

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 September 30, 2017

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

For the transition period from _____ to _____

Commission File No. 001-35384

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.)

68 South Service Road
Melville, NY

(Address of principal executive offices)

11747

(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)

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Yes No

The number of shares of the registrant's common stock outstanding as of September 30, 2017, was 128,139,418

DATA STORAGE CORPORATION
FORM 10-Q
September 30,2017
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PART I

ITEM 1. Financial Statements

DATA STORAGE CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	September 30, 2017 (UNAUDITED)	December 31, 2016
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 156,305	\$ 255,817
Accounts receivable (less allowance for doubtful accounts of \$90,000 in 2017 and \$90,000 in 2016)	582,086	807,515
Prepaid expenses and other current assets	160,646	231,432
Total Current Assets	<u>899,037</u>	<u>1,294,764</u>
Property and Equipment:		
Property and equipment	5,226,246	3,401,251
Less—Accumulated depreciation	(3,516,008)	(3,222,591)
Net Property and Equipment	<u>1,710,238</u>	<u>178,660</u>
Other Assets:		
Goodwill	3,985,700	3,985,700
Other assets	57,367	54,504
Intangible assets, net	303,766	329,242
Total Other Assets	<u>4,346,833</u>	<u>4,369,446</u>
Total Assets	<u>6,956,108</u>	<u>5,842,870</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Accounts payable and accrued expenses	996,717	1,219,247
Revolving credit facility	—	50,412
Accounts payable from acquisition	—	374,762
Dividend payable	705,912	619,138
Deferred revenue	695,672	919,103
Leases payable – related party	658,307	254,078
Note payable – bank	350,000	350,000
Total Current Liabilities	<u>3,406,608</u>	<u>3,786,740</u>
Deferred rental obligation	1,305	1,904
Note Payable – related party	328,265	190,000
Leases payable long-term – related party	1,135,089	133,825
Total Long-Term Liabilities	<u>1,464,659</u>	<u>325,729</u>
Total Liabilities	<u>4,871,267</u>	<u>4,112,469</u>
Stockholders' 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 \$0.001; 250,000,000 shares authorized; 128,139,418 and 128,039,418 shares issued and outstanding in 2017 and 2016, respectively		
	128,139	128,039
Additional paid in capital	17,203,590	17,194,383
Accumulated deficit	(15,248,290)	(15,593,423)
Total Stockholders' (Deficit) Equity	<u>2,084,841</u>	<u>1,730,401</u>
Total Liabilities and Stockholders' (Deficit)	<u>\$ 6,956,108</u>	<u>\$ 5,842,870</u>

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 September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Sales	\$ 2,036,299	\$ 922,919	\$ 6,387,499	\$ 2,912,153
Cost of sales	1,226,430	646,364	3,766,448	1,930,788
Gross Profit	809,869	276,555	2,621,051	981,365
Selling, general and administrative	741,503	389,684	2,090,706	1,285,145
Income (Loss) from Operations	68,366	(113,129)	530,345	(303,780)
Other Income (Expense)				
Interest income	2	—	34	—
Miscellaneous	—	—	636	—
Interest expense	(34,748)	(70,231)	(100,650)	(204,467)
Bad Debt Recovery	—	—	1,542	1,508
Net gain (loss) on equity method investment	—	(2,362)	—	(2,572)
Total Other Income (Expense)	(34,746)	(72,593)	(98,438)	(205,531)
Income (loss) before provision for income taxes	33,620	(185,722)	431,907	(509,311)
Provision for income taxes	—	—	—	—
Net Income (loss)	33,620	(185,722)	431,907	(509,311)
Preferred Stock Dividends	(29,648)	(26,838)	(86,774)	(78,550)
Net Income (loss) Attributable to Common Stockholders	\$ 3,972	\$ (212,560)	\$ 345,133	\$ (587,861)
Income (loss) per Share – Basic and Diluted	\$ 0.00	\$ (0.01)	\$ 0.00	\$ (0.01)
Weighted Average Number of Shares – Basic	128,139,418	36,588,240	128,077,148	36,588,240
Weighted Average Number of Shares - Diluted	128,272,752	36,588,240	128,210,482	36,588,240

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

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

	Nine months ended September 30,	
	2017	2016
Cash Flows from Operating Activities:		
Net Income (loss)	\$ 431,907	\$ (509,311)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	318,893	157,071
Write off employee loan	—	85,800
Net (gain) loss on equity method investment	—	2,572
Non-cash interest expense	—	174,851
Stock based compensation	9,307	36,420
Changes in Assets and Liabilities:		
Accounts receivable	225,429	14,986
Other assets	2,136	(9,096)
Prepaid expenses and other current assets	65,787	(43,965)
Employee Loan	—	—
Accounts payable and accrued expenses	(267,472)	392,816
Deferred revenue	(223,431)	(94,057)
Deferred rent	(599)	490
Net Cash Provided by Operating Activities	<u>561,957</u>	<u>208,577</u>
Cash Flows from Financing Activities:		
Issuance of Convertible Debt	—	10,000
Repayment of loan obligations	(428,873)	—
Repayments of capital lease obligations	(232,596)	(180,151)
Net Cash Used in Financing Activities	<u>(661,469)</u>	<u>(170,151)</u>
Increase (Decrease) in Cash and Cash Equivalents	(99,512)	38,426
Cash and Cash Equivalents, Beginning of Period	255,817	67,045
Cash and Cash Equivalents, End of Period	<u>\$ 156,305</u>	<u>\$ 105,471</u>
Supplemental Disclosures:		
Cash paid for interest	<u>\$ 100,650</u>	<u>\$ 29,615</u>
Cash paid for income taxes	<u>\$ —</u>	<u>\$ —</u>
Non-cash investing and financing activities:		
Accrual of preferred stock dividend	\$ 86,774	\$ 78,550
Assets acquired by capital lease	\$ 1,824,996	\$ —

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

DATA STORAGE CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

Note 1 - Basis of presentation, organization and other matters

Headquartered in Melville, NY, Data Storage Corporation (“DSC” or the “Company”) offers its solutions and services to businesses within the healthcare, banking and finance, distribution services, manufacturing, construction, education, and government sectors. The Company focuses on cyber security solutions, cloud solutions and compliance services. DSC provides Infrastructure as a Service, Disaster Recovery as a Service and Email Archival and Compliance Solutions. DSC’s mission: Protecting client data, ensuring business continuity, assisting in their compliance requirements and providing better control over their digital information.

DSC maintains equipment for cloud storage and cloud computing in our data centers in New York State and Massachusetts. DSC delivers its solutions over highly reliable, redundant and secure fiber optic networks with separate and diverse routes to the Internet. DSC’s 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.

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 nine months ended September 30, 2017, the Company has generated revenues of \$6,387,499 and achieved a net income attributable to common shareholders of \$345,133.

Note 2 - Summary of Significant Accounting Policies

Stock Based Compensation

The Company follows the requirements of FASB ASC 718-10-10, *Share-Based Payments* with regards to stock-based compensation issued to employees. The Company has stock-based incentives for consultants and employees that over achieve. This plan is discretionary. The expense for this stock-based compensation is equal to the fair value of the stock that was determined by using closing price on the day the stock was awarded multiplied by the number of shares awarded. The Company records its options at fair value using the Black-Scholes valuation model.

Equity Investments

Equity investments in which the Company exercises significant influence but does not control and is not the primary beneficiary are accounted for using the equity method. The Company’s share of its equity method investee’s earnings or losses is included in other income in the accompanying Consolidated Statements of Operations.

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, and accounts payable, line of credit and due to related parties. Management believes the estimated fair value of these accounts at September 30, 2017 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.

Cash, Cash Equivalents and Short-Term Investments

The Company considers all highly liquid investments with an original maturity or remaining maturity at the time of purchase, of three months or less to be cash equivalents.

Recently Issued and Newly Adopted Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"), which requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The new guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In July 2016, the FASB voted to delay the effective date of ASU 2014-09 by one year to the first quarter of 2018 to provide companies sufficient time to implement the standards. Early adoption will be permitted, but not before the first quarter of 2017. Adoption can occur using one of two prescribed transition methods. In March and April 2016, the FASB issued ASU 2016-08, "Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net)" and ASU 2016-10, "Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing" which provide supplemental adoption guidance and clarification to ASC 2014-09. ASU 2016-08 and ASU 2016-10 must be adopted concurrently with the adoption of ASU 2014-09.

On May 28, 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," and issued subsequent amendments to the initial guidance contained within ASU 2017-13, ASU 2016-20, ASU 2016-12, ASU 2016-10 and ASU 2016-08. Previous revenue recognition guidance in U.S. GAAP comprised broad revenue recognition concepts together with numerous revenue requirements for particular industries or transactions, which sometimes resulted in different accounting for economically similar transactions. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, ASU 2014-09 expands and enhances disclosure requirements which require disclosing sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. This includes both qualitative and quantitative information. The amendments in ASU 2014-09 are effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early application is permitted. The guidance permits two methods of adoption: full retrospective in which the standard is applied to all of the periods presented or modified retrospective where an entity will have to recognize the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings. The Company is currently in the process of concluding on which transition approach it will utilize and the impact of adopting ASU 2014-09 and subsequent updates will have on its consolidated financial statements and related disclosures. The Company will adopt these standards with an effective date of January 1, 2018.

On August 2015, FASB issued Accounting Standards Update No. 2014-15, "Presentation of Financial Statements - Going Concerns (Subtopic 205-40): Disclosures of Uncertainties about an Entity's Ability to continue as a Going Concern. The amendments require management to assess an entity's ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. Specifically, the amendments (1) provide a definition of the term substantial doubt, (2) require an evaluation every reporting period including interim periods, (3) provide principles for considering the mitigating effect of management's plans, (4) require certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans, (5) require an express statement and other disclosures when substantial doubt is not alleviated, and (6) require an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). The Company adopted this ASU effective January 1, 2017. The adoption of ASU 2014-15 did not have a material impact on our financial position or results of operations.

In April 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-05, "Customer's Accounting for Fees Paid in a Cloud Computing Arrangement." This ASU provides clarification on whether a cloud computing arrangement includes a software license. If a software license is included, the customer should account for the license consistent with its accounting of other software licenses. If a software license is not included, the arrangement should be accounted for as a service contract. This ASU is effective for annual reporting periods beginning after December 15, 2016, and interim periods within those years. Adoption of ASU 2016-05 did not have a material impact on our financial position or results of operations.

During February 2016, the FASB issued ASU No. 2016-02, "Leases" ("ASU 2016-02"). The standard requires lessees to recognize a lease liability and a lease asset for all leases, including operating leases, with a term greater than 12 months on its balance sheet. The update also expands the required quantitative and qualitative disclosures surrounding leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently evaluating the impact of the new standard.

In March 2016, FASB issued ASU No. 2016-09, "Improvements to Employee Share-based Payment Accounting" ("ASU 2016-09"). ASU 2016-09 simplifies several aspects of the accounting for employee share-based payment transactions for both public and nonpublic entities, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. ASU 2016-09 is effective for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Early adoption is permitted. The Company is currently evaluating the standard and the impact on its consolidated financial statements and footnote disclosures.

In January 2017, FASB issued ASU No. 2017-04, "Intangibles—Goodwill and Other Simplifying the Accounting for Goodwill" (ASU 2017-04"), which requires goodwill impairment loss to be measured as the excess of a reporting unit's carrying amount over its fair value (not to exceed the total goodwill allocated to that reporting unit). The new guidance eliminates Step 2, which an entity used to measure goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. "In computing the implied fair value of goodwill under Step 2, an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities (including unrecognized assets and liabilities) following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination," the ASU is effect for the company on January 1, 2020. The Company will adopt the standard on that date.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows: Clarification of Certain Cash Receipts and Cash Payments", which eliminates the diversity in practice related to the classification of certain cash receipts and payments in the statement of cash flows, by adding or clarifying guidance on eight specific cash flow issues. ASU 2016-15 is effective for annual and interim reporting periods beginning after December 15, 2017 and early adoption is permitted. ASU 2016-15 provides for retrospective application for all periods presented. The Company is assessing the impact of ASU 2016-15 and will adopt it when effective.

Concentration of Credit Risk and Other Risks and Uncertainties

Financial instruments and assets subjecting the Company to concentration of credit risk consist primarily of cash and cash equivalents, short-term investments and trade accounts receivable. The Company's cash and cash equivalents are maintained at major U.S. financial institutions. Deposits in these institutions may exceed the amount of insurance provided on such deposits.

The Company's customers are primarily concentrated in the United States.

The Company provides credit in the normal course of business. The Company performs ongoing credit evaluations of its customers and maintains allowances for doubtful accounts on factors surrounding the credit risk of specific customers, historical trends, and other information.

For the nine months ended September 30, 2017 and the nine months ended September 30, 2016 DSC did not have any customer concentrations.

Accounts Receivable/Allowance for Doubtful Accounts

Accounts receivables are due within 30 days. The allowance for doubtful accounts reflects the estimated accounts receivable that will not be collected due to credit losses and allowances. Provisions for estimated uncollectible accounts receivable are made for individual accounts based upon specific facts and circumstances including criteria such as their age, amount, and customer standing. Provisions are also made for other accounts receivable not specifically reviewed based upon historical experience. Clients are invoiced in advance for services as reflected in deferred revenue on the Company's balance sheet.

Property and Equipment

Property and equipment is recorded at cost and depreciated over their estimated useful lives or the term of the lease using the straight-line method for financial statement purposes. Estimated useful lives in years for depreciation are 5 to 7 years for property and equipment. Additions, betterments and replacements are capitalized, while expenditures for repairs and maintenance are charged to operations when incurred. As units of property are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. At September 30, 2017, the Company had a full valuation allowance against its deferred tax assets.

Per FASB ASC 740-10, disclosure is not required of an uncertain tax position unless it is considered probable that a claim will be asserted and there is a more-likely-than-not possibility that the outcome will be unfavorable. Using this guidance, as of September 30, 2017 and September 30, 2016, the Company has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Company's 2015, 2013 and 2012 Federal and State tax returns remain subject to examination by their respective taxing authorities. Neither of the Company's Federal or State tax returns are currently under examination.

Goodwill and Other Intangibles

In accordance with GAAP, the Company tests goodwill and other intangible assets for impairment on at least an annual basis. Goodwill impairment exists if the net book value of a reporting unit exceeds its estimated fair value. The impairment testing is performed in two steps: (i) the Company determines impairment by comparing the fair value of a reporting unit with its carrying value, and (ii) if there is an impairment, the Company measures the amount of impairment loss by comparing the implied fair value of goodwill with the carrying amount of that goodwill. To determine the fair value of these intangible assets, the Company uses many assumptions and estimates using a market participant approach that directly impact the results of the testing. In making these assumptions and estimates, the Company uses industry accepted valuation models and set criteria that are reviewed and approved by various levels of management.

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.

Our revenue is also derived from equipment sales for cyber security, storage and managed service solutions. Revenue for equipment sales is recognized when persuasive evidence that an arrangement exists, installation has occurred, selling price is fixed or determinable, and collection is reasonably assured.

Impairment of Long-Lived Assets

In accordance with FASB ASC 360-10-35, we review our long-lived assets for impairment whenever events and circumstances indicate that the carrying value of an asset might not be recoverable. An impairment loss, measured as the amount by which the carrying value exceeds the fair value, is recognized if the carrying amount exceeds estimated undiscounted future cash flows.

Advertising Costs

The Company expenses the costs associated with advertising as they are incurred. The Company incurred \$119,574 and \$106,865 for advertising costs for the years ended September 30, 2017 and 2016, respectively.

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 September 30, 2017 include 133,334 warrants.

Note 3 - Property and Equipment

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

	September 30, 2017	December 31, 2016
Storage equipment	\$ 2,100,932	2,100,932
Website and software	533,418	533,418
Furniture and fixtures	14,037	14,037
Computer hardware and software	86,184	86,184
Data Center Equipment	2,491,675	666,680
	<u>5,226,246</u>	<u>3,401,251</u>
Less: Accumulated depreciation	3,516,008	3,222,591
Net property and equipment	<u>\$ 1,710,238</u>	<u>178,660</u>

Depreciation expense for the nine months ended September 30, 2017 and 2016 was \$293,417 and \$134,095, respectively.

Note 4 - Goodwill and Intangible Assets

Goodwill and intangible assets consisted of the following:

	Estimated life in years	September 30, 2017	
		Gross Amount	Accumulated Amortization
Goodwill	Indefinite	\$ 3,985,700	N/A
Intangible Assets			
Intangible assets not subject to amortization			
Trademarks	Indefinite	294,268	N/A
Intangible assets subject to amortization			
Customer list	5 - 15	897,274	894,721
Non-compete agreements	3 - 4	272,147	265,202
		<u>1,463,689</u>	<u>1,159,923</u>
Total Intangible Assets		<u>\$ 1,463,689</u>	<u>1,159,923</u>
Total Goodwill and Intangible Assets		<u>\$ 5,449,389</u>	<u>\$ 1,159,923</u>

Scheduled amortization over the next three years as follows:

For the Twelve Months ending September 30,

2018	5,886
2019	3,333
2020	278
Total	<u>\$ 9,497</u>

Amortization expense for the nine months ended September 30, 2017 and 2016 was \$25,476 and \$22,976, respectively. Goodwill is amortized on a straight-line basis.

Note 4 – Capital Lease Obligations – Related Party

On May 1, 2014 the Company entered into a new lease agreement with Systems Trading, Inc. (“Systems Trading”), an entity 100% owned by DSC President and director, Harold J. Schwartz to refinance all outstanding leases into one capital lease. This lease obligation is payable to Systems Trading, Inc. with monthly installments of \$21,826 from June 1, 2014 through May 1, 2018. This lease is secured with the computer equipment and has been capitalized. Pursuant to Accounting Standards Codification (“ASC”) 470-50-40, Debt Modifications and Extinguishments-Derecognition, the Company determined that modification accounting applied to the refinancing. The new capital lease obligation has an effective interest rate of 7.22%.

On July 10, 2016, the Company entered into a lease with Systems Trading. The lease is for \$14,443, calls for monthly payments of \$420 and expires on August 1, 2018. It carries an interest rate of 3%. On November 1, 2016, the Company added to the existing lease with Systems Trading. The lease addendum totaled \$7,998, calls for monthly payments of \$258 and expires on March 1, 2018. It carries no interest.

On January 24, 2017, the Company entered into a lease with Systems Trading to refinance old leases referenced above and to add newly acquired data center equipment. The lease is for calls for monthly payments of \$59,940 and expires on February 1, 2020. It carries an interest rate of 6%.

On April 27, 2017, the Company entered into a lease with Systems Trading to add newly-acquired data center equipment. The lease is for calls for monthly payments of \$2,300, and expires on May 1, 2020. It carries an interest rate of 4%.

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

As of September 30, 2017	\$ 1,937,357
Less amount representing interest	<u>(143,961)</u>
Total obligations under capital leases	1,793,396
Less current portion of obligations under capital leases	<u>(658,307)</u>
Long-term obligations under capital leases	<u>\$ 1,135,089</u>

Long-term obligations under the capital leases at September 30, 2017 mature as follows:

For the twelve months ending September 30,

2018	\$	746,880
2019		746,880
2020		443,597
	\$	<u>1,937,357</u>

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

Equipment	\$	3,194,988
Less: accumulated depreciation		1,333,018
	\$	<u>1,861,970</u>

Note 5 - Commitments and Contingencies

Operating Leases

The Company currently leases two office spaces in Melville, NY, and one in Warwick, RI.

The lease for office space in Melville, NY calls for monthly payments of \$3,498 beginning July 1, 2016. This lease commenced on June 1, 2016 and continues through December 31, 2017. On July 20, 2017, the Company rented additional office space in Melville, NY and commences on August 1, 2017 and continues through December 31, 2017. This new lease for the additional office space calls for monthly payments of \$1,464.

A second location that was part of the acquisition is also located in Melville, calls for monthly payments of \$8,382 with a lease terminating in August 31, 2019.

The lease for office space in Warwick, RI calls for monthly payments of \$2,324 beginning February 1, 2015 which escalates to \$2,460 on February 1, 2017. This lease commenced on February 1, 2015 and continues through January 31, 2019.

Minimum obligations under these lease agreements are as follows:

For the Year Ending September 30,

2018	\$	131,113
2019		102,351
	\$	<u>233,464</u>

Rent expense for the nine months ended September 30, 2017 and 2016 was \$160,085 and \$101,865, respectively.

Note 6 - Acquisition of business

The unaudited pro forma condensed combined financial statements presented below have been prepared in order to present combined results of operations of the Company, ABC Services, Inc. and ABC Services II, Inc. (collectively, "ABC") as if the asset acquisition had occurred as of January 1, 2016.

	<u>Nine-months ended September 30, 2016</u>
Revenue	7,517,132
Income from operations	558,206
Net Income	459,955
Preferred dividends	80,530
Net Income attributable to common shareholders	379,425
Earnings per share	0.01

Note 7 - Note Payable – Related Party

On January 24, 2017, the Company refinanced accounts payable acquired in the business acquisition on October 25, 2016 with a non-interest-bearing note to the Company's President in consideration for a \$247,020 loan. The repayment terms of the note are \$10,292 for a term of 24 months commencing on February 1, 2017.

Note 8 – Note Payable – bank

There has been no default notice from Enterprise Bank. Enterprise Bank has requested that we move from an interest only payment to a self-amortized arrangement. The Company is in the process of renegotiating a new payment plan. Interest only payments have been paid with the last monthly payment made in September 2017. The interest rate on this note was 5.32%. The Company is in current negotiations to either modify or extend this loan.

Note 9 - Stockholders' Equity

During the nine months ended September 30, 2017, the Company granted 100,000 shares of its common stock to a CTO of the company for services performed.

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 Preferred Stock, par value \$0.001 per share.

Note 10 – Subsequent Events

The Company has entered into a new lease agreement with RXR Realty LLC to rent office space at 48 South Service Rd., Melville, New York to commence on February 1, 2018. The lease calls for monthly payments of \$7,189 with a lease terminating May 31, 2023.

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

This Quarterly Report on Form 10-Q contains forward looking statements, including without limitation, statements related to our plans, strategies, objectives, expectations, intentions and adequacy of resources. Investors are cautioned that such forward-looking statements involve risks and uncertainties including without limitation the following: (i) our plans, strategies, objectives, expectations and intentions are subject to change at any time at our discretion; (ii) our plans and results of operations will be affected by our ability to manage growth; and (iii) other risks and uncertainties indicated from time to time in our filings with the Securities and Exchange Commission.

In some cases, you can identify forward-looking statements by terminology such as 'may,' 'will,' 'should,' 'could,' 'expects,' 'plans,' 'intends,' 'anticipates,' 'believes,' 'estimates,' 'predicts,' 'potential,' or 'continue' or the negative of such terms or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of such statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We are under no duty to update any of the forward-looking statements after the date of this report.

Company Overview

Data Storage Corporation ("DSC" or "the Company") focuses on cyber security solutions, cloud solutions and compliance services. DSC provides Hybrid Cloud, Infrastructure as a Service, Disaster Recovery as a Service and Email Archival and Compliance Solutions. Over 35% of our revenue is derived from equipment sales for cyber security, storage and managed service solutions. Our mission: Protecting our client's data, ensuring business continuity, assisting in their compliance requirements and providing better control over their digital information. The Company's October 2016 acquisition of the assets of ABC Services, Inc. and ABC Services II, Inc. (collectively, "ABC"), and its acquisition of the remaining 50% of the assets of Secure Infrastructure and Services LLC supports the Company's strategy. These acquisitions accelerated our strategy into managed services, expanded cyber security solutions and our hybrid cloud solutions with the ability to provide equipment and expanded technical support.

The Company provides its solutions through its business development team and contracted distribution channels. DSC owns intellectual property with our proprietary email archival and data analytics software, Message Logic. DSC is marketing Message Logic on the Amazon AWS Marketplace and IBM's cloud marketplace including the ability to subscribe for services on the DSC website. DSC's contracted approved distributors have the ability to provide Recovery and Hybrid Cloud solutions, cloud solutions without capital investment lowering their barrier of entry in providing these solutions to their client base.

Headquartered in Melville, NY, with additional offices in Warwick, RI, DSC offers solutions and services to businesses within the healthcare, banking and finance, distribution services, manufacturing, construction, education, and government industries.

DSC derives its revenues from subscription services and solutions, managed services, software and maintenance, equipment and onboarding provisioning. DSC maintains infrastructure and storage equipment in several technical centers in New York and Massachusetts.

DSC services clients from its staffed technical offices in New York and Rhode Island, which consist of modern offices and a technology suite adapted to meet the needs of a technology based business.

DSC varies its use of resources, technology and work processes to meet the changing opportunities and challenges presented by the market and the internal customer requirements. The Company supports clients twenty-four hours a day, 365 days a year.

RESULTS OF OPERATIONS

For the three months ended September 30, 2017 as compared to the three months ended September 30, 2016

Net Sales. Net sales for the three months ended September 30, 2017 were \$2,036,299, an increase of \$1,113,380, or 120.64% compared to \$922,919 for the three months ended September 30, 2016. The increase is attributable to the acquisitions of ABC Services Inc. and ABC Services II Inc (collectively, "ABC").

Cost of Sales. For the three months ended September 30, 2017, cost of sales were \$1,226,430, an increase of \$580,066, or 89.74% compared to \$646,364 for the three months ended September 30, 2016. The increase is attributable to the acquisition of ABC.

Operating Expenses. For the three months ended September 30, 2017, operating expenses were \$741,503, an increase of \$351,819, or 90.28%, as compared to \$389,684 for the three months ended September 30, 2016. The increase is attributable to the acquisition of ABC.

Other Income (Expense). Interest income for the three months ended September 30, 2017 increased \$2 to \$2 from \$0 for the three months ended September 30, 2016. Interest expense for the three months ended September 30, 2017 decreased \$35,483 to \$34,748 from \$70,231 for the three months ended September 30, 2016. This decrease is a result of the Company entering into conversion agreements for outstanding convertible debt.

Net Income (loss). Net income for the three months ended September 30, 2017 was \$33,620 an increase of \$219,342, or 118.10%, as compared to a net loss of (\$185,722) for the three months ended September 30, 2016. We believe that continual cost cutting based on synergies, as well as economies of scale, will further improve our profit and margins.

For the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016

Net Sales. Net sales for the nine months ended September 30, 2017 were \$6,387,499, an increase of \$3,475,346, or 119.34%, compared to \$2,912,153 for the nine months ended September 30, 2016. The increase is attributable to the acquisition of ABC.

Cost of Sales. For the nine months ended September 30, 2017, cost of sales were \$3,766,448, an increase of \$1,835,660, or 95.07%, compared to \$1,930,788 for the nine months ended September 30, 2016. The increase is attributable to the acquisition of ABC.

Operating Expenses. For the nine months ended September 30, 2017, operating expenses were \$2,090,706, an increase of \$805,561, or 62.68%, as compared to \$1,285,145 for the nine months ended September 30, 2016. The increase is attributable to the acquisition of ABC.

Other Income (expense). Interest income for the nine months ended September 30, 2017 increased \$34 to \$34 from \$0 for the nine months ended September 30, 2017. Interest expense for the nine months ended September 30, 2017 decreased \$103,817 to \$100,650 from \$204,467 for the nine months ended September 30, 2016. This decrease is a result of the Company entering into conversion agreements for outstanding convertible debt.

Net Profit (loss). Net profit for the nine months ended September 30, 2017 was \$431,907 an increase of \$941,218 as compared to net loss of (\$509,311) for the nine months ended September 30, 2016.

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. Furthermore, we believe that the Company will continue its trend of profitability throughout November 2018 and the foreseeable future. Historically, the Company has been successful in raising money as needed. Accordingly, we may need to engage in equity or debt financings to secure additional funds. If we raise additional funds through future issuances of equity or convertible debt securities, our existing stockholders could be diluted, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Any debt financing that we secure in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. We may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be impaired, and our business may be affected. Further it is the intention of management to continue to raise money through stock issuances to continue on their growth path in creating value.

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 circumstances change, we may not be able to meet our liquidity needs.

During the nine months ended September 30, 2017 the Company's cash decreased \$99,512 to \$156,305 from \$255,817 at December 31, 2016. Net cash of \$561,957 was provided by the Company's operating activities. Net cash of \$661,469 was used in the Company's financing activities, primarily due to refinancing of old capital leases and additional capital lease financing to refresh equipment and derive anticipated reduced costs for our company and clients.

DSC's working capital deficit was \$2,507,571 at September 30, 2017, increasing \$15,595 or 0.625% from \$2,491,976 at December 31, 2016. The increase is attributable to an increase in sales, planned economies of scale, operation efficiencies and overall synergies in several areas which have led to an operating profit.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Sensitivity

Interest due on the Company's loans is based upon the applicable stated fixed contractual rate with the lender. Interest earned on DSC bank accounts is linked to the applicable base interest rate. For the nine months ended September 30, 2017 and 2016, DSC had interest expense, net of interest income, of \$100,616 and \$204,467 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 September 30, 2017, 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 internal 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 materially adverse effect on our financial condition or results of operations. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our company or any of our subsidiaries, threatened against or affecting DSC, its common stock, any of its subsidiaries or of DSC's or DSC's subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

Item 1A. Risk Factors.

As a smaller reporting company, we are not required to provide disclosure pursuant to this item.

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

None.

Item 3. Defaults Upon Senior Securities.

There were no defaults upon senior securities during the period ended September 30, 2017.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information.

As previously reported, on November 1, 2017, the Company issued a press release announcing its formation of Nexxis Inc., a new majority-owned subsidiary of the Company which will focus on the development of next-generation voice and data services.

On November 13, 2017, the Company entered into a Stockholders Agreement (the "Stockholders Agreement") with Nexxis Inc. ("Nexxis"), a majority-owned subsidiary of the Company, and John Camello (the "Minority Stockholder"), pursuant to which Nexxis agreed to issue 100% of its initial issued and outstanding shares (the "Nexxis Shares") to the Company and the Minority Stockholder pursuant to subscription agreements entered into contemporaneously with the Stockholders Agreement. After giving effect to the respective issuances of the Nexxis Shares to the Company and the Minority Stockholder, the Company owns 80% of the Nexxis Shares and the Minority Stockholder owns 20% of the Nexxis Shares, resulting in the Company owning 80% of Nexxis and the Minority Stockholder owning 20% of Nexxis. Pursuant to the Stockholders Agreement, the Company may acquire all of the shares of Nexxis held by the Minority Stockholder at any time after the 18-month anniversary of the filing of the Nexxis articles of incorporation based on a certain formula of 4.5 times Nexxis's EBITDA. Annual post-audit profit distributions (the "Annual Distributions") will be issued to the Nexxis stockholders in connection with the revenue of Nexxis (i) on a pro-rata basis, (ii) based on no less than 50% of each stockholder's ownership of Nexxis and (iii) based on and comprised of available cash, provided, however, if cash is not available to issue Annual Distributions, any unissued Annual Distributions will accrue and be issued within 30 days of the requisite cash becoming available in connection with such unissued Annual Distributions. At the sole discretion of the Board of Directors of Nexxis, which will initially consist of three (3) directors, Annual Distributions may be issued to the Nexxis stockholders based on no more than 50% of each stockholder's ownership of Nexxis. As additional cash of Nexxis may become available, additional distributions may be made to the Nexxis stockholders based on no less than 50% of each stockholder's ownership of Nexxis. No Nexxis stockholder will have priority over any other stockholder either as to the return of his, her, or its capital infusions or as to any distributions made by Nexxis. In addition, during the term of the Stockholders Agreement the Company will provide certain services and resources to Nexxis, as set forth in the Stockholders Agreement. Additionally, the Minority Stockholder may not transfer any Nexxis Shares owned by the Minority Stockholder without the express written consent of the Company. Further, if the Company proposes to transfer its Nexxis Shares to a third-party buyer, the Company has the drag-along right to force the Minority Stockholder to participate in the transfer of such shares to the third-party buyer on the same terms, and if the Company proposes to sell any of its Nexxis Shares then the Minority Stockholder may include its Nexxis Shares in such sale. The Stockholders Agreement contains and other covenants and provisions customary for agreements of a type similar to the Stockholders Agreement.

On November 13, 2017, the Company entered into an Executive Employment Agreement (the “Camello Agreement”) with Nexxis Inc. (“Nexxis”), a majority-owned subsidiary of the Company, and John Camello, pursuant to which John Camello will serve as the President of Nexxis for a term of three (3) years (the “Term”). Pursuant to the Camello Agreement, Mr. Camello’s initial compensation will consist of (1) monthly distributions comprised of 100% of the adjusted gross profit of Nexxis (the “Initial Monthly Distributions”), and (2) an initial salary from the Company in the approximate amount of \$46,000 (the “Initial Salary”). In addition to the Initial Salary, Mr. Camello will receive access to the Company’s benefits programs. Upon Mr. Camello achieving Initial Monthly Distributions in the amount of \$16,667 per month for three (3) consecutive months (a) the Initial Monthly Distributions will cease being issued to Mr. Camello, (b) the Initial Salary will cease being paid to Mr. Camello and (c) Mr. Camello will be placed on an annual base salary from Nexxis in the amount of \$150,000 (the “Base Salary”). Throughout the Term, Mr. Camello will also be entitled to an issuance of common stock options to acquire shares of common stock of the Company (the “Options”) in accordance with the stock incentive plan of the Company. The amount of such Options is currently being considered by the Board of Directors of the Company. During the Term, Mr. Camello will be entitled to receive (i) a management bonus comprised of twenty five percent (25%) of any Nexxis net profits which are available each quarter and (ii) additional compensation as may be granted to Mr. Camello by the Nexxis Board of Directors in its sole discretion. During the Term, Mr. Camello will be eligible to receive an executive bonus pursuant to which Mr. Camello may earn an additional bonus in the amount of \$50,000 per annum which may be issued to Mr. Camello in the form of common stock options of the Company, cash or a combination thereof, upon Nexxis achieving certain milestones and/or benchmarks in accordance with the Nexxis business plan and objectives. At the sole discretion of the Board of Directors of the Company, Mr. Camello will be entitled to earn certain common stock options (the “Benchmark Options”) to acquire shares of common stock of the Company in accordance with a “Revenue Benchmark Program” and related vesting schedule, pursuant to which the Benchmark Options will be issued to Mr. Camello on a semi-annual basis for the first two (2) years of Mr. Camello’s employment upon Nexxis achieving certain milestones determined by the parties (the “Benchmarks”) in connection with the Revenue Benchmark Program, as set forth in the Camello Agreement.

Item 6. Exhibits

Exhibit No.	Description
3.1	Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form SB-2 filed on December 17, 2007 (the "SB-2")) .
3.2	Certificate of Amendment to Articles of Incorporation (incorporated by reference to Exhibit 3.1 to Form 8-K filed on October 24, 2008) .
3.3	Certificate of Amendment to Articles of Incorporation (incorporated by reference to Exhibit 3.1.1 on Form 8-K filed on January 6, 2009) .
3.4	Bylaws (incorporated by reference to Exhibit 3.2 to the SB-2) .
3.5	Amended Bylaws (incorporated by reference to Exhibit 3.2 to Form 8-K filed on October 24, 2008) .
4.1	Share Exchange Agreement, dated October 20, 2008, by and among Euro Trend Inc., Data Storage Corporation and the shareholders of Data Storage Corporation named on the signature page thereto (incorporated by reference to Exhibit 10.1 to Form 8-K filed on October 24, 2008) .
4.2	Share Exchange Agreement, dated October 20, 2008, by and among, Euro Trend Inc., Data Storage Corporation and the shareholders of Data Storage Corporation named on the signature page thereto (incorporated by reference to Exhibit 10.1 to Form 8-K/A filed on June 29, 2009) .
4.3	Registration Rights Agreement, dated November 29, 2011, by and between Data Storage Corporation and Southridge Partners II, LP (incorporated herein by reference to Exhibit 10.2 to Form 8-K filed on December 2, 2011) .
4.4	Equity Purchase Agreement, dated November 29, 2011, by and between Data Storage Corporation and Southridge Partners II, LP (incorporated herein by reference to Exhibit 10.2 to Form 8-K filed on December 2, 2011) .
4.5	Convertible Promissory Note, dated February 28, 2013, by and between the Company and John F. Coghlan, (incorporated herein by reference to Exhibit 4.1 to Form 10-Q filed on May 20, 2013) .
4.6	Warrant to Purchase Common Stock, dated February 28, 2013, by and between the Company and John F. Coghlan (incorporated herein by reference to Exhibit 4.2 to Form 10-Q filed on May 20, 2013) .
4.7	Securities Purchase Agreement, dated February 28, 2013, by and between the Company and John F. Coghlan, (incorporated herein by reference to Exhibit 10.1 to Form 10-Q filed on May 20, 2013) .
4.8	Securities Purchase Agreement between Charles M. Piluso and the Company dated as of August 9, 2013 (incorporated by reference to Exhibit 2.3 of Schedule 13D/A No. 1 filed by Charles M. Piluso on August 14, 2013 (File No. 005-84248)) .
4.9	10% Convertible Promissory Note due April 30, 2016 (incorporated by reference to Exhibit 2.4 of Schedule 13D/A No. 1 filed by Charles M. Piluso on August 14, 2013 (File No. 005-84248)) .
4.10	Warrant to Purchase Common Stock dated as of August 9, 2013, (incorporated by reference to Exhibit 2.5 of Schedule 13D/A No. 1 filed by Charles M. Piluso on August 14, 2013 (File No. 005-84248)) .
10.1	Asset Purchase Agreement dated November 10, 2008, by and between Novastor Corporation as Seller and Data Storage Corporation as Purchaser (incorporated by reference to Exhibit 10.1 to Form 8-K filed on November 12, 2008) .
10.2	Joint Venture – Strategic Alliance Agreement, dated March 2, 2010, by and between Data Storage Corporation and United Telecomp, LLC (incorporated by reference to Exhibit 10.1 to Form 8-K filed on March 3, 2010) .
10.3	Term Sheet for Acquisition by Data Storage Corporation of 80% of the Equity of e-ternity Business Continuity Consultants, Inc., dated May 16, 2012 (incorporated by reference to Exhibit 99.1 to Form 8-K, filed on May 30, 2012) .
10.4	Term Sheet for Acquisition by Data Storage Corporation of Message Logic, Inc., dated August 31, 2012 (incorporated by reference to Exhibit 99.1 to Form 8-K filed on September 4, 2012) .
10.5	Asset Purchase Agreement, dated June 17, 2010, between SafeData, LLC and Data Storage Corporation (incorporated by reference to Exhibit 10.1 to Form 8-K filed on June 23, 2010) .
10.6	Asset Purchase Agreement, dated October 31, 2012, by and between Data Storage Corporation and Message Logic, Inc. (incorporated by reference to Exhibit 2.1 to Form 8-K filed on January 30, 2013) .
10.7	Stock Purchase Agreement, dated October 31, 2012, by and between Data Storage Corporation and Zojax Group, LLC (incorporated by reference to Exhibit 10.1 to Form 8-K filed on November 7, 2012) .
10.8	Form of Employment Agreement between Peter Briggs and Data Storage Corporation (incorporated by reference to Exhibit 10.2 to Form 8-K filed on June 23, 2010) .
10.9	Data Storage Corporation 2010 Incentive Award Plan (incorporated by reference to Exhibit 10.1 on Form S-8/A filed on October 25, 2010) .

10.10	Amended and Restated Data Storage Corporation 2010 Incentive Award Plan (incorporated by reference to Exhibit 10.1 to Form 8-K filed on April 26, 2012).
10.11	Stock Purchase Agreement, dated as of March 1, 2011, by and between Data Storage Corporation and John F. Coghlan (incorporated by reference to Exhibit 10.1 to Form 8-K filed on March 7, 2011).
10.12	Stock Purchase Agreement, dated September ember 7, 2012, by and between Data Storage Corporation and John F. Coghlan (incorporated by reference to Exhibit 2.1 to Form 8-K filed on September ember 13, 2012).
10.13	Stock Purchase Agreement, dated September ember 7, 2012, by and between Data Storage Corporation and Clifford Stein (incorporated by reference to Exhibit 2.2 to Form 8-K filed on September ember 13, 2012).
10.14	Stock Purchase Agreement, dated September ember 18, 2012, by and between Data Storage Corporation and Jan Burman (incorporated by reference to Exhibit 2.1 to Form 8-K filed on September ember 21, 2012).
10.15	Stock Purchase Agreement, dated September ember 18, 2012, by and between Data Storage Corporation and Charles M. Piluso (incorporated by reference to Exhibit 2.2 to Form 8-K filed on September ember 21, 2012).
10.16	Stock Purchase Agreement, dated September ember 18, 2012, by and between Data Storage Corporation and Piluso Family Associates (incorporated by reference to Exhibit 2.3 to Form 8-K filed on September ember 21, 2012).
10.17	Asset Purchase Agreement by and between ABC Services Inc., and Data Storage Corporation Inc. and Data Storage Corporation as of October 25, 2016 (incorporated by reference to Exhibit 10.1 to Form 8K filed on October 31, 2016) Asset Purchase Agreement by and between ABC Services II Inc., and Data Storage Corporation Inc. and Data Storage Corporation as of October 25, 2016 (incorporated by reference to Exhibit 10.2 to Form 8K filed on October 31, 2016) Conversion Agreement by and between Data Storage Corporation and Charles M. Piluso dated October 25, 2016 (incorporated by reference to Exhibit 10.3 to Form 8K filed on October 31, 2016) Conversion Agreement by and between Data Storage Corporation and John F. Coghlan dated October 25, 2016 (incorporated by reference to Exhibit 10.4 to Form 8K filed on October 31, 2016)
10.18	Conversion Agreement by and between Data Storage Corporation and Clifford Stein dated October 25, 2016 (incorporated by reference to Exhibit 10.5 to Form 8K filed on October 31, 2016).
10.19	Conversion Agreement by and between Data Storage Corporation and Clifford Stein dated October 25, 2016 (incorporated by reference to Exhibit 10.5 to Form 8K filed on October 31, 2016).
10.20	Conversion Agreement by and between Data Storage Corporation and Clifford Stein dated October 25, 2016 (incorporated by reference to Exhibit 10.5 to Form 8K filed on October 31, 2016).
10.21	Form of Stockholders Agreement by and between Data Storage Corporation, Nexxis Inc., and John Camello dated November 13, 2017.
10.22	Form of Employment Agreement between Data Storage Corporation, Nexxis Inc., and John Camello dated November 13, 2017.
10.23	Code of Ethics (incorporated by reference to Exhibit 14.1 to Form 10-K filed on September 30, 2009).
14	List of Subsidiaries of Data Storage Corporation (incorporated by reference to Exhibit 21 to the Registration Statement on Form S-1 filed on February 6, 2012).
21	Certification of President, Chief Executive Officer, Chief Financial Officer, Chairman of the Board of Directors Pursuant to Rule 13a-14(a) and Rule 15d-14(a) under the Exchange Act.
31.1	Certification of President, Chief Executive Officer, Chief Financial Officer, Chairman of the Board of Directors Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.1	Press Release dated November 1, 2017 (incorporated by reference to Exhibit 99.1 to Form 8K filed on November 9, 2017)
99.1	

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: November 13, 2017

DATA STORAGE CORPORATION

By: /s/ Charles M. Piluso

Charles M. Piluso

Chief Executive Officer

Chief Financial Officer

(Principal Executive, Financial and Accounting Officer)

STOCKHOLDERS AGREEMENT

STOCKHOLDERS AGREEMENT dated as of November 13, 2017 (this “Agreement”), by and among NEXXIS INC., a Nevada corporation (the “Company”), and each holder of the Company’s Common Stock, par value \$0.0001 per share (“Common Stock”), who is or becomes a party to this Agreement (collectively, the “Stockholders”).

WHEREAS, after giving effect to the Company’s articles of incorporation (the “Articles”), which have been approved by the Stockholders, the Company has authorized capital stock consisting of 10,000,000 shares of Common Stock, of which an aggregate of 1,000,000 shares of Common Stock (the “Securities” or the “Shares”) will initially be issued and outstanding;

WHEREAS, the Stockholders desire to promote the best interests of the Company by providing for the management of the Company and by regulating the transfer and voting of shares of Common Stock and certain other matters; and

WHEREAS, in the event any Stockholder transfers the Securities, then the party acquiring the Securities is required to enter this Agreement with the Company.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Shares Owned by Stockholders.

1.1 Contemporaneously with the execution of this Agreement:

(a) The Company is issuing and selling to the Stockholders and the Stockholders are purchasing from the Company, an aggregate of one million (1,000,000) shares of Common Stock pursuant to Subscription Agreements (the “Subscription Agreements”) dated the date of this Agreement.

(b) After giving effect to the transactions described in this Section 1.1, the outstanding shares of Common Stock will be owned as follows:

<u>Name</u>	<u>Shares</u>	<u>Percentage of Ownership</u>
Data Storage Corporation	800,000	80.00%
John Camello	200,000	20.00%
Total:	1,000,000	100.00%

1.2 Each Stockholder represents and warrants to the other Stockholders and the Company that all of the shares referred to in Section 1.1 of this Agreement as being owned by such Stockholder are and will be, upon issuance thereof as provided in Section 1.1 of this Agreement, owned by such Stockholder free and clear and not subject to any pledge, security interest, lien, option, right or other encumbrance, except for the escrow agreements referred to in this Agreement.

1.3 Any additional shares of Common Stock which any Stockholder may acquire, whether from the Company or another Stockholder or otherwise, shall be subject to this Agreement in the same manner as if such shares were owned by such Stockholder on the date of this Agreement.

2. Restrictions on Transfer.

2.1 Prohibited Transfer. No Stockholder shall voluntarily or involuntarily (whether by operation of law or otherwise) sell, assign, transfer, devise, encumber, pledge, give, bequeath, hypothecate or otherwise dispose of ("Transfer") any or all of the Shares now or hereafter legally or beneficially owned by a Stockholder, except as otherwise specifically provided in this Agreement. Any Transfer of Shares made by any Stockholder shall be void unless otherwise specifically authorized by this Agreement. The Company or its transfer agent shall not permit any transfer to be recorded on the books unless the transfer is made in accordance with this Agreement.

2.2 Legend. Each stock certificate representing the Shares that are subject to this Agreement shall bear the following legend (together with any other legend required or appropriate for compliance with state and federal securities laws):

"This certificate and the shares of stock represented by it are held subject to the terms and restrictions of that certain Stockholders' Agreement, dated as of November 13, 2017 by and among certain holders of its securities (the "Agreement") and all amendments thereto, and may not be sold, pledged, assigned, distributed, bequeathed, encumbered, gifted, devised, hypothecated or otherwise transferred except in accordance with the terms and provisions thereof. A copy of the Agreement, and any and all amendments thereto, is on file in the office of the secretary of the Company."

3. Transfers of Shares.

3.1 Restrictions on Resales. The Minority Stockholder (as defined below) may not sell, transfer or convey, or otherwise dispose of, in one or a series of transactions, Shares owned by the Minority Stockholder to any person or entity without the express written consent of Data Storage Corporation (the "Principal Stockholder"), subject to the terms of this Agreement.

For purposes of this Agreement, the term "Affiliate" means any corporation, association, partnership, limited liability company, trust, joint venture, unincorporated organization, business, or other legal entity or family member that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with such Selling Stockholder.

3.2 Tag Along Rights. If at any time or from time to time, the Principal Stockholder proposes to sell any Shares, then any of the other Stockholders of the Company that are part of this Agreement (each, a "Minority Stockholder") may include in the sale to the proposed transferee, on the same terms and conditions, Shares owned by the Minority Stockholder. The Principal Stockholder shall not consummate or enter into any agreement to consummate such sale unless the prospective purchaser also offers to purchase a corresponding percentage of the Shares of each Minority Stockholder that has exercised his, her, or its right to participate in such sale under this Section 3.2 at the same price and on the same other terms as the prospective purchaser offered to purchase the Shares of the Principal Stockholder (the "Tag-Along Right").

(a) If the Principal Stockholder desires to sell in accordance with this Section, it shall communicate in writing such election (a "Tag Along Notice"), which communication shall state (i) the number of Offered Shares that the Principal Stockholder desires to sell, (ii) the name and address of the prospective purchaser, and (iii) the material terms of such sale, including the amount of consideration (and the value of any non-cash consideration) offered by the prospective purchaser. The Tag Along Notice shall be delivered in person or mailed to the Minority Stockholder at the address set forth in the books and records of the Company in accordance with this Agreement within ten (10) days of the date of such offer.

(b) Within thirty (30) days from the delivery of the Tag Along Notice, the Minority Stockholder may elect to exercise his, her, or its Tag-Along Right by delivering written notice to the Approving Shareholders of his, her or its election to participate in the sale of the Shares being offered for sale. If a Minority Stockholder exercises his, her or its Tag Along Rights, such Minority Stockholder shall request the Principal Stockholder to submit an offer (the "Revised Offer") to the prospective purchaser to include for purchase all or none of the Shares of the Minority Stockholder on the same terms as conditions ("Original Conditions") under which the prospective purchaser would purchase Shares from the Principal Stockholder. The Revised Offer shall be required to be submitted within 20 days of such request.

(c) If a Revised Offer is submitted with terms of sale substantially equal to or greater than the Original Conditions, the Principal Stockholder shall be obligated to accept the Revised Offer and consummate the sale contemplated thereby. If the terms and conditions contained in the Revised Offer are not substantially equal to or greater than the Original Conditions, then the Principal Stockholder shall have the right to cause the Revised Offer to be rejected by the Principal Stockholder.

3.3 Drag-Along Rights. Anything in this Agreement to the contrary notwithstanding, if the Principal Stockholder proposes to transfer its shares to a third-party buyer as permitted by the terms of this Agreement, the Principal Stockholder shall notify the Minority Stockholder in writing of such proposed sale, the terms and conditions thereof and provide documentary evidence of the identity of such third-party buyer and its relationship to the Principal Stockholder. The Principal Stockholder shall have the right (a "Drag-Along Right") to force the Minority Stockholder to participate in the transfer of shares to the third-party buyer on the same terms and conditions upon which the Principal Stockholder participates in such transfer to the third-party buyer.

3.4 Acquisition of Minority Stockholder Shares by Principal Stockholder. The Principal Stockholder shall have the right during the Term (as defined herein) of this Agreement to acquire all of the issued and outstanding Minority Stockholder Shares at any time after the 18-month anniversary of the filing of the Articles based on a formula of 4.5 times the Company's EBITDA. The EBITDA multiple resulting from the forgoing calculation shall be based on end-user accounts which are invoiced by the Company for their services. Commission revenue to be included in the above EBITDA multiple shall be limited to ten percent (10%) of the Company's overall revenue. Commission revenue is defined as services billed by a third party resulting in a commission payment to the Company.

3.5 Transfers by Operation of Law. If any Stockholder's Shares are transferred by operation of law due to such Stockholder's bankruptcy, an attachment and levy on the Shares by such Stockholder's creditor or resulting from some other event (collectively, a "Transfer by Operation of Law"), then the other Stockholders and the Company shall have the right to acquire such Shares in a manner consistent with this Agreement. The purchase price of such Shares shall be determined by the parties to such transaction, or absent an agreement within twenty (20) days after such Transfer by Operation of Law, by arbitration. The effective date of the transfer of the Shares of such Stockholder to the other Stockholders or the Company shall be the day immediately preceding: (A) the bankruptcy of such Stockholder; (B) the date such Stockholder's creditor attaches and levies against such Shares; or (C) the date on which the Shares are otherwise transferred by operation of law.

3.6 Conditions of Sale. The Shares sold pursuant to this Section shall be free and clear of all liens, claims, and encumbrances whatsoever except those arising under this Agreement. The offer from a third party as provided in this Agreement shall be accompanied by the deposit of ten percent (10%) of the purchase price in cash with an escrow agent.

3.7 Failure to Deliver Shares. If any party required under this Agreement fails to give any notice, make any offer, sell any Shares, or close any sale, then any Stockholder of the Company may institute and maintain a proceeding to compel the specific performance of this Agreement by the defaulting party, and the successful party or parties shall be entitled to all court costs and reasonable trial and appellate attorney's fees incurred in such proceeding.

3.8 Termination of Restrictions on Transfer. The rights, restrictions and procedures contained in this Section shall terminate immediately prior to the closing of an initial public offering of the Common Stock of the Company, or immediately prior to the consummation of an Approved Sale. "Approved Sale" means a sale of the entire Company, whether such sale is structured as a sale of all of the Company's outstanding shares of capital stock, a sale of all or substantially all of the assets of the Company, or as a merger, consolidation or otherwise.

4. Corporate Opportunity; Confidentiality.

4.1 During the term of this Agreement, the Company may disclose or make known to the Stockholders, and the Stockholders may be given access to or may become acquainted with, certain information, trade secrets or both relating to the Company and/or the business of the Company, including but not limited to confidential information and trade secrets regarding tapes, computer programs, designs, skills, procedures, methods, documentation, drawings, facilities, customers, policies, marketing, pricing, sales lists and leads, and other information and know-how, not previously known to such Stockholder(s), all relating to or useful in the Company's business or the business of its affiliates (collectively "Confidential Information"), and which the Company considers proprietary and desires to maintain confidential.

4.2 During the term of this Agreement and at all times thereafter, the Stockholders shall not in any manner, either directly or indirectly, divulge, disclose or communicate to any person or firm, except to or for the Company's benefit as directed by the Company, any of the Confidential Information which he may have acquired in the course of or as an incident to his status as a Stockholder, director, consultant, agent or employee of the Company, the parties agreeing that such Confidential Information affects the successful and effective conduct of the Company's business and its goodwill and that any breach of the terms of this Section is a material breach of this Agreement. All equipment, documents, memoranda, reports, records, files, materials, samples, books, correspondence, lists, other written and graphic records, and the like (collectively, the "Materials"), affecting or relating to the Company or its business, which a Stockholder shall prepare, use, construct, observe, possess or control shall be and remain the Company's sole property. If at any time a Stockholder shall cease to be a Stockholder of the Company, the Materials and all copies thereof in the custody or control of any such Stockholder shall be delivered promptly to the Company.

4.3 Stockholders agree that during the term of this Agreement (as defined herein) and until the first anniversary of the expiration of the Term of this Agreement, the Minority Stockholder will not, except with the prior written consent of the Board of Directors, directly or indirectly, either for himself or for any other person, partnership, corporation, joint venture, business trust, cooperative, limited partnership or any other entity, solicit any (i) clients of the Company, (ii) prospects in the Company's database or otherwise, (iii) distribution channels of the Company, (iv) customers of the Company or (v) employees of the Company.

5. Management of the Company/Board of Directors and Future Capital Contributions.

5.1 The Board of Directors of the Company shall be responsible for the overall management of the Company. All Stockholders agree to vote for the Directors nominated by respective parties to this Agreement. The Board of Directors shall initially consist of three (3) directors. Each of the Shareholders agrees to vote his, her or its Shares to elect the Shareholders as directors of the Company, and such Shareholders agree to accept such directorship until his, her or its resignation or removal in accordance with the Company's bylaws and all other corporate governing documents.

5.2 Any future capital infusion requirements shall be determined by the Board of Directors.

6. Distributions of Income and Losses.

6.1 Determination of Net Income and Loss. The net profits or net losses of the Company for each fiscal year will be determined on an accrual basis in accordance with generally accepted principles of accounting.

6.2 Annual Distributions of Net Income. Annual post-audit profit distributions (the "Annual Distributions") shall be issued to the Company's Stockholders in connection with the revenue of the Company (i) on a pro-rata basis (i.e. based on each Stockholder's percentage of ownership of the Company), (ii) based on no less than 50% of each Stockholder's ownership of the Company and (iii) such Annual Distributions shall be based on and comprised of available cash; *provided, however*, that if cash is not available to issue Annual Distributions, any unissued Annual Distributions shall accrue and be issued within 30 days of the requisite cash becoming available in connection with such unissued Annual Distributions. At the sole discretion of the Board of Directors of the Company Annual Distributions may be issued to the Company's Stockholders based on no more than 50% of each Stockholder's ownership of the Company. As additional cash of the Company may from time to time become available, additional distributions may be made to the Stockholders based on no less than 50% of each Stockholder's ownership of the Company. No Shareholder shall have priority over any other Shareholder either as to the return of his, her, or its capital infusions or as to distributions made by the Company.

7. Services to be Provided by Principal Stockholder. The Principal Stockholder shall provide certain services and resources (the "Principal Stockholder Services") to the Company during the Term of this Agreement, which such Principal Stockholder Services are set forth on Exhibit A attached hereto.

8. Termination.

8.1 Term. This Agreement shall continue in force as to each Stockholder until such time as that Stockholder owns Common Stock or securities convertible into Common Stock in an amount equal to zero percent (0.0%) of the then outstanding shares of Common Stock.

8.2 Termination. This Agreement shall terminate and all rights and obligations hereunder shall cease upon the mutual agreement of the Stockholders.

9. Miscellaneous Provisions.

9.1 Conflicts. In the event of a conflict between the terms of this Agreement and similar terms in an option agreement or other agreement governing shares of stock held by a Stockholder, the terms of this Agreement shall govern.

9.2 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the beneficiaries, heirs and representatives of the Stockholders and the successors and assigns of the Company.

9.3 Jurisdiction, Venue and Governing Law. This Agreement shall be governed by, and construed and interpreted in accordance with the laws of the State of New York, without regard to such State's principles of conflict of laws, except to the extent that the General Corporation Law of the State of Nevada applies. The parties irrevocably and unconditionally agree that the exclusive place of jurisdiction for any action, suit or proceeding ("Actions") relating to this Agreement shall be in the federal or state courts sitting in Suffolk County, New York, and each such party hereby irrevocably and unconditionally agrees to submit to the jurisdiction of such courts for purposes of any such Actions. Each party irrevocably and unconditionally waives any objection it may have to the venue of any Action brought in such courts or to the convenience of the forum. Final judgment in any such Action shall be conclusive and may be enforced in other jurisdictions by suit on the judgment, a certified or true copy of which shall be conclusive evidence of the fact and the amount of any indebtedness or liability of any party therein described.

9.4 WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

9.5 Counterparts. This Agreement may be executed by the parties hereto in counterparts, each of which shall be deemed to be an original, but all such counterparts shall constitute one and the same instrument, and all signatures need not appear on any one counterpart.

9.6 Stock Splits, etc. All share numbers used in this Agreement are subject to adjustment in the case of any stock split, reverse stock split, combination or similar events.

9.7 Notices. All notices and other communications provided for herein shall be in writing and shall be deemed to have been duly given if delivered personally, sent by registered or certified mail, return receipt requested, postage prepaid, sent via overnight delivery service or sent via facsimile, and shall be effective (1) when personally delivered, (2) on the day following delivery to an overnight courier service if sent for delivery within the United States (or on the second business day following delivery to such courier service if sent for delivery outside the United States), (3) on the business day following receipt of transmission if sent via facsimile, or (4) on the fifth business day after the date of mailing if sent by registered or certified mail, in each case to the following addresses:

To the Board or the Company:

Nexxis Inc.
68 South Service Road, Suite 100
Melville, New York 11747
Attn: Charles M. Piluso, CEO

To the Stockholders:

At the address set forth on signature pages attached hereto.

Addresses may be changed by written notice sent to the other party at the last recorded address of that party.

9.8 Amendments and Waivers. No change or modification to this Agreement shall be valid unless the same is in writing and signed by the parties hereto. Subject to the previous sentence, no waiver of any provision of this Agreement shall be valid unless in writing and signed by the party against whom it is sought to be enforced. The failure of any party at any time to insist upon strict performance of any condition, promise, agreement or understanding set forth herein shall not be construed as a waiver or relinquishment of the right to insist upon strict performance of the same or other condition, promise, agreement or understanding at a future time.

9.9 Severability. If any provision of this Agreement shall be adjudged by any court of competent jurisdiction to be invalid or unenforceable for any reason, such judgment shall not affect, impair or invalidate the remainder of this Agreement.

9.10 Prior Understandings. This Agreement embodies the entire understanding of the parties hereto, and supersedes all other oral or written agreements or understandings between them regarding the subject matter hereof. In the event of any conflict between the terms of this Agreement and the terms of any other agreement, the terms of this Agreement shall control. No change, alteration or modification hereof may be made except in writing, signed by each of the parties hereto. The headings in this Agreement are for convenience of reference only and shall not be construed as part of this Agreement or to limit or otherwise affect the meaning hereof.

9.11 Further Assurances. From and after the date of this Agreement, upon the request of a party, the other parties shall execute and deliver such instruments, documents or other writings as may be reasonably necessary or desirable to confirm and carry out and to effectuate fully the intent and purposes of this Agreement.

9.12 Dealings in Good Faith: Best Efforts Each party hereto agrees to act in good faith with respect to the other party or parties in exercising its rights and discharging its obligations under this Agreement. Each party further agrees to use its best efforts to ensure that the purposes of this Agreement are realized and to take all steps as are reasonable in order to implement the operational provisions of this Agreement. Each party agrees to execute, deliver and file any document or instrument necessary or advisable to realize the purposes of this Agreement.

9.13 Indemnification by Company. The Company agrees to indemnify and hold each of the Shareholders harmless from and against any claim, loss, damage, liability or cost asserted against or incurred by such Shareholder that is attributable to the services rendered in that capacity, except for any such claim, loss, damage, liability or cost determined by a court having proper jurisdiction, to be the direct result of an act by the Shareholder that is: (i) unlawful; (ii) caused by such Shareholders' bad faith, gross negligence or willful misconduct, or (ii) specifically outside the scope of such Shareholder's authority.

9.14 Inspection Rights. Upon reasonable notice from a Shareholder, the Company shall, and shall cause its directors, officers and employees to, afford each Shareholder reasonable access during normal business hours to (i) the Company's properties, offices, plants and other facilities and (ii) the corporate, financial and similar records, reports and documents of the Company, including, without limitation, all books and records, minutes of proceedings, internal management documents, reports of operations, reports of adverse developments, copies of any board of director letters to Shareholders, and to permit the Shareholder to examine such documents and make copies thereof.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties have duly executed this Agreement or caused this Agreement to be duly executed by their respective officers or other representatives thereunto duly authorized as of the day and year first set forth above.

THE COMPANY:

NEXXIS INC.

By: /s/Charles M. Piluso
Name: Charles M. Piluso
Title: CEO

IN WITNESS WHEREOF, the undersigned hereby executes the Stockholders Agreement of Nexxis Inc. dated as of November 13, 2017 (the "Agreement") and hereby agrees to become a party to the Agreement, effective as of the date hereof, and hereby agrees that the undersigned is a "Stockholder" as defined in the Agreement and shall be bound by all the terms and provisions of the Agreement as though an original signatory thereto and that the Securities acquired by the undersigned are "Securities" subject to the terms of the Agreement. The undersigned acknowledges receipt of a copy of the Agreement and acknowledges that the undersigned has read the Agreement and is familiar with its terms.

Principal Stockholder:

Minority Stockholder:

Data Storage Corporation

By: /s/Charles M. Piluso

Name: Charles M. Piluso

Title: CEO

/s/John Camello

John Camello

68 South Service Road, Suite 100

Number and Street

15 Laurel Lane

Number and Street

Melville, New York 11747

City, State and Zip

Commack, New York 11725

City, State and Zip

Exhibit A

PRINCIPAL STOCKHOLDER SERVICES

The Principal Stockholder shall provide, or cause to be provided, to the Company certain ongoing services and resources including, but not limited to:

A. Finance and Administration:

- i. Payroll;
- ii. Human resources;
- iii. Administrative support;
- iv. Accounting and Bookkeeping;
- v. General office space and required equipment and services to conduct business; and
- vi. Legal support as required for Vendor and Customer contract negotiations, new-hires, general counsel, etc.

B. Sales and Marketing:

- i. Access to all marketing companies and vendors, which will offer counsel and provide for all marketing campaigns, client surveys and events;
- ii. Creation of a website and further development of the current website;
- iii. Access to Data Storage Corporation's customer base and contacts for cross selling with coordination from Data Storage Corporation; and
- iv. Warm introductions by Data Storage Corporation management to their customer base and Channel Partners to enable and support the Company's sales efforts for rapid expansion. For example, webinars, joint calls and email campaigns.

C. Operations and engineering:

- (i) Technical support for networking to Data Storage Corporation clients for internet and dedicated circuits for access to Data Storage Corporation's IaaS, SaaS and Disaster Recovery solutions;
 - (ii) The Company will be permitted to obtain technical support from a third party in the event Data Storage Corporation and Hosted Voice Wholesale Providers cannot provide the necessary technical support for Hosted Voice Sales, Installation and Service;
 - (iii) Access to Data Storage Corporation cages and collocations providers for required equipment; and
 - (iv) Technical support for selection, installation, and ongoing requirements of products and services acquired for the Company's portfolio.
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EXECUTIVE EMPLOYMENT AGREEMENT

THIS EXECUTIVE EMPLOYMENT AGREEMENT (the "Agreement") is made and entered into as of the 13th day of November 2017 (the "Start Date"), by and between John Camello (the "Executive"), and Nexxis Inc., a Nevada corporation, currently headquartered at 68 South Service Road, Suite 100, Melville, New York 11747 (the "Company") and Data Storage Corporation ("Data Storage Corporation"), a Nevada Corporation, currently headquartered at 68 South Service Road, Suite 100, Melville, New York 11747.

WITNESSETH:

WHEREAS, the Company is a telecommunications company focused on providing Voice and Data Services (the "Business"); and

WHEREAS, the Company desires to employ Executive, and Executive desires to be employed by the Company, on the terms and conditions set forth in the Agreement;

NOW, THEREFORE, in consideration of the foregoing, Executive's employment by the Company as provided herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Employment

(A) The Company employs Executive, and Executive accepts employment with the Company, as the Company's President, upon the terms and conditions set forth in the Agreement. Executive shall report to the CEO and Board of Directors of the Company. As more fully set forth below, Executive shall (1) devote all of his working time, attention, and energy, using commercially reasonable efforts, to perform his duties and provide his services under the Agreement; (2) faithfully and competently serve and further the interests of the Company in every lawful way, giving honest, diligent, loyal, and cooperative service to the Company; (3) discharge all such duties and perform all such services as aforesaid in a timely manner; and (4) comply with all lawful policies which from time to time may be in effect at the Company or that the Company adopts. Executive's duties to the Company are more fully described on Exhibit A attached hereto.

(B) Except for business travel by the Executive that may from time to time be necessary or advisable on behalf of the Company, the Executive will provide his services at the Company's office of a minimum of five employees located within 20 miles of Melville, New York, 11747 (the "Office").

2. **Conflicts of Interest** Executive represents, warrants and agrees that prior to the execution of this Agreement he has been engaged in providing services similar to those of the Company, however, Executive represents, warrants and agrees that upon the Start Date he shall not be engaged in providing services similar to those of the Company, nor shall he during the Term (as defined below) enter into, any employment or agency relationship or agreement with any third party whose interests would be reasonably expected to conflict with those of the Company. Executive further represents, warrants and agrees that he does not presently, nor shall he, during the Term, possess any significant interest, directly or indirectly, including through Executive's family or through businesses, organizations, trusts, or other entities owned or controlled by Executive, in any third party whose interests would be reasonably expected to conflict with those of the Company. Executive will not engage in any other employment, consulting, or other business activity in conflict with the Company without the prior written consent of the Board of Directors, but Executive may, with written notice to the Board of Directors, (i) serve on the boards of directors of, or in an advisory capacity to charitable organizations and not-for-profit corporations, (ii) serve on the boards of directors of companies which Executive currently serves on as of the date of this Agreement and (iii) may pursue passive investments, provided that such activities do not unreasonably interfere with Executive's duties and responsibilities to the Company or create an actual or apparent conflict of interest with the Company. Without limiting the generality of the foregoing, Executive also represents, warrants, and agrees that:

(A) except for the non-compete obligation with Executive's previous employer, CenturyLink, which obligation expires on December 16, 2017, Executive is not subject to any agreement, including any confidentiality, non-competition or non-solicitation agreement, invention assignment agreement, or other restrictive agreement or covenant, whether oral or written, that would in any way restrict or prohibit his ability to enter into and execute the Agreement, perform his duties and responsibilities and provide his services under the Agreement, or abide by policies of the Company;

(B) he has respected and at all times in the future will continue to respect the rights of his previous employers in trade secret and confidential information;

(C) the information Executive supplied to the Company in connection with Executive's application for employment with the Company is true, correct and complete; and

(D) without in any way limiting the Executive's duty of loyalty to the Company, so long as the Executive remains employed by the Company, any and all business opportunities in the Business from whatever source that the Executive may receive or otherwise become aware of through any means shall belong to the Company, and unless the Company specifically, after full disclosure by the Executive of each and any such opportunity, waives its right in writing, the Company shall have the sole right to act upon any of such business opportunities as the Company deems advisable.

3. **Compensation.** Subject to the terms and conditions of the Agreement, as compensation for Executive's services performed pursuant to the Agreement, the Company agrees to pay, or cause to be paid, to Executive, and Executive agrees to accept, the compensation as set forth on Exhibit B attached hereto during the Term.
4. **Business Expenses.** The Company will reimburse Executive, or cause Executive to be reimbursed, for the ordinary and necessary business expenses incurred by Executive in accordance with the current executive policies of Data Storage Corporation and applicable tax laws, subject to Executive obtaining the prior written approval of the Company's CEO for the Company's Business Plan and Budget as set forth in Exhibit A.
5. **Term; Termination.**

(A) The term ("Term") of the Agreement shall commence on the Start Date and shall continue through the third anniversary of the Start Date; *provided, however*, that the Company may terminate the Agreement (the "Benchmark Termination") at any time after the second anniversary of the Start Date if those certain Benchmarks, as defined in Section G of Exhibit B attached hereto, have not been fully achieved by the Company as of the second anniversary of the Start Date. Following the Benchmark Termination, the Company shall be relieved of its obligations to compensate Executive under this Agreement and Executive shall not be entitled to receive any other compensation, payments, benefits or severance amounts from the Company under this Agreement, notwithstanding the below additional terms of this Section 5.

Unless sooner terminated, the Term shall automatically renew for additional one (1) year periods unless the Company or the Executive provides written notice to the other party of its intention to terminate the Agreement no less than 60-days prior to the expiration of the then current Term. Executive may terminate the Agreement for Good Reason (as defined below) at any time upon 60 days' written notice to Company, provided the Good Reason has not been cured within such period of time (if reasonably capable of being cured). The Company may terminate its employment of Executive under the Agreement for Cause (as defined below) at any time by written notice to Executive.

(B) As used in the Agreement, the term “Good Reason” shall mean any reduction in his then-current Salary; Company’s failure to pay or provide required Salary; the relocation of Executive’s principal office location to an area outside of a twenty (20) mile radius of Melville, New York; any material reduction or diminution in Executive’s authorities, duties, or responsibilities with the Company; a material reduction of Executive’s employment benefits; material acts or conduct on the part of the Company or its officers and representatives that are designed to force the resignation of Executive or prevent Executive from performing his duties and responsibilities pursuant to this Agreement; the voluntary or involuntary dissolution of Company; the filing of a petition in bankruptcy by Company or upon an assignment for the benefit of creditors of the assets of Company; or a material breach of the provisions of the Agreement by the Company.

(C) As used in the Agreement, the term “Cause” shall mean any of the following:

- (i) the Executive’s intentional falsification of records or results of the Company; the Executive’s theft or embezzlement of money or material property of the Company; the Executive’s perpetration or attempted perpetration of fraud, or the Executive’s participation in a fraud or attempted fraud, on the Company; Executive’s violation of the laws and regulations prohibiting insider trading, including but not limited to disclosing material non-public information concerning the Company to any third party who is not an officer or director of the Company; or the Executive’s misappropriation of any material tangible or intangible assets or property of the Company;
- (ii) any act or omission by the Executive that constitutes a breach of the duty of loyalty to the Company, including but not limited to any undisclosed conflict of interest or material breach of the representations in Section 2 hereof or of any written conflict of interest policy of the Company in effect at the time the conduct occurs;
- (iii) the Executive’s conviction of or plea of no contest to a felony (not including traffic violations); the Executive’s commission of an act of moral turpitude that would be reasonably expected to, or that does, damage the reputation of the Company or materially undermines the Executive’s ability to lead the Company as its President; or the Executive’s sexual or other prohibited harassment of, or prohibited discrimination against, any employee of the Company;

- (iv) if Executive uses controlled substances or abuses alcohol that adversely affects or interferes with the Executive's performance for the Company;
- (v) the Executive's refusal or failure to carry out a lawful directive of the Board of Directors that has been communicated to Executive; or
- (vi) a material breach by the Executive of any of the provisions of the Agreement that remains uncured for sixty (60) days after Executive's receipt of written notice from the Company.

(D) Payments to Executive Upon Termination of the Agreement.

(i) In the event the Agreement is terminated prior to the expiration of the Term by the Company without Cause, the Company shall pay to Executive the amounts set forth in this Section: (a) an amount equal to Executive's accrued but unpaid Base Salary and earned but unpaid Bonus prior to and including the Termination Date; (b) reimbursement for any reimbursable business expenses incurred in accordance with the Agreement prior to and including the Termination Date; (c) the greater of Executive's then current Salary or \$200,000, which shall be paid in accordance with the Company's regular payroll cycle for one (1) year after the effective date of such termination; and (d) the continuation of Executive's medical and other benefits at the Company's cost and expense for one (1) year after the effective date of such termination. Further, any equity bonus shall vest as set forth under Section 3 of the Agreement.

(ii) In the event the Agreement is terminated prior to the expiration of the Term by the Executive with Good Reason, the Company shall pay to Executive the amounts set forth in this Section: (a) an amount equal to Executive's accrued but unpaid Base Salary and earned but unpaid Bonus prior to and including the Termination Date; (b) reimbursement for any reimbursable business expenses incurred in accordance with the Agreement prior to and including the Termination Date; (c) the greater of Executive's then current Salary or \$200,000, which shall be paid in accordance with the Company's regular payroll cycle for one (1) year after the effective date of such termination; and (d) the continuation of Executive's medical and other benefits at the Company's cost and expense for one (1) year after the effective date of such termination. Further, any equity bonus shall vest as set forth under Section 3 of the Agreement.

(iii) In the event the Agreement is terminated prior to the expiration of the Term by the Company for Cause, the Company shall pay to Executive the amounts set forth in this Section: (a) accrued but unpaid Salary and earned but unpaid Bonus prior to and including the Termination Date; and (b) reimbursement for any reimbursable business expenses incurred in accordance with the Agreement prior to and including the Termination Date.

(iv) In the event the Agreement is terminated prior to the expiration of the Term by the Executive without Good Reason, the Company shall pay to Executive the amounts set forth in this Section: (a) accrued but unpaid Salary and earned but unpaid Bonus prior to and including the Termination Date; and (b) reimbursement for any reimbursable business expenses incurred in accordance with the Agreement prior to and including the Termination Date.

(v) In the event the Agreement is terminated prior to the expiration of the Term by the Company due to the Executive's death or Disability, the Company shall pay to Executive or his heirs, representatives, successors (a) an amount equal to Executive's accrued but unpaid Base Salary and earned but unpaid Bonus prior to and including the Termination Date; and (b) reimbursement for any reimbursable business expenses incurred in accordance with the Agreement prior to and including the Termination Date. Further, any equity bonus shall vest as set forth under Section 3 of the Agreement.

(vi) Upon expiration of the Term if the Agreement shall not be renewed, the Company shall pay to Executive the amounts set forth in this Section: (a) all of Executive's accrued but unpaid Base Salary and earned but unpaid Bonus; and (ii) reimbursement for any reimbursable business expenses incurred in accordance with the Agreement prior to and including the end of the Term. The Company's obligations under this Section shall survive the expiration or sooner termination of the Agreement.

6. **Use.** By signing the Agreement, Executive grants the Company and its agents the right and license, without further compensation to Executive, to use, publish, display and distribute, as often as desired in connection with the businesses of the Company, Executive's name, biographical information, likeness and any photographs or videos that are taken of Executive during Executive's employment by the Company or any photographs that Executive supplies to the Company. Executive may inspect and approve such uses of Executive's name, biography, likeness and photographs and videos, which inspection and approval shall not be unreasonably withheld, delayed, or conditioned.

7. **Confidential Information.** Executive acknowledges and agrees that:

(A) during the course of Executive's employment with the Company, Executive will learn about, will develop and help to develop, and will be entrusted in strict confidence with confidential and proprietary information and trade secrets that are owned by the Company and that are not available to the general public or the Company's competitors, including (1) its business operations, finances, balance sheets, financial projections, tax information, accounting systems, value of properties, internal governance, structures, plans (including strategic plans and marketing plans), shareholders, directors, officers, employees, contracts, client characteristics, idiosyncrasies, identities, needs, and credit histories, referral sources, suppliers, development, acquisition, and sale opportunities, employment, personnel, and compensation records and programs, confidential planning and/or policy matters, and/or other matters and materials belonging to or relating to the internal affairs and/or business of the Company, (2) information that the Company is required to keep confidential in accordance with confidentiality obligations to third parties, (3) communications between the Company, its officers, directors, shareholders, members, partners, or employees, on the one hand, and any attorney retained by the Company for any purpose, or any person retained or employed by such attorney for the purpose of assisting such attorney in his or his representation of the Company, on the other hand, and (4) other matters and materials belonging to or relating to the internal affairs and/or business of the Company, including information recorded on any medium that gives it an opportunity to obtain an advantage over its competitors who do not know or use the same or by which the Company derives actual or potential value from such matter or material not generally being known to other persons or entities who might obtain economic value from its use or disclosure (all of the foregoing being hereinafter collectively referred to as the "Confidential Information");

(B) the Company has developed or purchased or will develop or purchase the Confidential Information at substantial expense in a market in which the Company faces intense competitive pressure, and the Company has kept and will keep secret the Confidential Information;

(C) nothing in the Agreement shall be deemed or construed to limit or take away any rights or remedies the Company may have, at any time, under statute, common law or in equity or as to any of the Confidential Information that constitutes a trade secret under applicable law.

8 . Confidentiality Covenants. To the extent that Executive developed or had access to Confidential Information before entering into the Agreement, Executive represents and warrants that he has not used for his own benefit or for the benefit of any other person or entity other than the Company, and Executive has not disclosed, directly or indirectly, to any other person or entity, any of the Confidential Information. Unless and until the Confidential Information becomes publicly known through legitimate means or means not involving any act or omission by Executive:

- (A) The Confidential Information is, and at all times shall remain, the sole and exclusive property of the Company;
- (B) except as otherwise permitted by the Agreement, Executive shall use commercially reasonable efforts to guard and protect the Confidential Information from unauthorized disclosure to any other person or entity;
- (C) Executive shall not use for Executive's own benefit, or for the benefit of any other person or entity other than the Company, and shall not disclose, directly or indirectly, to any other person or entity, any of the Confidential Information; and
- (D) Except in the ordinary course of the Company's businesses, Executive shall not seek or accept any of the Confidential Information from any former, present, or future employee of any of the Company.

9. Return of Company Property. Upon the termination of Executive's employment with the Company for any reason:

- (A) Executive shall not remove from the property of the Company, and shall immediately return to the Company, all documentary or tangible Confidential Information in Executive's possession, custody, or control and not make or keep any copies, notes, abstracts, summaries, tapes or other record of any type, on any medium, of any of the Confidential Information; and
- (B) Executive shall immediately return to the Company any and all other property belonging to or relating to the Company which has been in Executive's possession, custody or control, including any and all office keys, file keys, identification cards, security cards, credit cards, computer software and/or hardware, equipment, CD's, DVD's, USB devices, Company-business contact lists, client lists, vendor lists, mailing lists, personnel files, business records, correspondence, memoranda, and financial documents, and any material and other property which Executive prepared, or helped to prepare, or to which Executive had access, and any and all copies or recordings of and extracts from any such materials and other property.

10. Non-Solicitation. Executive agrees that, without the prior express written consent of the Board of Directors, Executive shall not, directly or indirectly, prior to the expiration of one (1) year after Executive ceases to be employed by the Company for any reason, on his own account, or as an employee, consultant, adviser, partner, member, co-venturer, owner, manager, officer, director, or stockholder, of any other person or other entity:

(A) with regard to the Business, call on, solicit, or, accept business, or engagement from or provide services to (i) any of the clients of the Company, (ii) prospects in the Company's database, (iii) customers of the Company, (iv) employees of the Company or (v) distribution channels of the Company who Executive learned or developed Confidential Information regarding, or provided services to on behalf of the Company, at any time during the twelve (12) month period prior to the termination of Executive's employment with the Company for any reason, unless the Executive can demonstrate that Executive had a previous business relationship in the Business with such party prior to and independent of Executive's employment with the Company; and

(B) (i) solicit for employment or engagement any Current Employee (as defined below) of the Company, (ii) hire, employ, or engage any Current Employee of the Company, or (iii) induce or influence, or seek to induce or influence, any Current Employee of the Company to terminate his or her, or its employment or engagement with the Company for any reason. As used in the Agreement, a "Current Employee" is a person who, at the time of the solicitation, employment, engagement, inducement or influence, is employed by the Company, a person who was employed by the Company any time during the twelve (12) months prior to the time in question, or, at the time in question, is employed by a third party and assigned to work more than twenty (20) hours per week for the Company.

11. Intellectual Property Rights.

(A) As used in the Agreement, the term "Inventions" means all procedures, systems, formulas, recipes, algorithms, methods, processes, uses, apparatuses, compositions of matter, designs or configurations, computer programs of any kind, discovered, conceived, reduced to practice, developed, made, or produced, or any improvements to them, and shall not be limited to the meaning of "invention" under the United States patent laws. Executive agrees to disclose promptly to the Company any and all Inventions, whether or not patentable and whether or not reduced to practice, conceived, developed, or learned by Executive during the Executive's employment with the Company or during a period of one hundred eighty (180) days after the effective date of termination of Executive's employment with the Company for any reason, either alone or jointly with others, which relate to or result from the actual or anticipated business, work, research, investigations, products, or services of the Company, or which result, to any extent, from use of the premises or property of the Company (each a "Company Invention"). Executive acknowledges and agrees that the Company is the sole owner of any and all property rights in all such Company Inventions, including the right to use, sell, assign, license, or otherwise transfer or exploit the Company Inventions, and the right to make such changes in them and the uses thereof as the Company may from time to time determine. Executive agrees to disclose in writing and to assign, and Executive hereby assigns, to the Company, without further consideration, Executive's entire right, title, and interest (throughout the United States and in all foreign countries) free and clear of all liens and encumbrances, in and to all such Company Inventions, which shall be the sole property of the Company, whether or not patentable. This Section 12 does not apply to any Inventions: (1) for which no equipment, supplies, facility, or Confidential Information of the Company were used; (2) that were developed entirely on Executive's own time; and (3) that do not relate at the time of conception or reduction to practice to the current business of the Company or its actual or demonstrably anticipated research or development, or which do not result from any work performed by Executive for the Company.

(B) Executive acknowledges and agrees that all materials of the Company, including slides, PowerPoint or Keynote presentations, books, pamphlets, handouts, audience participation materials and other data and information pertaining to the business and clients of the Company, either obtained or developed by Executive on behalf of the Company or furnished by the Company to Executive, or to which Executive may have access, shall remain the sole property of the Company and shall not be used by Executive other than for the purpose of performing under the Agreement, unless a majority of the Board of Directors (the "Majority Board") provides their prior written consent to the contrary.

(C) Unless the Majority Board otherwise agrees in writing, Executive acknowledges and agrees that all writings and other works which are copyrightable or may be copyrighted (including computer programs) which are related to the present or planned businesses of the Company and which are or were prepared by Executive during the Executive's employment with the Company are, to the maximum extent permitted by law, deemed to be works for hire, with the copyright automatically vesting in the Company. To the extent that such writings and works are not works for hire, Executive hereby disclaims and waives any and all common law, statutory, and "moral" rights in such writings and works, and agrees to assign, and hereby does assign, to the Company all of Executive's right, title and interest, including copyright, in such writings and works.

(D) Nothing contained in the Agreement grants, or shall be deemed or construed to grant, Executive any right, title, or interest in any trade names, service marks, or trademarks owned by the Company (all such trade names, service marks, and trademarks being hereinafter collectively referred to as the "Marks"). Executive may use the Marks solely for the purpose of performing his duties under the Agreement. Executive agrees that he shall not use or permit the use of any of the Marks in any other manner whatsoever without the prior written consent of the Majority Board.

(E) Executive further agrees to reasonably cooperate with the Company hereafter in obtaining and enforcing patents, copyrights, trademarks, service marks, and other protections of the Company's rights in and to all Company Inventions, writings and other works. Without limiting the generality of the foregoing, Executive shall, at any time during and after his employment with the Company, at the Company's reasonable request, execute specific assignments in favor of the Company, or its nominee, of Executive's interest in any of the Company Inventions, writings or other works covered by the Agreement, as well as execute all papers, render all reasonable assistance, and perform all lawful acts which the Company reasonably considers necessary or advisable for the preparation, filing, prosecution, issuance, procurement, maintenance or enforcement of patents, trademarks, service marks, copyrights and other protections, and any applications for any of the foregoing, of the United States or any foreign country for any Company Inventions, writings or other works, and for the transfer of any interest Executive may have therein. Executive shall execute any and all papers and documents required to vest title in the Company or its nominees in any Company Inventions, writings, other works, patents, trademarks, service marks, copyrights, applications and interests to which the Company is entitled under the Agreement.

12. Remedies. Without limiting any of the other rights or remedies available to the Company at law or in equity, Executive agrees that any actual or threatened violation of any of the provisions of Sections 8, 9, 10, 11 or 12 may be immediately restrained or enjoined by any court of competent jurisdiction, and that any temporary restraining order or emergency, preliminary, or final injunctions may be issued in any court of competent jurisdiction without notice and without bond. As used in the Agreement, the term "any court of competent jurisdiction" shall include the state and federal courts sitting, or with jurisdiction over actions arising, in Suffolk County, in the State of New York the jurisdiction, venue, and convenient forum of which are hereby expressly CONSENTED TO by Executive and the Company, all objections thereto being expressly WAIVED by Executive and the Company. Notwithstanding anything to the contrary contained in the Agreement, the provisions of Sections 2, 7 through 14 of the Agreement shall survive the termination of the term of Executive's employment with the Company for any reason.

13. Independent Covenants. The restrictive covenants and provisions contained in Sections 8, 9, 10, 11 and 12 above shall be construed as agreements which are independent of any other provision of the Agreement or any other understanding or agreement between the parties, and the existence of any claim or cause of action of Executive against the Company, of whatsoever nature, shall not constitute a defense to the enforcement by the Company of the covenants contained in the Agreement. Executive agrees to indemnify and hold the Company harmless from and against any and all claims, demands, actions, losses, liabilities, costs, damages and expenses (including reasonable attorneys' fees and court costs) which the Company suffers, sustains, or incurs solely as a result of, in connection with or arising out of Executive's material breach of any of the restrictive covenants and provisions contained in Sections 8, 9, 10, 11 and 12 above, or the efforts of the Company to enforce the terms of the Agreement, including the restrictive covenants contained in the Agreement.

14. Maximum Enforcement. It is the desire of the parties that the provisions of Sections 8 through 12 of the Agreement be enforced to the fullest extent permissible under the laws and public policies in each jurisdiction in which enforcement might be sought. Accordingly, without in any way limiting the general applicability of Sections 15(G) and 15(I) of the Agreement, if any particular portion of Sections 9, 10, 11, 12, 13 or 14 of the Agreement shall ever be adjudicated as invalid or unenforceable, or if the application thereof to any party or circumstance shall be adjudicated to be prohibited by or invalid under such laws or public policies, such Section or Sections shall be deemed amended to delete therefrom such portion so adjudicated, such deletion to apply only with respect to the operation of such Sections or Sections in the particular jurisdiction so adjudicating on the parties and under the circumstances as to which so adjudicated and only to the minimum extent so required, and the parties shall be deemed to have substituted for such portion deleted words which give the maximum scope permitted under applicable law to such Section or Sections. In the event of litigation between Executive and the Company, Executive undertakes to and shall, upon request of the Company, stipulate in such litigation to any and all of the representations, warranties, and acknowledgments that Executive has made in the Agreement. This Agreement shall be governed by and construed under the laws of the State of New York without regard to principals of conflicts of laws provisions. In the event of any dispute between Company and Executive arising under or pursuant to the terms of this Agreement, or any matters arising under the terms of this Agreement, the same shall be settled only by arbitration through American Arbitration Association located in Suffolk County, New York, in accordance with the Code of Arbitration Procedure published by American Arbitration Association. The determination of the arbitrators shall be final and binding upon Company and Executive and may be enforced in any court of appropriate jurisdiction. The venue shall be in Suffolk County, New York.

15. Miscellaneous.

(A) Each party agrees to cooperate with the other and to execute and deliver all such additional documents and instruments, and to take all such other action, as the other party may reasonably request from time to time to effectuate the provisions and purposes of the Agreement.

(B) Whenever the term “include,” “including,” or “included” is used in the Agreement, it shall mean including without limiting the foregoing. The recitals to the Agreement are, and shall be construed to be, an integral part of the Agreement. Any and all exhibits attached to the Agreement are incorporated by reference and constitute a part of the Agreement as if set forth in the Agreement in their entirety.

(C) Except as otherwise provided in the Agreement, all notices, requests, consents, and other communications required or permitted under the Agreement shall be in writing and signed by the party giving notice, and shall be deemed to have been given when hand-delivered by personal delivery, or by Federal Express or similar courier service, or three (3) business days after being deposited in the United States mail, registered or certified mail, with postage prepaid, return receipt requested, addressed as follows:

If to the Company:
68 South Service Road, Suite 100
Melville, New York 11747

If to the Executive:
15 Laurel Lane
Commack, NY 11725

or to such other address as either party may designate for himself or itself by notice given to the other party from time to time in accordance with the provisions of the Agreement.

(D) The Agreement is personal to the Executive, and the Executive may not assign it or his rights under it. The Company may assign the Agreement, including Executive's confidentiality and other obligations under Sections 8, 9, 10, 11 and 12 of the Agreement, along with the Company's rights and remedies contained in Sections 11 through 14 of the Agreement, to any entity controlling, controlled by, or under common control with the Company, or to any entity succeeding to the portion of the business that includes employee's primary job functions, substantially all of the business of the Company, or substantially all of the assets of the Company. Subject to the foregoing, the Agreement shall be binding upon and shall inure to the benefit of the parties and their respective heirs, personal and legal representatives, successors and assigns.

(E) No delay on the part of any party in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by any party of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy. The waiver of any breach or condition of the Agreement by either party shall not constitute a precedent in the future enforcement of any of the terms and conditions of the Agreement.

(F) The headings of Sections and Subsections contained in the Agreement are merely for convenience of reference and shall not affect the interpretation of any of the provisions of the Agreement. The Agreement is deemed to have been drafted jointly by the parties, and any uncertainty or ambiguity shall not be construed for or against either party as an attribution of drafting to either party. Whenever the context so requires, the singular shall include the plural and vice versa. All words and phrases shall be construed as masculine, feminine or neuter gender, according to the context.

(G) Whenever possible, each provision of the Agreement shall be construed and interpreted in such a manner as to be effective and valid under applicable law, but if any provision of the Agreement or the application thereof to any party or circumstance shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition without invalidating the remainder of such provision or any other provision of the Agreement or the application of such provision to other parties or circumstances.

(H) All discussions, correspondence, understandings, and agreements heretofore had or made between the parties relating to its subject matter are superseded by and merged into the Agreement, which alone fully and completely expresses the agreement between the parties relating to its subject matter, and the same is entered into with no party relying upon any statement or representation made by or on behalf of any party not embodied in the Agreement, provided, however, that, any previous requirements that Executive not disclose or use information of or concerning the Company that is confidential shall remain in full force and effect. Any modification of the Agreement may be made only by a written agreement signed by both of the parties to the Agreement.

(I) The parties acknowledge and agree that the Company is headquartered in Suffolk County, New York. The parties further acknowledge and agree that, to promote uniformity in the interpretation of this and similar agreements, the validity, construction, and enforceability of the Agreement shall be governed in all respects by the internal laws of New York applicable to agreements made and to be performed entirely within New York, without regard to the conflicts of laws principles of New York or any other state.

(J) Executive agrees that during and following his employment with the Company he shall promptly advise the Chairman if he is served with a subpoena or other legal process asking for a deposition, testimony, or other statement, or other potential evidence, including documents or things, to be used in connection with any proceeding to which any of the Companies is a party.

(K) The Executive's employment is contingent upon and subject to a credit and a criminal background check, educational and employment reference checks, and a leadership profile evaluation, the results of all of which must be satisfactory to the Company before the Executive may become employed with the Company.

(L) All payments to Executive under the Agreement shall be subject to such deductions for applicable withholding taxes, social security, employee benefits, and the like as required or permitted by applicable law. Executive recognizes and agrees that he may be paid under the Agreement and also employed by a payroll entity affiliated with the Company.

(M) The Agreement may be executed in any one or more counterparts, each of which shall constitute an original, no other counterpart needing to be produced, and all of which, when taken together, shall constitute but one and the same instrument. For purposes of finalizing the Agreement, the signature of any party on the Agreement, or any amendment hereto, transmitted electronically may be relied upon as if such document were an original document.

(N) The parties represent and warrant to each other that they have read the Agreement in its entirety, that they understand the terms of the Agreement and understand that the terms of the Agreement are enforceable, that they have had ample opportunity to negotiate with each other with regard to all of its terms, that they have entered into the Agreement freely and voluntarily, that they intend to and shall be legally bound by the Agreement, and that they have full power, right, authority, and competence to enter into and execute the Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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

NEXXIS INC.

By: /s/Charles M. Piluso
Name: Charles M. Piluso
Title: Chief Executive Officer

/s/John Camello
John Camello

AGREED AND ACKNOWLEDGED

Data Storage Corporation

By: /s/Charles M. Piluso
Name: Charles M. Piluso
Title: Chief Executive Officer

EXECUTIVE'S DUTIES

Duties of Executive pursuant to the Agreement include, but are not limited to the following:

1. Executive will be directly responsible for the day-to-day operations and management of the Company;
2. Executive will negotiate and work with vendors to result in the intended services and ensure the highest levels of quality service;
3. Executive will establish an agreement with VoIP providers and with other network carriers to provide internet and MPLS network services on a wholesale arrangement;
4. Executive will establish a vendor contract with a third-party billing and tax company;
5. Executive will work with equipment manufacturers and distributors of any equipment required by the Company;
6. Executive will establish competitive pricing;
7. Executive will create a distribution channel;
8. Annual Business Plan and Budget.
 - (i) Executive, on an annual basis, will draft and prepare the Company's annual business plan and budget to be approved on an annual basis by the respective Boards of Directors of Data Storage Corporation and the Company.
 - (ii) Upon requisite approval of the annual business plan by the respective Boards of Directors of Data Storage Corporation and the Company, an annual budget for the Company will be established by Executive and approved by the respective Boards of Directors of Data Storage Corporation and the Company on an annual basis.
 - (iii) The Company's implementation of its annual business plan shall be measured and assessed by the respective Boards of Directors of Data Storage Corporation and the Company on a monthly basis in a financial and operating review of the Company.
 - (iv) The Company's initial annual business plan shall be delivered by Executive to the respective Boards of Directors of Data Storage Corporation and the Company within 90 days of the Start Date of this Agreement.
 - (v) Within 90 days of the Start Date of this Agreement, Data Storage Corporation shall provide to the Company up to an additional \$150,000 in capital, over and above Executive's salary and health benefits, to be utilized by the Company in connection with its business plan during the initial 12 months following the Start Date.

9. Executive will submit timely, agreed-to reports and monthly financial and operating reviews; and,
10. Executive will manage cash flows of the Company's business.

EXECUTIVE COMPENSATION

Subject to the terms and conditions of the Agreement, as compensation for Executive's services performed pursuant to the Agreement, the Company agrees to pay, or cause to be paid, to Executive, and Executive agrees to accept, the compensation as set forth below during the term of Executive's employment with the Company.

(A) *Initial Compensation.* Commencing on the Start Date, the Executive shall receive monthly distributions comprised of 100% of the adjusted gross profit of the Company (the "Initial Monthly Distributions"), which such Initial Monthly Distributions shall represent the gross profit of the Company minus (1) the total cost of the services (COGS), (2) sales commissions, (3) third party billing and (4) third party tax services. The Executive shall receive the Initial Monthly Distributions until the occurrence of the Threshold Event (as defined below).

(B) *Initial Salary.* Commencing on the Start Date and throughout the Term, Executive shall receive a salary from Data Storage Corporation in the approximate amount of \$46,000 (the "Initial Salary"). In addition to the Initial Salary, Executive will receive access to Data Storage Corporation's health insurance benefits programs (the "DSC Plan"), under the same terms and conditions of the DSC Plan as offered to all of Data Storage Corporation's employees executives.

(C) *Salary and Compensation Change Upon Threshold Event Achievement.* Upon the Executive achieving monthly distributions in the amount of \$16,667 per month for three (3) consecutive months (the "Threshold Event"), immediately thereafter (a) the Initial Monthly Distributions will cease being issued to the Executive, (b) the Initial Salary will cease being paid to Executive and (c) Executive will be placed on an annual base salary in the amount of \$150,000 (the "Base Salary"). The Base Salary shall commence upon the occurrence of the Threshold Event and shall be payable in periodic equal installments in accordance with the normal payroll practices of the Company, but in no event less often than bi-monthly. The Executive's Base Salary will be subject to modification during the Executive's employment in accordance with the Company's practices, policies, and procedures but will not be reduced without Executive's agreement.

(D) *Equity Awards.* Commencing on the Start Date and throughout the Term, Executive shall also be entitled to an issuance of Stock Options (the "Options") in accordance with the stock incentive plan of Data Storage Corporation. The amount of such Options is being considered by the Board of Directors.

(E) Management Bonuses. During the Term, the Executive shall be entitled to receive (i) a management bonus comprised of twenty five percent (25%) of the Company's net profits which are available in free cash flow and trued-up each quarter to be paid on a quarterly basis and (ii) additional compensation as may be granted to the Executive by the Board of Directors, in its sole discretion.

(F) Executive Bonus. During the Term, the Executive shall be eligible to receive an executive bonus pursuant to which Executive may earn an additional \$50,000 per annum (the "Executive Bonus"), which such Executive Bonus may be issued to the Executive in the form of Data Storage Corporation common stock options, cash or a combination thereof, upon the Company achieving certain milestones and/or benchmarks in accordance with the Company's business plan.

(G) Stock Incentive Program.

(a) At the sole discretion of the Board of Directors of Data Storage Corporation, the Executive will be entitled earn Data Storage Corporation stock options (the "Options") to acquire shares of common stock of Data Storage Corporation in accordance with a "Revenue Benchmark Program" (as defined below) and related vesting schedule as more fully described below pursuant to which the Options will be issued to Executive on a semi-annual basis for the first two (2) years of Executive's employment upon the Company achieving certain milestones determined by the parties (the "Benchmarks") in connection with the Revenue Benchmark Program. Benchmark bonus achievement can be adjusted: No incentive below 50% of Benchmarks and additional incentives for exceeding Benchmarks up to 150%. The Benchmarks to be achieved by the Company in connection with the issuances and vesting of the Options to Executive are more fully described below.

(b) Revenue Benchmark Program. The Benchmarks to be achieved by the Company in connection with the issuances and vesting of the Options to Executive will be as follows:

<u>Timeframe</u>	<u>Revenue</u>	<u>Stock Options</u>
2H'17	\$5,900	
1H'18	\$100,281	
2H'18	\$404,909	
1H'19	\$541,905	

(c) The vesting of any unvested shares of common stock, preferred stock or shares underlying stock options held by Executive are subject to the terms and conditions of the Data Storage Corporation Stock Incentive Plan and this Agreement.

(d) The Board of Directors of Data Storage Corporation will determine the Options amounts within 90 days of the Start Date of this agreement.

(H) Other Benefits. The Executive shall be eligible to participate in such pension, life insurance, health insurance, disability insurance and other benefit plans, if any, which Data Storage Corporation may from time to time make available to similar-level employees. Data Storage Corporation will pay for Executive's reasonable benefits during the initial 90 day waiting period.

(I) Vacation. Executive shall be entitled to four (4) weeks of paid vacation during each one-year period of his employment by the Company, which vacation time shall be taken at such time or times in each such one-year period so as not to materially and adversely interfere with the performance of his responsibilities under this Agreement. Data Storage Corporation does not commit to carry-over vacation days. Executive is entitled to reference the Data Storage Employee Handbook for additional information on benefits.

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

/s/Charles M. Piluso
Charles M. Piluso
Chief Executive Officer and Chief Financial Officer
(Principal Executive, Financial and Accounting Officer)

Date: November 13, 2017

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 September 30, 2017, 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 September 30, 2017, 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 September 30, 2017, fairly represents in all material respects, the financial condition and results of operations of Data Storage Corporation, Inc.

Data Storage Corporation

/s/Charles M. Piluso
Charles M. Piluso
Chief Executive Officer and Chief Financial Officer
(Principal Executive, Financial and Accounting Officer)

Date: November 13, 2017
