

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

FORM 10-Q

(Mark One)
 QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended **March 31, 2013**

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 (State or other jurisdiction of incorporation or organization)	98-0530147 (I.R.S. Employer Identification No.)
401 Franklin Avenue Garden City, N.Y (Address of principal executive offices)	11530 (Zip Code)

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

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

Indicate by check mark 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 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 "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer
Non-Accelerated Filer Smaller Reporting Company
(Do not check if a 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

As of May 17, 2013, 33,165,915 shares of common stock, par value \$0.001 per share, were outstanding.

DATA STORAGE CORPORATION
FORM 10-Q
March 31, 2013
INDEX

	<u>Page</u>
PART I-- FINANCIAL INFORMATION	
Item 1. Financial Statements	2
Consolidated Balance Sheets as of March 31, 2013 (unaudited) and December 31, 2012	2
Consolidated Statements of Operations for the three months ended March 31, 2013 and 2012(unaudited)	3
Consolidated Statements of Cash Flows for the three months ended March 31, 2013 and 2012(unaudited)	4
Notes to Consolidated Financial Statements	5 - 12
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	13 - 14
Item 3. Quantitative and Qualitative Disclosures About Market Risk	15
Item 4. Control and Procedures	15
PART II-- OTHER INFORMATION	
Item 1. Legal Proceedings	16
Item 1A. Risk Factors	16
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	16
Item 3. Defaults Upon Senior Securities	16
Item 4. Mine Safety Disclosures	16
Item 5. Other Information	16
Item 6. Exhibits	17

PART I

ITEM 1. Financial Statements

DATA STORAGE CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

ASSETS	March 31,	December 31,
	2013	2012
Current Assets:		
Cash and cash equivalents	\$ 84,054	\$ 72,756
Accounts receivable (less allowance for doubtful accounts of \$26,801 in 2013 and \$48,000 in 2012)	247,325	201,483
Deferred Compensation	17,562	17,562
Prepaid Expenses and other current assets	130,809	184,752
Total Current Assets	479,750	476,553
Property and Equipment:		
Property and equipment	3,851,104	3,851,104
Less—Accumulated depreciation	(2,352,807)	(2,189,024)
Net Property and Equipment	1,498,297	1,662,080
Other Assets:		
Goodwill	2,201,828	2,201,828
Deferred compensation	4,661	9,052
Other assets	53,110	65,923
Intangible Assets, net	840,565	903,761
Total Other Assets	3,100,164	3,180,564
Total Assets	5,078,211	5,319,197
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities:		
Accounts payable and accrued expenses	1,175,479	1,214,580
Credit line payable	100,292	100,292
Due to related party	175,793	162,804
Dividend Payable	225,000	212,500
Deferred revenue	683,269	722,658
Leases payable	783,381	715,095
Loans payable	59,199	47,312
Convertible Debt-Related Party	86,638	-
Contingent consideration in Message Logic acquisition	362,414	365,519
Total Current Liabilities	3,648,465	3,540,760
Deferred rental obligation	12,388	14,403
Due to officer	766,166	758,320
Leases payable long term	285,869	382,572
Convertible debt - Related party	500,000	500,000
Total Long Term Liabilities	1,564,423	1,655,295
Total Liabilities	5,212,888	5,196,055
Commitments and contingencies	-	-
Stockholders' Equity (Deficit):		
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 \$.001; 250,000,000 shares authorized; 33,165,915 and 33,165,915 shares issued and outstanding, respectively, in each period	33,166	33,166
Additional paid in capital	12,101,397	12,042,623
Accumulated deficit	(12,270,642)	(11,954,049)
Total Stockholders' Equity (Deficit)	(134,677)	123,142
Total Liabilities and Stockholders' Equity (Deficit)	\$ 5,078,211	\$ 5,319,197

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

**DATA STORAGE CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)**

	Three Months Ended March 31,	
	2013	2012
Sales	\$ 1,176,178	\$ 970,399
Cost of sales	<u>727,114</u>	<u>584,992</u>
Gross Profit	449,064	385,407
Selling, general and administrative	<u>721,395</u>	<u>899,573</u>
Loss from Operations	<u>(272,331)</u>	<u>(514,166)</u>
Other Income (Expense)		
Interest income	11	82
Amortization of debt discount	(1,487)	-
Interest expense	<u>(30,286)</u>	<u>(36,777)</u>
Total Other (Expense)	<u>(31,762)</u>	<u>(36,695)</u>
Loss before provision for income taxes	(304,093)	(550,861)
Provision for income taxes	<u>-</u>	<u>-</u>
Net Loss	(304,093)	(550,861)
Preferred Stock Dividend	<u>(12,500)</u>	<u>(12,500)</u>
Net Loss Applicable to Common Shareholders	<u>\$ (316,593)</u>	<u>\$ (563,361)</u>
Loss per Share – Basic and Diluted	\$ (0.01)	\$ (0.02)
Weighted Average Number of Shares - Basic and Diluted	<u>33,165,915</u>	<u>29,034,236</u>

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

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

	Three Months Ended March 31,	
	2013	2012
Net loss	\$ (304,093)	\$ (550,861)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	225,032	170,248
Amortization of debt discount	1,487	-
Non cash interest expense	12,329	8,219
Deferred compensation	-	9,705
Stock based compensation	58,126	25,824
Changes in Assets and Liabilities:		
Accounts receivable	(45,841)	(10,064)
Other assets	1,948	(13,746)
Prepaid expenses and other current assets	53,943	23,744
Accounts payable and accrued expenses	(39,543)	(142,050)
Deferred revenue	(39,389)	32,026
Deferred rent	(2,015)	(1,454)
Due to related party	12,989	-
Net Cash Used in Operating Activities	<u>(65,027)</u>	<u>(448,949)</u>
Cash Flows from Investing Activities:		
Capital expenditures	-	(12,146)
Net Cash Used in Investing Activities	<u>-</u>	<u>(12,146)</u>
Cash Flows from Financing Activities:		
Proceeds from the issuance of common stock		-
Issuance of convertible debt	100,000	500,000
Repayments of capital lease obligations	(28,417)	(18,740)
Repayments of loan obligations	-	(10,641)
Repayment of contingent consideration	(3,105)	-
Advances from shareholder	7,847	-
Net Cash Provided by Financing Activities	<u>76,325</u>	<u>470,619</u>
Increase (Decrease) in Cash and Cash Equivalents	11,298	9,524
Cash and Cash Equivalents, Beginning of Period	<u>72,756</u>	<u>168,490</u>
Cash and Cash Equivalents, End of Period	<u>\$ 84,054</u>	<u>\$ 178,014</u>
Cash paid for interest	\$ 4,559	\$ 28,559
Cash paid for income taxes	\$ -	\$ -
Non cash investing and financing activities:		
Warrants issues with debt	\$ 17,851	\$ -
Accrual of preferred stock dividend	\$ 12,500	\$ 12,500

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

**DATA STORAGE CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012**

Note 1 - Basis of presentation, organization and other matters

Data Storage Corporation, ("DSC" or the "Company") is the result of several consolidations and is strategically positioned to continue its consolidation strategy. To date, DSC consummated (i) a share exchange with Euro Trend Inc. in October 2008, (ii) an asset acquisition of SafeData, LLC ("SafeData") in June 2010, and (iii) an asset acquisition of Message Logic LLC, ("Message Logic") in October 2012.

On October 20, 2008 we completed a share exchange agreement whereby we acquired all of the outstanding capital stock and ownership interests of DSC. In exchange we issued 13,357,143 shares of our common stock to the shareholders. This transaction was accounted for as a reverse merger for accounting purposes. Accordingly, DSC, the accounting acquirer, is regarded as the predecessor entity.

On June 17, 2010 we entered into an asset purchase agreement with SafeData, a provider of cloud storage and cloud computing services mostly to IBM's mid-range equipment users, under which we acquired all right, title and interest in the end user customer base of SafeData and all related current and fixed assets and contracts including the transfer of all of SafeData's current liabilities arising out of the business or the assets acquired. Pursuant to the asset purchase agreement, we paid an aggregate purchase price equal to \$3,000,000. Giving effect to certain holdback and contingency clauses as defined in the asset purchase agreement, we paid \$1,229,952 in cash and \$850,000 in shares of our common stock as well as assumption of SafeData accounts payable and receivables. In June 2011 we made a final payment net of holdback of \$482,308 and we issued the remaining balance of \$150,000 in common stock. The final settlement resulted in a gain of \$176,497.

On October 31, 2012, DSC purchased the assets of Message Logic including email compliance software, all source codes to Message Logic's email archival and data analytics software and select fixed assets. In exchange for the assets, at closing, DSC issued 725,960 shares of common stock and assumed liabilities of \$102,109. The contingent portion of the purchase price provides for up to 769,290 additional shares of DSC common stock and \$800,000. This contingent purchase price is based upon the achievement of certain metrics at the end of the 7th, 13th, 19th and 25th months as defined in the asset purchase agreement.

The result of these acquisitions, joint ventures and strategic alliances combined with DSC's legacy disaster recovery and business continuity solutions positions DSC as a potential leader in business to business cloud storage and cloud computing sector specializing in email compliance Software as a Service ("SaaS"), Windows Infrastructure as a Service ("IaaS") and IBM iSeries Platform as a Service ("PaaS"). DSC will continue to provide our solutions and continue our planned industry consolidations.

Headquartered in Garden City, N.Y., DSC offers its solutions and services to businesses within the healthcare, banking and finance, distribution services, manufacturing, construction, education, and government industries.

DSC derives revenues from long term subscription services and professional services related to implementation of subscription services that provide businesses in the education, government and healthcare industries protection of critical computerized data. In 2009 revenues consisted primarily of offsite data backup, de-duplication, continuous data protection, Cloud Disaster Recovery solutions and Electronic Medical Records, protecting information for our clients. In 2010 we expanded our solutions based on the asset acquisition of SafeData. In 2012 we continued to assimilate organizations, expanded our technology as well as technical group and positioned the new organization for growth. In October 2012 we purchased the software and assets of Message Logic. DSC has equipment for cloud storage and cloud computing in our data centers in Illinois, Massachusetts, Rhode Island, and New York. We deliver our solutions over highly reliable, redundant and secure fiber optic networks 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 and continuity of business in the case of a network interruption.

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 ("GAAP") 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 presentation of the results of operations have been included. The results of operations for the three months ended March 31, 2013 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, 2012. The condensed balance sheet at December 31, 2012 was derived from audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States.

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 three months ended March 31, 2013, DSC has generated revenues of \$1,176,178 but has incurred a net loss of \$304,093. 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 Mr. Charles M. Piluso, the Company's Chief Executive Officer and largest shareholder since inception as well as several Directors. It is the intention of Mr. Piluso to continue to fund Company on an as needed basis.

Note 2 - Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiary, Data Storage Corporation, a Delaware Corporation. All significant inter-company transactions and balances have been eliminated in consolidation.

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.

Estimated Fair Value of Financial Instruments

The Company's financial instruments include cash, accounts receivable, accounts payable, line of credit and due to related parties. Management believes the estimated fair value of these accounts at March 31, 2013 approximate their carrying value as reflected in the balance sheets due to the short-term nature of these instruments or the use of market interest rates for debt instruments. The carrying values of certain of the Company's notes payable and capital lease obligations approximate their fair values based upon a comparison of the interest rate and terms of such debt given the level of risk to the rates and terms of similar debt currently available to the Company in the marketplace. It is not practical to estimate the fair value of certain notes payable, the convertible debt and the liability for contingent compensation from acquisition. In order to do so, it would be necessary to obtain an independent valuation of these unique instruments. The cost of that valuation would not be justified in light of the circumstances.

Goodwill and Other Intangibles

Goodwill is not subject to amortization and is tested for impairment annually and whenever events or changes in circumstances indicate that impairment may have occurred. Intangible assets were evaluated to determine if they are finite or indefinite-lived. The intangible assets that are finite lived are amortized over the useful life of the asset. Indefinite-lived intangible assets are also tested for impairment annually and whenever events or changes in circumstances indicate that their carrying value may not be recoverable.

Revenue Recognition

The Company's revenues consist principally of cloud storage and cloud computing revenues, SaaS and IaaS. Storage revenues consist of monthly charges related to the storage of materials or data (generally on a per unit basis). Sales are generally recorded in the month the service is provided. For customers who are billed on an annual basis, deferred revenue is recorded and amortized over the life of the contract. Set up fees charged in connection with storage contracts are deferred and recognized on a straight line basis over the life of the contract.

Net Income (Loss) Per Common Share

In accordance with FASB ASC 260-10-5 Earnings Per Share, basic income (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed by dividing net income (loss) adjusted for income or loss that would result from the assumed conversion of potential common shares from contracts that may be settled in stock or cash by the weighted average number of shares of common stock, common stock equivalents and potentially dilutive securities outstanding during each period. The inclusion of the potential common shares to be issued have an anti-dilutive effect on diluted loss per share and therefore they are not included in the calculation. Potentially dilutive securities at March 31, 2013 include 6,232,992 options and 95,309 warrants.

Recently Issued and Newly Adopted Accounting Pronouncements

In July 2012, the Financial Accounting Standards Board ("FASB") issued ASU No. 2012-02, "*Testing Indefinite-Lived Intangible Assets for Impairment*" ("ASU 2012-02"). ASU 2012-02 gives entities an option to first assess qualitative factors to determine whether the existence of events and circumstances indicate that it is more likely than not that the indefinite-lived intangible asset impaired. If based on its qualitative assessment an entity concludes that it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount, quantitative impairment testing is required. However, if an entity concludes otherwise, quantitative impairment testing is not required. ASU 2012-02 is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. ASU 2012-02 is not expected to have a material impact on the Company's financial position or results of operations.

In December 2011, the Financial Accounting Standards Board ("FASB") issued ASU No. 2011-11, "*Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*" ("ASU 2011-11"). ASU 2011-11 enhances current disclosures about financial instruments and derivative instruments that are either offset on the statement of financial position or subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset on the statement of financial position. Entities are required to provide both net and gross information for these assets and liabilities in order to facilitate comparability between financial statements prepared on the basis of U.S. GAAP and financial statements prepared on the basis of IFRS. ASU 2011-11 is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. ASU 2011-11 is not expected to have a material impact on the Company's financial position or results of operations.

In September 2011, the FASB issued Accounting Standards Update No. 2011-08 ("ASU 2011-08"), which updates the guidance in ASC Topic 350, *Intangibles – Goodwill & Other*. The amendments in ASU 2011-08 permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than the carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in ASC Topic 350. The more-likely-than-not threshold is defined as having a likelihood of more than fifty percent. If, after assessing the totality of events or circumstances, an entity determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. The amendments in ASU 2011-08 include examples of events and circumstances that an entity should consider in evaluating whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. However, the examples are not intended to be all-inclusive and an entity may identify other relevant events and circumstances to consider in making the determination. The examples in this ASU 2011-08 supersede the previous examples under ASC Topic 350 of events and circumstances an entity should consider in determining whether it should test for impairment between annual tests, and also supersede the examples of events and circumstances that an entity having a reporting unit with a zero or negative carrying amount should consider in determining whether to perform the second step of the impairment test. Under the amendments in ASU 2011-08, an entity is no longer permitted to carry forward its detailed calculation of a reporting unit's fair value from a prior year as previously permitted under ASC Topic 350. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of ASU 2011-08 did not have a material impact on the Company's financial position or results of operations.

Management does not believe there would have been a material effect on the accompanying financial statements had any other recently issued, but not yet effective, accounting standards been adopted in the current period.

Note 3 - Property and Equipment

Property and equipment, at cost, consist of the following:

	March 31, 2013	December 31 2012
Storage equipment	\$ 2,205,243	\$ 2,205,243
Website and software	622,667	622,667
Furniture and fixtures	22,837	22,837
Computer hardware and software	91,687	91,687
Data Center Equipment	908,670	908,670
	<u>3,851,104</u>	<u>3,851,104</u>
Less: Accumulated depreciation	2,352,807	2,189,024
Net property and equipment	<u>\$ 1,498,297</u>	<u>\$ 1,662,080</u>

Depreciation expense for the three months ended March 31, 2013 and 2012 was \$163,783 and \$116,659, respectively.

Note 4 - Goodwill and Intangible Assets

Goodwill and Intangible assets consisted of the following:

	Estimated life in years	March 31, 2013	
		Gross amount	Accumulated Amortization
Goodwill	Indefinite	\$ 2,201,828	\$ -
Intangible assets not subject to amortization			
Trademarks	Indefinite	294,268	-
Intangible assets subject to amortization			
Customer list	5 - 15	897,274	423,166
Non-compete agreements	4	262,147	189,958
Total Intangible Assets		<u>1,453,689</u>	<u>613,124</u>
Total Goodwill and Intangible Assets		<u>\$ 3,655,517</u>	<u>\$ 613,124</u>

Scheduled amortization over the next five years as follows:

Twelve months ending March 31,	
2014	\$ 183,743
2015	209,492
2016	98,844
2017	28,688
2018	25,530
Total	<u>\$ 546,297</u>

Amortization expense for the three months ended March 31, 2013 and 2012 were \$61,248 and \$53,589 respectively

Note 5 – Capital lease obligations

The Company acquired capital leases in the acquisition of SafeData. The economic substance of the leases is that the Company is financing the acquisitions through the leases and accordingly, they are recorded in the Company's assets and liabilities. The leases are payable to Systems Trading, Inc. and IBM with combined monthly installments of \$57,757 at various dates through 2016. The leases are secured with the computer equipment. Interest rates on capitalized leases vary from 6%-12% and are imputed based on the lower of the Company's incremental borrowing rate at the inception of each lease or the lessor's implicit rate of return.

Future minimum lease payments under the capital leases are as follows:

As of March 31, 2013	\$	1,118,185
Less amount representing interest		(48,935)
Total obligations under capital leases		<u>1,069,250</u>
Less current portion of obligations under capital leases		(783,381)
Long-term obligations under capital leases	\$	<u>285,869</u>

Long-term obligations under capital leases at March 31, 2013 mature as follows:

For the year ending March 31, 2014	\$	783,381
2015		264,753
2016		21,116
		<u>1,069,250</u>

The assets held under the capital leases are included in property and equipment as follows:

Equipment	\$	1,571,784
Less: accumulated depreciation		590,219
	\$	<u>981,565</u>

Note 6 - Commitments and Contingencies

Revolving Credit Facility

On January 31, 2008 the Company entered into a revolving credit line with a bank. The credit facility provides for \$100,000 at prime plus 0.5% or 3.75% at March 31, 2013, and is secured by all assets of the Company and personally guaranteed by the Company's principal shareholder. As of March 31, 2013 and December 31, 2012, the Company owed \$100,292 under this agreement.

Loan Payable

On August 4, 2010, the Company entered into a note payable with Systems Trading, LLC in settlement of past due balances owed to SafeData related to certain capital leases. The note bears interest at 4%, and is due in 24 equal installments of \$11,927 commencing February 4, 2011 through January 4, 2013. The note payable is in arrears and has a balance as of March 31, 2013 of \$59,199.

Operating Leases

The Company currently leases office space in Garden City, NY and Warwick, RI.

The lease for office space in Warwick, RI calls for monthly payments of \$5,400 plus a portion of the operating expenses beginning in April 2012 and ending in December 2012. We are currently operating under a month to month agreement.

The lease for office space in Garden City, NY calls for escalating monthly payments ranging from \$6,056 to \$6,617 plus a portion of the operating expenses through June 2014.

Minimum obligations under these lease agreements are as follows:

For the year Ending March 31,:

2013	\$	78,838
2014		19,854
	\$	<u>98,692</u>

Rent expense for the three months ended March 31, 2013 and March 31, 2012 was \$40,661 and \$48,633 respectively.

Note 7 - Related Party Transactions

Due to related party represents rent accrued to a partnership controlled by Mr. Piluso for the New York Data Center. The rent expense for the data center is \$1,500 per month.

As of March 31, 2013 the Company owed Mr. Piluso \$766,166. These advances bear no interest and have no stated terms of repayment.

Note 8 – Convertible debt

Related parties

On February 28, 2013 the company entered into a \$100,000 convertible promissory note with a director of the company carries interest at 10%. Interest is payable quarterly through the maturity date of February 28, 2014. The Company issued warrants values at of \$17,851 which was recorded as a discount to the convertible promissory note with an offset to additional paid-in capital. The note is convertible into common stock at \$0.15 per share.

Note 9 - Stockholders' Equity

Capital Stock

The Company has 260,000,000 shares of capital stock authorized, consisting of 250,000,000 shares of common stock, par value \$0.001, 10,000,000 shares of Series A Preferred Stock, par value \$0.001 per share.

Common Stock Options

2008 Equity Incentive Plan

In October 2008, the Company's board of directors (the "Board") adopted, the Euro Trend, Inc. 2008 Equity Incentive Plan (the "2008 Plan"). Under the 2008 Plan, we may grant options (including incentive stock options) to purchase our common stock or restricted stock awards to our employees, consultants or non-employee directors. The 2008 Plan is administered by the Board. Awards may be granted pursuant to the 2008 Plan for 10 years from the date the Board approved the 2008 Plan. Any grant under the 2008 Plan may be repriced, replaced or regranted at the discretion of the Board.

The material terms of options granted under the 2008 Plan (all of which have been nonqualified stock options) are consistent with the terms described in the footnotes to the "Outstanding Equity Awards at Fiscal Year-End December 31, 2011", including 5 year graded vesting schedules and exercise prices equal to the fair market value of our common stock on the date of grant. Stock grants made under the 2008 Plan have not been subject to vesting requirements. The 2008 Plan was terminated with respect to the issuance of new awards as of February 3, 2012. There are 3,075,938 options outstanding under this plan as of March 31, 2013.

2010 Incentive Award Plan

The Company has reserved 2,000,000 shares of common stock for issuance under the terms of the Data Storage Corporation 2010 Incentive Award Plan (the "2010 Plan"). The 2010 Plan is intended to promote the interests of the Company by attracting and retaining exceptional employees, consultants, directors, officers and independent contractors (collectively referred to as the "Participants"), and enabling such Participants to participate in the long-term growth and financial success of the Company. Under the 2010 Plan, the Company may grant stock options, which are intended to qualify as "incentive stock options" under Section 422 of the Internal Revenue Code of 1986, as amended, non-qualified stock options, stock appreciation rights and restricted stock awards, which are restricted shares of common stock (collectively referred to as "Incentive Awards"). Incentive Awards may be granted pursuant to the 2010 Plan for 10 years from the Effective Date. From time to time, we may issue Incentive Awards pursuant to the 2010 Plan. Each of the awards will be evidenced by and issued under a written agreement.

On April 23, 2012, the Board of Directors of the Company amended and restated the Data Storage Corporation 2010 Plan. The 2010 Plan, as amended and restated, has been renamed the "Amended and Restated Data Storage Corporation Incentive Award Plan". The new plan provides for flexibility in vesting periods and includes a limit of \$100,000 per employee per year for incentive stock options.

There are 3,157,054 options outstanding under this plan as of March 31, 2013. There were no shares available for future grants under the plans.

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

	Number of Shares Under Options	Range of Option Price Per Share	Weighted Average Exercise Price
Options Outstanding at January 1, 2013	6,232,992	\$ 0.02 - 0.85	\$ 0.26
Options Granted	-	-	-
Options Exercised	-	-	-
Options Expired	-	-	-
Options Outstanding at March 31, 2013	<u>6,232,992</u>	<u>\$ 0.02 - 0.85</u>	<u>\$ 0.26</u>
Options Exercisable at March 31, 2013	<u>5,025,085</u>	<u>\$ 0.02 - 0.85</u>	<u>\$ 0.23</u>

Share-based compensation expense for options totaling \$58,125 and \$25,284 was recognized in our results for the three months ended March 31, 2013 and 2012, respectively is based on awards vested.

As of March 31, 2013, there was approximately \$372,903 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 2.9 years.

Common Stock Warrants

There were 66,667 common stock warrants granted during the three months ended March 31, 2013 in connection with a convertible debt issuance.

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

	Number of Shares Under Warrants	Range of Warrants Price Per Share	Weighted Average Exercise Price
Warrants Outstanding at January 1, 2013	28,642	\$ 0.01 - 0.02	\$ 0.02
Warrants Granted	66,667	0.01	0.01
Warrants Exercised	-	-	-
Warrants Cancelled	-	-	-
Warrants Outstanding at March 31, 2013	95,309	0.01 - 0.02	0.01
Warrants exercisable at March 31, 2013	95,309	0.01 - 0.02	0.01

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, ("DSC" or the "Company") is the result of several consolidations and is strategically positioned to continue its consolidation strategy. To date, DSC consummated (i) a share exchange with Euro Trend Inc. in October 20, 2008, (ii) an asset acquisition of SafeData, LLC ("SafeData") in June 2010, and (iii) an asset acquisition of Message Logic LLC, ("Message Logic") in October 2012.

On October 20, 2008 the Company completed a share exchange agreement whereby we acquired all of the outstanding capital stock and ownership interests of DSC. In exchange we issued 13,357,143 shares of our common stock to the shareholders. This transaction was accounted for as a reverse merger for accounting purposes. Accordingly, DSC, the accounting acquirer, is regarded as the predecessor entity.

On June 17, 2010 we entered into an asset purchase agreement with SafeData, a provider of Cloud Storage and Cloud Computing mostly to IBM's mid-range equipment users, under which we acquired all right, title and interest in the end user customer base of SafeData and all related current and fixed assets and contracts including the transfer of all of SafeData's current liabilities arising out of the business or the assets acquired. Pursuant to the Agreement, we paid an aggregate purchase price equal to \$3,000,000. Giving effect to certain holdback and contingency clauses as defined in the agreement, we paid \$1,229,952 in cash and \$850,000 in shares of our common stock as well as assumption of SafeData accounts payable and receivables. In June of 2011 we made a final payment net of holdback of \$482,308 and we issued the remaining balance of \$150,000 in Common Stock. The final settlement resulted in a gain of \$176,497.

On October 31, 2012, DSC purchased the assets of Message Logic including email compliance software all source code to Message Logic's email archival and data analytics software and select fixed assets. In exchange for the assets, at closing, DSC gave 725,960 shares of its common stock and assumed liabilities of \$102,109. The contingent purchase price provides for up to 769,290 additional shares of DSC common stock and \$800,000. This contingent purchase price is based upon the achievement of certain metrics at the end of the 7th, 13th 19th and 25th months as defined in the asset purchase agreement dated October 31, 2012.

In November 2012, DSC entered into a joint venture partnership with an IBM partner, ABC Services Inc. to provide an IBM Infrastructure as a service ("IaaS") offering, marketed under the name Aegis, a New York LLC.

In November 2012, DSC also entered into agreements with Amazon AWS to offer its Message Logic email archiving software through the AWS marketplace and to offer stand-by-server and storage solutions.

In November 2012, DSC also entered into an agreement with Dell for distribution of its Message Logic email archiving solution.

In December 2012, DSC was accepted as an IBM Service provider for cloud solutions.

The result of these acquisitions, joint venture and strategic alliances combined with DSC's legacy disaster recovery and business continuity solutions positions DSC as a potential leader in business to business cloud storage and cloud computing sector specializing in email compliance Software as a Service (SaaS), Windows Infrastructure as a Service (IaaS) and IBM iSeries Platform as a Service (PaaS). DSC will continue to provide our solutions and continue our planned industry consolidations.

DSC, an 11 year veteran in cloud storage and cloud computing solutions, provides data protection, disaster recovery, business continuity and compliance solutions that assist organizations in protecting their data, minimizing downtime and ensuring regulatory compliance. Serving the rapidly emerging business continuity market, DSC's clients save time and money, gain more control and better access to data and enable high level of security for that data. Solutions include: IaaS, data backup, recovery and restore, high availability data replication services; email archive and compliance solutions for e-discovery; continuous data protection; data de-duplication; and virtualized system recovery. DSC has forged relationships for distribution with Dell, Amazon and IBM among others.

Headquartered in Garden City, N.Y., DSC offers its solutions and services to businesses within the healthcare, banking and finance, distribution services, manufacturing, construction, education, and government industries..

DSC derives revenues from long term subscription services and professional services related to implementation of subscription services that provide businesses in the education, government and healthcare industries protection of critical computerized data. In 2009 revenues consisted primarily of offsite data backup, de-duplication, continuous data protection, Cloud Disaster Recovery solutions and Electronic Medical Records, protecting information for our clients. In 2010 we expanded our solutions based on the asset acquisition of SafeData. In 2012 we continued to assimilate organizations, expanded our technology as well as technical group and positioned the new organization for growth. In October 2012 we purchased the software and assets of Message Logic. DSC has equipment for cloud storage and cloud computing in our data centers in Massachusetts, Rhode Island, and New York. We deliver our solutions over highly reliable, redundant and secure fiber optic networks 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 and continuity of business in the case of a network interruption.

DSC is in the position today to leverage our infrastructure, data center, equipment capacity and leadership team to grow revenue to significant levels. Positioned for organic growth, although a strategy will be to grow through acquisition of similar solutions such as data vaulting, cloud recovery services, disaster recovery and business continuity solutions, e-discovery and IaaS companies. DSC believes opportunities exist to acquire synergistic service providers to enhance our products and services portfolio, increase our distribution channels, expand our management and increase our cash flow.

Our objective is to reduce costs through economies of scale while increasing market share and consolidating efforts. We believe that through a strategy of increasing our direct sales force and partnership program as well as acquisition of synergistic services providers we can create significant value.

RESULTS OF OPERATIONS

For the three months ended March 31, 2013 as compared to March 31, 2012.

Net Sales. Net sales for the three months ended March 31, 2013 were \$1,176,178 an increase of \$205,779 or 21.2%, compared to \$970,399 for the three months ended March 31, 2012. The increase in sales is the result of an increase in recurring sales revenues of \$252,409 to \$1,145,049 for the three months ended March 31, 2013 from \$892,556 for the three months ended March 31, 2012, offset by a decrease of in non-recurring revenue of \$51,636 to \$30,224 for the three months ended March 31, 2013 from \$81,881 for the three months ended March 31, 2012.

Cost of Sales. For the three months ended March 31, 2013, cost of sales were \$727,114 an increase of \$142,122 from \$584,992 for the three months ended March 31, 2012. The increase in cost of sales is directly attributable to the increase in recurring sales which have a higher cost of sale than non-recurring sales which are typically generated from fixed labor costs. DSC's gross margin is 38.2 % for the three months ended March 31, 2013 as compared to 39.7 % for the three months ended March 31, 2012.

Operating Expenses. For the three months ended March 31, 2013, operating expenses were \$721,395, a decrease of \$178,178, as compared to \$899,573 for the three months ended March 31, 2012. The majority of the decrease in operating expenses for the three months ended March 31, 2012 is a result of decrease in salaries and professional fees. Professional fees decreased \$62,686 to \$32,677 for the three month ended March 31, 2013 as compared to \$98,962 for the three months ended March 31, 2012. Sales salaries decreased \$78,212 to \$138,962 for the three months ended March 31, 2013, as compared to \$217,174 for the three months ended March 31, 2012. Executive salaries expense increased \$46,438 to \$94,745 as compared to \$48,307 for the three months ended March 31, 2013 and 2012. Sales commission expense decreased \$41,438 to \$13,714, as compared to \$55,152 for the three months ended March 31, 2013 and 2012. This is a result of more new sales being generated by internal sales force that are paid by salary as opposed to new sales by partners.

Other Expenses. Interest income for the three months ended March 31, 2013 decreased \$71 to \$11 from \$82 for the three months ended March 31, 2012. Interest Expense for the three months ended March 31, 2013 decreased \$5,004 to \$31,773 from \$36,777 for the three months ended March 31, 2013.

Net Loss. Net loss for the three months ended March 31, 2013 was (\$304,093) a decrease of \$246,768 as compared to net loss of (\$550,861) for the three months ended March 31, 2012.

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 Mr. Charles M. Piluso, the Company's Chief Executive Officer and largest shareholder combined with private placements of the Company's 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. During the remainder of 2013, we intend to continue to work to increase our presence in the IBM marketplace utilizing our increased technical expertise, capacity for data storage and managed services with our asset acquisition of SafeData.

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 three months ended March 31, 2013 DSC's cash increased \$11,298 to \$84,054 from \$72,756 at March 31, 2012. Net cash of \$65,027 was used in DSC's operating activities. Net cash of \$76,325 was provided by DSC's financing activities. This is the result of a \$100,000 convertible debt issuance, \$7,847 in advances from a company shareholder offset by \$28,417 in capital lease payments.

DSC's working capital deficit was (\$3,168,715) March 31, 2013, increasing \$104,508 from (\$3,064,207) at December 31, 2012. The increase is primarily due to the issuance of convertible debt.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Sensitivity

Interest due on DSC's loans is based upon the applicable stated fixed contractual rate with the lender. Interest earned on DSC's bank accounts is linked to the applicable base interest rate. For the three months ended March 31, 2013 and three months ended March 31, 2012, DSC had interest expense, net of interest income, of \$30,275 and \$36,695, respectively. DSC believes that its results of operations are not materially affected by changes in interest rates.

DSC's exposure to market risk is confined to its cash and cash equivalents, all of which have maturities of less than three months and bear and pay interest in U.S. dollars. Since DSC invests in highly liquid, relatively low yield investments, we do not believe interest rate changes would have a material impact on us.

DSC does not hold any derivative instruments and does not engage in any hedging activities.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Report, under the supervision and with the participation of DSC's management, including its principal executive officer and principal financial officer, DSC conducted an evaluation of its disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based on this evaluation, DSC's principal executive officer and principal financial officers have concluded that DSC's disclosure controls and procedures are not effective to ensure that information required to be disclosed by DSC in the reports it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's (the "SEC") rules based on the material weakness described below.

The material weaknesses identified during management's assessment were (i) a lack of sufficient internal accounting expertise to provide reasonable assurance that our financial statements and notes thereto are prepared in accordance with GAAP and (ii) a lack of segregation of duties to ensure adequate review of financial statement preparation. In light of these material weaknesses, management has concluded that, as of March 31, 2013, DSC did not maintain effective internal control over financial reporting. As defined by the Public Company Accounting Oversight Board Auditing Standard No. 5, a material weakness is a deficiency or a combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected. In order to ensure the effectiveness of DSC's disclosure controls in the future DSC intends on adding financial staff resources to our accounting and finance department.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

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.

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 the Company or any of our subsidiaries, threatened against or affecting the Company, our common stock, any of our subsidiaries any of the Company's 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.

Not applicable

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

On February 28, 2013, the Company sold a convertible promissory note in the principal amount of \$100,000 and a warrant to purchase 66,667 shares of the Company's Common Stock for an aggregate purchase price of \$100,000 to John F. Coghlan, a member of the Company's Board of Directors. The securities are more specifically described below in Item 5, Other Information. The securities were sold in reliance on Section 4(a)(2) of the Securities Act of 1933, as amended.

Item 3. Defaults Upon Senior Securities.

There were no defaults upon senior securities during the period ended March 31, 2013

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information.

The Company entered into a Securities Purchase Agreement, dated as of February 28, 2013, by and between the Company and John F. Coghlan, a member of the Company's board of directors (the "Securities Purchase Agreement"). Pursuant to the Securities Purchase Agreement, the Company issued a Convertible Promissory Note in the principal amount of \$100,000 and a Warrant to purchase 66,667 shares of the Company's Common Stock for an aggregate purchase price of \$100,000.

The Convertible Promissory Note matures on February 27, 2014 (the "Maturity Date"), accrues interest at an interest rate of ten percent (10%) per annum payable in arrears on the Maturity Date and is subject to customary terms and conditions including events of default.

The Warrant entitles Mr. Coghlan to purchase from the Company an aggregate of 66,667 shares of Common Stock, par value \$0.001 per share, at an exercise price of \$0.15. The Warrant is immediately exercisable and expires on February 28, 2023. The Warrant is subject to customary terms and conditions.

The securities described above were sold upon reliance on Section 4(a)(2) of the Securities Act of 1933, as amended.

Item 6. Exhibits

(a) Exhibits

Exhibits.	
No.	Description
4.1	Convertible Promissory Note, dated February 28, 2013, by and between the Company and John F. Coghlan.
4.2	Warrant to Purchase Common Stock, dated February 28, 2013, by and between the Company and John F. Coghlan.
10.1	Securities Purchase Agreement, dated February 28, 2013, by and between the Company and John F. Coghlan.
31.1	Certification of Principal Executive Officer and Principal Financial Officer, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer and Principal Financial Officer, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS *	XBRL Instance Document
101.SCH*	XBRL Taxonomy Schema
101.CAL*	XBRL Taxonomy Calculation Linkbase
101.DEF*	XBRL Taxonomy Definition Linkbase
101.LAB*	XBRL Taxonomy Label Linkbase
101.PRE*	XBRL Taxonomy Presentation Linkbase

SIGNATURES

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

Date: May 20, 2013

DATA STORAGE CORPORATION

By: /s/ Charles M. Piluso

Charles M. Piluso
President, Chief Executive Officer
Principal Financial Officer
(Duly Authorized Officer and
Principal Executive Officer)

Exhibits Index

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101.PRE*	XBRL Taxonomy Presentation Linkbase

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR APPLICABLE STATE SECURITIES LAWS. SUCH SECURITIES MAY NOT BE SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT FOR SUCH SECURITIES UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS, OR PURSUANT TO AN EXEMPTION FROM THE REGISTRATION PROVISIONS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS.

\$100,000.00
Original Principal Amount

February 28, 2013
Original Issuance Date

DATA STORAGE CORPORATION
CONVERTIBLE PROMISSORY NOTE

FOR VALUE RECEIVED, by execution and delivery of this Convertible Promissory Note (this "Note"), DATA STORAGE CORPORATION, a Nevada corporation (the "Company"), hereby promises to pay to JOHN F. COGLAN, or his personal representatives, heirs, successors or assigns (the "Holder"), in lawful money of the United States, subject to the terms and conditions set forth in this Note, the principal amount of One Hundred Thousand and 00/100 Dollars (\$100,000.00), along with such simple interest as has accrued on such principal amount at a rate of ten percent (10%) per annum (the "Interest Rate"). Interest from the Original Issuance Date February 28, 2013 shall accrue and be payable in arrears on February 27, 2014 (the "Maturity Date"), when the entire outstanding principal amount, all accrued and unpaid interest and any other amounts due to Holder shall be due and payable in full. If any payment date hereunder is not a business day, the payment date shall be the next business day thereafter.

This Note is subject to the following additional provisions:

1. Conversion. This Note shall be convertible as follows:

(a) Holder's Right to Convert. The entire outstanding principal amount of this Note and all accrued and unpaid interest hereon through the date of conversion may, at the option of the Holder at any time prior to the Maturity Date, be converted into fully-paid and non-assessable shares ("Conversion Shares") of the Company's common stock, par value \$0.001 ("Company Stock") at a conversion price of Fifteen Cents (\$0.15) per share (the "Conversion Price"). In order to convert this Note into Company Stock pursuant to this Section 1(a), the Holder must deliver a dated and signed notice of conversion, stating his intention to convert the full principal and accrued and unpaid interest of this Note into the Conversion Shares (the "Notice of Conversion"). The Notice of Conversion, the form of which is attached hereto, shall be deemed delivered on the date sent, if personally delivered, to the Company's Chief Executive Officer at the Company's principal place of business, or when actually received if sent by another method.

(b) Mandatory Conversion. The entire outstanding principal amount of this Note and all accrued and unpaid interest hereon shall automatically be converted into Company Stock upon, and not prior to, any of the following: (i) in the event that, pursuant to any proposed public or private offering establishing a market capitalization of greater than \$25 million, the Company's advisers or any investor or group of investors seeking to purchase at least 25% of the offered Company Stock require such conversion as a condition of completing such offering or purchase of Company Stock; (ii) the consummation of any sale of shares of Company Stock (other than any sale of shares of Company Stock to officers, directors or employees of, or consultants to, the Company in their respective capacities as such) after the date hereof which results in aggregate gross proceeds (in one closing or a series of closings) to the Company of not less than Ten Million Dollars (\$10,000,000) (each of (i) & (ii)), a "Mandatory Conversion Event"). The number of shares of Company Stock into which this Note may be converted upon a Mandatory Conversion Event shall be determined by dividing: (i) the aggregate outstanding principal and accrued and unpaid interest on this Note as of the date of conversion; by (ii) the Conversion Price, except that in lieu of issuing any fractional shares of Company Stock, the Company shall pay to the Holder cash equal in amount to the product of the Conversion Price multiplied by the fraction of a share of Company Stock that would otherwise be issued (such shares of Company Stock, the "Mandatory Conversion Shares").

(c) Conversion Procedure. Upon conversion of this Note as described in Section 1(a) or Section 1(b), the Holder shall tender this Note to the Company for cancellation and the Company shall issue to the Holder a stock certificate representing the Conversion Shares or the Mandatory Conversion Shares (as applicable).

(d) Authorization of Stock Issuable Upon Conversion. By no later than immediately prior to conversion of this Note, the Company shall have duly authorized such number of shares of Company Stock as shall be sufficient to effect the conversion of this Note in accordance with its terms.

(e) Effect of Conversion. From and after the time at which this Note is converted as provided in this Section 1, this Note shall, automatically and without any further action by the Company or the Holder, cease to evidence an obligation of the Company to pay to the Holder the outstanding principal and accrued and unpaid interest hereon and shall instead evidence only the right to receive the Conversion Shares or the Mandatory Conversion Shares (as applicable).

2. Unsecured Obligation. The Company's obligations to the Holder under this Note shall be unsecured.

3. Subordination to Senior Indebtedness.

(a) Generally. The indebtedness evidenced by this Note, and the payment of the principal hereof, and any interest hereon, is wholly subordinated, junior and subject in right of payment, to the extent and in the manner hereinafter provided, to the prior payment of all Senior Indebtedness of the Company now outstanding or hereinafter incurred. For purposes of this Note, the term "Senior Indebtedness" means the principal of, and premium, if any, and interest on, as well as any deferrals, renewals, extensions and refunding of, any and all obligations of the Company incurred in connection with the borrowing of money from or guaranteed to banks, trust companies, leasing companies, insurance companies and other financial institutions whether outstanding on the date hereof or hereafter created, incurred, assumed or guaranteed.

(b) No Payment if Default in Senior Indebtedness. No cash payment on account of principal of or interest on this Note shall be made directly or indirectly by the Company (or any of its subsidiaries), if at the time of such cash payment or immediately after giving effect thereto: (i) there shall exist a default in any payment with respect to any Senior Indebtedness; or (ii) there shall have occurred an event of default (other than a default in the payment of amounts due thereon) with respect to any Senior Indebtedness, as defined in the instrument under which the same is outstanding, permitting the holders thereof to accelerate the maturity thereof, and such event of default shall not have been cured or waived or shall not have ceased to exist. For the avoidance of doubt and notwithstanding anything to the contrary herein, nothing in this Section 3 shall prevent conversion of this Note in accordance with Section 1.

(c) *Payment upon Dissolution, Etc.*

(i) In the event of any bankruptcy, insolvency, reorganization, receivership, composition, assignment for benefit of creditors or other similar proceeding initiated by or against the Company or any dissolution or winding up or total or partial liquidation or reorganization of the Company (being hereinafter referred to as a "Proceeding"), all claims of the Holder under this Note in such Proceeding shall be deemed assigned, *pro rata*, to the then-holders of any Senior Indebtedness on the basis of the respective amounts of such Senior Indebtedness held by such holder, and the Holder hereby agrees to execute all documents that such holders request in order to evidence such assignment; *provided, however*, that such assignment shall terminate upon receipt by such holders of payment in full of all of any Senior Indebtedness. While such assignment is in effect, the then-holders of any Senior Indebtedness shall have the exclusive right to exercise all rights of the Holder under this Note arising from its claims in the Proceeding, including but not limited to the right to vote for a trustee and to accept or reject a proposed plan of reorganization or composition, and the Holder hereby agrees to execute all documents requested by the then-holders of any Senior Indebtedness in order to exercise any such rights. While such assignment is in effect, the Holder also agrees that it shall, upon request, and at its own expense take all reasonable actions (including but not limited to the execution and filing of documents and the giving of testimony in any Proceeding, whether or not such testimony could have been compelled by process) necessary to prove the full amount of all its claims in any Proceeding, and the Holder shall not expressly, by implication or by inaction, waive any claim in any Proceeding without the written consent of such Senior Indebtedness holder.

(ii) Upon payment or distribution to creditors in a Proceeding of assets of the Company of any kind or character, whether in cash, property or securities, all principal and interest due upon any Senior Indebtedness shall first be paid in full, or payment thereof in full duly provided for, before the Holder shall be entitled to receive or, if received, to retain any payment or distribution on account of this Note; and upon any such Proceeding, any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to which the Holder would be entitled except for the provisions of this Section 3(c) shall be paid by the Company or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other person making such payment or distribution, or by the Holder if it has received such payment or distribution, directly to the holders of any Senior Indebtedness (*pro rata* to each such holder on the basis of the respective amounts of such Senior Indebtedness held by such holder) or their representatives to the extent necessary to pay all such Senior Indebtedness in full after giving effect to any concurrent payment or distribution to or for the holders of such Senior Indebtedness, before any payment or distribution is made to the Holder under this Note. In the event of any Proceeding, the Holder shall be entitled to be paid one hundred percent (100%) of the outstanding principal amount of this Note and the accrued and unpaid interest hereon before any distribution of assets shall be made among the holders of any class of shares of the capital stock of the Company in their capacities as holders of such shares.

(iii) For purposes of this Section 3(c), the terms "assets" and "cash, property or securities" shall not be deemed to include shares of Common Stock of the Company as reorganized or readjusted, or securities of the Company or any other person provided for by a plan of reorganization or readjustment, the payment of which is subordinated at least to the extent provided in this Section 3 with respect to this Note to the payment of all Senior Indebtedness which may at the time be outstanding, if (x) any Senior Indebtedness is assumed by the new entity, if any, resulting from any such reorganization or readjustment, and (y) the rights of the holders of Senior Indebtedness are not, without the consent of such holders, altered by such reorganization or readjustment.

(d) *Subrogation.* Subject to payment in full of all Senior Indebtedness, the Holder's rights under this Note shall be subrogated to the rights of the holders of Senior Indebtedness to receive payments or distributions of the assets of the Company made on such Senior Indebtedness until all principal and interest on this Note shall be paid in full; and for purposes of such subrogation, no payments or distributions to the holders of Senior Indebtedness of any cash, property or securities to which the Holder would be entitled under this Note except for the subordination provisions of this Section 3 shall, as between the Holders and the Company and/or its creditors other than the holders of any Senior Indebtedness, be deemed to be a payment on account of the Senior Indebtedness.

(e) *Rights of Holders Unimpaired.* The provisions of this Section 3 are and are intended solely for the purposes of defining the relative rights of the Holder under this Note and the holders of Senior Indebtedness and nothing in this Section 3 shall impair, as between the Company and the Holder, the obligation of the Company, which is unconditional and absolute, to pay to the Holder the principal of this Note and interest hereon, in accordance with the terms of this Note, nor shall anything herein prevent the Holder from exercising all remedies otherwise permitted by applicable law or hereunder upon default, subject to the rights set forth above of holders of Senior Indebtedness to receive cash, property or securities otherwise payable or deliverable to the Holder under this Note.

(f) *Holders of Senior Indebtedness.* The provisions of this Section 3 regarding subordination will constitute a continuing offer to all persons who, in reliance upon such provisions, become holders of, or continue to hold, Senior Indebtedness; such provisions are made for the benefit of the holders of Senior Indebtedness, and such holders are hereby made obligees under such provisions to the same extent as if they were named therein, and they or any of them may proceed to enforce such subordination. The Holder shall execute and deliver to any holder of Senior Indebtedness: (i) any such instrument as such holder of Senior Indebtedness may request in order to confirm the subordination of this Note to such Senior Indebtedness upon the terms set forth in this Note; and (ii) any powers of attorney specifically confirming the rights of holders of Senior Indebtedness to enforce such subordination and all such proofs of claim, assignments of claim and other instruments as may be requested by the holders of Senior Indebtedness or their representatives to enforce all claims upon or in respect of this Note.

(g) *Payments on Subordinated Note.* Subject to Section 3(c), the Company may make payments of the principal of, and any interest or premium on, this Note, if at the time of payment, and immediately after giving effect thereto: (i) there exists no default in any payment with respect to any Senior Indebtedness; and (ii) there shall not have occurred an event of default (other than a default in the payment of amounts due thereon) with respect to any Senior Indebtedness, as defined in the instrument under which the same is outstanding, permitting the holders thereof to accelerate the maturity thereof, other than an event of default which shall have been cured or waived or shall have ceased to exist.

4. Default Penalty Provision. In the event of a default on principal or interest, a 5% premium per annum will accrue in addition to the 10% interest calculated on a monthly basis. Additionally, a warrant agreement will be executed for an additional 10% warrant for each year in default.

5. Default. The Company shall be in default under this Note in the event of: (a) the Company's failure to pay any portion of the outstanding principal and/or accrued and unpaid interest under this Note when the same becomes due and payable in accordance with the terms hereof, the Company's failure to take any of the actions required hereunder to convert this Note into the Conversion Shares or the Mandatory Conversion Shares (as applicable) or any other breach or violation of any representation and warranty or other provision of this Note of the Company, in each case which has not, to the extent curable, been cured within five (5) business days after the Holder has provided written notice to the Company thereof; (b) any custodian, trustee, receiver, agent or similar official being appointed for the Company; (c) the Company commencing a voluntary case or proceeding under the U.S. Bankruptcy Code, an assignment for the benefit of creditors proceeding or a proceeding under any other state or federal insolvency law (collectively, "Insolvency Laws"); or (d) an involuntary case or proceeding being commenced against the Company under any Insolvency Law that is not dismissed within sixty (60) days after being commenced. Upon the occurrence and during the continuation of any default under this Note: (i) the outstanding principal and any accrued but unpaid interest hereon will bear interest at the Interest Rate plus five (5) percentage points (the "Default Rate"); and (ii) the Holder shall have the option (but not be required) to declare the entire outstanding principal and accrued and unpaid interest hereon (including interest at the Default Rate), immediately due and payable and to exercise any and all rights and remedies available to it under applicable law with respect to such obligation. Application of the Default Rate will not be interpreted or deemed to limit in any way any of the Holder's remedies pursuant to this Note, at law or in equity.

6 . Collection Matters. The Company promises to pay all costs of collection, including reasonable attorneys' fees, incurred by the Holder upon any default under this Note, whether at the Maturity Date or by reason of acceleration of maturity pursuant to Section 5, and whether or not suit is brought to effect such collection. The Company hereby irrevocably waives presentment, demand for payment, protest and notice of protest, notice of dishonor and all other legal formalities in connection with collection of this Note.

7 . Lost or Destroyed Note. If this Note shall be mutilated, lost, stolen or destroyed, the Company shall execute and deliver, in exchange and substitution for and upon cancellation of a mutilated Note, or in lieu of or in substitution for a lost, stolen or destroyed Note, a new note for the principal amount of this Note so mutilated, lost, stolen or destroyed, but only upon receipt by the Company from the Holder of: (a) if this Note has been mutilated, the mutilated Note; or (b) if this Note has been lost, stolen or destroyed, reasonable evidence of loss, theft or destruction and an agreement reasonably satisfactory to the Company in which the Holder agrees to indemnify the Company for any losses relating to such Note, duly executed by the Holder.

8 . Savings Clause. The Company and the Holder intend to comply at all times with applicable usury and other laws limiting the amount of interest that may be charged or collected upon borrowed money. If, at any time, any such laws would be violated by any amounts called for under this Note, it is the Company's and the Holder's express intention that the Company not be required to pay any interest on this Note at a rate in excess of the maximum lawful rate then allowed and the amount of interest payable hereunder shall be reduced to the greatest amount that may be charged in compliance with applicable law. The provisions of this Section 8 shall supersede and control over all other provisions of this Note which may be in apparent conflict hereunder.

9. No Stockholder Rights. Unless and until converted into the Conversion Shares or Mandatory Conversion Shares, in each case as provided in Section 1, this Note shall not, in and of itself, entitle the Holder to any rights as a stockholder of the Company (including the right to vote, to receive dividends and other distributions, or to receive any notice of, or to attend, meetings of shareholders of the Company).

10 . No Impairment. The Company shall not, by amendment of its certificate of incorporation or bylaws or through any reorganization, transfer of assets, consolidation, merger, dissolution, issuance or sale of securities or other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but shall at all times in good faith assist in the carrying out of all the provisions of this Note and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the Holder against impairment.

11. Taxes. The Company will pay when due and payable any and all stamp, original issue or similar taxes that may be payable in respect of issuance of any Conversion Shares or Mandatory Conversion Shares or certificates for any Conversion Shares or Mandatory Conversion Shares as long as the certificate for such Conversion Shares or Mandatory Conversion Shares (as applicable) is to be issued in the name of the Holder (and not any other person or entity).

12. Notices. All notices, requests, demands, consents and other communications which are required or permitted hereunder shall be in writing, and shall be delivered personally or by Federal Express or a similar nationally recognized overnight delivery service or mailed by registered or certified mail, postage prepaid, return receipt requested, as follows: (a) if to the Company, to Data Storage Corporation, 401 Franklin Avenue, Garden City, New York 11530, Attn: President; and (b) if to the Holder, to 36 Vassar Place, Rockville Centre, NY 11570. Said notices shall be deemed given for all purposes hereunder on the date delivered personally or by Federal Express or similar nationally-recognized overnight delivery service which provides proof of delivery or on the date postmarked if sent by registered or certified mail, as the case may be. A party may designate a new address to which communications shall thereafter be transmitted by providing notice to the other party in accordance with this Section 12 to that effect.

13. Governing Law; Choice of Venue; Waiver of Jury Trial. All questions concerning the construction, validity and interpretation of this Note will be governed by and construed in accordance with the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York. Each party agrees that any claim, demand, action, cause of action or other proceeding arising out of or relating to this Note shall be commenced and prosecuted exclusively in the State and Federal courts located in the State of New York and any appellate courts therefrom (the "New York Courts") and each party irrevocably waives any right to object to such venue. Each party consents and submits to the non-exclusive personal jurisdiction of the New York Courts in respect of any such proceeding. Each party consents to service of process upon it with respect to any such proceeding by registered mail, return receipt requested, to its address set forth in Section 12, and by any other means permitted by applicable law. The parties hereby irrevocably waive, to the fullest extent permitted by law, any right to trial by jury of any proceeding arising out of or relating to this Note.

14. Entire Agreement. This Note and the other documents referred to herein collectively set forth the entire agreement and understanding of the parties in respect of the subject matter contained herein, and supersede all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any party or its officers, directors, employees or representatives concerning the subject matter hereof.

15. Assignment; Binding Effect; Third Party Beneficiaries. Neither this Note nor any of the rights, interests or obligations of the Company under this Note may be assigned or delegated, in whole or in part, by operation of law or otherwise, by the Company without the prior written consent of the Holder and any purported assignment in violation of this Section 15 shall be null and void. This Note shall inure to the benefit of and be binding on the personal representative, heirs, successors and assigns of the parties. Other than the Company, the Holder and their respective personal representatives, heirs, successors and assigns, as applicable, no person or entity is or is intended to be a beneficiary of this Note.

16. Waivers and Amendments. No purported waiver of any provision of this Note shall be binding upon any of the parties to this Note unless upon the party providing such waiver has duly executed and delivered to the other party a written instrument which states that it constitutes a waiver of one or more provisions of this Note and specifies the provision(s) that are being waived. Any such waiver shall be effective only to the extent specifically set forth in such written instrument. Neither the exercise (from time to time and at any time) by a party of, nor the delay or failure (at any time or for any period of time) to exercise, any right, power or remedy shall constitute a waiver of the right to exercise, or impair, limit or restrict the exercise of, such right, power or remedy or any other right, power or remedy at any time and from time to time thereafter. No waiver of any right, power or remedy of a party shall be deemed to be a waiver of any other right, power or remedy of such party or shall, except to the extent so waived, impair, limit or restrict the exercise of such right, power or remedy. No purported amendment to any provision of this Note shall be binding upon the parties to this Note unless a written instrument has been signed by the Company and the Holder which states that it constitutes an amendment to this Note and specifies the provision(s) hereof that are being amended.

17. Severability. If any provision of this Note is found to be invalid, illegal or incapable of being enforced, in whole or in part, in any jurisdiction under any circumstances for any reason: (a) such provision shall be reformed to the minimum extent necessary to cause such provision to be valid, enforceable and legal while preserving the intent of the parties as expressed in, and the benefits to such parties provided by, such provision; or (b) if such provision cannot be so reformed, such provision shall be severed from this Note and an equitable adjustment shall be made to this Note (including addition of necessary further provisions to this Note) so as to give effect to the intent as so expressed and the benefits so provided. Such holding shall not affect or impair the validity, enforceability or legality of such provision in any other jurisdiction or under any other circumstances. Neither such holding nor such reformation or severance shall affect or impair the legality, validity or enforceability of any other provision of this Note.

18. Equitable Remedies. It is specifically understood and agreed that any breach or threatened breach of the provisions of this Note by either party will result in irreparable injury to the other party, that money damages alone will be an inadequate remedy for such breach or threatened breach, and that, therefore, in addition to any other remedies which the other party may have, the rights and obligations of each party shall be enforceable by a decree of specific performance issued by any court of competent jurisdiction, and appropriate injunctive relief may be applied for and shall be granted in connection therewith, without the necessity of posting a bond or other security or proving actual damages and without regard to the adequacy of any remedy at law.

19. Further Actions. The Company shall, upon request from the Holder and at its own expense, take or cause to be taken all appropriate actions, do or cause to be done all things necessary, proper or advisable, and execute and deliver such documents and other papers, as may be required to carry out the provisions of this Note and consummate and make effective the transactions contemplated by this Note.

20. Interpretation. The language used in this Note shall be conclusively deemed to be the language mutually chosen by the parties to express their intent and no rule of strict construction shall be applied against either party. Unless otherwise expressly specified in this Note: (a) the words "hereof", "hereby" and "hereunder," and correlative words, refer to this Note as a whole and not any particular provision; (b) the words "includes" and "including", and correlative words, are deemed to be followed by the phrase "without limitation"; (c) the word "or" is not exclusive and is deemed to have the meaning "and/or"; (d) references in this Note to a "party" means the Company or the Holder and to the "parties" means the Company and the Holder; (e) words using the singular or plural number shall also include the plural or singular number, respectively; (f) the singular form of a word includes the plural form of such word and vice versa; (g) references to a person or entity shall include the successors and assigns thereof; (h) references made in this Note to a Section mean a Section of this Note; and (i) the term "business day" shall mean any day on which banks are generally open for business in the State of New York, excluding any Saturday or Sunday. The headings in this Note are inserted for convenience of reference only and shall not constitute a part of or control or affect in any way the meaning or interpretation of any provision hereof.

21. Counterparts; Facsimile Transmission. This Note may be executed in one or more counterparts. Signature pages to this Note transmitted by facsimile or other electronic transmission method shall be valid and effective for all purposes.

* * * * *

[remainder of this page intentionally left blank; signature pages follow]

IN WITNESS WHEREOF, the parties hereto have executed this Note as of the date first written above.

THE COMPANY:

DATA STORAGE CORPORATION

By: /s/ Charles M. Piluso

Name: Charles M. Piluso

Title: President

AGREED AND ACCEPTED:

THE HOLDER:

/s/ John F. Coghlan

John F. Coghlan

NOTICE OF CONVERSION

Pursuant to Section 1 of that certain Convertible Promissory Note (the "Note") issued to John F. Coghlan, the undersigned hereby exercises his/her/its right to convert the full principal and any accrued and unpaid interest of the Note into shares of Data Storage Corporation (the "Company") Common Stock. Pursuant to the Note, the undersigned understands that the Conversion Price (as defined in the Note) will be equal to \$0.15 per share, unless an adjustment is made to the Conversion Price pursuant to Section 1(d) of the Note.

Date of Note:

Amount:

Maturity Date:

By:

 [Names of Debenture Holder]

Date:

1) ENCLOSE ORIGINAL SIGNED NOTE AND THIS NOTICE AND RETURN TO:

Data Storage Corporation
401 Franklin Avenue
Garden City, New York 11530
Attn: Charles M. Piluso
President

THIS WARRANT AND THE UNDERLYING SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”) AND MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO SUCH SECURITIES UNDER THE ACT OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.

DATA STORAGE CORPORATION
WARRANT TO PURCHASE COMMON STOCK

No. W-3

02/28/2013

VOID AFTER 02/28/2023

By this Warrant, DATA STORAGE CORPORATION, a Nevada corporation (the “*Company*”) certifies that, for value received, JOHN F. COGHLAN, or his/her permitted assigns as provided herein (the “*Holder*”) is entitled to purchase from the Company an aggregate of 66,667 shares (the “*Exercise Shares*”) of the Common Stock, par value \$0.01 per share at any time from the date of this Warrant and on or before 02/28/2023 (subject to early termination as provided herein) (the “*Exercise Period*”). The number of Exercise Shares and the Exercise Price are each subject to adjustment as provided herein.

1. **Exercise of Warrant.**

(a) **Exercise Procedure.** The Holder may exercise this Warrant in whole or in part at any time prior to 5:00 pm. (Eastern Time) on the last business day during the Exercise Period by surrendering this Warrant to the Company (with the Notice of Exercise attached hereto as Exhibit A duly executed and indicating the whole number of Exercise Shares with respect to which the Holder shall then be exercising the Warrant) at the Company’s address set forth herein, together with a certified, registered or bank cashier’s check or wire transfer of immediately available funds in each case in the amount of the aggregate Exercise Price payable to the order of the Company under the terms and conditions of this Warrant with respect to such exercise.

(b) **Certificates.** Upon the exercise of the rights represented by this Warrant, the Holder shall receive: (i) a certificate or certificates in the name of the Holder for the largest number of whole exercise Shares to which the Holder shall then be entitled; and (ii) cash equal in value to any fractional share to which the Holder shall then be entitled (with the amount of such cash to be equal to the Exercise Price of one (1) share of Common Stock as of the date of exercise multiplied by such fraction.) If this Warrant is being exercised for less than all of the then-current number of Exercise Shares purchasable hereunder, the Company shall, concurrently with the issuance by the Company of the number of Exercise Shares for which this Warrant is then being exercised, issued a new Warrant exercisable for the remaining number of Exercise Shares purchasable hereunder. No fractional shares shall be issued to the Holder in respect of exercise of this Warrant.

(c) **Fair Market Value.** For the purposes of this Warrant, the “Fair Market Value” of one share of Common Stock as of a particular date (the “*Determination Date*”) shall be determined as follows: (i) if Common Stock is listed on a national securities exchange or the NASDAQ, then the Fair Market Value shall be the volume-weighted average trading price of the Common Stock on the national securities exchange on which Common Stock is listed or admitted for trading or NASDAQ over the last ten (10) trading business days prior to the Determination Date, or if Common Stock is not listed or traded on any such exchange or NASDAQ, then the Fair Market Value shall be the fair market value of one (1) share of Common Stock as of the Determination Date, as determined in good faith by the Company’s Board of Directors.

(d) Effectiveness. The person in whose name any certificate or certificates for Exercise Shares are to be issued upon exercise of this Warrant shall be deemed to have become the holder of record of such Exercise Shares on the date on which this Warrant was surrendered and payment of the Exercise Price was made, irrespective of the date of delivery to the Holder of such certificate or certificates, except that, if the date of such surrender and payment is a date when the stock transfer books of the Company are closed, such person shall be deemed to have become the holder of such shares at the close of business on the next succeeding date on which such stock transfer books are open.

2 . Sufficient Shares Authorized. The Company shall, at all times during the Exercise Period, have authorized and reserved a sufficient number of shares of Common Stock to provide for the exercise of the rights represented by this Warrant. If, at any time during the Exercise Period, the number of authorized but unissued shares of Common Stock shall not be sufficient to permit exercise of this Warrant, the Company will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to equal such number of shares as shall be sufficient for such purpose.

3. Adjustment. In the event of any change in the Common Stock by reason of any stock dividend, split, recapitalization, reclassification, combination or exchange of shares, reorganization or like transaction affecting Common Stock, the number and class of Exercise Shares, covered by this Warrant and the Exercise Price shall be correspondingly adjusted to give the Holder of the Warrant, upon exercise of this Warrant for the same aggregate Exercise Price, the total number, class and kind of shares as the Holder would have owned had the Warrant been exercised immediately prior to such event; *provided, however*, that no such adjustment shall be made with respect to the event set forth in Section 4. The Company shall provide to the Holder written notice of any such change, which shall specify the resulting number of Exercise Shares covered by this Warrant and the Exercise Price therefore.

4 . Early Termination. If, at any time during the Exercise Period while this Warrant remains outstanding, the Company plans to consummate a sale of the Company transaction (whether effected by merger, stock sale, asset sale or otherwise) (a "Liquidity Event"), the Company shall provide to the Holder at least twenty (20) days advance written notice of such Liquidity Event and, notwithstanding anything to the contrary in this Warrant and all of the rights of the Holder hereunder shall, automatically and without any further action on the part of the Company or the Holder, terminate upon the closing of such Liquidity Event.

5 . Further Action by the Holder; Indemnification. The Holder covenants and agrees that, at any time and from time to time, he will promptly execute and deliver to the Company such further instruments and documents and take such further action as the Company may reasonably require in order to carry out the full intent and purpose of this Warrant and to comply with state or federal securities laws or other regulatory approvals. The Holder shall indemnify the Company for any costs, fees, expenses or other losses (including, without limitation, reasonable attorneys' fees) incurred by the Company as a result of any breach of the representations and warranties or covenants and agreements of the Holder set forth in this Warrant. The foregoing indemnification obligation shall continue after the exercise in full or other termination of this Warrant.

6. **Restrictions upon Transfer.**

(a) Neither this Warrant nor any interest herein may be transferred, assigned, pledged, hypothecated or otherwise encumbered by the Holder without the prior written consent of the Company, other than a transfer of this Warrant by the Holder to a Permitted Transferee of the Holder after written notice has been provided by the Holder to the Company and the transferee has executed and delivered to the Company a joinder agreement reasonably satisfactory to the Company in which such transferee has agreed to be subject to all of the terms and conditions of this Warrant. Any purported transfer, assignment pledge, hypothecation or encumbrance in violation of the Section 6(a) will be null and void and of no force or effect. For purposes of this Warrant, "Permitted Transferee" means (i) the Holder's Immediate Family; (ii) a trust solely for the benefit of the Holder and/or his or her Immediate Family; or (iii) a partnership or limited liability company the partners or shareholders of which are limited to the Holder and members of his or her Immediate Family and "Immediate Family" means the Holder's spouse, children or grandchildren (including adopted children and stepchildren and grandchildren).

(b) The Holder acknowledges that neither this Warrant nor any of the Exercise Shares issuable upon exercise hereof have been registered under the Securities Act or any applicable state securities laws and the Holder covenants and agrees not to sell, pledge, distribute, offer for sale, transfer or otherwise dispose of this Warrant or any Exercise Shares issued upon its exercise in the absence of: (i) an effective registration statement under the Securities Act as to this Warrant or such Exercise Shares and registration or qualification of this Warrant or such Exercise Shares under any applicable state securities laws then in effect, or (ii) the Company is satisfied that such registration and qualification are not required due to an available exemption from such registration or qualification.

7 . **No Stockholder Rights.** This Warrant does not confer upon the Holder any rights as a stockholder of the Company (including, without limitation, the right to vote, or to consent, or to receive notice, or otherwise to act, as a stockholder of the Company, or the right to receive any dividends or distributions payable to stockholders of the Company).

8 . **Loss, Theft, Destruction or Mutilation of Warrant.** If this Warrant is lost, stolen, destroyed or mutilated, at the Holder's request, the Company shall execute and deliver to the Holder a replacement warrant of like date, tenor, and denomination upon receipt by the Company of: (a) evidence reasonably satisfactory to the Company of the occurrence of such event; (b) reimbursement of the Company's reasonable incidental expenses; and (c) (i) in the event of mutilation, upon surrender and cancellation of this Warrant, or (ii) in the event of loss, theft, or destruction of this Warrant, indemnity reasonably satisfactory of the Company.

9. **Miscellaneous Provisions.**

(a) **Notices.** All notices required or permitted under this Warrant shall be in writing and shall be deemed effectively given: (i) upon personal delivery to the party to be notified, (ii) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (iii) one (1) business day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All notices hereunder shall be sent to the Company at: Data Storage Corporation, 401 Franklin Avenue, Suite 103, Garden City, New York 11530, Attn.: President, with a copy to Kelley Drye & Warren LLP, 3050 K Street, N.W., Suite 400, Washington, D.C. 20007, Attn.: Joseph B. Hoffman, Esq., and to the Holder at: 401 Franklin Avenue, Suite 103, Garden City, New York 11530, or at such other address(es) as the Company or the Holder (as applicable) may designate by at least ten (10) days' advance written notice to the other party hereto.

(b) Governing Law; Venue; Waiver of Jury Trial. THIS WARRANT AND ANY DISPUTE ARISING HEREUNDER WILL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO ANY CHOICE OR CONFLICT OF LAW PROVISION (WHETHER OF THE STATE OF NEVADA OR ANY OTHER JURISDICTION) THAT WOULD CAUSE THE APPLICATION OF THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF NEW YORK. THE PARTIES AGREE THAT ANY ACTION OR OTHER PROCEEDING BROUGHT BY ANY PARTY UNDER OR IN RELATION TO THIS WARRANT, INCLUDING TO INTERPRET OR ENFORCE ANY PROVISION OF THIS WARRANT, SHALL BE BROUGHT IN, AND EACH PARTY AGREES TO AND DOES HEREBY SUBMIT TO THE EXCLUSIVE JURISDICTION AND VENUE OF, THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND ANY APPELLATE COURTS THEREFROM. THE PARTIES EACH IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER THIS WARRANT, WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY OR OTHERWISE.

(c) Amendment; Waiver. This Warrant may only be amended by written agreement executed by the Company and the Holder that specifies that it constitutes an amendment to this Warrant and specifies the provisions hereof being amended. Any provision of this Warrant may only be waived upon a written instrument executed by the party providing the waiver that specifies that it constitutes a waiver and specifies the provisions hereof being waived. It is agreed that no delay or omission to exercise any right, power or remedy accruing to any party, upon any breach, default or noncompliance by another party under this Warrant shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach, default or noncompliance, or any acquiescence therein, or of or in any similar breach, default or noncompliance thereafter occurring.

(d) Successors and Permitted Assigns. Neither this Warrant nor any party's rights or obligations hereunder may be assigned or delegated, in whole or in part, by either party without the prior written consent of the other party. Any purported assignment or delegation in violation of the preceding sentence will be null and void. Subject to the preceding sentences of this Section 9(d), this Warrant will be binding upon the parties and their respective successors and permitted assigns and shall inure to the benefit of and be enforceable by the parties and their respective successors and permitted assigns.

(e) Entire Agreement. This Warrant constitutes the full and entire understanding and agreement between the parties with regard to the subject matter hereof and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter of this Warrant, including without limitation, any letter of intent, term sheet or memorandum of terms entered into or exchanged by all or any of the parties.

(f) No Third Party Beneficiaries. Each party hereto intends that this Warrant shall not benefit, be enforceable by, or create any right or cause of action in or on behalf of any person or entity other than the Company and the Holder and their successors and permitted assigns under Section 9(d).

(g) Interpretation. The language used in this Warrant shall be conclusively deemed to be the language chosen by the parties to express their mutual intent and no rule of strict construction shall be applied against either party. The headings contained in this Warrant have been inserted as a matter of convenience, do not form part, and shall not affect construction of, this Warrant.

(h) Counterparts. This Warrant may be signed in any number of counterparts each of which (when executed and delivered) shall constitute an original instrument, but all of which together shall constitute one and the same instrument, respectively. Counterparts may be delivered via facsimile or other electronic transmission method (including PDF) and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

[remainder of this page intentionally left blank; signature pages follow]

IN WITNESS WHEREOF, the parties hereto have executed this Note as of the date first written above.

THE COMPANY:

DATA STORAGE CORPORATION

By: /s/ Charles M. Piluso

Name: Charles M. Piluso

Title: President

AGREED AND ACCEPTED:

THE HOLDER:

/s/ John F. Coghlan

Exhibit A:

NOTICE OF EXERCISE

To Data Storage Corporation:

(1) The undersigned hereby elects to purchase _____ shares of the Common Stock (the "Exercise Shares") of Data Storage Corporation (the "Company") pursuant to the terms of the attached Warrant, and tenders herewith payment of the exercise price in full.

(2) Please issue a certificate or certificates representing the Exercise Shares in the name of the undersigned or in such other name as in specified below:

Name:
Address:
City, State, Zip:

(Date)

(Signature)

(Print Name)

SECURITIES PURCHASE AGREEMENT

This Securities Purchase Agreement (this "Agreement"), dated as of February 28, 2013, is between Data Storage Corporation, a Nevada corporation (the "Company"), and John F. Coghlan (collectively, the "Investor").

1. Purchase and Sale; Payment of Purchase Price. Pursuant to this Agreement, the Company hereby agrees to sell to the Investor, and the Investor hereby agrees to purchase from the Company, a 10% Convertible Promissory Note of the Company in the original principal amount of \$100,000.00 (the "Note") and warrants for the purchase of 66,667 shares of the Common Stock, par value \$0.001 per share, of the Company ("Common Stock") for an aggregate purchase price of One Hundred Thousand and no/100 Dollars (\$100,000.00) (the "Purchase Price") subject to the terms of the warrant & Note agreements. The Note and warrants being purchased by the Investor are sometimes referred to herein collectively as the "Securities."

2 . Closing. The closing of the purchase and sale of the Shares pursuant to this Agreement (the "Closing") shall occur at the Company's offices simultaneously with the execution and delivery of this Agreement by the parties. By their execution and delivery of this Agreement: (a) the Investor hereby agrees and confirms that the Investor has delivered to the Company the Purchase Price, by check or wire transfer of immediately available funds; and (b) the Company hereby agrees and confirms that it has received the Purchase Price from the Investor.

3 . Representations and Warranties of the Company. In consideration of the Investor's agreement to purchase the Shares from the Company pursuant to this Agreement, the Company hereby represents and warrants to the Investor as follows:

(a) Organization and Good Standing; Organizational Documents. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada. Correct and complete copies of the Company's articles of incorporation and bylaws, each as amended to date and in effect on the date hereof, have been supplied to the Investor, either directly or as the same have been filed with the Securities and Exchange Commission and available at <http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0001419951&owner=exclude&count=40>.

(b) Authority; All Necessary Consents; Non-Contravention; Enforceability. The Company has the corporate power and authority to conduct its business, as it is currently conducted by the Company and proposed to be conducted by the Company, and to own, operate, lease and encumber its facilities and assets. The Company has all required power and authority to enter into this Agreement and perform its obligations hereunder. All necessary consents on the part of the Company necessary for the consummation of the Closing have been obtained. The execution and delivery by the Company of this Agreement and the consummation of the transaction contemplated hereby will not: (i) violate or breach the articles of incorporation or bylaws of the Company; (ii) breach or constitute a default under any material contract to which the Company is a party; (iii) violate any law applicable to the Company or any of its assets; (iv) result in the creation or imposition of any lien, encumbrance or restriction in favor of a third party upon or against any of the Company's assets; or (v) violate any court order or decree to which the Company or any of its assets are subject. This Agreement constitutes a valid and legally binding obligation of the Company, enforceable against the Company in accordance with its terms except as enforceability may be limited by (x) bankruptcy, insolvency, liquidation, receivership, moratorium, reorganization, or other similar laws affecting the enforcement of the rights of creditors and (y) general principles of equity, whether enforcement is sought in a proceeding in equity or at law.

(c) Capitalization; Dividends; Subsidiaries; Investments. The authorized capital stock of the Company consists of: (i) 250,000,000 shares of Common Stock, of which 33,165,915 are outstanding as of immediately prior to the date of this Agreement; and (ii) 10,000,000 shares of Preferred Stock which consists of 1,401,786 shares of Series A Preferred Stock, all of which are outstanding as of immediately prior to the date of this Agreement. Except for the Securities and as set forth on Schedule 3(c), there are no outstanding options, warrants or other rights to purchase shares of Common Stock or securities convertible into or exchangeable for shares of Common Stock. The Company has one wholly-owned subsidiary, Data Storage Corporation, a Delaware corporation, but otherwise does not own any equity interests in any other entity.

(d) Compliance with Law; Permits. The Company is in compliance, in all material respects, with applicable laws, rules and regulations (collectively, "Laws"). No investigation, review or proceeding by any governmental entity with respect to the Company in relation to any actual or alleged violation of Law is pending or, to the Company's knowledge, threatened, nor has the Company received any notice from any governmental entity indicating an intention to conduct the same. The Company has obtained all governmental licenses, permits and approvals (collectively, "Permits") necessary under applicable Law to conduct its business. All of the Company's Permits are currently valid and in full force and effect. The Company is in compliance, in all material respects, with all terms and conditions of its Permits of, and has satisfied all of its obligations under, each of its Permits.

(e) Litigation. There are no lawsuits, actions, claims or proceedings pending or, to the Company's knowledge, threatened against the Company or any of its properties or any of its officers or directors (in their capacities as such) and, to the Company's knowledge, there are no existing facts or circumstances that could reasonably be expected to result in any such lawsuit, action, claim or proceeding.

(f) Taxes. All tax returns of the Company required by applicable Law to be filed have been so filed and are correct and complete in all material respects. Any taxes payable in accordance with any tax return filed by the Company or in accordance with any notice of assessment or reassessment issued by any taxing authority have been so paid. Adequate provisions have been made for taxes payable for the current period for which tax returns are not yet required to be filed and there are no agreements, waivers or other arrangements providing for an extension of time with respect to the filing of any tax return by, or payment of, any tax, governmental charge or deficiency by the Company. There are no contingent tax liabilities or any grounds which would prompt a reassessment including aggressive treatment of income and expenses in filing earlier tax returns.

(g) Employee Benefit Plans. Each plan, contract or arrangement which is sponsored by the Company, or which otherwise covers any current or former employee of the Company in his or her capacity as such, complies in all material respects with all applicable provisions of the Employee Retirement Income Security Act, the Internal Revenue Code and other applicable Law.

(h) Labor Matters. The Company is not party to any collective agreement relating to the Company's business with any labor union or other association of employees and no part of the Company's business has been certified as a unit appropriate for collective bargaining or, to the Company's knowledge, has any employee of the Company made any attempt to organize the Company's employees in that regard.

(i) Related Party Transactions. Except as set forth on Schedule 3(i), the Company is not indebted to any affiliate, director or officer of the Company, other than salary, bonus and employee benefits obligations incurred in the ordinary course of the Company's business. Except as set forth on Schedule 3(i), no director, officer or affiliate of the Company is now indebted to or under any financial obligation to the Company.

(j) Bankruptcy. The Company has not made any voluntary assignment or proposal under applicable laws relating to insolvency and bankruptcy, no bankruptcy petition has been filed or presented against the Company and no order has been made or a resolution passed for the winding-up, dissolution or liquidation of the Company.

(k) Books and Records. The books of account and other financial records of the Company, all of which have been made available to the Investor, are correct and complete in all material respects, represent actual, bona fide transactions, and have been maintained in accordance with standard business practices.

(l) Valid Issuance of Shares. When issued in accordance with the terms and conditions of this Agreement, the Shares will be validly issued, fully-paid and non-assessable.

4 . Representations, Warranties and Covenants of the Investor. In consideration of the Company's agreement to sell the Shares to the Investor pursuant to this Agreement, the Investor hereby represents, warrants and covenants to the Company as follows:

(a) Capacity; All Necessary Consents; Enforceability. The Investor has the legal capacity to enter into this Agreement and perform the Investor's obligations hereunder. All consents on the part of the Investor necessary for the consummation of the Closing have been obtained. This Agreement constitutes a valid and legally binding obligation of the Investor, enforceable against the Investor in accordance with its terms except as enforceability may be limited by (x) bankruptcy, insolvency, liquidation, receivership, moratorium, reorganization, or other similar laws affecting the enforcement of the rights of creditors and (y) general principles of equity, whether enforcement is sought in a proceeding in equity or at law.

(b) Securities Act Acknowledgements, Representations, Warranties and Covenants

(i) Acknowledgments. The Investor agrees and acknowledges that: (A) no federal or state agency has made any finding or determination as to the fairness of the offering of the Shares for investment, or any recommendation or endorsement of the Shares; (B) the Shares have not been registered under the Securities Act of 1933 (the "Act") or the securities acts of any state and, as a result, the Investor must bear the economic risk of the investment indefinitely because the Shares may not be sold unless subsequently registered under the Act and the securities laws of any appropriate states or an exemption from such registration is available, and that such registration under the Act and the securities laws of any such states is unlikely at any time in the future; (C) the Company does not have any present intention and is under no obligation to register the Shares, whether upon initial issuance or upon any transfer thereof under the Act and applicable state securities laws, and Rule 144 may not be available as a basis for exemption from registration; and (D) unless and until registered under the Act, all certificates evidencing the Shares, whether upon initial issuance or upon any transfer thereof, will bear a legend, prominently stamped or printed thereon, reading substantially as follows:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR APPLICABLE STATE SECURITIES LAWS. SUCH SECURITIES MAY NOT BE SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT FOR SUCH SECURITIES UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS, OR PURSUANT TO AN EXEMPTION FROM THE REGISTRATION PROVISIONS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS."

(i i) *Representations, Warranties and Covenants.* The Investor represents, warrants and covenants that: (A) The Shares are being purchased for the Investor's own account for investment and not for distribution or resale to others and the Investor will not sell or otherwise transfer the Shares unless they are registered under the Act and the securities acts of any appropriate state or unless an exemption from such registration is available and the Company is satisfied that such exemption is available; (B) the purchase of the Shares by the Investor hereunder is consistent with the Investor's general investment objectives and the Investor understands that the purchase of the Shares is a speculative investment involving a high degree of risk, including the risk of total loss of such investment; (C) the Investor has adequate means of providing for the Investor's current needs and possible personal contingencies and the Investor has no need for liquidity in this investment and can bear the risk of losing the Investor's entire investment in the Shares; (D) the Company has made available to the Investor at a reasonable time prior to the Investor's investment the opportunity to ask questions and receive answers concerning the terms and conditions of the offering of the Shares and to obtain any additional information which the Company possesses or can acquire without unreasonable effort or expense that is necessary in connection with the investment but the Investor agrees and acknowledges, however, that the Investor has relied solely upon this Agreement and the Investor's own independent investigation in making the decision to invest in the Shares; (E) the Investor understands that the offering of the Shares is limited solely to "accredited investors," as that term is defined under Regulation D of the Securities Act and the Investor is an "accredited investor" (as so defined); (F) the Investor is a sophisticated investor and has such knowledge and experience in financial and business matters that he is capable of understanding the merits and risks inherent in the proposed purchase of the Shares; (G) the Investor is acquiring the Shares without having been furnished any offering literature or prospectus and acknowledges that no representations or warranties have been made to the Investor or the Investor's representatives by the Company, or any officer, employee, agent or affiliate of the Company other than as contained in this Agreement and the Investor must independently seek advice from the Investor's own tax and other advisor(s) and is not relying on any tax or other advice received from the Company in connection with the transactions contemplated by this Agreement; and (H) the Investor has neither relied upon nor seen any form of advertising or general solicitation in connection with the offering of the Shares.

5. Miscellaneous Provisions.

(a) Further Assurances. At any time and from time to time after the Closing, each of the parties, at its own cost and expense, in good faith and in a timely manner, shall use its respective commercially reasonable efforts to take or cause to be taken all appropriate actions, do or cause to be done all things necessary, proper or advisable, and execute, deliver and acknowledge such documents and other papers as may be required to carry out the provisions of this Agreement and to give effect to the consummation of the transactions contemplated by this Agreement.

(b) No Third Party Beneficiaries. This Agreement is solely by and between the Company and the Investor and no person or entity other than the Company and the Investor has or will have any rights under this Agreement.

(c) Successors and Permitted Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of the parties hereto. The Investor may not assign this Agreement or any of the Investor's rights or obligations hereunder without the consent of the Company. The Company may not assign this Agreement or any of its rights or obligations hereunder without the consent of the Investor except that the Company may assign its rights and obligations hereunder to any affiliate of or successor to the Company, whether by merger, consolidation or otherwise, without the consent of the Investor.

(d) Severability. Wherever possible each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement. All obligations and rights of the parties hereto expressed herein shall be in addition to and not in limitation of those provided by applicable law.

(e) Amendments; Waivers. No purported amendment to any provision of this Agreement shall be binding upon the parties unless the Company and the Investor have each duly executed and delivered to the other party a written instrument which states that it constitutes an amendment to this Agreement and specifies the provision(s) that are being amended. No purported waiver of any provision of this Agreement shall be binding upon any of the parties unless the party providing such waiver has duly executed and delivered to the other party a written instrument which states that it constitutes a waiver of one or more provisions of this Agreement and specifies the provision(s) that are being waived. Any such waiver shall be effective only to the extent specifically set forth in such written instrument.

(f) Entire Agreement. This Agreement sets forth the entire understanding of the parties with respect to the matters described herein and supersedes any and all prior or contemporaneous agreements, arrangements and understandings relating to the subject matter hereof. No representation, promise, inducement or statement of intent on this transaction has been made by either party with respect to the transaction contemplated by this Agreement which is not embodied in this Agreement, and neither party shall be bound by or liable for any alleged representation, promise, inducement or statement of intention concerning the transaction contemplated by this Agreement not expressly set forth herein.

(g) Counterparts; Facsimile. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement. Signature pages to this Agreement delivered by electronic mail or facsimile transmission shall be valid and effective for all purposes.

(h) Interpretation. The parties are each sophisticated and have been represented by attorneys throughout the transactions contemplated hereby who have jointly participated in the negotiation and drafting of this Agreement. As a result, the parties do not intend that the presumptions of laws or rules relating to the interpretation of contracts against the drafter of this Agreement or any particular provision hereof should be applied to this Agreement and therefore waive their effects. Unless otherwise expressly specified in this Agreement: (A) the words “hereof”, “hereby” and “hereunder,” and correlative words, refer to this Agreement as a whole and not any particular provision; (B) the words “include”, “includes” and “including”, and correlative words, are deemed to be followed by the phrase “without limitation”; (C) the word “or” is not exclusive and is deemed to have the meaning “and/or”; (D) references in this Agreement to a “party” means the Company or the Investor and to the “parties” means the Company and the Investor; (E) the singular form of a word includes the plural form of such word and vice versa unless the context requires otherwise; and (F) references made in this Agreement to a Section mean a Section of this Agreement.

(i) GOVERNING LAW; VENUE; WAIVER OF JURY TRIAL. THIS AGREEMENT AND ANY DISPUTE ARISING HEREUNDER WILL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO ANY CHOICE OR CONFLICT OF LAW PROVISION (WHETHER OF THE STATE OF NEVADA OR ANY OTHER JURISDICTION) THAT WOULD CAUSE THE APPLICATION OF THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF NEW YORK. THE PARTIES AGREE THAT ANY ACTION OR OTHER PROCEEDING BROUGHT BY ANY PARTY UNDER OR IN RELATION TO THIS AGREEMENT, INCLUDING TO INTERPRET OR ENFORCE ANY PROVISION OF THIS AGREEMENT, SHALL BE BROUGHT IN, AND EACH PARTY AGREES TO AND DOES HEREBY SUBMIT TO THE EXCLUSIVE JURISDICTION AND VENUE OF, THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND ANY APPELLATE COURTS THEREFROM. THE PARTIES EACH IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER THIS AGREEMENT, WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY OR OTHERWISE.

* * * * *

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IN WITNESS WHEREOF, the parties hereto have executed this Securities Purchase Agreement as of the date written above.

The Company:

DATA STORAGE CORPORATION

By: /s/ Charles M. Piluso

Name: Charles M. Piluso

Title: President

The Investor:

/s/ John F. Coghlan

John F. Coghlan

Schedule 3(c)

Options, Warrants and Convertible Securities

The Company currently has 28,642 warrants and 6,232,992 options outstanding.

The Company has Convertible Promissory Notes outstanding convertible into 588,235 shares of Common Stock.

Additionally, the Company has two (2) employment agreements and various consulting arrangements that call for stock to be awarded to the employees and consultants at various times as compensation and periodic bonuses.

Schedule 3(i)

Outstanding Debt

(i) Of Company to Affiliate, Director, Officer or Employee

• Dividend Payable to Director	\$	225,000
• Director Loan to Company	\$	1,358,320
• Liability to Affiliate	\$	177,716

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002,

I, Charles M. Piluso, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Data Storage Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. As the registrant's certifying officer, I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and I have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. As the registrant's certifying officer, I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATA STORAGE CORPORATION

By: /s/ Charles M. Piluso
CHARLES M. PILUSO
Chief Executive Officer
and Chief Financial Officer

Date: May 20, 2013

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Quarterly Report on Form 10-Q of Data Storage Corporation Inc., for the period ended March 31, 2013, I, Charles M. Piluso, Chief Executive Officer and Chief Financial Officer of Data Storage Corporation Inc., hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

1. Such Quarterly Report on Form 10-Q for the period ended March 31, 2013, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in such Quarterly Report on Form 10-Q for the period ended March 31, 2013 fairly represents in all material respects, the financial condition and results of operations of Data Storage Corporation, Inc.

Date: May 20, 2013

DATA STORAGE CORPORATION

By: /s/ Charles M. Piluso
CHARLES M. PILUSO
Chief Executive Officer
and Chief Financial Officer