<C> \$ 50,550,374	<C> \$ 16,261,859	<C> \$ 34,012,021

Costs and expenses:

Cost of sales	21,940,071	37,354,818	11,095,422	23,365,271
Engineering and development	343,087	676,062	371,824	703,434
Selling, general and administrative	3,857,280	6,907,116	2,810,081	5,747,042
	<u>26,140,438</u>	<u>44,937,996</u>	<u>14,277,327</u>	<u>29,815,747</u>
Earnings from operations	3,245,252	5,612,378	1,984,532	4,196,274
Interest income	117,005	224,687	135,588	252,085
Earnings before income taxes	<u>3,362,257</u>	<u>5,837,065</u>	<u>2,120,120</u>	<u>4,448,359</u>
Income tax provision	1,281,000	2,225,000	830,000	1,741,000
Net earnings	<u>\$ 2,081,257</u>	<u>\$ 3,612,065</u>	<u>\$ 1,290,120</u>	<u>\$ 2,707,359</u>
Net earnings per share of common stock				
Basic	<u>\$.27</u>	<u>\$.46</u>	<u>\$.16</u>	<u>\$.33</u>
Diluted	<u>\$.22</u>	<u>\$.38</u>	<u>\$.14</u>	<u>\$.29</u>
Weighted average number of common shares outstanding				
Basic	<u>7,790,938</u>	<u>7,809,215</u>	<u>8,314,641</u>	<u>8,329,428</u>
Diluted	<u>9,460,072</u>	<u>9,419,416</u>	<u>9,218,127</u>	<u>9,214,509</u>

See accompanying notes to consolidated financial statements.

</TABLE>

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Dataram Corporation and Subsidiary
Consolidated Statements of Cash Flows
Six Months Ended October 31, 1999 and 1998
(Unaudited)

	1999	1998
Cash flows from operating activities:		
Net earnings	\$ 3,612,065	\$ 2,707,359
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	600,000	624,000
Bad debt expense	164,450	113,189
Changes in assets and liabilities:		
(Increase) decrease in trade receivables	(5,104,167)	1,762,167
Increase in inventories	(1,159,331)	(824,965)
Increase in other current assets	(177,823)	(133,928)
Increase in other assets	(555)	(3,000)
Increase (decrease) in accounts payable	5,717,957	(1,494,995)
Increase in accrued liabilities	214,126	117,165
Decrease in income taxes payable	(20,000)	(101,423)
	<u>3,846,722</u>	<u>2,765,569</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of property and equipment	(740,393)	(641,391)
Net cash used in investing activities	<u>(740,393)</u>	<u>(641,391)</u>

Cash flows from financing activities:

Proceeds from sale of common shares under stock option plan	573,022	0
Purchase and cancellation of common stock	(3,382,630)	0
Purchase of common stock held in treasury	0	(422,741)
Net cash used in financing activities	(2,809,608)	(422,741)

Net increase in cash and cash equivalents	296,721	1,701,437
Cash and cash equivalents at beginning of year	8,092,527	7,529,906

Cash and cash equivalents at end of period	\$ 8,389,248	\$ 9,231,343
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Supplemental disclosures of cash flow information:

Cash paid during the period for:

Interest	\$ 40,484	\$ 38,751
Income taxes	\$ 2,065,000	\$ 1,855,200

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements
October 31, 1999 and 1998
(Unaudited)

Basis of Presentation

The information at October 31, 1999 and for the three and six months ended October 31, 1999 and 1998, is unaudited but includes all adjustments (consisting only of normal recurring adjustments) which, in the opinion of management, are necessary to state fairly the financial information set forth therein in accordance with generally accepted accounting principles. The interim results are not necessarily indicative of results to be expected for the full fiscal year. These financial statements should be read in conjunction with the audited financial statements for the year ended April 30, 1999 included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission.

Stock Splits

On November 10, 1999 the Company's Board of Directors announced a three-for-two stock split effected in the form of a dividend for shareholders of record at the close of business on November 24, 1999 and payable December 15, 1999. The stock split has been charged to additional paid in capital in the amount of \$546,781 and retained earnings in the amount of \$1,978,224. On November 11, 1998 the Company's Board of Directors announced a two-for-one stock split effected in the form of a dividend for shareholders of record at the close of business on November 23, 1998 and payable December 3, 1998. The stock split has been charged to additional paid in capital in the amount of \$2,125,871 and retained earnings in the amount of \$655,534. Weighted average shares outstanding and net earnings per share in the accompanying financial statements have been restated to give retroactive effect to these stock splits.

Significant Accounting Policies

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Dataram International Sales Corporation (a Domestic International Sales Corporation (DISC)). All significant intercompany transactions and balances have been eliminated.

Cash and cash equivalents

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

Inventory valuation

Inventories are valued at the lower of cost or market, with costs determined by the first-in, first-out method. Inventories at October 31, 1999 and April 30, 1999 consist of the following categories:

	October 31, 1999	April 30, 1999
Raw material	\$ 2,403,000	\$ 1,335,000
Work in process	564,000	508,000
Finished goods	1,483,000	1,447,000
	<u>\$ 4,450,000</u>	<u>\$ 3,290,000</u>

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Property and equipment

Property and equipment is recorded at cost. Depreciation is generally computed on the straight-line basis. Depreciation rates are based on the estimated useful lives 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.

Revenue recognition

Revenue from product sales is recognized when the related goods are shipped to the customer and all significant obligations of the Company have been satisfied. Estimated warranty costs are accrued.

Product development and related engineering

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

Long-term debt

During the second quarter of fiscal 2000, the Company amended and restated its credit facility with its bank. Under the amended agreement, the Company modified certain financial covenants and increased the revolving credit facility to \$12,000,000 until October 31, 2000, at which point it will decrease to \$6,000,000 until October 31, 2001. The agreement provides for Eurodollar rate loans, CD rate loans and base rate loans at an interest rate no higher than the bank's base commercial lending rate less 1/2%. The Company is required to pay a commitment fee equal to 1/16 of one percent per annum on the unused commitment. The agreement contains certain restrictive financial covenants including a minimum current ratio, minimum tangible net worth requirement, minimum interest coverage ratio, maximum debt to equity ratio and certain other covenants, as defined by the agreement. There were no borrowings during fiscal 2000 and 1999. As of October 31, 1999, the amount available for borrowing under the revolving credit facility was \$12,000,000.

Income taxes

The Company follows the asset and liability method of accounting for income taxes in accordance with the provisions of Statement of Financial Accounting Standards 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. 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.

Common Stock

During the quarter ended October 31, 1999, the Company purchased and retired 210,200 shares of its common stock. For the six month period ended October 31, 1999, 279,900 shares have been purchased and retired. These amounts do not reflect the pending 3 for 2 stock split announced November 10, 1999 and distributable on December 15, 1999.

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Concentration of credit risk

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of cash and cash equivalents. 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.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Actual results could differ materially from those projected in the forward looking statements.

Liquidity and Capital Resources

As of October 31, 1999, working capital amounted to \$18.1 million reflecting a current ratio of 2.5 compared to working capital of \$17.4 million and a current ratio of 3.7 as of April 30, 1999.

During the second quarter of fiscal 2000, the Company amended and restated its \$12 million unsecured revolving credit line with its bank to renew the expiring portion of the facility. Annually, \$6 million of the facility is scheduled to expire. The Company intends to renew any expiring portion of the facility by the expiration date and maintain a \$12 million total facility. The credit facility was unused during the first six months of fiscal 2000 and fiscal 1999. As of October 31, 1999 there was no amount outstanding under the line of credit.

On September 10, 1998, the Company announced an open market repurchase program providing for the repurchase of up to 500,000 shares of its common stock. On June 15, 1999, the Company announced an additional open market repurchase plan providing for the repurchase of up to 500,000 shares of the Company's common stock. During the quarter ended October 31, 1999, the Company purchased 210,200 shares of its common stock at an average price of \$13.14 per share. As of October 31, 1999 there are 382,100 shares remaining available for purchase.

Management believes that its working capital together with internally generated funds and its bank line of credit are adequate to finance the Company's operating needs and future capital requirements.

Year 2000

The Company's products are all year 2000 compliant. The Company has completed its upgrade of its manufacturing, accounting, production and inventory control systems and software and management believes that these systems and software are now year 2000 compliant. The Company has numerous personal computers and peripheral devices used in information technology and non-information technology applications which have been tested for year 2000 compliance. The Company has upgraded or replaced any non year 2000 compliant devices and management believes that these devices are all year 2000 compliant. Management estimates that the financial impact of the upgrades has not had a material effect on the Company's consolidated financial condition, results of operations and liquidity.

As part of the Company's Year 2000 readiness program, the Company has identified its key vendors and suppliers and management believes that its key vendors and suppliers are year 2000 compliant. The Company has a diverse and ever changing customer base, with no single customer typically accounting for 10% or more of its revenue. The Company has not ascertained the stage of year 2000 readiness of its current customers.

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The possible consequences of the Company, its key vendors, certain customers, governments or government agencies, financial institutions, utilities, etc. of not being year 2000 compliant by January 1, 2000 include but are not limited to, among other things, a temporary plant closing, delays in the delivery of products, delays in collection of receivables, and inventory and supply obsolescence. Because of the widespread nature of this problem, no assurances can be made that the Company will not be materially adversely affected by a temporary inability of the Company to conduct its business in the ordinary course for a period of time after January 1, 2000. However, management believes that the actions it has taken should significantly reduce the adverse effect any such disruptions may have.

Results of Operations

Revenues for the three month period ending October 31, 1999 were \$29,386,000 compared to revenues of \$16,262,000 for the comparable prior year period. Fiscal 2000 six month revenues totaled \$50,550,000 versus six month revenues of \$34,012,000 for the prior fiscal year. The increase in revenues was the result of strong volume growth coupled with more stable average selling prices. Volume, measured in gigabytes shipped, increased 104% in the second quarter compared to the prior year comparable period.

Cost of sales for the second quarter and six months of fiscal 1999 were 75% and 74%, respectively of revenues versus 68% and 69% for the same prior year periods. The increase in the cost of sales was mainly the result of reduced sales of certain of the Company's Digital Equipment Corporation (now Compaq) compatible memory products which command high margins.

Engineering and development costs in fiscal 2000's second quarter and six months were \$343,000 and \$676,000, respectively versus \$372,000 and \$703,000 for the same prior year periods. The Company intends to maintain its commitment to the 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 six months decreased to 13% and 14%, respectively of revenues from 17% for the same prior year periods. Three month total expenditures increased by \$1,047,000 from the comparable prior year period. Six month selling, general and administrative costs increased by \$1,160,000 in fiscal 2000 versus fiscal 1999. The increase in costs is primarily attributable to a continued expansion of the Company's sales force, as well as an increase in costs associated with increased revenues and profits.

Other income (expense), net for the second quarter and six months of fiscal 1999 and fiscal 2000 consists primarily of interest income on short term investments.

Safe Harbor Statement

The information provided in this interim report may include forward-looking statements relating to future events, such as the development of new products, the commencement of production or the future financial performance of the Company. Actual results may differ from such projections and are subject to certain risks including, without limitation, risks arising from: changes in the price of memory chips, changes in the demand for memory systems for workstations and servers, increased competition in the memory systems industry, delays in developing and commercializing new products and other factors described in the Company's most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission which can be reviewed at <http://www.sec.gov>.

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PART II: OTHER INFORMATION

ITEM 5. EXHIBITS AND REPORTS ON FORM 8-K

A. Exhibits

10 (a). Amendment to revolving line of credit agreement (Attached).

27 (a). Financial Data Schedule

28 (a). Press Release reporting results of Second Quarter, Fiscal Year 2000 (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: December 10, 1999 By: MARK E. MADDOCKS

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

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FOR: Dataram Corporation

APPROVED BY: Mark E. Maddocks
Chief Financial Officer
Dataram Corporation
(609) 799-0071

FOR IMMEDIATE RELEASE

CONTACT: Investor Relations:
Cheryl Schneider/John Blackwell
Press: Michael McMullan, David Nugent
Morgen-Walke Associates, Inc.
(212) 850-5600

DATARAM REPORTS 61% EARNINGS INCREASE
DECLARES THREE FOR TWO STOCK SPLIT

PRINCETON, NJ, November 10, 1999 - Dataram Corporation (AMEX: DTM) today reported record earnings for its second quarter ended October 31, 1999.

For the fiscal 2000 second quarter, net earnings were \$2,081,000, up 61% compared with the second quarter of fiscal 1999. On a diluted basis, earnings per share increased 57% to a record \$0.33 in the quarter, compared with \$0.21 in the second quarter of fiscal 1999. Revenues of \$29.4 million were up 81% versus \$16.3 million in the prior year's second quarter. Volume, measured in gigabytes shipped, increased 104% in the second quarter compared to the prior year period. On a sequential basis, quarterly revenues increased 39% to \$29.4 million from \$21.2 million and net earnings rose 36% to \$2,081,000 from \$1,531,000.

For the fiscal 2000 six-month period, net earnings rose 33% to \$3,612,000, or \$0.58 per diluted share, versus \$2,707,000, or \$0.44 per diluted share. Revenues of \$50.6 million were up 49% compared to \$34.0 million in the comparable period of fiscal 1999.

Robert V. Tarantino, Dataram's president and chief executive officer, commented, "It is a pleasure to report yet another quarter of record earnings. This is our eighth consecutive quarter of delivering increased year-over-year bottom line results. These results reflect continued strong growth in volume and more stable average selling prices. The market for our high capacity memory products is benefiting not only from the growing need for more powerful memory products to manage the expanding Internet infrastructures, but by our growing presence in the OEM and channel assembly businesses."

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DATARAM REPORTS 61% EARNINGS INCREASE
DECLARES THREE FOR TWO STOCK SPLIT

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Mr. Tarantino continued, "In an important development this quarter, we entered into an agreement with Compaq Computer Corporation whereby AlphaServer network and workstation users can add Dataram memory to their Compaq service agreements. This action improves our competitiveness by increasing the value of Dataram memory to our existing and potential customers."

Mr. Tarantino added, "In addition to actively expanding our core business, we continued to foster new relationships with channel assemblers and original equipment manufacturers (OEMs). Our OEM business, which we entered in the fourth quarter of our 1999 fiscal year, contributed revenue of over \$3 million in the second quarter, an improvement of nearly 150% from the first quarter. We are confident that this segment will provide us with numerous growth opportunities

and will improve the efficiency of our manufacturing assets as we build volume."

The Company continued its previously announced 1,000,000 share repurchase program. During the second quarter the Company bought back 210,200 shares at an average price of \$13.14, bringing the total number of shares purchased year-to-date to 279,900 shares. As of November 9, 1999, the Company has purchased 617,900 shares under the current authorization.

Additionally, the Company announced that its Board of Directors has approved a three-for-two split of its common stock for shareholders of record at the close of business on November 24, 1999. The stock split will be in the form of a one share dividend for each two shares owned. The distribution of the additional shares will occur on December 15, 1999. The Company's share repurchase program will remain in place. "The Company's strong financial performance makes today's actions possible," Mr. Tarantino said. "The stock split will provide additional liquidity for our shares and, coupled with the repurchase program, return value to our shareholders."

Mr. Tarantino concluded, "A more stable price environment coupled with increasing demand for high capacity memory products and expanding OEM relationships point to a promising future and solid results in the upcoming quarters. We anticipate these conditions persisting in the coming months and into next year. As such, we are confident that we will be able to maintain our momentum and continue to grow through the remainder of the year and into the new millenium."

Dataram Corporation is a leading provider of gigabyte memory upgrades for workstations and network servers. The Company specializes in the manufacture of large-capacity memory boards for Compaq/Digital, Dell, Hewlett-Packard, IBM, Intel, Silicon Graphics and Sun Microsystems computers.

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DATARAM REPORTS 61% EARNINGS INCREASE
DECLARES THREE FOR TWO STOCK SPLIT

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The information provided in this press release may include forward-looking statements relating to future events, such as the development of new products, the commencement of production, or the future financial performance of the Company. Actual results may differ from such projections and are subject to certain risks including, without limitation, risks arising from: changes in the price of memory chips, changes in the demand for memory systems for workstations and servers, increased competition in the memory systems industry, delays in developing and commercializing new products and other factors described in the Company's most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission which can be reviewed at <http://www.sec.gov>.

(Financial Tables To Follow)

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DATARAM CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF EARNINGS
(in thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	10/31/99	10/31/98	10/31/99	10/31/98
	(Unaudited)		(Unaudited)	
Revenues	\$ 29,385	\$ 16,262	\$ 50,550	\$ 34,012
Costs and expenses:				
Cost of sales	21,940	11,095	37,355	23,365
Engineering and				

development	343	372	676	704
Selling, general and administrative	3,857	2,810	6,907	5,747
	<u>26,140</u>	<u>14,277</u>	<u>44,938</u>	<u>29,816</u>
Earnings from operations	3,245	1,985	5,612	4,196
Interest income, net	117	135	225	252
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Earnings before income taxes	3,362	2,120	5,837	4,448
Income taxes	1,281	830	2,225	1,741
Net earnings	<u>\$ 2,081</u>	<u>\$ 1,290</u>	<u>\$ 3,612</u>	<u>\$ 2,707</u>

Net earnings per share:

Basic	<u>\$ 0.40</u>	<u>\$ 0.23</u>	<u>\$ 0.69</u>	<u>\$ 0.49</u>
Diluted	<u>\$ 0.33</u>	<u>\$ 0.21</u>	<u>\$ 0.58</u>	<u>\$ 0.44</u>

Average number of shares outstanding:

Basic	<u>5,194</u>	<u>5,543</u>	<u>5,206</u>	<u>5,553</u>
Diluted	<u>6,307</u>	<u>6,145</u>	<u>6,280</u>	<u>6,143</u>

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DATARAM CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(in thousands)

	October 31, 1999	April 30, 1999
	(Unaudited)	(Audited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 8,389	\$ 8,093
Trade receivables, net	16,956	12,016
Inventories	4,450	3,290
Other current assets	653	475
Total current assets	<u>30,448</u>	<u>23,874</u>
Property and equipment, net	3,631	3,491
Other assets	9	9
	<u>\$ 34,088</u>	<u>\$ 27,374</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 10,062	\$ 4,344
Accrued liabilities	2,285	2,092
Total current liabilities	<u>12,347</u>	<u>6,436</u>
Deferred income taxes	919	919
Stockholders' equity	20,822	20,019
	<u>\$ 34,088</u>	<u>\$ 27,374</u>

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AMENDMENT NUMBER THREE TO LOAN AGREEMENT

This Amendment Number Three to Loan Agreement (the "Amendment") is made as of the 29th day of October, 1999, by and between DATARAM CORPORATION, a New Jersey corporation, having an address at Route 571, Princeton Road, West Windsor Township, New Jersey (the "Borrower") and FIRST UNION NATIONAL BANK, successor by merger to CoreStates Bank, N.A., successor by merger to New Jersey National Bank, having an address at 370 Scotch Road, West Trenton, New Jersey 08628 (the "Bank").

BACKGROUND

WHEREAS, the Borrower and the Bank entered into a certain Loan Agreement dated October 27, 1994 (the "Loan Agreement"), as amended by Amendment Number One to Loan Agreement dated November 1, 1996, by the Letter Agreement dated October 22, 1997, and by Amendment Number Two to Loan Agreement dated October 26, 1998 (the Loan Agreement, as amended through the date hereof is referred to herein as the "Agreement");

WHEREAS, the Borrower and the Bank have agreed to further amend the Agreement to maintain the amount of the Revolver Credit Advance Limit at \$12,000,000 until October 31, 2000, then decrease the amount of the Revolver Credit Advance Limit to \$6,000,000 from November 1, 2000, extend the Revolving Credit Maturity Date to October 31, 2001, and amend and modify the Agreement as hereinafter set forth.

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

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

1. The Revolving Credit Maturity Date is hereby extended to October 31, 2001. To that end, the definition of Revolving Credit Maturity Date contained in Section 1.02 of the Agreement is hereby amended to read in its entirety as follows:

"Revolving Credit Maturity Date" means October 31, 2001.

2. The amount of the Revolver Credit Advance Limit is maintained at \$12,000,000 from November 1, 1999 until October 31, 2000, then decreased to \$6,000,000 on November 1, 2000 until the Revolver Credit Maturity Date. To that end, the definition of Revolving Credit Advance Limit contained in Section 1.02 of the Agreement is hereby amended to read in its entirety as follows:

"Revolving Credit Advance Limit" means the sum of Twelve Million Dollars (\$12,000,000) through October 31, 2000 and the sum of Six Million Dollars (\$6,000,000) from November 1, 2000 until the Revolving Credit Maturity Date.

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

6.26. Tangible Net Worth. The Borrower shall maintain at all times Tangible Net Worth of not less than \$16,000,000.

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4. The Borrower shall execute and deliver to the Bank a

replacement revolver note of the Borrower in substantially the form attached as Exhibit A-1 (the "Third Replacement Revolver Note") to evidence the indebtedness of the Borrower for the Revolving Credit Advances by the Bank. The Third Replacement Revolver Note shall replace and supercede the Revolver Note of the Borrower to the Bank dated October 27, 1994, the Replacement Revolver Note of the Borrower to the Bank dated November 1, 1996 and the Second Replacement Revolver Note of the Borrower to the Bank dated October 26, 1996 [which should have been dated 1998] (collectively, the "Original Notes"), but shall not extinguish the Borrower's unconditional obligation to repay the indebtedness evidenced by the Original Notes. All references in the Agreement to the Revolver Note shall henceforth be deemed to refer to the Third Replacement Revolver Note.

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

- (A) This Amendment Number Three to Loan Agreement;
- (B) Third Replacement Revolver Note; and
- (C) Certified Resolutions of the Board of Directors of the Borrowers authorizing the execution of this Amendment.

6. Representations and Warranties. In order to induce the Bank to enter into this Amendment, the Borrower makes the following representations and warranties to the Bank, which shall survive the execution and delivery hereof:

- (1) It is a corporation duly incorporated and validly existing and in good standing under the laws of the jurisdiction of its incorporation and has the corporate power to execute, deliver and perform its obligations under the Agreement as amended by this Amendment;
- (2) The execution and delivery of this Amendment has been authorized by all necessary corporate action on its part, this Amendment has been duly executed and delivered by it; and this Amendment and the Agreement, as amended hereby, constitutes the legal, valid and binding obligations of it enforceable against it in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization and other laws affecting creditors' rights generally, moratorium laws from time to time in effect and general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law);
- (3) Neither the execution and delivery of this Amendment, nor the consummation by the Borrower of the transactions herein contemplated, nor compliance with the terms, conditions and provisions hereof will conflict with or result in a breach of any of the terms, conditions or provisions of (i) its Articles or Certificate of Incorporation or By-Laws; (ii) any other agreement or instrument to which it is now a party or by which it or its property is, or may be, bound, or constitute a default thereunder, or result thereunder in the creation or imposition of any security interest, mortgage, lien, charge or encumbrance of any nature whatsoever upon any of its properties or assets; or (iii) any judgment or order, writ, injunction or decree of any court to which it is subject;
- (4) No action of, or filing with, any governmental or public body or authority is required to authorize, or is otherwise required in connection with the execution, delivery and performance of this Amendment;
- (5) No Event of Default has occurred and is continuing under the Agreement, and no event has occurred which, with notice, lapse of time or both, would constitute such an Event of Default; and

(6) The representations and warranties set forth in the Agreement and the other Loan Documents are true and correct as of the date hereof in all material respects (as updated to reflect Borrower's most recent financial statements).

7. Full Force and Effect. The parties hereto acknowledge and agree that this Amendment is incorporated into and made a part of the Agreement and the other Loan Documents, the terms and provisions of which, unless expressly modified herein, or unless no longer applicable by their terms, continue unchanged and in full force and effect. To the extent that any term or provision in the Amendment is or may be deemed expressly inconsistent with any term or provision in the Agreement and the other Loan Documents, the terms and provisions hereof shall control. This Amendment is limited as written and shall not be deemed (i) to be an amendment of or a consent under or waiver of any other term or condition of the Agreement or (ii) to prejudice any right or rights which the Bank now has or may have in the future under or in connection with the Agreement or the other Loan Documents.

8. Security Interests. It is agreed and confirmed that after giving effect to this Amendment, the security interests granted by the Borrower pursuant to the Security Agreement and the other Loan Documents secure, inter alia, the payment of the obligations arising under the Agreement, as amended by this Amendment.

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

10. Year 2000 Compatibility. Borrower shall take all action necessary to assure that Borrower's computer based systems are able to operate and effectively process date including dates on and after January 1, 2000. At the request of Bank, Borrower shall provide Bank assurance acceptable to Bank of Borrower's Year 2000 Compatibility.

11. Miscellaneous.

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

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

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

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

(5) Counterparts. This Amendment may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original, and all which when taken together shall constitute one and the same agreement.

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

ATTEST: DATARAM CORPORATION,
A New Jersey corporation

By: _____ By: _____

Print Name and Title Print Name and Title

FIRST UNION NATIONAL BANK

By: _____

Print Name and Title

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EXHIBIT A-1
THIRD
REPLACEMENT
REVOLVER NOTE

\$12,000,000.00 West Windsor, New Jersey
October 29, 1999

FOR VALUE RECEIVED, DATARAM CORPORATION, a New Jersey corporation, having an address at Route 571, Princeton Road, West Windsor Township, New Jersey 08543 ("Borrower"), promises to pay the order of FIRST UNION NATIONAL BANK, successor by merger to CoreStates Bank, N.A., successor by merger to New Jersey National Bank, a national banking association, having its principal office at 370 Scotch Road, West Trenton, New Jersey 08628 ("Bank"), at its offices or at such other address as may hereafter be specified by Bank, in lawful money of the United States of America, the principal sum of TWELVE MILLION DOLLARS (\$12,000,000.00), or the aggregate unpaid principal amount of all Revolving Credit Advances (as defined in the Loan Agreement, hereinafter referred to) made to the Borrower by the Bank (the "Loan") pursuant to the Loan Agreement, together with interest thereon at the rate or rates and in the installments and at the times hereinafter provided.

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

(1) "Adjusted LIBOR Rate" - means the LIBOR Rate plus the Applicable Margin.

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

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

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

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

(6) "Business Day" - means any day other than a Saturday, Sunday, or other day on which commercial banks in New Jersey are authorized or required to close under the laws of the State of New Jersey.

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

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

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

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

(11) "Effective Date" - means, for the Prime Rate Tranche, the date on which a Prime Rate Interest Period commences, pursuant to Section 3 hereof, for the LIBOR Tranche, the date Borrower designates as the date on which a LIBOR Interest Period is to commence pursuant to Section 3 hereof.

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

(13) "Indemnified Loss or Expense" - as defined in Section 4 hereof.

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

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

(16) "LIBOR Interest Period" - for a LIBOR Tranche means, initially, the period of time, beginning on an Effective Date and ending one, two or three months thereafter, as selected by Borrower-by telephone or in writing (and if by telephone, confirmed by Borrower the same day by facsimile), during which the Interest Rate for such LIBOR Tranche is the Adjusted LIBOR Rate and thereafter, each period commencing on the last day of the immediately preceding LIBOR Interest Period and ending one, two or three months thereafter, as selected by Borrower-by telephone or in writing (and if by telephone, confirmed by Borrower the same day by facsimile), but in no event after the Revolving Credit Maturity Date; subject, however, to the following provisions: (i) if any LIBOR Interest Period would otherwise end on a day which is not a Business Day, that LIBOR Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such LIBOR Interest Period into another calendar month, in which event such LIBOR Interest Period shall end on the immediately preceding Business Day; and (ii) any LIBOR Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such LIBOR Interest Period) shall end on the last Business Day of a calendar month.

(17) "LIBOR Rate" - means, for each LIBOR Tranche, with respect to each day during each LIBOR Interest Period, the rate (rounded to the next higher 1/100 of 1%) for U.S. dollar deposits for the relevant LIBOR Interest Period, as reported on Telerate page 3750 as of 11:00 a.m., London time, on the second London Business Day before the relevant LIBOR Interest Period begins (or if not so reported, then as determined by the Bank from another recognized source or interbank quotation), adjusted for reserves by dividing that rate by 1.00 minus the LIBOR Reserve.

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(18) "LIBOR Reserve" means the maximum percentage reserve requirement (rounded to the next higher 1/100 of 1% and expressed as a decimal) in effect for any day during the LIBOR Interest Period under the Federal Reserve Board's Regulation D for Eurocurrency liabilities as defined therein. Notwithstanding the foregoing, if the Borrower has hedged the interest expense incidental to any Loan accruing interest based upon the LIBOR Rate by entering into an interest rate swap transaction pursuant to a swap agreement, LIBOR Rate shall be rounded five decimal places in accordance with the 1991 ISDA Definitions published by the International Swaps and Derivatives Association, Inc.

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

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

(21) "Loan Agreement" - means the Loan Agreement dated October 27, 1994, as amended by Amendment Number One to Loan Agreement dated November 1, 1996, by the Letter Agreement dated October 22, 1997, by Amendment Number Two to Loan Agreement dated October 26, 1998, and as may be further amended, supplemented, modified or extended from time to time.

(22) "Loan Documents" - means this Third Replacement Revolver Note in the Principal amount of up to Twelve Million Dollars (\$12,000,000.00), the Loan Agreement and any and all other documents executed by Borrower in connection with the Loan.

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

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

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

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

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

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

(29) "Prime Rate Interest Period" - for a Prime Rate Tranche, means a period of time beginning with an Effective Date, of 365 days in length, selected by Borrower by telephone or in writing (and if by telephone, confirmed by Borrower the same day by facsimile) during which the Interest Rate for such

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Prime Rate Tranche is the Adjusted Prime Rate. If the Prime Rate Interest Period would otherwise end on a day that is not a Business Day, such Prime Rate Interest Period shall be extended to the next business Day, unless such Business Day would fall into the next calendar month, in which event such Prime Rate

Interest Period shall end on the immediately preceding day.

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

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

2. Interest Rate

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

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

(3) Borrower may exercise the option to have portions of the Loan from time to time bear interest at the Adjusted LIBOR Rate by giving bank written notice (which shall be irrevocable), by telephone or in writing, by 10:00 A.M. at least two London Business Days before each proposed LIBOR Tranche, specifying the date and the amount of the proposed LIBOR Tranche and the length of the proposed LIBOR Interest Period. Borrower will confirm any telephonic notice of a proposed LIBOR Tranche the same day by facsimile copy.

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

3. Interest and Principal Payments; Maturity Date.

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

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

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

(4) Principal Repayment. Borrower shall repay the outstanding principal balance of the Loan, all accrued and unpaid interest thereon and any other sums then outstanding hereunder or

under the Loan Documents on October 31, 2001 (the "Maturity Date").

(5) Operating Account. Borrower covenants and agrees to maintain an operating account with Bank at all times during which any portion of the Loan remains outstanding (the "Operating Account"). Borrower hereby authorizes Bank to charge the Operating Account for all payments hereunder as they become due. Borrower agrees to keep in the Operating Account sufficient amount to make such payments as and when they come due. Bank's failure to so charge the Operating Account in order to satisfy Borrower's payment obligations hereunder shall not relieve Borrower's obligations to make all such payments. In the event that Borrower shall fail to maintain a sufficient balance in the Operating Account to satisfy a payment obligation on the date such payment becomes due, Borrower shall continue to be obligated to make such payment and, if such payment is not made by Borrower in some other manner on or before the date such payment becomes due, such failure shall constitute an Event of Default hereunder.

All payments received by Bank from Borrower shall be applied in the following order: (i) to the payment of fees and other costs and expenses then due and owing from Borrower, (ii) to the payment of accrued and unpaid interest then due, (iii) to the payment of any outstanding principal hereunder.

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

4. Prepayments.

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

(2) Borrower may, at any time, prepay the principal balance of a LIBOR Rate Tranche in whole or in part; provided, however, that Borrower shall indemnify Bank against Bank's loss or expense in employing deposits as a consequence of any prepayment of any LIBOR Rate Tranche on a date other than the last day of the LIBOR Interest Period ("Indemnified Loss or

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Expense"). The amount of such Indemnified Loss or Expense shall be determined by Bank based upon the assumption that Bank funded 100% of such LIBOR Rate Tranche in the London interbank market. Any prepayment shall include accrued and unpaid interest to the date of prepayment on the principal amount prepaid and all other sums due and payable hereunder. Nothing herein shall be deemed to alter or affect any obligations that Borrower may have to Bank under any interest rate swap agreements. Borrower agrees to pay the Indemnified Loss or Expense upon any prepayment of the LIBOR Tranche, whether voluntary, required by Bank in connection with any acceleration of the indebtedness hereunder upon the occurrence of an Event of Default, or as otherwise required under this Third Replacement Revolver Note. A determination of Bank as to the amounts payable pursuant to this Section 4(B) shall be conclusive absent manifest error.

5. Late Charges. If any installment of principal or interest or both hereunder or other payment required to be made by Borrower under the other Loan Documents is not paid within ten (10) days after becoming due, Borrower shall pay to Bank on demand a late charge of five percent (5%) of such overdue amount to reimburse Bank for the additional expenses to be incurred as a result of such delinquency, but such late payment fee shall not obligate Bank to accept any overdue payment hereunder nor limit the rights

and remedies available to Bank as a result of Borrower's default, as hereinafter provided. The amount of any such late charge not paid promptly following demand shall be deemed outstanding and payable pursuant to this Third Replacement Revolver Note.

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

7. Default Rate. Upon the occurrence of an Event of Default hereunder, the interest rate otherwise payable hereunder (the "Contract Rate") shall increase immediately and without notice and thereafter shall be payable at a rate of three (3%) per annum in excess of the Contract Rate (said higher rate is hereinafter called the "Default Rate"), until the Event of Default has been cured, or in the event the principal of this Third Replacement Revolver Note has been accelerated, until this Third Replacement Revolver Note is paid in full, including the period following entry of any judgment on or relating to this Third Replacement Revolver Note or the other Loan Documents. Interest on any such judgment shall accrue and be payable at the Default Rate, and not at the statutory rate of interest, after judgment, any execution thereon, and until actual receipt by the holder of payment in full of this Third Replacement Revolver Note and said judgment. Interest at the Default Rate shall be collectible as part of any judgment hereunder and shall be secured by the other Loan Documents.

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

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

10. Waivers by Borrower, Cumulative Remedies.

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

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

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

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

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

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such impositions of or increases in capital requirements or taxes from the date of such change, together with interest on each such amount from the date demanded until payment in full thereof at the Default Rate with respect to amounts or fees not paid when due. Upon the occurrence of any event referred to above, a certificate setting forth in reasonable detail the amounts necessary to compensate Bank as a result of an imposition of or increase in capital requirements or taxes submitted by Bank to Borrower shall be conclusive, absent manifest error or bad faith, as to the amount thereof.

13. Special Provisions of LIBOR Tranches.

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

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

Period, then on the date of such required cessation, Borrower shall be required to specify a different Interest Rate for such Interest Period or, in the alternative, to elect an Interest Period of a length for which Bank may maintain funds at the rate the adjustment of which determines the LIBOR Rate. In addition, within five (5) days after Bank notifies Borrower of such required conversion, Borrower shall reimburse Bank for any loss or expense Bank has certified in writing to Borrower that Bank has incurred as a result of any such required cessation.

14. Interest Limitation; Severability

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

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however, that in determining whether or not any interest payable hereunder exceeds the highest rate permitted by law, any non-principal amount (except payments specifically stated herein to be "interest"), including, without limitation, late charges, shall be deemed, to the extent permitted by law, to be an expense, fee or indemnity rather than interest.

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

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

16. Successors and Assigns. This Third Replacement Revolver Note is binding upon the Borrower and its successors and assigns except that Borrower shall not have the right to assign its rights or obligations hereunder or any interest herein.

17. Amendment. This Third Replacement Revolver Note may not be

charged orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change modification or discharge is sought.

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

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

20. Replacement Note. This Third Replacement Revolver Note is a modification and replacement of a certain Revolver Note of the Borrower to the Bank dated October 27, 1994, the Replacement Revolver Note of the Borrower to the Bank dated November 1, 1996 and the Second Replacement Revolver Note of the Borrower to the Bank dated October 26, 1996 [which should have been dated 1998] (collectively, the "Original Notes"). The indebtedness that is evidenced by this Third Replacement Revolver Note represents in part the same indebtedness as that evidenced by the Original Notes, and this Third Replacement Revolver Note shall not in any way whatsoever constitute a cancellation or novation with respect to the indebtedness evidenced by the Original Notes.

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

ATTEST: DATARAM CORPORATION,
a New Jersey corporation

By: _____ By: _____

Print Name and Title Print Name and Title

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SCHEDULE TO THIRD REPLACEMENT REVOLVER NOTE

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

