

Data Storage Corp
Form 10-Q
August 14, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2009

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

DATA STORAGE CORPORATION
(Exact name of registrant as specified in Charter)

NEVADA
(State or other
jurisdiction of
incorporation or
organization)

333-148167
(Commission File No.)

98-0530147
(IRS Employee
Identification No.)

875 Merrick Avenue
Westbury, NY 11590
(Address of Principal Executive Offices)

(212) 564-4922
(Registrant's Telephone number)

(Former Name or Former Address 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 Exchange Act during the preceding 12 months (or for such shorter period that the issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T

Edgar Filing: Data Storage Corp - Form 10-Q

(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company filer. See definition of “accelerated filer” and “large accelerated filer” in Rule 12b-2 of the Exchange Act (Check one):

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

State the number of shares outstanding of each of the issuer’s classes of stock, as of August 11 2009:

| | Number of Shares |
|--------------------|---------------------|
| Common Stock | 12,789,564 |
| Preferred Stock | 1,401,786 |

DATA STORAGE CORPORATION
FORM 10-Q
June 30, 2009
INDEX

PART I-- FINANCIAL INFORMATION

Item 1. Financial Statements

Consolidated Balance Sheets as of June 30, 2009 (unaudited) and
December 31, 2008

Consolidated Statements of Operations for the Three and Six months
ended June 30, 2009 and 2008

Consolidated Statements of Cash Flows for the Six months ended
June 30, 2009 and 2008

Notes to Consolidated Financial Statements

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation

Item 3 Quantitative and Qualitative Disclosures About Market Risk

Item 4. Control and Procedures

PART II-- OTHER INFORMATION

Item 1 Legal Proceedings

Item 1A Risk Factors

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Item 3. Defaults Upon Senior Securities

Item 4. Submission of Matters to a Vote of Security Holders

Item 5. Other Information

Item 6. Exhibits

DATA STORAGE CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

PART I – Financial Information

Item 1. Financial Statements

| | June 30, 2009 (Unaudited) | December 31, 2008 |
|--|---------------------------------|----------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 73,234 | \$ 289,061 |
| Accounts receivable (less allowance for doubtful accounts of \$12,300 in 2009 and \$44,800 in 2008) | 35,842 | 53,367 |
| Prepaid Expenses | 56,079 | |
| Total Current Assets | 165,155 | 342,428 |
| Property and Equipment: | | |
| Property and equipment | 1,127,377 | 1,115,984 |
| Less—Accumulated depreciation | (854,795) | (793,110) |
| Net Property and Equipment | 272,582 | 322,874 |
| Other Assets: | | |
| Other assets | 45,030 | 13,469 |
| Intangible Asset - Acquired Customer Base | 169,677 | 175,528 |
| Employee loan | 23,000 | 23,000 |
| Total Other Assets | 237,707 | 211,997 |
| Total Assets | 675,444 | 877,299 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accounts payable | 108,672 | 72,037 |
| Accrued expenses | 16,494 | 10,063 |
| Credit line payable | 99,970 | 99,970 |
| Due to related party | 25,718 | 18,000 |
| Due to Nova Stor, Inc. | 58,509 | 58,509 |
| Dividend Payable | 50,000 | 25,000 |
| Due to officer | 79,025 | 7,250 |
| Deferred revenue | 68,282 | 12,790 |
| Total Current Liabilities | 506,670 | 303,619 |
| Commitments and contingencies | - | |
| Stockholders' Equity: | | |
| Preferred Stock, \$.001 par value; 10,000,000 shares authorized; 1,401,786 shares issued and outstanding in each period | 1,402 | 1,402 |
| Common stock, par value \$0.001; 250,000,000 shares authorized; 12,789,564 and 12,473,214 shares issued and outstanding | 12,789 | 12,473 |
| Additional paid in capital | 4,504,875 | 4,352,966 |
| Accumulated deficit | (4,350,292) | (3,793,161) |
| Total Stockholders' Equity | 168,774 | 573,680 |

| | | | | |
|--|----|---------|----|---------|
| Total Liabilities and Stockholders' Equity | \$ | 675,444 | \$ | 877,299 |
|--|----|---------|----|---------|

The accompanying notes are an integral part of these consolidated financial statements.

3

DATA STORAGE CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|-------------|------------------|--------------|
| | June 30, | | June 30, | |
| | 2009 | 2008 | 2009 | 2008 |
| Sales | \$ 141,034 | \$ 161,437 | \$ 280,406 | \$ 328,587 |
| Cost of sales | 122,532 | 83,894 | 212,160 | 163,603 |
| Gross Profit | 18,502 | 77,543 | 68,246 | 164,984 |
| Selling, general and administrative | 335,442 | 143,266 | 598,130 | 282,644 |
| Loss from Operations | (316,940) | (65,723) | (529,884) | (117,660) |
| Other Income (Expense) | | | | |
| Interest income | 10 | 17 | 187 | 36 |
| Interest expense | (1,122) | (586) | (2,434) | (875) |
| Total Other (Expense) | (1,112) | (569) | (2,247) | (839) |
| Loss before provision for income taxes | (318,052) | (66,292) | (532,131) | (118,499) |
| Provision for income taxes | | | | |
| Net Loss | (318,052) | (66,292) | (532,131) | (118,499) |
| Preferred Stock Dividend | (12,500) | - | (25,000) | - |
| Net Loss Available to Common Shareholders | \$ (330,552) | \$ (66,292) | \$ (557,131) | \$ (118,499) |
| Loss per Share – Basic and Diluted | \$ (0.026) | \$ (2.34) | \$ (0.044) | \$ (4.18) |
| Weighted Average Number of Shares - Basic and Diluted | 12,598,363 | 28,359 | 12,536,134 | 28,359 |

The accompanying notes are an integral part of these consolidated financial statements.

DATA STORAGE CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| | Six Months Ended June 30, | |
|---|------------------------------|--------------|
| | 2009 | 2008 |
| Net loss | \$ (532,131) | \$ (118,499) |
| Adjustments to reconcile net income to net cash used in operating activities: | | |
| Depreciation and amortization | 67,535 | 57,132 |
| Allowance for doubtful accounts | (32,500) | |
| Stock based compensation | 9,672 | |
| Changes in Assets and Liabilities: | | |
| Accounts receivable | 50,025 | (25,736) |
| Employee Loan | - | (5,000) |
| Other Assets | (31,561) | - |
| Prepaid Expenses | (13,524) | |
| Accounts payable | 36,661 | 44,969 |
| Accrued expenses | 6,431 | - |
| Deferred Revenue | 55,492 | - |
| Due to Related Party | 7,718 | 9,000 |
| Net Cash Used in Operating Activities | (376,182) | (38,134) |
| Cash Flows from Investing Activities: | | |
| Cash paid for fixed assets | (11,392) | (63,868) |
| Net Cash Used in Investing Activities | (11,392) | (63,868) |
| Cash Flows from Financing Activities: | | |
| Advances from credit line | - | 99,969 |
| Capital Stock Issuance | 100,000 | |
| Advances from shareholder | 71,774 | - |
| Net Cash Provided by Financing Activities | 171,774 | 99,969 |
| Increase (Decrease) in Cash and Cash Equivalents | (215,800) | (2,033) |
| Cash and Cash Equivalents, Beginning of Period | 289,034 | 37,778 |
| Cash and Cash Equivalents, End of Period | \$ 73,234 | \$ 35,745 |
| Cash paid for interest | \$ 2,434 | \$ - |
| Cash paid for income taxes | \$ - | \$ - |

The accompanying notes are an integral part of these consolidated financial statements.

DATA STORAGE CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2009 AND 2008

Note 1 Basis of presentation, organization and other matters

On October 20, 2008, Euro Trend Inc. ("Euro Trend") acquired all of the outstanding capital stock of Data Storage Corporation ("Data Storage"). Data Storage became a wholly owned subsidiary of Euro Trend. On January 6, 2009 Euro Trend, Inc. filed with the state of Nevada changing its name to Data Storage Corporation. The business of Data Storage was the only business of Euro Trend after the acquisition.

Data Storage Corporation was incorporated in Delaware on August 29, 2001. Through its various properties, Data Storage Corporation (DSC) delivers and supports a broad range of premium technology solutions which store, protect, optimize, and leverage information. Clients look to DSC to manage data growth, ensure disaster recovery and business continuity, strengthen security, reduce capital and operating expenses, and to meet increasing industry, state, and federal regulations. The company markets to government, education, and the healthcare industry by leveraging leading technologies such as Virtualization, Cloud Computing, Electronic Health Records, Green IT, and Wireless. The company offers hardware, software as a service, installation, maintenance, managed IT services, and training for building in-house expertise. To protect and leverage our customers' investments, DSC provides a range of top-quality professional services and proactive customer support; directly, as well as through authorized partner organizations globally.

Data Storage Corporation derives its revenues from the sale of solutions that provide businesses protection of critical electronic data. Primarily, these services consist of electronic medical records, email storage and compliance solutions; off site data back up; continuous data protection; data duplication; high availability replication and virtual tape libraries for disaster recovery and business continuity. The Company has Data Centers in Westbury, New York and maintains equipment under a strategic alliance with Broadsmart a VoIP company in Fort Lauderdale, Florida to provide redundant data protection.

The Company accounted for the acquisition as a recapitalization. The recapitalization was the merger of a private operating company (Data Storage) into a public corporation (Euro Trend) with nominal net assets and as such is treated as a capital transaction, rather than a business combination. As a result no Goodwill is recorded. The transaction is the equivalent to the issuance of stock by the private company for the net monetary assets of the shell corporation. The pre acquisition financial statements of Data Storage are treated as the historical financial statements of the consolidated companies.

The consolidated balance sheets, statements of operations and footnotes have been revised to show the effect on the outstanding shares resulting from the acquisition. The effect on the outstanding shares is based on the 3.89 common shares of Euro Trend for every one share of Data Storage's common stock. In addition, where required all share amounts have been revised to reflect the 3.89 common shares of Euro Trend for every one share of Data Storage's common stock.

Condensed Consolidated Financial Statements

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all normal recurring adjustments considered necessary for a fair statement of the results of operations

have been included. The results of operations for the six months ended June 30, 2009 are not necessarily indicative of the results of operations for the full year. When reading the financial information contained in this Quarterly Report, reference should be made to the financial statements, schedule and notes contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2008

Liquidity

The financial statements have been prepared using accounting principles generally accepted in the United States of America applicable for a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the ordinary course of business. For the six months ended June 30, 2009, the Company has generated revenues of \$280,406 but has incurred a net loss of \$532,131. Its ability to continue as a going concern is dependent upon achieving sales growth, reduction of operation expenses and ability of the Company to obtain the necessary financing to meet its obligations and pay its liabilities arising from normal business operations when they come due, and upon profitable operations. The Company has been funded by the CEO and majority shareholder since inception. The Company has been successful in raising money as needed. Further it is the intention of Charles Piluso to continue to raise money through stock issuance and to fund the Company on an as needed basis.

Stock Based Compensation

The Company follows the requirements of SFAS 123(R), Share Based Payments with regard to stock-based compensation issued to employees. The Company has various employment agreements and consulting arrangements that call for stock to be awarded to the employees and consultants at various times as compensation and periodic bonuses. The expense for this stock based compensation is equal to the fair value of the stock that was determined by using the closing trading price on the day the stock was awarded multiplied by the number of shares awarded.

Note 2 Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with U.S. 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 revenue and expenses during the reporting period. Actual results could differ from these estimates.

Note 3 Stockholders' Equity

On January 7, 2009, our stockholders approved a one-for-seven reverse stock split, which became effective on January 27, 2009. All references to share and per-share data for all periods presented in this report have been adjusted to give effect to this reverse split.

The Company entered into three stock purchase agreements on May 26, 2009 for a total of 316,350 shares for an aggregate price of \$100,000

Common Stock Options

During the six months ended June 30, 2009 the Company issued 254,142 common stock options to two employees and 169,428 common stock options to an outside contractor.

A summary of the Company's option activity and related information follows:

| | Number of Shares Under Option | Range of Option Price Per Share | Weighted Average Exercise Price |
|----------------------------|-------------------------------------|---------------------------------------|---------------------------------------|
| Balance at January 1, 2009 | 2,505,864 | \$ -0- | \$ 0.14 |
| Granted | 423,570 | -0- | 0.29 |
| Exercised | -0- | -0- | -0- |
| Cancelled | -0- | -0- | -0- |
| Balance at June 30, 2009 | 2,929,432 | -0- | 0.16 |

Share-based compensation expense for options totaling \$9,672 was recognized in our results for the six months ended June 30, 2009 is based on awards vested. The options were valued at the grant date at \$116,058..

The valuation methodology used to determine the fair value of the warrants issued during the year was the Black-Scholes option-pricing model, an acceptable model in accordance with SFAS 123(R), Share Based Payments. The Black-Scholes model requires the use of a number of assumptions including volatility of the stock price, the average risk-free interest rate, and the weighted average expected life of the warrants.

The risk-free interest rate assumption is based upon observed interest rates on zero coupon U.S. Treasury bonds whose maturity period is appropriate for the term of the Warrants and is calculated by using the average daily historical stock prices through the day preceding the grant date.

7

Edgar Filing: Data Storage Corp - Form 10-Q

Estimated volatility is a measure of the amount by which the Company's stock price is expected to fluctuate each year during the expected life of the award. The Company's estimated volatility is an average of the historical volatility of peer entities whose stock prices were publicly available. The Company's calculation of estimated volatility is based on historical stock prices of these peer entities over a period equal to the expected life of the awards. The Company uses the historical volatility of peer entities due to the lack of sufficient historical data of its stock price.

The weighted average fair value of options granted and the assumptions used in the Black-Scholes model during the six months ended June 30, 2009 are set forth in the table below.

| | 2009 |
|--|--------|
| Weighted average fair value of options granted | \$.29 |
| Risk-free interest rate | 3.07% |
| Volatility | 85% |
| Expected life (years) | 10 |
| Dividend yield | 0.00% |

As of June 30, 2009, there was approximately \$64,000 of total unrecognized compensation expense related to unvested employee options granted under the Company's share based compensation plans that is expected to be recognized over a weighted average period of approximately 4.5 years.

Note 4 Subsequent Events

On July 9, 2009 the Company entered into a stock purchase agreement with an existing shareholder for 237,263 shares for \$75,000

On August 12, 2009 the Company entered into a stock purchase agreement for 288,572.25 shares of common stock for \$100,000.

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

The information contained in Item 2 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 may materially differ from those projected in the forward-looking statements as a result of certain risks and uncertainties set forth in this report. Although management believes that the assumptions made and expectations reflected in the forward-looking statements are reasonable, there is no assurance that the underlying assumptions will, in fact, prove to be correct or that actual results will not be different from expectations expressed in this report.

Company Overview

Data Storage Corporation f/k/a Euro Trend Inc. was incorporated on March 27, 2007 under the laws of the State of Nevada intending to commence business operations by distributing high-end European made designer clothing in mass wholesale and retail markets throughout Western Europe, Canada and the United States of America. On October 20, 2008 we completed a Share Exchange Agreement whereby we acquired all of the outstanding capital stock and ownership interests of Data Storage Corporation. In exchange we issued 12,034,287 shares of our common stock to the Data Storage Shareholders.

Through its various properties, Data Storage Corporation (DSC) delivers and supports a broad range of premium technology solutions which store, protect, optimize, and leverage information. Clients look to DSC to manage data growth, ensure disaster recovery and business continuity, strengthen security, reduce capital and operating expenses, and to meet increasing industry, state, and federal regulations. The company markets to government, education, and the healthcare industry by leveraging leading technologies such as Virtualization, Cloud Computing, Electronic Health Records, Green IT, and Wireless. The company offers hardware, software as a service, installation, maintenance, managed IT services, and training for building in-house expertise. To protect and leverage our customers' investments, DSC provides a range of top-quality professional services and proactive customer support; directly, as well as through authorized partner organizations globally.

We service customers from our New York premises which consist of modern offices and a technology suite adapted to meet the needs of a technology based business. Our primary role is to provide, maintain and develop the network hub hardware and software to meet the needs of our customers.

Data Storage varies its use of resource, technology and work processes to meet the changing opportunities and challenges presented by the market and the internal customer requirements.

Results of Operation

Three and Six months ended June 30, 2009 as compared to the three and six months ended June 30, 2008

Net sales. Net sales for the three months ended June 30, 2009 were \$141,034, a decrease of \$20,403, or 12.6% compared to \$161,437 for the three months ended June 30, 2008, and for the six months ended June 30, 2009 were \$280,406 a decrease of \$48,181, or 14.7%, compared to \$328,587 for the six months ended June 30, 2008. The decrease in sales is primarily attributable due to the loss of client, pricing decreases in the industry and the renegotiation of a contract with our largest customer.

Cost of sales. For the three months ended June 30, 2009, cost of sales increased \$38,638 to \$122,532 from \$83,894 for the three months ended June 30, 2008 and for the six months ended June 30, 2009, cost of sales increased \$48,557 to \$212,160 from \$163,603 for the six months ended June 30, 2008. The increase is due to the addition of managed services which are provided on a resale basis and continuing pricing decreases in the industry. The Company's gross

margin decreased to 13.12% for the three months ended June 30, 2009 as compared to 48.0% for the three months ended June 30, 2008 and the Company's gross margin decreased to 24.3% for the six months ended June 30, 2009 as compared to 50.2% for the six months ended June 30, 2008. Primarily fixed costs, the addition of managed services which carry a lower gross margin, pricing decreases in the industry accounted for the decrease. In addition, the company has moved all employees to a leased employee program which includes payroll taxes and benefits in salary expense.

Operating Expenses. For the three months ended June 30, 2009 operating expenses were \$335,442, an increase of \$192,176 as compared to \$143,266 for the three months ended June 30, 2008 and for the six months ended June 30, 2009 operating expenses were \$598,130 an increase of \$315,486, as compared to \$282,644 for the six months ended June 30, 2008. The increase in operating expenses for the three and six months ended June 30, 2009 is a result of the hiring of sales personnel. Salary expenses for the three months ended June 30, 2009 were \$175,743 an increase of \$148,667 from \$27,076 for the three months ended June 30, 2008 and salary expenses for the six months ended June 30, 2009 were \$284,922 an increase of \$229,315 from \$55,607 for the six months ended June 30, 2008. Professional fees for the three months ended June 30, 2009 were \$50,952, a decrease of \$977 as compared to \$51,929 for the three months ended June 30, 2009 and for the six months ended June 30, 2009 professional fees were \$102,997 an increase of \$19,851 as compared to \$83,146 for the six months ended June 30, 2008. Additional salaries represent sale personnel hired during the quarter ended March 31, 2009. Additional professional fees are related to Data Storage being public corporation during 2009.

Interest Expense. Interest expense for the three months ended June 30, 2009 increased to \$1,122 from \$586 for the three months ended June 30, 2008 and interest expense for the six months ended June 30, 2009 increased to \$2,434 from \$875 for the six months ended June 30, 2008. For the three six months ended June 30, 2009 and June 30, 2008, interest expense was related to a \$100,000 line of credit which was opened January 31, 2008.

Net Income (Loss). Net loss for the three months ended June 30, 2009 was \$318,052 an increase of \$251,760 as compared to net loss of \$66,292 for the three months ended June 30, 2008 and net loss for the six months ended June 30, 2009 was \$532,131 an increase of \$413,632 as compared to net loss of \$118,499 for the six months ended June 30, 2008. The decrease is primarily from an increase in professional fees and increased salary expenses.

Liquidity and Capital Resources

In 2009 we intend to continue to work to increase our presence in the marketplace through both organic growth and acquisition of data storage service provider's assets.

To the extent we are successful in growing our business, identifying potential acquisition targets and negotiating the terms of such acquisition, and the purchase price includes a cash component, we plan to use our working capital and the proceeds of any financing to finance such acquisition costs. Our opinion concerning our liquidity is based on current information. If this information proves to be inaccurate, or if circumstances change, we may not be able to meet our liquidity needs.

During the 6 months ended June 30, 2009 the company's cash decreased \$215,827 to \$73,234.

The Company's working capital was (\$341,515) at June 30, 2009, decreasing \$380,324 from \$38,809 at December 31, 2009.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, financings, or other relationships with unconsolidated entities or other persons, also known as "special purpose entities" (SPEs).

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is subject to certain market risks, including changes in interest rates and currency exchange rates. The Company does not undertake any specific actions to limit those exposures.

Item 4. Controls and Procedures

a) **Evaluation of Disclosure Controls.** Pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 ("Exchange Act"), the Company carried out an evaluation, with the participation of the Company's management, including the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") (the Company's principal financial and accounting officer), of the effectiveness of the Company's disclosure controls and procedures (as defined under Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. The Company lacks the size and complexity to segregated duties sufficiently for proper controls. Based upon that evaluation, the Company's CEO and CFO concluded that the Company's disclosure controls and procedures are not effective to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Company's CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

(b) Changes in internal control over financial reporting. There have been no changes in our internal control over financial reporting that occurred during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

10

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

We are currently not involved in any litigation that we believe could have a material adverse effect on our financial condition or results of operations. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our company or any of our subsidiaries, threatened against or affecting our company, our common stock, any of our subsidiaries or of our companies or our subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

Item 1A. Risk Factors.

None.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The Company entered into three stock purchase agreements on May 26, 2009 for a total of 316,350 shares for an aggregate price of \$100,000

On July 9, 2009 the Company entered into a stock purchase agreement with an existing shareholder for 237,263 shares for \$75,000

On August 12, 2009 the Company entered into a stock purchase agreement for 288,572.25 shares of common stock for \$100,000.

These shares were issued in reliance on the exemption under Section 4(2) of the Securities Act of 1933, as amended (the "Act"). These shares of our common stock qualified for exemption under Section 4(2) of the Securities Act of 1933 since the issuance shares by us did not involve a public offering. The offering was not a "public offering" as defined in Section 4(2) due to the insubstantial number of persons involved in the deal, size of the offering, manner of the offering and number of shares offered. We did not undertake an offering in which we sold a high number of shares to a high number of investors. In addition, the investors had the necessary investment intent as required by Section 4(2) since they agreed to and received share certificates bearing a legend stating that such shares are restricted pursuant to Rule 144 of the 1933 Securities Act. This restriction ensures that these shares would not be immediately redistributed into the market and therefore not be part of a "public offering." Based on an analysis of the above factors, we have met the requirements to qualify for exemption under Section 4(2) of the Securities Act of 1933 for this transaction.

Item 3. Defaults Upon Senior Securities.

There were no defaults upon senior securities during the period ended June 30, 2009.

Item 4. Submission of Matters to a Vote of Security Holders.

There were no Matters submitted to a Vote of Security Holders during the period ended June 30, 2009.

Item 5. Other Information.

There is no information required to be disclosed under this item which was not previously disclosed.

Item 6. Exhibits

(a) Exhibits

31.1 Certifications pursuant to Section 302 of Sarbanes Oxley Act of 2002

32.1 Certifications pursuant to Section 906 of Sarbanes Oxley Act of 2002

SIGNATURES

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

DATA STORAGE CORPORATION

Date: August 14, 2009

By: /s/ Charles M. Piluso
Charles M. Piluso
President, Chief Executive
Officer
Principal Financial Officer