

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of report (Date of earliest event reported) June 17,2010

**DATA STORAGE CORPORATION.**  
(Exact name of registrant as specified in charter)

**Nevada**  
(State or other jurisdiction of Incorporation)

**333-148167**  
(Commission File Number)

**98-0530147**  
(IRS Employer Identification No.)

**401 Franklin Ave**  
**Garden City, NY 11530**  
(Address of principal executive offices)

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

**Copies to:**  
**Gary S. Eaton, Esq.**  
**Anslow & Jaclin, LLP**  
**195 Rt. 9 South**  
**Manalapan, NJ 07726**  
**Tel.: (732) 40-1212**  
**Fax. (732) 577-1188**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions *see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Explanatory Note:** This amended Form 8-K is being filed to included the financial statements of SafeData, LLC.

---

**Item 1.01. Entry into a Material Definitive Agreement.**

As more fully described in Item 2.01 below, on June 17, 2010 our wholly owned subsidiary Data Storage Corporation, a Delaware corporation (“Data Storage DE”) and SafeData, LLC, a Delaware Limited Liability Company (“Safe Data”) entered into an Asset Purchase Agreement (the “Agreement”); setting forth the acquisition of Safe Data’s assets. Data Storage DE and its parent Data Storage Corporation is hereinafter referred to as the “Company” or “Data Storage.”

**Item 2.01. Completion of Acquisition or Disposition of Assets**

As described above, on June 17, 2010, SafeData agreed to sell, transfer, assign, and deliver to the Company all right, title and interest in the end user customer base of SafeData (the “Business”) and all related current and fixed assets and contracts related to the Business. These assets include, but not limited to, all of SafeData’s cash, accounts receivable and intellectual property. Additionally, SafeData shall transfer to the Company all of their current liabilities to the extent arising out of the business or the assets.

Pursuant to the Agreement, the Company will pay an aggregate purchase price for the Business equal to \$3,000,000 (the “Purchase Price”) with \$2,000,000 to be paid in cash and \$1,000,000 in shares of the Company’s common stock, par value \$0.001 per share (the “Common Stock”) valued at \$0.35 per share or 2,857,142 shares of Common Stock. Upon Closing (as defined in the Agreement), a certain portion of the Purchase Price shall be deferred subject to certain holdback and contingency clauses contained in the Agreement.

Additionally, Peter Briggs, the President of SafeData will enter into an employment agreement (the “Employment Agreement”) with the Company and Lawrence E. Putterman will be appointed to the Company’s Board of Directors.

The foregoing description of the Agreement and Employment Agreement is not intended to be complete and is qualified in its entirety by the complete text of the Agreement and Employment Agreement attached as an exhibits to this Current Report on Form 8-K.

**Item 3.02. Unregistered Sales of Equity Securities**

Pursuant to the Agreement, on June 17, 2010, we issued 2,857,142 shares of our Common Stock to SafeData in exchange for the Business (as defined in Item 2.01).

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

---

**Item 9.01. Financial Statements and Exhibits.**

*(a) Financial Statements.*

- i. Audited financial statements for SafeData, LLC as of and for the year ended December 31, 2009 and 2008 are filed as Exhibit 99.1 herewith.
- ii. Unaudited balance sheet for SafeData, LLC as of March 31, 2010 and the unaudited statements of operations and members' equity (deficit) and cash flows for the three months ended March 31, 2010 and 2009 is filed as Exhibit 99.2.

*(b) Pro Forma Financial Information.*

The unaudited pro forma financial information, giving pro forma effect to the acquisition described in Item 1.01, is filed as Exhibit 99.3.

*(c) Exhibits*

Exhibit

Number	Description
99.1	Financial statements of SafeData, LLC as of and for the year ended December 31, 2009 and 2008.
99.2	Unaudited balance sheet of SafeData, LLC as of March 31, 2010 and the unaudited statement of operations and member's equity (deficit) and cash flows for the three months ended March 31, 2010.
99.3	Unaudited pro forma consolidated balance sheet as of March 31, 2010 and consolidated statements of operations of Data Storage Corporation and SafeData, LLC for the three months ended March 31, 2010 and the year ended December 31, 2009.

---

**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 hereunto duly authorized.

**DATA STORAGE CORPORATION**  
(Registrant)

Dated: October 18, 2010

By: /s/ Charles M. Piluso

Name: Charles M. Piluso

Title: President & Chief Executive Officer

---

## EXHIBIT INDEX

Number	Description
99.1	Financial statements of SafeData, LLC as of and for the year ended December 31, 2009 and 2008.
99.2	Unaudited balance sheet of SafeData, LLC as of March 31, 2010 and the unaudited statement of operations and member's equity (deficit) and cash flows for the three months ended March 31, 2010.
99.3	Unaudited pro forma consolidated balance sheet as of March 31, 2010 and consolidated statements of operations of Data Storage Corporation and SafeData, LLC for the three months ended March 31, 2010 and the year ended December 31, 2009.

**Exhibit 99.1**

SAFEDATA, LLC.  
December 31, 2009 and 2008

Table of Contents

	<u>Page Number</u>
Report of Independent Registered Public Accounting Firm	2
Financial Statements:	
Balance Sheets	3
Statements of Operations and Members' Deficit	4
Statement of Cash Flows	5
Notes to Financial Statements	6-10

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Members of SafeData LLC

We have audited the accompanying balance sheets of SafeData LLC as of December 31, 2009 and 2008, and the related statements of operations, members' equity (deficit) and cash flows for each of the years then ended. SafeData LLC's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

*/s/ Rosenberg Rich Baker Berman & Company*

Somerset, New Jersey  
September 14, 2010

**SAFE DATA, LLC**  
**BALANCE SHEETS**  
**DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 150	\$ 150
Accounts receivable	108,418	126,982
Prepaid expenses	25,073	-
Receivable from member	134,897	121,163
<b>Total current assets</b>	<u>268,538</u>	<u>248,295</u>
Property and equipment, net	741,309	911,259
Intangible assets, net	34,862	38,195
Other assets	11,802	11,802
<b>TOTAL ASSETS</b>	<u>\$ 1,056,511</u>	<u>\$ 1,209,551</u>
<b>LIABILITIES AND MEMBERS' DEFICIT</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 296,991	\$ 227,028
Bank overdraft	44,439	56,543
Line of credit	276,166	88,892
Capital lease obligation – current	571,738	489,396
Note payable – current	15,000	15,000
Loan Payable to member	125,000	125,000
Deferred revenue - current	67,784	84,602
<b>Total current liabilities</b>	<u>1,397,118</u>	<u>1,086,461</u>
Capital lease obligations, net of current portion	256,077	460,193
Deferred revenue, net of current portion	45,760	67,305
Note payable, net of current	335,000	335,000
<b>TOTAL LIABILITIES</b>	2,033,955	1,948,959
<b>MEMBERS' DEFICIT</b>	<u>(977,444)</u>	<u>(739,408)</u>
<b>TOTAL LIABILITIES AND MEMBERS' DEFICIT</b>	<u>\$ 1,056,511</u>	<u>\$ 1,209,551</u>

**SAFE DATA, LLC**  
**STATEMENTS OF OPERATIONS AND MEMBERS' DEFICIT**  
**YEARS ENDED DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
Net Sales	\$ 2,551,876	\$ 2,397,436
Cost of Sales	<u>1,434,499</u>	<u>1,545,634</u>
Gross Profit	1,117,377	851,802
Operating Expenses	<u>1,238,720</u>	<u>1,446,014</u>
Operating loss	<u>(121,343)</u>	<u>(594,212)</u>
Other (income) expense	(9,965)	(10,311)
Interest expense	<u>126,658</u>	<u>110,232</u>
Total other expense	<u>116,693</u>	<u>99,921</u>
Net loss	\$ (238,036)	\$ (694,133)
Members' Deficit – Beginning of Year	<u>(739,408)</u>	<u>(45,275)</u>
Members' Deficit – End of Year	<u><u>\$ (977,444)</u></u>	<u><u>\$ (739,408)</u></u>

**SAFE DATA, LLC.**  
**STATEMENT OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (238,036)	\$ (694,133)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	446,648	420,692
Changes in assets and liabilities:		
Accounts receivable	18,564	34,930
Prepaid Expenses	(25,073)	-
Receivable from member	(13,734)	(10,888)
Other current assets and other assets	-	(10,500)
Accounts payable and accrued expenses	69,963	67,250
Deferred Revenue	(38,363)	41,878
Net cash provided by (used in) operating activities	<u>219,969</u>	<u>(150,771)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Borrowings on line of credit, net	187,274	88,892
(Repayments) borrowings on overdraft account	(12,104)	56,543
Repayments under capital leases	(395,139)	(321,546)
Proceeds from note payable	-	350,000
Repayments of loans	-	(25,000)
Net cash used in financing activities	<u>(219,969)</u>	<u>(148,889)</u>
Decrease in cash and cash equivalents	-	(1,882)
Cash and cash equivalents, beginning of year	150	2,032
Cash and cash equivalents, end of year	<u>\$ 150</u>	<u>\$ 150</u>
<b>Supplemental disclosure of cash flow information</b>		
Interest paid	<u>\$ 126,658</u>	<u>\$ 110,232</u>
<b>Non-cash investing and financing activities:</b>		
Capital equipment acquired under leases	<u>\$ 273,365</u>	<u>\$ 579,490</u>

**SAFE DATA, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2009 AND 2008**

1. BUSINESS ORGANIZATION AND BASIS OF PRESENTATION

Safe Data, LLC (“The Company”) delivers and supports a broad range of premium technology solutions which store, protect, optimize and leverage information; minimize downtime and recovery of information. Clients depend on the Company to manage data growth, ensure disaster recovery and business continuity, strengthen security, reduce capital and operational expenses, and to meet increasing industry state and federal regulations

Safe Data provides solutions and services to business, government, education and healthcare industries by leveraging leading technologies such as Virtualization, Cloud Computing and Green IT.

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 years ended December 31, 2009 and 2008 the company incurred net loss and its current assets exceed its current liabilities at December 31, 2009 by \$1,129,000. Its ability to continue as a going concern is dependent upon achieving sales growth, reduction of operation expenses and the ability of the Company to obtain or restructure its financing to meet its obligations and pay its liabilities arising from normal business operations when they come due. On June 17, 2010, the Company entered into an Asset Purchase Agreement setting forth the sale of the Company’s assets to Data Storage Corporation, a Delaware corporation and wholly owned subsidiary Data Storage Corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Revenue Recognition – The Company’s revenues consist principally of storage revenues. 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. Setup fees charged in connection with storage contracts are deferred and recognized on a straight line basis over the life of the contract.
- b. Cash and Equivalents – The Company considers cash equivalents to be highly liquid debt securities with insignificant interest rate risk with original maturities from the date of purchase of three months or less
- c. Accounts Receivable/Allowance for Doubtful Accounts – The Company sells its services to customers on an open credit basis. Accounts receivable are uncollateralized, non-interest-bearing customer obligations. Accounts receivables are due within 30 days. Based on an assessment of the current status of individual accounts and historical collection information, management believes that it will realize all receivables and no allowance is necessary.
- d. Property and equipment – Property and equipment are stated at cost less accumulated depreciation and amortization. Capitalized values of property under leases are amortized over the life of the lease or the estimated life of the asset, whichever is less. Depreciation and amortization are provided on the straight line method over the following estimated useful lives:

	<u>Years</u>
Computers and Software	5
Machinery and equipment	5

- e. Impairment of Long-Lived Assets – The Company reviews long-lived assets whenever events or changes in circumstances indicate that the carrying value of any of these assets may not be realized. No impairment charges have been recorded.
- f. Leases – Leases (in which the Company is lessee) which transfer substantially all of the risks and benefits of ownership are classified as capital leases, and assets and liabilities are recorded at amounts equal to the lesser of the present value of the minimum lease payments or the fair value of the leased properties at the beginning of the respective lease terms. Leases which do not meet such criteria are classified as operating leases and the related rentals are charged to expense as incurred on a straight line basis.
- g. Advertising – All advertising costs are expensed as incurred. Advertising expense was \$128,574 in 2009 and \$154,308 in 2008.
- h. Use of estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- i. Subsequent events evaluation date – The Company evaluated the events and transactions subsequent to its December 31, 2009 balance sheet date and, in accordance with FASB ASC 855-10-50, “Subsequent Events” through September 30, 2010, which is the date the financial statements were available to be issued. The Company entered into an Asset Purchase Agreement on June 17, 2010, setting forth the sale of the Company’s assets to Data Storage Corporation, a Delaware corporation and wholly owned subsidiary Data Storage Corporation. (See subsequent event footnote.)
- j. Income Taxes – The Company is a Limited Liability Company and is not a tax paying entity for income tax purposes. Thus, no income tax provision has been recorded in the financial statements. The taxable income (loss) of the Company is allocated to its members and included in the computation of the member’s taxable income.

### 3. PROPERTY AND EQUIPMENT

	12/31/09	12/31/08
Machinery and equipment	\$ 2,400,978	\$ 2,147,361
Less: Accumulated depreciation and amortization	1,659,669	1,236,102
Property and equipment, net	<u>\$ 741,309</u>	<u>\$ 911,259</u>

### 4. INTANGIBLE ASSETS

Intangible assets consisted of the following:

	Estimated Life In Years	12/31/09	12/31/08
Customer Contracts	2	\$ -	\$ 179,000
Non-Compete	15	50,000	50,000
Total Intangible Assets		50,000	229,000
Less: Accumulated Amortization		15,138	190,805
Intangible Assets, net		<u>\$ 34,862</u>	<u>\$ 38,195</u>

4. INTANGIBLE ASSETS (continued)

Scheduled amortization over the next five years as follows:

<u>Year Ending December 31,</u>		
2010	\$	3,333
2011		3,333
2012		3,333
2013		3,333
2014		3,333
Thereafter		18,197
	Total	<u>\$ 34,862</u>

5. CAPITAL LEASE OBLIGATIONS

The Company began leasing computer equipment in 2005. 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 \$55,200 through various dates in 2010, 2011 and 2012. The leases are secured with the computer equipment. Interest rates on capitalized leases vary from 6%-8% 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 December 31, 2009	\$	880,015
Less amount representing interest		52,200
Total obligations under capital leases		<u>827,815</u>
Less current portion of obligations under capital leases		571,738
Long-term obligations under capital leases	\$	<u>256,077</u>

Long-term obligations under capital leases at December 31, 2009 mature as follows:

For the year ending December 31,		
2010	\$	571,738
2011		249,922
2012		6,155
		<u>827,815</u>
	\$	<u>827,815</u>

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

Equipment	\$	2,377,025
Less: accumulated depreciation		1,642,685
		<u>734,340</u>
	\$	<u>734,340</u>

## 6. COMMITMENTS AND CONTINGENCIES

### Loan Agreement

On August 8, 2007, the Company entered into a line of credit agreement with a bank for \$500,000. The loan required payment of interest only on a monthly basis at an interest rate of the banks prime rate plus 1.25%. The interest rate at December 31, 2008 was 4.5%. The line of credit agreement was amended on August 12, 2009, and provides for \$350,000 at prime plus 3.0%, or 6.25% at December 31, 2009. The line of credit is payable on demand and is secured by substantially all assets of the Company. As of December 31, 2009 and 2008, the Company owed \$276,166 and \$88,892 under these agreements. Subsequent to year end, this loan was paid in full as part of the asset purchase agreement with Data Storage.

### Note Payable

On June 4, 2008 the Company entered into a term loan agreement with a business development company. The note required interest only payments through July 2009, extended to May 2010, at which time the company is required to pay 47 monthly payments of \$5,834. The remaining balance of the loan is due on July 1, 2013. The loan is secured by all assets of the Company subordinate to the bank lien and personally guaranteed by the members. As of December 31, 2009 and 2008, the Company owed \$350,000 under this agreement. Subsequent to year end, this note was paid in full as part of the asset purchase agreement with Data Storage.

Total maturities of the long term debt are as follows:

<u>Year ending December 31:</u>	
2010	\$ 15,000
2011	34,000
2012	38,000
2013	263,000
	<u>\$ 350,000</u>

### Operating leases

The Company currently leases office space which calls for monthly payments of \$4,800 plus a portion of operating expenses through February 2012. Minimum obligations under this lease agreement is as follows:

<u>Year ending December 31,</u>	
2010	\$ 57,600
2011	57,600
2012	9,600
	<u>\$ 124,800</u>

## 7. RELATED PARTY TRANSACTIONS

### Receivable from Member

During the years ended December 31, 2009 and 2008, the Company advanced one of its members \$13,734 and \$10,888, respectively. As of December 31, 2009 and 2008 the member owed the Company \$134,897 and \$121,163, respectively. These advances bear no interest and have no stated terms of repayment.

### Note payable to Member

On July 9, 2007 the Company received \$150,000 cash from one of its members and issued a note payable at 10.75% interest. The note has no stated terms of repayment. As of December 31, 2009 and 2008, the Company owed the member \$125,000.

## 8. SUBSEQUENT EVENTS

On June 17, 2010 the Company entered into an Asset Purchase Agreement (the "Agreement"); setting forth the sale of its assets to Data Storage Corporation, a Delaware corporation ("Data Storage DE") and wholly owned subsidiary of Data Storage Corporation hereinafter referred to "Data Storage."

The Company agreed to sell, transfer, assign, and deliver to Data Storage all right, title and interest in its end user customer base (the "Business") and all related current and fixed assets and contracts related to the Business. These assets include, but not limited to, all of its cash, accounts receivable and intellectual property. Additionally, the Company shall transfer to Data Storage all of their current liabilities to the extent arising out of the business of the assets, with the exception of the line of credit and notes payable which were paid off at the closing. Data Storage also did not acquire the receivables and loan payable to the members.

Pursuant to the Agreement, Data Storage will pay an aggregate purchase price for the Business equal to \$3,000,000 (the "Purchase Price") with \$2,000,000 to be paid in cash and \$1,000,000 in shares of the Company's common stock, par value \$0.001 per share (the "Common Stock") valued at \$0.35 per share or 2,857,142 shares of Common Stock. Upon Closing (as defined in the Agreement), a certain portion of the Purchase Price shall be deferred subject to certain holdback and contingency clauses contained in the Agreement.

Additionally, Peter Briggs, the President of the Company will enter into an employment agreement (the "Employment Agreement") with Data Storage and Lawrence E. Putterman will be appointed to the Data Storage Board of Directors.

Exhibit 99.2

SAFEDATA, LLC  
March 31, 2010

Table of Contents

	<u>Page Number</u>
Unaudited financial statements:	
Balance Sheet	2
Statements of operations and Members' Deficit	3
Statements of cash flows	4
Notes to financial statements	5 - 9

**SAFE DATA, LLC.  
B ALANCE SHEET**

March 31, 2010  
(unaudited)

ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 150
Accounts receivable	163,090
Prepaid Expense	23,426
Receivable from member	138,446
Other current assets	<u>16,333</u>
Total current assets	341,445
Property and equipment, net	745,446
Intangible assets, net	34,029
Other assets	<u>11,802</u>
TOTAL ASSETS	<u>\$ 1,132,722</u>
LIABILITIES AND MEMBERS' DEFICIT	
CURRENT LIABILITIES:	
Accounts payable and accrued expenses	\$ 405,058
Line of credit	350,000
Capital leases – current	482,326
Note Payable – current	15,000
Loan payable to member	125,000
Deferred revenue - current	<u>55,085</u>
Total current liabilities	1,432,469
Capital lease obligation, net of current portion	224,533
Deferred revenue, net of current portion	29,140
Note payable, net of current	<u>335,000</u>
TOTAL LIABILITIES	2,021,142
MEMBERS' DEFICIT	<u>(888,420)</u>
TOTAL LIABILITIES AND MEMBERS' DEFICIT	<u>\$ 1,132,722</u>

**SAFE DATA, LLC**  
**STATEMENTS OF OPERATIONS AND MEMBERS' DEFICIT**  
(Unaudited)

	Three Months Ended	
	March 31, 2010	March 31, 2009
Net sales	\$ 742,614	\$ 652,579
Cost of sales	<u>359,855</u>	<u>400,613</u>
Gross profit	382,760	251,966
Operating expenses	<u>269,820</u>	<u>271,103</u>
Operating income (loss)	<u>112,940</u>	<u>(19,137)</u>
Other income (expense)		
Interest expense	(26,407)	(41,978)
Other income	<u>2,492</u>	<u>2,491</u>
Total other expense	<u>(23,915)</u>	<u>(39,487)</u>
Net income (loss)	89,024	(58,624)
Members' deficit – Beginning of period	<u>(977,444)</u>	<u>(739,408)</u>
Members' deficit – End of period	<u>\$ (888,420)</u>	<u>\$ (798,032)</u>

**SAFE DATA, LLC**  
**STATEMENTS OF CASH FLOWS**  
(Unaudited)

	Three Months Ended	
	March 31, 2010	March 31, 2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ 89,024	\$ (58,624)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	105,302	100,559
Changes in assets and liabilities:		
Accounts receivable	(54,672)	(93,681)
Prepaid expenses	1,647	-
Receivable from member	(3,549)	(5,937)
Other current assets and other assets	(16,333)	-
Accounts payable and accrued expenses	83,137	17,795
Deferred revenue	(29,319)	40,765
Net cash provided by operating activities	<u>175,237</u>	<u>877</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Borrowings on line of credit, net	98,765	203,662
Repayments on overdraft account	(44,439)	(56,543)
Repayments on capital lease obligations	(229,563)	(147,996)
Net cash used in financing activities	<u>(175,237)</u>	<u>(877)</u>
Decrease in cash and cash equivalents	-	-
Cash and cash equivalents, beginning of period	150	150
Cash and cash equivalents, end of period	<u>\$ 150</u>	<u>\$ 150</u>
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid	<u>\$ 16,682</u>	<u>\$ 41,978</u>
<b>Non cash investing and financing activities:</b>		
Capital equipment acquired under leases	<u>\$ 108,607</u>	<u>\$ 184,666</u>

**SAFE DATA, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**Three Months Ended March 31, 2010 and 2009**

1. BUSINESS ORGANIZATION AND BASIS OF PRESENTATION

Safe Data, LLC ("The Company") delivers and supports a broad range of premium technology solutions which store, protect, optimize and leverage information; minimize downtime and recovery of information. Clients depend on the Company to manage data growth, ensure disaster recovery and business continuity, strengthen security, reduce capital and operational expenses, and to meet increasing industry state and federal regulations

Safe Data provides solutions and services to business, government, education and healthcare industries by leveraging leading technologies such as Virtualization, Cloud Computing and Green IT.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Revenue Recognition – The Company’s revenues consist principally of storage revenues. 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. Setup fees charged in connection with storage contracts are deferred and recognized on a straight line basis over the life of the contract.
- b. Cash and Equivalents – The Company considers cash equivalents to be highly liquid debt securities with insignificant interest rate risk with original maturities from the date of purchase of three months or less
- c. Accounts Receivable/ Allowance for Doubtful Accounts – The Company sells its services to customers on an open credit basis. Accounts receivable are uncollateralized, non-interest-bearing customer obligations. Accounts receivables are due within 30 days. Based on an assessment of the current status of individual accounts and historical collection information, management believes that it will realize all receivables and no allowance is necessary.
- d. Property and equipment – Property and equipment are stated at cost less accumulated depreciation and amortization. Capitalized values of property under leases are amortized over the life of the lease or the estimated life of the asset, whichever is less. Depreciation and amortization are provided on the straight line method over the following estimated useful lives:

	<u>Years</u>
Computers and Software	5
Machinery and equipment	5

- e. Impairment of Long-Lived Assets – The Company reviews long-lived assets whenever events or changes in circumstances indicate that the carrying value of any of these assets may not be realized. No impairment charges have been recorded.
- f. Leases – Leases (in which the Company is lessee) which transfer substantially all of the risks and benefits of ownership are classified as capital leases, and assets and liabilities are recorded at amounts equal to the lesser of the present value of the minimum lease payments or the fair value of the leased properties at the beginning of the respective lease terms. Leases which do not meet such criteria are classified as operating leases and the related rentals are charged to expense as incurred on a straight line basis.
- g. Advertising – All advertising costs are expensed as incurred. Advertising expense was \$20,928 in 2010 and \$29,795 in 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- h. Use of estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- i. Subsequent events evaluation date – The Company evaluated the events and transactions subsequent to its March 31, 2010 balance sheet date and , in accordance with FASB ASC 855-10-50, “Subsequent Events.” Through September 30 2010, which is the date the financial statements were available to be issued, the Company entered into an Asset Purchase Agreement on June 17, 2010, setting forth the sale of the Company’s assets to Data Storage Corporation, a Delaware corporation and wholly owned subsidiary Data Storage Corporation. (See Subsequent Event footnote.)
- j. Income taxes – The Company is a Limited Liability Company and is not a tax paying entity for income tax purposes. Thus, no income tax provision has been recorded in the financial statements. The taxable income (loss) of the Company is allocated to its members and included in the computation of the members’ taxable income.

3. PROPERTY AND EQUIPMENT

Machinery and equipment	\$ 2,509,584
Less: Accumulated depreciation and amortization	<u>1,764,138</u>
Property and equipment, net	<u>\$ 745,446</u>

4. INTANGIBLE ASSETS

Intangible assets consisted of the following:

	<u>Estimated Life in years</u>	
Non-Compete	15	\$ 50,000
Less: Accumulated Amortization		<u>15,971</u>
Intangible Assets, net		<u>\$ 34,029</u>

Scheduled amortization over the next five years as follows:

<u>Twelve Months Ending March 31,</u>		
2011		\$ 3,333
2012		3,333
2013		3,333
2014		3,333
Thereafter		<u>20,697</u>
	Total	<u>\$ 34,029</u>

## 5. CAPITAL LEASE OBLIGATIONS

The Company began leasing computer equipment in 2005. 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 \$55,200 through various dates in 2010, 2011 and 2012. The leases are secured with the computer equipment. Interest rates on capitalized leases vary from 6%-8% 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, 2010	\$	746,940
Less amount representing interest		40,081
Total obligations under capital leases		<u>706,859</u>
Less current portion of obligations under capital leases		482,326
Long-term obligations under capital leases	\$	<u>224,533</u>

Long-term obligations under capital leases at March 31, 2010 mature as follows:

	<u>For the twelve months ending March 31,</u>	
	2011	\$ 482,326
	2012	224,533
		<u>\$ 706,859</u>

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

Equipment	\$	2,485,631
Less: accumulated depreciation		1,746,335
	\$	<u>739,296</u>

## 6. COMMITMENTS AND CONTINGENCIES

### Line of Credit

On August 8, 2007 the Company entered into a line of credit agreement with a bank for \$500,000. The loan required repayment of interest only on a monthly basis at an interest rate of the bank's prime rate plus 1.25%. The interest rate at December 31, 2008 was 4.5%. The line of credit agreement was amended on August 12, 2009, and provides for \$350,000 at prime plus 3.0%, or 6.25% at December 31, 2009. The line of credit is payable on demand and is secured by substantially all assets of the Company. As of March 31, 2010, the Company owed \$350,000 under this agreement. Subsequent to March 31, 2010, this loan was paid in full as part of the asset purchase agreement with Data Storage.

6. COMMITMENTS AND CONTINGENCIES (continued)

Note Payable

On June 4, 2008, the Company entered into a term loan agreement with a business development company. The term loan agreement provides for \$350,000 at an interest rate of 11.5%. The note required interest only payments through July 2009, extended to May 2010, at which time the company is required to pay 47 monthly payments of \$5,834. The remaining balance of the loan is due in July 2013. The loan is secured by all assets of the Company subordinate to the bank lien and personally guaranteed by the members. As of March 31, 2010, the Company owed \$350,000 under this agreement. Subsequent to March 31, 2010, this note was paid in full as part of the asset purchase agreement with Data Storage.

Total maturities of the long term debt are as follows:

<u>Twelve Months Ending March 31,:</u>	
2011	\$ 15,000
2012	34,000
2013	<u>301,000</u>
	<u>\$ 350,000</u>

Operating leases

The Company currently leases office space which calls for monthly payments of \$4,800 plus a portion of the operating expenses through February 2012.

Minimum obligations under this lease agreement is as follows:

<u>Twelve Months Ending March 31,:</u>	
2011	\$ 57,600
2012	<u>52,800</u>
	<u>\$ 110,400</u>

7. RELATED PARTY TRANSACTIONS

Receivable from Member

During the three months ended March 31, 2010, the Company advanced one of its members \$3,549. As of March 31, 2010 the member owed the Company \$138,446. These advances bear no interest and have no stated terms of repayment

Note payable to Member

On July 9, 2007 the Company received \$150,000 cash from one of its members and issued a note payable at 10.75% interest. The note has no stated terms of repayment. As of March 31, 2010, the Company owed the member \$125,000.

## 8. SUBSEQUENT EVENTS

On June 17, 2010 the Company entered into an Asset Purchase Agreement (the "Agreement"); setting forth the sale of its assets to Data Storage Corporation, a Delaware corporation ("Data Storage DE") and wholly owned subsidiary of Data Storage Corporation hereinafter referred to "Data Storage."

The Company agreed to sell, transfer, assign, and deliver to Data Storage all right, title and interest in its end user customer base (the "Business") and all related current and fixed assets and contracts related to the Business. These assets include, but not limited to, all of its cash, accounts receivable and intellectual property. Additionally, the Company shall transfer to Data Storage all of their current liabilities to the extent arising out of the business or the assets.

Pursuant to the Agreement, Data Storage will pay an aggregate purchase price for the Business equal to \$3,000,000 (the "Purchase Price") with \$2,000,000 to be paid in cash and \$1,000,000 in shares of the Company's common stock, par value \$0.001 per share (the "Common Stock") valued at \$0.35 per share or 2,857,142 shares of Common Stock. Upon Closing (as defined in the Agreement), a certain portion of the Purchase Price shall be deferred subject to certain holdback and contingency clauses contained in the Agreement.

Additionally, Peter Briggs, the President of the Company will enter into an employment agreement (the "Employment Agreement") with Data Storage and Lawrence E. Putterman will be appointed to the Data Storage Board of Directors.

Exhibit 99.3

Pro Forma Consolidated Condensed Financial Statements (Unaudited)

The following unaudited pro forma consolidated condensed financial statements were prepared using the historical financial statements of Data Storage Corporation (“Data Storage”) and Safe Data, LLC. (“Safe Data”). Data Storage acquired the net assets of Safe Data in June 2010. This information should be read in conjunction with, and is qualified in its entirety by, the financial statements and related notes of Data Storage and Safe Data.

The accompanying unaudited pro forma consolidated condensed financial statements give pro forma effect to Data Storage’s acquisition of Safe Data’s net assets. Total purchase consideration of \$4,505,882 consisted of the assumption of \$1.7 million of Safe Data’s indebtedness. The \$3,000,000 cash portion of the purchase consideration was financed from the issuance of convertible debt and equity financing by Data Storage.

The acquisition will be accounted for under the purchase method of accounting. Accordingly, the amount of the consideration paid is allocated to assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. The unaudited pro forma consolidated condensed financial statements reflect the preliminary allocation of the excess of such consideration paid over net assets acquired to goodwill and certain identifiable intangible assets, (customer list and non-compete agreements) with an estimated weighted average life of 5 and 4 years, respectively.

The following is a summary of the preliminary purchase price allocation as of June 17, 2010

**Purchase Price Paid**

Cash paid to sell, less credit threshold adjustment of \$70,047	\$	1,229,952
Stock issued to seller		850,000
Holdback price adjustments		779,437
Liabilities assumed		1,646,493
		<u>4,505,882</u>
Less: tangible assets acquired		<u>(1,079,678)</u>
	\$	<u>3,426,204</u>

**Allocation of Purchase Price:**

Intangible assets	\$	1,280,627
Goodwill		<u>2,145,577</u>
Total Purchase price	\$	<u>3,426,204</u>

The unaudited pro forma consolidated condensed balance sheet as of March 31, 2010 has been prepared as if the acquisition of Safe Data occurred on March 31, 2010. The unaudited pro forma consolidated condensed statements of operations for the three months ended March 31, 2010 and the year ended December 31, 2009 has been prepared as if the Safe Data acquisition had occurred on January 1, 2009.

These unaudited pro forma consolidated condensed financial statements are not necessarily indicative of the financial position or results of operations that would have occurred had the transaction been effected on the assumed dates. Additionally, future results may vary significantly from the results reflected in the unaudited pro forma combined statement of operations due to changes in prices, future transactions and other factors. These statements should be read in conjunction with our audited consolidated financial statements and the related notes for the year ended December 31, 2009 included in our 2009 Form 10-K, the current report on Form 10-Q filed on August 23, 2010, and the audited and unaudited financial statements of Safe Data included herein. The pro forma adjustments, as described in the notes to unaudited pro forma consolidated condensed financial statements, are based upon available information and certain assumptions that our management believes are reasonable.

**Data Storage Corporation**  
**Proforma Consolidated Condensed Balance Sheet (Unaudited)**  
**March 31, 2010**

	<u>Data Storage</u>	<u>Safe Data</u>	<u>Pro Forma Adjustments</u>	<u>Notes</u>	<u>Data Storage and Safe Data</u>
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents	\$ 65,386	\$ 150	\$ 69,897	a, b, c, d	\$ 135,433
Accounts Receivable, net	87,631	163,090	-		250,721
Inventory	6,500	-	-		6,500
Deferred compensation	70,535	-	-		70,535
Prepaid expenses	11,196	23,426	-		34,622
Receivable from Member	-	138,446	(138,446)	a	-
Other current assets	-	16,333	-		16,333
Total current assets	<u>241,248</u>	<u>341,445</u>	<u>(68,549)</u>		<u>514,144</u>
Property, plant and equipment, net	275,712	745,446	-		1,021,158
Goodwill	-	-	1,789,877	d	1,789,877
Intangible assets	133,481	34,029	1,246,598	a, d	1,414,108
Other assets	61,066	11,802	-		72,868
Total Assets	<u>\$ 711,507</u>	<u>\$ 1,132,722</u>	<u>\$ 2,967,926</u>		<u>\$ 4,812,155</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accrued expenses	\$ 117,989	\$ 405,058	\$ (24,931)	a	\$ 498,116
Credit line payable	99,970	350,000	(350,000)	a	99,970
Due to related party	39,218	-	-		39,218
Dividend payable	87,500	-	-		87,500
Deferred revenue	11,571	55,085	-		66,656
Leases payable	-	482,326	-		482,326
Note payable	-	15,000	(15,000)	a	-
Loans payable	-	125,000	(125,000)	a	-
Convertible Debt	-	-	87,363	c	87,363
Contingent consideration in SafeData acquisition	-	-	779,437	d	779,437
Total current liabilities	<u>356,248</u>	<u>566,469</u>	<u>351,869</u>		<u>2,140,586</u>
Long term liabilities	631,015	588,673	(335,000)	a	884,688
Total liabilities	<u>987,263</u>	<u>2,021,142</u>	<u>16,869</u>		<u>3,025,274</u>
<b>COMMITMENTS AND CONTINGENCIES</b>					
-					
<b>STOCKHOLDERS' EQUITY</b>					
Preferred Stock	1,402	-	-		1,402
Common stock	13,670	-	3,457	b, d	17,127
Additional paid-in capital	4,812,040	-	2,059,180	b, c, d	6,871,220
Accumulated deficit/Members' Deficit	(5,102,868)	(888,420)	888,420	a, d	(5,102,868)
Total stockholders' equity	<u>(275,756)</u>	<u>(888,420)</u>	<u>2,951,057</u>		<u>1,786,881</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 711,507</u>	<u>\$ 1,132,722</u>	<u>\$ 2,967,926</u>		<u>\$ 4,812,155</u>

See notes to pro forma consolidated condensed financial statements.

**Data Storage Corporation**  
**Proforma Consolidated Condensed Statement of Operations(Unaudited)**  
**Three Months Ended March 31, 2010**

(in thousands, except for per share data)	Data Storage	Safe Data	Pro forma Adjustments	Notes	Data Storage and Safe Data
Net sales	\$ 243,692	\$ 742,614	-		\$ 986,306
Cost of sales	<u>164,320</u>	<u>359,854</u>	<u>-</u>		<u>524,174</u>
Gross profit	79,372	382,760	-		462,132
Operating expenses	<u>275,007</u>	<u>269,820</u>	<u>26,795</u>	e	<u>571,622</u>
Operating (loss) income	<u>(195,635)</u>	<u>112,940</u>	<u>(26,795)</u>		<u>(109,490)</u>
Other income					
Interest expense	1,357	26,407	91,610	f	119,374
Interest and other income	<u>-</u>	<u>(2,491)</u>	<u>-</u>		<u>(2,491)</u>
Total other expense	<u>1,357</u>	<u>23,915</u>	<u>91,610</u>		<u>116,883</u>
Loss before income tax provision	(196,992)	89,024	(118,405)		(226,373)
Income tax provision	<u>-</u>	<u>-</u>	<u>-</u>	g	<u>-</u>
Net loss	<u>\$ (196,992)</u>	<u>\$ 89,024</u>	<u>\$ (118,405)</u>		<u>\$ (226,373)</u>
Preferred Stock Dividend	<u>(12,500)</u>				<u>(12,500)</u>
Net Loss Available to Common Shareholders	<u>\$ (209,492)</u>				<u>\$ (238,873)</u>
Loss per share					
Basic and Diluted	<u>\$ (0.02)</u>				<u>\$ (0.01)</u>
Weighted average number of shares					
Basic and Diluted	<u>13,670,399</u>		<u>\$ 3,457,000</u>	b,d	<u>17,127,399</u>

See notes to pro forma consolidated condensed financial statements.

**Data Storage Corporation**  
**Proforma Consolidated Condensed Statement of Operations(Unaudited)**  
**Year Ended December 31, 2009**

(in thousands, except for per share data)	<u>Data Storage</u>	<u>Safe Data</u>	<u>Pro forma Adjustments</u>	<u>Notes</u>	<u>Data Storage and Safe Data</u>
Net sales	\$ 585,285	\$ 2,551,876	\$ -		\$ 3,137,161
Cost of sales	<u>459,803</u>	<u>1,434,499</u>	<u>-</u>		<u>1,894,302</u>
Gross profit	125,482	1,117,377	-		1,242,859
Operating expenses	<u>1,170,903</u>	<u>1,238,720</u>	<u>107,178</u>	c	<u>2,516,801</u>
Operating income (loss)	<u>(1,045,421)</u>	<u>(121,343)</u>	<u>(107,178)</u>		<u>(1,273,942)</u>
Other income					
Interest expense	4,986	126,658	365,881	f	497,525
Interest and other income	<u>(192)</u>	<u>(9,965)</u>	<u>-</u>		<u>(10,157)</u>
Total other expense	<u>4,794</u>	<u>116,693</u>	<u>365,881</u>		<u>487,368</u>
Income (loss) before income tax provision	(1,050,215)	(238,036)	(473,059)		(1,761,310)
Income tax provision	<u>-</u>	<u>-</u>	<u>-</u>	g	<u>-</u>
Net income (loss)	<u>\$ (1,050,215)</u>	<u>\$ (238,036)</u>	<u>\$ (473,059)</u>		<u>\$ (1,761,310)</u>
Preferred Stock Dividend	<u>50,000</u>				<u>50,000</u>
Net Loss Available to Common Shareholders	<u>\$ (1,100,215)</u>				<u>\$ (1,811,310)</u>
Loss per share					
Basic and Diluted	<u>\$ (0.08)</u>		<u>\$</u>		<u>\$ (0.11)</u>
Weighted Average Number of Shares					
Basic and Diluted	<u>12,944,647</u>		<u>\$ 3,457,000</u>	b,d	<u>16,401,647</u>

See notes to pro forma consolidated condensed financial statements.

**Data Storage Corporation**  
**Footnotes to Unaudited Pro Forma Consolidated Condensed Balance Sheet and Statement of Operations**

- (a) To adjust for assets and liabilities not acquired by Data Storage.
- (b) To record the sale of 600,000 shares of Data Storage at \$0.50 associated with the acquisition of SafeData LLC.
- (c) To record the proceeds received from the issuance of \$1,000,000 convertible debt, net of the value of the warrants and beneficial conversion feature recorded as a debt discount (\$912,637), to be amortized to interest expense over the life of the debt.
- (d) To record the acquisition of the net assets of safe data through the issuance of cash of \$1,229,953 common stock of \$850,000, contingent consideration of \$779,437 and the allocation of the excess purchase price to intangible assets and goodwill.
- (e) To reflect amortization expense of \$26,795 and \$107,178 for the three months ended March 31, 2010 and the year ended December 31, 2009 for definite lived intangible assets acquired which will be amortized over a period of 5 and 4 years which appropriately reflects the economic benefit of the intangible assets.
- (f) To reverse interest expense of \$10,063 and \$40,809 for the three months ended March 31, 2010 and the year ended December 31, 2009 on Safe Data, LLC to reflect the cancellation of the credit line which was paid off at acquisition date. To record \$101,671 and \$406,685 for the three months ended March 31, 2010 and the year ended December 31, 2009 to reflect interest expense associated with the issuance of convertible long term debt by Data Storage.
- (g) On a consolidated proforma basis, the Company had a net loss of \$226,373 for the three months ended March 31, 2010 and net loss of \$1,761,310 for the year ended December 31, 2009. The Company has net operating loss carryforwards to offset any income taxes and thus no current provision or benefit for taxes has been recorded.