

Data Storage Corp
Form 10-K/A
April 22, 2010

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K /A

(Mark One)

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 333-148167

DATA STORAGE CORPORATION

(Exact name of registrant as specified in its charter)

NEVADA 98-0530147
(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization)

401 Franklin Avenue
Garden City, N.Y 11530
(Address of principal executive offices) (Zip Code)

(212) 564-4922
Registrant's telephone number, including area code:

Securities registered under Section 12(b) of the Exchange Act:

Title of each class registered:	Name of each exchange on which registered:
None	OTC.BB

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, par value \$.001
(Title of class)

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 the Securities Act.
Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant is a shell company as defined in Rule 12b-2 of the Exchange Act.
Yes o No x

Check if there is no disclosure of delinquent filers in response to Item 405 of S-K (§229.405 of this chapter) not contained in this form, and no disclosure will be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether 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 (§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 o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer		<input type="radio"/>	Accelerated
filer	<input type="radio"/>		
Non-accelerated filer		<input type="radio"/>	Smaller reporting
company	<input checked="" type="radio"/>		
(Do not check if a smaller reporting company)			

Revenues for year ended December 31, 2009: \$585,285

Aggregate market value of the voting common stock held by non-affiliates of the registrant as of December 31, 2009, was \$6,835,200

Number of shares of the registrant's common stock outstanding as of April 15, 2010 was: 13,670,399

Transitional Small Business Disclosure Format: Yes o No o

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PART I

ITEM 1. DESCRIPTION OF BUSINESS

Overview

Corporate History

Euro Trend Inc. was incorporated on March 27, 2007 under the laws of the State of Nevada. 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 13,357,143 shares of our common stock to the Data Storage Shareholders. This transaction was accounted for as a reverse merger for accounting purposes. Accordingly, Data Storage Corporation, the accounting acquirer, is regarded as the predecessor entity.

Overview of Data Storage Corporation & our industry

Data Storage Corporation (“Data Storage” or “DSC”). Data Storage provides technical professional services focused on managing customized, powerful, premium solutions for data protection, data management cloud computing including: Storage Infrastructure Design and Management, Business Continuity Planning and Disaster Recovery, Virtualization, Data Archiving, Disk and Transaction Mirroring, and Internet Services..

Delivering and supporting through its divisions and Joint Venture, professional services providing a broad range of premium solutions in electronic data storage and protection. Clients look to DSC to ensure disaster recovery and business continuity, strengthen security, and to meet increasing industry compliance, State and Federal regulations. The company markets to business, government, education, and the healthcare industry by leveraging leading technologies such as Virtualization, Cloud Computing, and Electronic Medical Records (EMR). The company provides hardware, Software-as-a-Service, managed IT services, installation, and maintenance. To protect and leverage customer investments, DSC provides a range of top-quality professional services and proactive customer support, directly, as well as through authorized partner organizations.

Data Storage derives revenues from the sale and subscription of solutions that provide businesses, education, government and healthcare protection of critical electronic data. In 2009 revenues consisted primarily of offsite data backup, de-duplication, Continuous data protection, private cloud Disaster Recovery solutions, Electronic Medical Records, protecting information for our

clients. We have operations in our datacenter in Westbury, New York and a disaster recovery facility which is located over 1,000 miles away from the primary data center. We deliver our services over a highly intelligent, reliable, redundant and secure fiber optic network, with separate and diverse routes to the Internet. The network and geographical diversity is important to clients seeking storage hosting and Disaster Recovery solutions, ensuring protection of data in the case of a network interruption.

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NAME (Location)	TYPE OF BREACH	# OF RECORDS
Harvard Law School	Lost backup tapes	21,000
University of Utah	Stolen backup tapes	1,300,000
University of Miami	Stolen backup tapes	2,100,000
University of Michigan	Stolen backup tapes	8,585
Johns Hopkins University	Lost backup tapes	52,000
NY Social Security Admin	Lost Data Disk	969
Bristol-Myers Squibb	Lost backup tapes	42,000
Lost backup tapes	Lost backup tapes	80,000

Data Storage is in the position today to leverage our infrastructure and leadership team to grow revenue to significant levels by acquisitions of synergetic data protection and cloud storage businesses that provide data backup services, disaster recovery and business continuity solutions, store data for future access for e-discovery, e – title and electronic medical information. DSC believes opportunities exist to acquire synergistic service providers to enhance our products and services portfolio, expand our management and increase our cash flow.

Our aim is to reduce costs through economies of scale while increasing local market share and consolidating efforts during the current economic environment. Over 4,000 service providers exist today, providing DSC with ample acquisition targets. Initial acquisitions will be derived from companies that offer similar services to Data Storage as greater economies of scale can be realized using this strategy improving net income. These acquisitions will become partners of DSC and continue to offer solutions under the DSC brand.

We believe that the opportunity exists today to roll up customer bases as well as acquire companies. This strategy will enable Data Storage to create a national presence as the premiere brand.. The roll up of these technical consulting companies and system integrators will also form a powerful distribution channel for both our current and future product service offerings. Acquisition activity including organic growth is forecasted at \$6 Million for 2010 and \$11 Million for 2011. These revenue outlooks form the base line revenue for each consecutive year since revenue is monthly recurring and normally under agreements that range from 12 months to 36 months.

Worldwide Storage-as-a-Service Demand

The marketplace providing professional services that specializing in Disaster Recovery and Business Continuity are segmented into systems integrators that have added data protection services as an additional product line adding to their bundle of services and products, focused on smaller clients. A few very large professional services providers such as IBM and SunGard focus on the enterprise level organizations greater than 1,500 employees, therefore leaving small and medium size organizations under-served for top level professional services for Disaster Recovery solutions under DSC’s professional services umbrella.

According to IDC in its recent research study entitled “Storage-as-a-Service: Commercial Opportunities,” demand for online storage services is very strong in small, mid-size, and large firms that are facing budgetary and IT staffing pressures. The study states that these firms are evaluating online storage services and storage capacity for backup/disaster recovery, long term record retention, business continuity and availability. DSC aims to meet this demand by recommending, implementing, and providing solutions in these areas. In its Worldwide Storage-as-a-Service Market Size and 2008-2012 Forecast, IDC predicts that customers will continue to invest strongly in various forms of online storage services, forecasting this market to pass the \$3 billion mark by 2012, with a CAGR greater than 29% from 2007 to 2012.

On our Healthcare unit trends in the industry are as follows: Healthcare DPS, a division of Data Storage, provides data protection technology and services for hospitals, nursing and residential care facilities, physician’s offices, home healthcare service companies, dental offices, alternative healthcare offices, outpatient care centers, ambulatory healthcare service companies, and medical and diagnostic laboratories in the New York metropolitan area. Healthcare DPS assists Healthcare Providers in complying with HIPAA and other federal and local regulations on data protection. With zero tolerance for downtime, larger healthcare organizations require extremely reliable mission-critical data protection services. A host of state and industry regulators are now urging, and in some cases requiring, the development of business continuity and disaster recovery plans to ensure the backup, protection and recovery of data on a long-term basis. Internet Services over Ethernet is rapidly becoming the technology of choice to address these critical data center needs, because of its ability to provide transparent connectivity over the wide area. Data Storage offers an array of services in order to satisfy all of the aforementioned requirements.

As outlined in the 2008 HIMSS/HIMSS Analytics Ambulatory Healthcare I.T. Survey, there is no clear leader in the Electronic Medical Records market. According to BCC Research, software applications (EHR) is the dominating segment of the U.S. healthcare technology market, generating an estimated \$3.4 billion, increasing to \$7.2 billion in 2014; a CAGR of 16.4%. A June 2008 survey published in the New England Journal of Medicine revealed only four percent of U.S. physicians providing direct patient care have a full EHR system, and only 13 percent have a basic system. Through the 2009 Economic Stimulus Package, the CMS will subsidize the cost of EHR systems by paying physicians \$44,000 to \$64,000 over five years, beginning in 2011, for deployment and ‘meaningful use’ of certified EHRs. According to a Congressional Budget Office review, the incentive is expected to increase physicians’ use of EHR to 90 percent in the next decade. Marketing EHR solutions and related services under its Healthcare DPS brand, DSC is well positioned to take advantage of increased state and federal regulations and incentives designed to transform healthcare from today’s largely paper based disparate system to one that is electronic and interconnected.

On our E-commerce unit, the company provides low cost online data backup brand DataStor Live. DataStor Live is powered by cloud computing based platforms and provide service to home users, small-office and home-office workers. IDC projects the market for this type of service to grow to \$715 million by 2011, up from \$235 million in 2007. DataStor Live offers a similar service to EMC’s Mozy which was acquired in September 2007 from Berkley Data Systems in a \$76M deal.

We have created significant momentum since the acquisition share exchange with Data Storage Corporation.

Description of Data Storage’s Business by Division:

Data Storage Corporation delivers and supports through its various divisions a broad range of premium solutions focusing in electronic data storage and protection. Clients look to DSC to ensure disaster recovery and business continuity, strengthen security, and to meet increasing industry, State and Federal regulations. The company markets to business, government, education, and the healthcare industry by leveraging leading technologies such as Virtualization, Cloud Computing, and Electronic Medical Records (EMR). The company provides hardware, Software-as-a-Service, managed IT services, installation, and maintenance. To protect and leverage customer

investments, DSC provides a range of top-quality professional services and proactive customer support, directly, as well as through authorized partner organizations.

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DSC Services

We offer the following services to our clients.

Overview:

Data Storage Corporation provides data protection and information management solutions using our secure, encrypted, disk-based backup, storage and archiving systems. We specialize in protecting, managing, backing up and restoring valuable corporate information by automatically getting data stored, safely and securely, off-site. Our solutions help clients reduce the risks and cost associated with data protection, information recovery, disaster planning and regulatory compliance. Our company protects and ensures that information assets are secure and restorable on demand.

Our Strategy:

Specializing in Off-site Backup and Archiving, DSC can support your environment with protection for all your data across the network as well as keeping it secured safely off-site in two geographically diverse datacenters. Our enterprise backup solution is integrated and built with all the latest feature sets an organization could ask for. This provides your organization with the best tools and features for disaster recovery and business continuity.

What We Do:

We provide online backup services that transfer your information over the Internet or on a dedicated private circuit to our secure company owned off-site storage location. Our online backup service provides the most advanced data protection solution for small and medium businesses. Our service turns an ordinary server into a powerful and fully automated network backup device.

Features and Benefits:

- Simple to grow – Simple to manage
- Reduces operational overhead while freeing up staff to focus on higher priority tasks.
- Agent-less – No agents to install on any machine (Some limitations apply to MS Exchange, GroupWise, Lotus Notes and MS SharePoint).
 - Backed up data can be archived for long term storage.
 - Always secure with 256-bit AES encryption.
- Centralized management interface, email or SNMP alerts, extensive logging and reporting for audits and verification.
 - Tape-less – Disk to Disk – No more manual handling of tapes.
 - Continuous Data Protection for email and data files.
 - Customizable retention policies and software parameters.

Equipment Maintenance Services

Overview:

The service employs a HotSpares strategy which essentially means we have live running servers and arrays in facilities:

- Guaranteed working spare when going on calls (No DOA)
 - Test all components from the field from our suppliers
- Provides continuing education and troubleshooting in the field

Mean time to repair (Call Closure) is less than three (3) hours according to nationwide statistics. We will provide you with engineering services nationwide for installation, De-Installation and Re-Location Services as well as a multitude of professional services, local to your site (available from 35 offices, covering most major cities in USA).

What We Do:

We support the following platforms:

- IBM Systems and Storage
 - o RS/6000's including legacy products
 - o pSeries
 - o ISeries
 - o zSeries (Direct)
 - o zSeries, Blades and Netfinity Series
 - o Tape Libraries, SSA & FastT Storage
- o AIX Operating System Software Telephone support is available. Extended AIX and OS/400 support is available through a partner.
 - SUN Microsystems Servers and Storage
 - o ALL SPARC and legacy products
 - o ALL SUN Ultra products and Enterprise Servers including the 10K

- o ALL StorEdge Products, including many StorageTek Products
- o Solaris Operating System Software Telephone support is available. Authorized software support and patch downloads are available direct through SUN. Ask us to assist in determining the need.
 - Hewlett-Packard Servers and Storage
- o All Digital Equipment Corporation (DEC) legacy products (VAX & Alpha)
 - o All Compaq products (Proliants, Blades and StorageWorks)
 - o All HP 9000 Servers and 3000 Servers
 - o All Integrity Servers and Storage Products
- o OpenVMS and HP-UX Operating System Software Telephone support is available. MPE Software Support is available as well.
 - Dell PowerEdge Servers and PowerVault Storage
- o All Dell Poweredge Products both in and out of warranty
- o All Dell PowerVault Servers including many NetApp and EMC Products
 - o All Dell PowerConnect Switches
 - EMC Clariion Storage Arrays
 - o All Clariion Products
 - o Brocade & McData Swtiches
 - o Tier 2 Support Available

Infrastructure Services

Overview:

Whether you need to upgrade your existing infrastructure, or are adding a new location, our team of skilled expert's works with you to evaluate the capabilities of your existing infrastructure and makes recommendations for supporting new applications and services to accommodate your future growth. We then design, install and implement a solution handmade for your business.

Our Strategy:

Specializing in Low Voltage systems, DSC supports your ongoing need for new technology, transforming your communications system from just cables and connectors to an integrated solution for voice, data, audio and visual communications. Our services include Structure Cabling and Voice-Data-Fiber-CATV-CCTV-Access Control.

What We Do:

From premise cabling systems to data centers, overhead paging to concert sound systems, CATV systems to security, our extensive engineering and technical background enables us to provide and unsurpassed level of service.

Benefits of Using DSC:

Our commitment to our clients' best interest, and our vendor neutral approach, assure unbiased consultation and full access to world-class technologies. Our highly trained technicians are constantly updated on the latest technology, products and installation practices. Each installation is tested and certified; every detail is documented and labeled according to TIA/EIA 606 standards. Final test results and as-built CAD floor plans are submitted upon project completion.

Industry Certifications and Affiliations:

- | | | |
|--------------------------|-----------------|---------------------------|
| · BICSI | · HubbelGeneral | Union and Non Union Labor |
| · ANSI | · Berk-Tek | · CWA (NY, NJ) |
| · EIA/TIA 606 Standards | · Systimax | · IBEW (NJ) |
| · National Electric Code | · Corning | |
| · Panduit (PCI) | · Commscope | |

- Belden
- Leviton
- B-Line
- Amp/Tyco

Data Center Services:

Overview:

Data Storage Corporation is pleased to bring the finest data center specialists to perform your latest upgrade or build your new installation. Our outstanding cabling services, plug & play, rack and stack, inter-rack cabling and network patching are just part of our thorough approach to assure your critical success.

Our Strategy:

The essential elements for a well executed data center include:

PDU, CRAC, UPS and Generator Hot/Cold Aisle, High/Low Density Structured Cabling Requirements, "Streets and Avenues" Raised Floor Requirements (Above or Below) Cabinet/Hardware Planning "Room-Ready" Criteria and Implementation.

What We Do:

Data Storage Corporation will carefully follow a systematic process for building/upgrading your data center to achieve your desires. For best results, let us do it all:

Data Center and Technology Room Design Structured Cabling Design and Analysis Site Selection Analysis and Base Building Design Strategic Planning Point Of Distribution (POD) Installations IT and Construction Project Management.

Benefits of Using DSC:

- Consistent end-to-end project management.
- Complete follow through in bid process, from drawings and specifications to negotiations and recommendations.
 - Continual review of master schedule to assure adherence.
 - Vendor-neutral purchasing of only the best materials.
- Strict problem/prevention/resolution procedures keep the project on target.

Security

Overview:

There are literally thousands of ways a factory, storefront or other building can have its security and safety compromised. For many business owners and operations executives, security isn't about the problems you see. It's about the problems you don't see. How do you find the right measure of protection? Whether you've had a security failure or are simply concerned about preventing one, DSC can provide the latest technology and attentive service to meet your need.

Our Strategy:

A great system is just the beginning of a comprehensive security solution. Careful pre-planning and proper installation are key to getting the best possible results. Data Storage Corporation's team of experienced professionals ensures that every aspect of security protection you need is never overlooked, and that your top-quality components perform to the highest industry standards. Our ever-present support is just a phone call away to assure your continuous peace of mind.

What We Do:

- Burglar and Fire Alarm Systems
 - Video Surveillance
 - Electronic Access Control
- Monitoring Services. (Including Web-Hosted)

Benefits of Using DSC:

- Expert professional design and installation.
- Custom evaluation to define your exact requirements.
 - Protection available for any size facility.
- We are licensed and fully comply with state/local codes and insurance requirements.
 - Security review before installation to confirm your level of protection.

Wireless Services

Overview:

Wireless solutions play an important role in the achievements and advancements made by systems users every day. More and more, previously difficult or unworkable situations are accomplished elegantly by properly deployed

wireless technology. Expansion and upgrade possibilities for your existing wireless applications are greater than ever. Is a wireless solution really right for you? How do you arrive at the best solution for your growing needs? You can turn to Data Storage Corporation for the most complete answers.

Our Strategy:

You need a versatile supplier to assure that the correct strategy, from the many available, is applied to your situation. Some of the most important tasks supported by wireless each require specialized expertise. These include indoor wireless LAN (Wi-Fi), outdoor licensed and unlicensed wireless links, wireless sports and entertainment, video surveillance, voice over wireless LAN, and cellular reinforcement for office buildings, campuses, indoor or outdoor arenas, etc.

What We Do:

- Point to Point / Point to multipoint Microwave design and deployment
 - 802.11X Site Surveys (Indoor/Outdoor)
 - Predictive analysis
- Cellular reinforcement (Providing additional cellular coverage to weak areas)

Vendors:

- Cisco Networks
- Trapeze Networks
- Meru Networks
- Firetide
- Bridgewave
- Cerragon
- Andrew DaS
- Mobile Access

Benefits of Using DSC:

- The same level of expertise is assured throughout our nationwide service area.
 - Our vendor-neutral approach frees us to meet your highest expectations.
- Serving every location from small office to large hotel, office building, convention center or stadium.
- Our application integration process assures that your system functions will work together smoothly.
 - Our broad understanding enables your system to perform efficiently and economically.

Professional Services

Overview:

You need to get the most out of every dollar you spend. That's why Data Storage Corporation's Technology Division offers you a proven, comprehensive selection of professional services designed to help you fully leverage the value of your investment in Information Systems Performance Management.

Our Strategy:

DSC Professional Services include the three most critical areas of service -deployment, performance and best practices. Specific services are available for end to end IT and infrastructure assessments to design build engagements. Our products, and all services, can be easily customized to fit your IT and business needs. Our consultants are experts in many technology disciplines and will provide you with a wealth of knowledge, tools, skills and expertise. This means that your staff can work with the confidence of knowing that their needs are paramount.

What We Do:

DSC Professional Services for planning, design, deployment, performance and best practices can help you speed time to value and increase ROJ for your DSC investment:

- Staffing
- Gap Analysis
- Systems Integration and Design
 - Technology Assessments
 - Telecommunications Audits
 - Managed Services
 - Corporation Relocations
 - Technology Deployment
- Network, Systems and broadband engineering consulting
- Server farm virtualization analysis, design and implementation

Benefits of Using DSC:

- Develop a robust road map via DSC's audit services to increase efficiencies and develop pragmatic action plans to meet any business goal.
 - Accelerate deployment through proven procedures and deep technology expertise.
 - Maximize performance with proactive audit and analysis, backed by fast problem response.
-

Leverage best practices that include DSC's proprietary processes and intellectual capital gathered from numerous successful engagements.

- Speed time to value with DSC's tools, procedures and assistance.
- Minimize risk by adopting a proactive service management approach.

Managed Services

Overview:

Plagued by system downtime, viruses, spyware, losses of productivity, and every other excuse for why the computer system you rely upon to run your business is not working consistently and as expected? These distractions are unnecessary and very expensive.

Our Strategy:

Proactive, Flexible, Affordable, Managed...

Data Storage Corporation understands this. We also know that businesses are constantly challenged by the task of managing the demands of growing their business while coping with continuous technology challenges. Our focus is to keep your systems operational and available so that you can focus your efforts on the demands of growing your business, managing costs and increasing revenues. We want to help you realize the productivity gains and ROI you have been expecting from your computer systems. Managed Services from Data Storage Corporation consists of various service level offerings that provide affordable proactive IT management and support to growing businesses. Utilizing our unique framework referred by us as DSC-MS for providing managed IT services, Data Storage Corporation provides a range of proactive services to keep your computer systems up and running and your people and business productive. It's not just about monitoring, that just lets you know something is wrong. It's not just about remote access to your systems to troubleshoot issues.

What We Do:

By utilizing technology, daily, weekly and monthly IT tasks can be automated and scheduled to ensure all tasks are completed and reported consistently without fail. As the tasks run, valuable data is gathered to spot trends and patterns which can be used to plan system changes or enhancements. This reduces or eliminates any impact on the business. Proactive managed services eliminate the scenario of calling and waiting for the "computer guy". Potential issues and problems are prevented. Systems and people remain productive and working. In the case where problems do occur, response times can often be within minutes. Consistency is the cornerstone of DSC-MS consistency creates reliability and renders no surprise expenditures or billings. How many times have you received a bill that you couldn't understand or begin to determine if it was justified?

Each program is based upon the following:

- Site Assessment and Inventory
 - Proactive Service
- Management and Status Reporting
 - Best Practice Driven
 - Automated and Reliable

Benefits of Using DSC:

Our goal is to serve as your technology partner with a focus on providing solutions. By using a consultative approach to evaluate your business and technology needs, we can advise on the best solutions for your current and future needs.

- Reliability
 - Security
 - Consistency
 - Productivity Gains
- Cost Management and Control
 - Performance

- Managed Expansion and Growth

Data Storage Corporation provides you with a single source of professional expertise and resources you need to streamline system management and support functions at an affordable price. Data Storage Corporation uses advanced processes, tools and methodologies, to deliver superior services that match your needs.

Competition

Principal competitors by service sector are:

Data Protection

Commvault- a software company focused primarily on data management. Uses singular architecture based on Common Technology Engine to deliver data movement and expansion to changing business requirements. Commvault offers a team of engineers and consultants for customizing solutions for customers in six continents.

Symantec – parent company of Norton is an industry leader in electronic messaging security, offering solutions for instant messaging, anti-spam, anti-virus, legal and content compliance, legal discovery and message archiving.

CA (Computer Associates) - offers data protection with a multi-layered solution that combines data backup, security, replication and failover.

Data De-Duplication

Diligent – is an innovator in enterprise-class disk-based data protection solutions. Recently acquired by IBM, it is the inventor of ProtecTIER, de-duplication platform capable of inline de-duplication, eliminating redundant data and amount of physical storage required.

NetApp – is a creator of storage and data management solutions for maximizing cost efficiency, offering single platform for a range of networked environments. Infrastructure solutions include archive and compliance, business continuity, disk to disk backup, storage consolidation and testing & development.

Overland Storage– this company offers a complete set of data protection appliances for small and midrange customers, to reduce backup window and simplify data retention. Emphasis is on improving data recovery speed and cost effective methods of disaster recovery.

Quantum – global specialist in backup and recovery as well as archiving of data. It was the first to market variable length de-duplication, virtual tape library for open systems and unified disk to disk backup systems.

Virtual Tape Library

Data Domain - is aimed at reducing or eliminating tape infrastructure with disk and network based data protection. Services include file storage, backup, disaster recovery, long term retention of enterprise data and litigation support as well as regulatory compliance assistance.

Falconstor – implements solutions using Continuous Data Protector, virtual tape library and network storage server. It offers a complete line of energy conscious solutions for various industries using their IPstor storage virtualization platform.

Septon – is a provider of VTL solutions for data protection, offering products and services to assist in a wide range of data protection issues such as backup performance, regulatory/corporate compliance, disaster recovery and containment of IT costs.

Off-Site Data Vaulting

There are many companies providing data vaulting services, from companies purchasing wholesale without a data center or equipment and these that have invested in equipment and software licensees. A smaller segment of companies have developed software that provide for data vaulting some of which only license their software and others that compete with their licensees.

Evault – offers online backup and recovery solutions allowing automatic storage of critical data and off-site vaults. It offers a broad range of services including archiving, email compliance, eDiscovery, business continuity planning and disaster recovery testing.

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Sungard – is a leader in software and processing technology for the financial services, higher education and public sector industries. It is a major provider in information availability solutions, managed IT as well as services for applications and data center outsourcing.

Live Vault / Iron Mountain - offers online backup and recovery solutions allowing automatic storage of critical data and off-site vaults. It offers a broad range of services including archiving, email compliance, eDiscovery.

Storage Drives

IBM – (International Business Machines Corporation) specializes in computer and technology consulting as well as manufacturing and selling computer hardware and software. Infrastructure services include hosting, from mainframe to nanotechnology.

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Typical Client Target
Physician

- < 30 Doctor Practice
- Electronic Medical Records
- Server
- PC's
- Scanner
- Managed IT Services
- Paper Chart Scanning
- Compliance Documentation
- VOIP Phone Systems

Hospital

- Roadmap to HER
- Charge Capture
- e-discovery
- Off-site Data Vaulting
- Storage
- Telecommunications

Reasons to Select Our Services
Government Incentives

- \$19 billion in Stimulus Package Distributions
 - o \$44,000 to \$64,000 per provider to implement or upgrade EH
 - o Penalties for non-use by 2015 (2012 for e-RX)

Tax Deductions

- Section 179 allows full depreciation of hardware and software until 12/31/2009

Subsidies

- Relaxed Stark (Anti-Kickback) Law permits hospitals to subsidize systems for physicians
- Regional Health Information Organizations offer financial assistance for implementing EHR

Market Size and Opportunity

The U.S. market for healthcare IT expected to be worth \$4.0 billion in 2009

§ Increasing to \$9.0 billion in 2014
§ CAGR of 17.5%

Software applications (EHR) segment dominates the market

§ Generates an estimated \$3.4 billion in 2009
§ Expected to increase to \$7.2 billion in 2014

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§ CAGR of 16.4%
§ 66% of physicians do not have EHR

Dedicated hardware is the second largest segment

§ Worth \$636.8 million in 2009
§ Increasing to \$1.8 billion in 2014
§ CAGR of 22.9%

No clear market leader

Sources:

1. 2008 HIMSS/HIMSSA Analytics Healthcare IT Survey
2. BCC Research (2009) – Healthcare Information Technology Wellesly – BCC Research

Healthcare DPS Product Offering

About the Healthcare Unit

Mission

- To provide reliable care quality enhancing solutions
- To empower providers to improve profitability
- To protect & insure the privacy & security of electronic protected health information

Company Overview

- Division of DSC
- Health IT solution provider
- Serving Group Practices, Nursing Homes, Assisted Living Facilities, and Hospitals the NY Metro area & beyond.

Marketplace Differentiators

§ We are a local company

- o We service the New York Metro Area
- o We are headquartered in Garden City (Long Island)
- o Our support staff is located throughout New York
 - § Our staff is well trained and highly skilled
 - o All employees are Certified HIPAA Professionals
- o All employees attend ongoing mandatory training sessions
 - o All employees have healthcare experience
 - § We have done the research
 - o Many products are well endorsed and/or certified

§ CCHIT

§ Bronx County, Texas Medical Institution, Suffolk Academy of Medicine, Queens Medical Society, State & Federal Agencies and RHIO.

Competitive Matrix

	DSC Backup	Carbonite	Mozy
Compression	Compressed, compresses all data before sending to our data centers, and we only bill on compressed storage.	Uncompressed, Carbonite does not compress data, and bills on uncompressed storage.	Uncompressed, Mozy does not compress data, and bills on uncompressed storage.
Data Centers	Two Data Centers, Two (2) Tier-IV SAS70 type II data centers, replicating data over a dedicated connection. The two data centers are on opposite coasts, ensuring that if a natural disaster disables one center, your data is still safe.	One Data Center, One Data Center, Only one data center, which does not ensure data replication.	One Data Center, replicates internally which creates restoration issues. "Preparing" your data for recovery, can take hours to days.
Retention Level	Customizable, Unlimited, We allow unlimited revisions, data will not be deleted off of our servers unless you specifically delete it (to save from losing data you may need to get back later)	30 Day Retention Level, If a file is deleted from your local machine, it will be purged from Carbonite's servers after 30 days. No unlimited revision rules.	30 Day Retention Level, If a file is deleted from your local machine, it will be purged from Mozy's servers after 30 days. No unlimited revision rules.
Exchange Backups	Backs up Exchange, Uses Microsoft best practices to back up Exchange, both at the Information Store level, and at the Mailbox and Message level.	Does not back up Exchange, No functionality or plugin to back up Microsoft Exchange	Backs up Exchange, Does not do message level
HIPAA Compliance	YES, Revision rules and retention period allow for the backups to comply with HIPAA compliance specifications	NO, Retention level does not allow for HIPAA compliance	NO, Retention level does not allow for HIPAA compliance

Safe Data

Pending the acquisition of Safe data, we have filed this term sheet.

ITEM 1A. RISK FACTORS

Not Applicable

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not Applicable.

ITEM 2. DESCRIPTION OF PROPERTY

Our principal office is located at 401 Franklin Avenue, Garden City, NY 11530. Our telephone number is (212) 564-4922.

ITEM 3. LEGAL PROCEEDINGS

We are currently not involved in any litigation that we believe could have a materially 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 company's or our company's subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

ITEM 4. (REMOVED AND RESERVED)

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

No Public Market for Common Stock

A symbol was assigned for our securities so that our securities may be quoted for trading on the OTCBB under symbol DTST. Minimal trading occurred through the date of this Report. There can be no assurance that a liquid market for our securities will ever develop. Transfer of our common stock may also be restricted under the securities or blue sky laws of various states and foreign jurisdictions. Consequently, investors may not be able to liquidate their investments and should be prepared to hold the common stock for an indefinite period of time.

Quarter ended	Low Price	High Price
December 31, 2009	\$ 0.25	\$ 1.00

Holder of Our Common Stock

As of April 15, 2010, we had 34 record holders of our Common Stock.

Stock Option Grants

As of April 15, 2010 we granted options to purchase 2,929,432 shares of common stock.

Registration Rights

We have not granted registration rights to the selling shareholders or to any other persons.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

Company Overview

Data Storage Corporation ("Data Storage" or "DSC"). Data Storage provides technology professional services focused on managing customized, powerful, premium solutions for data protection, data management including: Storage Infrastructure Design and Management, Business Continuity Planning and Disaster Recovery, Virtualization, Archiving, Disk and Transaction Mirroring, and Internet Services..

Delivering and supporting through its divisions and Joint Venture, professional services providing a broad range of premium solutions in electronic data storage and protection. Clients look to DSC to ensure disaster recovery and business continuity, strengthen security, and to meet increasing industry, State and Federal regulations. The company markets to business, government, education, and the healthcare industry by leveraging leading technologies such as Virtualization, Cloud Computing, and Electronic Medical Records (EMR). The company provides hardware, Software-as-a-Service, managed IT services, installation, and maintenance. To protect and leverage customer investments, DSC provides a range of top-quality professional services and proactive customer support, directly, as well as through authorized partner organizations.

Data Storage Corporation derives its revenues from the sale of solutions that provide businesses protection of critical electronic data. Primarily, these services consist of 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.

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.

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Results of Operation

Year ended December 31, 2009 as compared to December 31, 2008

Net sales. Net sales for the year ended December 31, 2009 were \$585,285, a decrease of \$44,390, or 7.1%, compared to \$629,675 for the year ended December 31, 2008. The decrease in sales for is primarily attributable due to industry wide price compression.

Cost of sales. For the year ended December 31, 2009, cost of sales increased \$113,796 to \$459,803. The increase is due to the addition of managed services, the sale of hardware on a resale basis. The Company's gross margin decreased to 21.4 % for the year ended December 31, 2009 as compared to 45.0% for the year ended December 31, 2008. Price compression against fixed operating costs on the data backup business combined with the addition of managed services and hardware resale which both carry lower gross margins account for the decrease.

Operating Expenses. For the year ended December 31, 2009 operating expenses were \$1,170,903, an increase of \$347,428 as compared to \$823,475 for the year ended December 31, 2008. The increase in operating expenses for year ended December 31, 2009 is a result of an increase in salaries expense. Sales salaries increased \$221,176 to \$231,536 as compared to \$10,360 for the year ended December 31, 2008. Marketing and administrative salaries increased \$108,651 to \$113,562 for the year ended December 31, 2009 as Data Storage has entered into additional lines of business. Professional fees decreased \$114,967 to \$185,526 for the year ended December 31, 2009. Professional fees for the year ended December 31, 2008 were higher as a result of the merger of Euro Trend, Inc. and Data Storage Corporation.

Interest Expense. Interest expense for the year ended December 31, 2009 increased \$1,123 to \$4,986 from \$3,863 for the year ended December 31, 2008. For the years ended December 31, 2009 and December 31, 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 year ended December 31, 2009 was (\$1,045,421) an increase of \$512,256 as compared to net loss of (\$537,959) for the year ended December 31, 2008. The increase in is primarily from an increase in salary expenses for the year ended December 31, 2009

Liquidity and Capital Resources

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. The Company has been funded by the CEO and majority shareholder combined with private placements of the company stock. The Company has been successful in raising money as needed. Further it is the intention of management to continue to raise money through stock issuances and to fund the Company on an as needed basis. In 2010 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 year ended December 31, 2009 the company's cash decreased to \$28,160. The Company issued 842,185 shares of Common Stock for a price between \$0.32 and \$0.35 for an aggregate purchase price of \$275,000.

The Company's working capital was (\$169,721) at December 31, 2009, decreasing \$208,530, from \$38,809 at December 31, 2008.

Critical Accounting Policies

Our financial statements and related public financial information are based on the application of accounting principles generally accepted in the United States ("GAAP"). GAAP requires the use of estimates; assumptions, judgments and subjective interpretations of accounting principles that have an impact on the assets, liabilities, revenue and expense amounts reported. These estimates can also affect supplemental information contained in our external disclosures including information regarding contingencies, risk and financial condition. We believe our use of estimates and underlying accounting assumptions adhere to GAAP and are consistently and conservatively applied. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions or conditions. We continue to monitor significant estimates made during the preparation of our financial statements.

Our significant accounting policies are summarized in Note 1 of our financial statements. While all these significant accounting policies impact our financial condition and results of operations, we view certain of these policies as critical. Policies determined to be critical are those policies that have the most significant impact on our financial statements and require management to use a greater degree of judgment and estimates. Actual results may differ from those estimates. Our management believes that given current facts and circumstances, it is unlikely that applying any other reasonable judgments or estimate methodologies would cause effect on our consolidated results of operations, financial position or liquidity for the periods presented in this report.

Recently Issued and Newly Adopted Accounting Pronouncements

Effective July 1, 2009, the Company adopted the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 105-10, Generally Accepted Accounting Principles – Overall (“ASC 105-10”). ASC 105-10 establishes the FASB Accounting Standards Codification (the “Codification”) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. GAAP. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants. All guidance contained in the Codification carries an equal level of authority. The Codification superseded all existing non-SEC accounting and reporting standards. All other non-grandfathered, non-SEC accounting literature not included in the Codification is non-authoritative. The FASB will not issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates (“ASUs”). The FASB will not consider ASUs as authoritative in their own right. ASUs will serve only to update the Codification, provide background information about the guidance and provide the bases for conclusions on the change(s) in the Codification. References made to FASB guidance throughout this document have been updated for the Codification.

Effective April 1, 2009, the Company adopted FASB ASC 820-10-65, Fair Value Measurements and Disclosures – Overall – Transition and Open Effective Date Information (“ASC 820-10-65”). ASC 820-10-65 provides additional guidance for estimating fair value in accordance with ASC 820-10 when the volume and level of activity for an asset or liability have significantly decreased. ASC 820-10-65 also includes guidance on identifying circumstances that indicate a transaction is not orderly. The adoption of ASC 820-10-65 did not have an impact on the Company’s consolidated results of operations or financial condition.

Effective April 1, 2009, the Company adopted FASB ASC 825-10-65, Financial Instruments – Overall – Transition and Open Effective Date Information (“ASC 825-10-65”). ASC 825-10-65 amends ASC 825-10 to require disclosures about fair value of financial instruments in interim financial statements as well as in annual financial statements and also amends ASC 270-10 to require those disclosures in all interim financial statements. The adoption of ASC 825-10-65 did not have a material impact on the Company’s results of operations or financial condition.

Effective July 1, 2009, the Company adopted FASB ASU No. 2009-05, Fair Value Measurements and Disclosures (Topic 820) (“ASU 2009-05”). ASU 2009-05 provided amendments to ASC 820-10, Fair Value Measurements and Disclosures – Overall, for the fair value measurement of liabilities. ASU 2009-05 provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using certain techniques. ASU 2009-05 also clarifies that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of a liability. ASU 2009-05 also clarifies that both a quoted price in an active market for the identical liability at the measurement date and the quoted price for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. Adoption of ASU 2009-05 did not have a material impact on the Company’s results of operations or financial condition.

In October 2009, the FASB issued ASU 2009-13, Multiple-Deliverable Revenue Arrangements, (amendments to FASB ASC Topic 605, Revenue Recognition) (“ASU 2009-13”) and ASU 2009-14, Certain Arrangements That Include Software Elements , (amendments to FASB ASC Topic 985, Software) (“ASU 2009-14”). ASU 2009-13 requires entities to allocate revenue in an arrangement using estimated selling prices of the delivered goods and services based on a selling price hierarchy. The amendments eliminate the residual method of revenue allocation and require revenue to be allocated using the relative selling price method. ASU 2009-14 removes tangible products from the scope of software revenue guidance and provides guidance on determining whether software deliverables in an arrangement that includes a tangible product are covered by the scope of the software revenue guidance. ASU 2009-13

and ASU 2009-14 should be applied on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. The Company does not expect adoption of ASU 2009-13 or ASU 2009-14 to have a material impact on the Company's results of operations or financial condition.

Off Balance Sheet Transactions

We have no off-balance sheet arrangements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We do not hold any derivative instruments and do not engage in any hedging activities.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Data Storage Corporation

We have audited the accompanying balance sheets of Data Storage Corporation as of December 31, 2009 and 2008, and the related statements of income, stockholders' equity, and cash flows for each of the years in then ended. Data Storage Corporation's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Data Storage Corporation as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years in then ended in conformity with accounting principles generally accepted in the United States of America.

Somerset, New Jersey
April 15, 2010

DATA STORAGE CORPORATION AND SUBSIDIARY
BALANCE SHEETS

	December 31,	
	2009	2008
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 28,160	\$ 289,061
Accounts receivable (less allowance for doubtful accounts of \$26,472 in 2009 and \$44,800 in 2008)	30,378	53,367
Deferred compensation	101,160	-
Prepaid expense	21,103	-
Total Current Assets	180,801	342,428
Property and Equipment:		
Property and equipment	1,221,706	1,115,984
Less—Accumulated depreciation	(913,383)	(793,110)
Net Property and Equipment	308,323	322,874
Other Assets:		
Deferred compensation	28,628	-
Other assets	11,760	13,469
Intangible Asset – Customer list	135,931	175,528
Employee loan	23,000	23,000
Total Other Assets	199,319	211,997
Total Assets	688,443	877,299
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities:		
Accounts payable	82,698	72,037
Accrued expenses	21,267	10,063
Credit line payable	99,970	99,970
Due to related party	34,718	18,000
Due to NovaStor, Inc.	-	58,509
Dividend payable	75,000	25,000
Due to officer	-	7,250
Deferred revenue	36,869	12,790
Total Current Liabilities	350,522	303,619
Deferred rental obligation	28,642	-
Due to officer	379,025	-
Total Long Term Liabilities	407,667	-
Total Liabilities	758,189	303,619
Commitments and contingencies	-	-
Stockholders' Equity (Deficit):		
Preferred Stock, \$.001 par value; 1,401,786	1,402	1,402

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issued and outstanding in 2009 and 2008

Common stock, par value \$0.001; 250,000,000 shares authorized; 13,670,399 and 12,473,214 shares issued and outstanding in 2009 and 2008	13,670	12,473
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respectively

Additional paid in capital	4,808,558	4,352,966
Accumulated deficit	(4,893,376)	(3,793,161)
Total Stockholders' Equity (Deficit)	(69,746)	573,680

Total Liabilities and Stockholders' Equity (Deficit)	\$ 688,443	\$ 877,299
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The accompanying notes are an integral part of these consolidated financial statements

DATA STORAGE CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,	
	2009	2008
Sales	\$ 585,285	\$ 629,675
Cost of sales	459,803	346,007
Gross Profit	125,482	283,668
Selling, general and administrative	1,170,903	823,475
Loss from Operations	(1,045,421)	(539,807)
Other Income (Expense)		
Interest income	192	5,711
Interest expense	(4,986)	(3,863)
Total Other (Expense)	(4,794)	1,848
Loss before provision for income taxes	(1,050,215)	(537,959)
Provision for income taxes	-	-
Net Loss	(1,050,215)	(537,959)
Preferred Stock Dividend	(50,000)	(25,000)
Net Loss Available to Common Stockholders	\$ (1,100,215)	\$ (562,959)
Loss per Share – Basic and Diluted	\$ (0.08)	\$ (0.01)
Weighted Average Number of Shares - Basic and Diluted	12,944,647	4,569,356

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

DATA STORAGE CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2008	2007
Cash Flows from Operating Activities:		
Net loss	\$(1,050,215)	\$(537,959)
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	131,361	119,789
Allowance for doubtful accounts	(18,058)	43,800
Allowance for doubtful accounts	(18,058)	43,800
Allowance for doubtful accounts	(18,058)	43,800
Stock based compensation	51,902	51,823
Changes in Assets and Liabilities:		
Accounts receivable	41,047	(62,282)
Employee loan	-	(5,000)
Other assets	1,708	(13,469)
Accounts payable	10,661	24,229
Accrued expenses	11,204	8,278
Prepaid expenses	(21,103)	-
Deferred revenue	24,079	12,790
Deferred rent	28,642	-
Due to related party	16,718	18,000
Net Cash Used in Operating Activities	(772,054)	(340,001)
Cash Flows from Investing Activities:		
Cash paid for equipment	(105,722)	(63,868)
Cash paid for customer list	(30,000)	(117,019)
Net Cash Used in Investing Activities	(135,722)	(180,887)
Cash Flows from Financing Activities:		
Advances from credit line	-	99,970
Advances from officer		