

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 **June 30, 2025**

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-35384

DATA STORAGE CORPORATION

(Exact name of registrant as specified in its charter)

Nevada	98-0530147
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
225 Broadhollow Road, Suite 307 Melville, NY	11747
(Address of principal executive offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	DTST	The Nasdaq Capital Market
Warrants to purchase shares of Common Stock, par value \$0.001 per share	DTSTW	The Nasdaq Capital Market

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

- Large Accelerated Filer ☐
- Non-Accelerated Filer ☒
- Accelerated Filer ☐
- 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, \$0.001 par value per share, outstanding as of August 14, 2025, was 7,262,436.

**DATA STORAGE CORPORATION**  
**FORM 10-Q**  
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**DATA STORAGE CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	<b>June 30, 2025</b>	<b>December 31, 2024</b>
	<b>(Unaudited)</b>	
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 611,323	\$ 1,070,097
Accounts receivable, net of allowance for expected credit losses of \$16,305 and \$31,472, as of June 30, 2025 and December 31, 2024, respectively	1,727,111	2,225,458
Marketable securities	10,510,179	11,261,006
Prepaid expenses and other current assets	1,913,094	859,502
Total current assets	14,761,707	15,416,063
Property and Equipment:		
Property and equipment	10,078,502	9,598,963
Less: Accumulated depreciation	(6,740,363)	(6,159,307)
Property and equipment, net	3,338,139	3,439,656
Other assets:		
Goodwill	4,238,671	4,238,671
Operating lease right-of-use assets	525,416	575,380
Other assets	263,778	183,439
Intangible assets, net	1,293,435	1,427,006
Total long-term assets	6,321,300	6,424,496
Total assets	\$ 24,421,146	\$ 25,280,215
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 2,349,999	\$ 3,183,379
Deferred revenue	227,204	212,390
Finance leases payable	—	17,641
Finance leases payable related party	—	33,879
Operating lease liabilities short term	105,750	98,860
Total current liabilities	2,682,953	3,546,149
Operating lease liabilities	468,432	523,070
Deferred tax liability	39,031	39,031
Total long-term liabilities	507,463	562,101
Total liabilities	3,190,416	4,108,250
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock, Series A par value \$0.001; 10,000,000 shares authorized; 0 and 0 shares issued and outstanding at June 30, 2025, and December 31, 2024, respectively	—	—
Common stock, par value \$0.001; 250,000,000 shares authorized; 7,230,619 and 7,045,108 shares issued and outstanding at June 30, 2025, and December 31, 2024, respectively	7,231	7,045
Additional paid in capital	41,094,738	40,417,813
Accumulated deficit	(19,691,560)	(18,982,589)
Accumulated other comprehensive income (loss)	64,015	(23,214)
Total Data Storage Corp stockholders' equity	21,474,424	21,419,055
Non-controlling interest in consolidated subsidiary	(243,694)	(247,090)
Total stockholders' equity	21,230,730	21,171,965
Total liabilities and stockholders' equity	\$ 24,421,146	\$ 25,280,215

The accompanying notes are an integral part of these condensed consolidated Financial Statements.

**DATA STORAGE CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Sales	\$ 5,146,922	\$ 4,910,492	\$ 13,230,678	\$ 13,146,239
Cost of sales	2,610,168	2,502,599	7,834,028	7,771,874
Gross profit	2,536,754	2,407,893	5,396,650	5,374,365
Selling, general and administrative	3,332,421	2,796,679	6,284,826	5,549,356
Loss from operations	(795,667)	(388,786)	(888,176)	(174,991)
Other income (expense):				
Interest income	103,267	152,441	224,173	295,810
Interest expense	(16,236)	(10,260)	(18,245)	(21,520)
Other expense	(23,327)	—	(23,327)	—
Total other income	63,704	142,181	182,601	274,290
Income (loss) before provision for income taxes	(731,963)	(246,605)	(705,575)	99,299
Income taxes	—	—	—	—
Net income (loss)	(731,963)	(246,605)	(705,575)	99,299
(Income) loss in non-controlling interest of consolidated subsidiary	(1,086)	2,365	(3,396)	13,563
Net income (loss) attributable to common stockholders	\$ (733,049)	\$ (244,240)	\$ (708,971)	\$ 112,862
Earnings (loss) per share attributable to common stockholders – basic	\$ (0.10)	\$ (0.04)	\$ (0.10)	\$ 0.02
Earnings (loss) per share attributable to common stockholders – diluted	\$ (0.10)	\$ (0.04)	\$ (0.10)	\$ 0.02
Weighted average number of shares - basic	7,155,464	6,973,068	7,119,102	6,902,138
Weighted average number of shares - diluted	7,155,464	6,973,068	7,119,102	7,499,839

The accompanying notes are an integral part of these condensed consolidated Financial Statements.

**DATA STORAGE CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE THREE MONTHS ENDED JUNE 30, 2025 AND 2024**  
(Unaudited)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Non- Controlling Interest	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
<b>Balance April 1, 2024</b>	—	\$ —	6,929,950	\$ 6,930	\$ 39,661,561	\$ (19,148,701)	\$ (248,146)	\$ 20,271,644
Stock options exercised	—	—	36,546	36	71,057	—	—	71,093
Stock-based compensation	—	—	29,326	29	207,818	—	—	207,847
Net loss	—	—	—	—	—	(244,240)	(2,365)	(246,605)
<b>Balance June 30, 2024</b>	<u>—</u>	<u>\$ —</u>	<u>6,995,822</u>	<u>\$ 6,995</u>	<u>\$ 39,940,436</u>	<u>\$ (19,392,941)</u>	<u>\$ (250,511)</u>	<u>\$ 20,303,979</u>

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated other comprehensive Income (Loss)	Non- Controlling Interest	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
<b>Balance April 1, 2025</b>	—	\$ —	7,123,227	\$ 7,123	\$ 40,644,000	\$ (18,958,511)	\$ 3,579	\$ (244,780)	\$ 21,451,411
Stock options exercised	—	—	17,821	18	38,249	—	—	—	38,267
Stock-based compensation	—	—	89,571	90	412,489	—	—	—	412,579
Gain on foreign currency translation adjustment	—	—	—	—	—	—	60,436	—	60,436
Net income (loss)	—	—	—	—	—	(733,049)	—	1,086	(731,963)
<b>Balance June 30, 2025</b>	<u>—</u>	<u>\$ —</u>	<u>7,230,619</u>	<u>\$ 7,231</u>	<u>\$ 41,094,738</u>	<u>\$ (19,691,560)</u>	<u>\$ 64,015</u>	<u>\$ (243,694)</u>	<u>\$ 21,230,730</u>

The accompanying notes are an integral part of these condensed consolidated Financial Statements

**DATA STORAGE CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2025 AND 2024**  
(Unaudited)

	<u>Preferred Stock</u>		<u>Common Stock</u>		<u>Additional</u>	<u>Accumulated</u>	<u>Non-</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Paid-in</u>	<u>Deficit</u>	<u>Controlling</u>	<u>Stockholders'</u>
					<u>Capital</u>		<u>Interest</u>	<u>Equity</u>
<b>Balance January 1, 2024</b>	—	\$ —	6,880,460	\$ 6,881	\$ 39,490,285	\$ (19,505,803)	\$ (236,948)	\$ 19,754,415
Stock options exercised	—	—	36,546	36	71,057	—	—	71,093
Stock-based compensation	—	—	78,816	78	379,094	—	—	379,172
Net income (loss)	—	—	—	—	—	112,862	(13,563)	99,299
<b>Balance June 30, 2024</b>	<u>—</u>	<u>\$ —</u>	<u>6,995,822</u>	<u>\$ 6,995</u>	<u>\$ 39,940,436</u>	<u>\$ (19,392,941)</u>	<u>\$ (250,511)</u>	<u>\$ 20,303,979</u>

	<u>Preferred Stock</u>		<u>Common Stock</u>		<u>Additional</u>	<u>Accumulated</u>	<u>Accumulated</u>	<u>Non-</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Paid-in</u>	<u>Deficit</u>	<u>other</u>	<u>Controlling</u>	<u>Stockholders'</u>
					<u>Capital</u>		<u>comprehensive</u>	<u>Interest</u>	<u>Equity</u>
							<u>Income (Loss)</u>		
<b>Balance January 1, 2025</b>	—	\$ —	7,045,108	\$ 7,045	\$40,417,813	\$ (18,982,589)	\$ (23,214)	\$ (247,090)	\$ 21,171,965
Stock options exercised	—	—	17,821	18	38,249	—	—	—	38,267
Stock-based compensation	—	—	167,690	168	638,676	—	—	—	638,844
Gain on foreign currency translation adjustment	—	—	—	—	—	—	87,229	—	87,229
Net income (loss)	—	—	—	—	—	(708,971)	—	3,396	(705,575)
<b>Balance June 30, 2025</b>	<u>—</u>	<u>\$ —</u>	<u>7,230,619</u>	<u>\$ 7,231</u>	<u>\$41,094,738</u>	<u>\$ (19,691,560)</u>	<u>\$ 64,015</u>	<u>\$ (243,694)</u>	<u>\$ 21,230,730</u>

The accompanying notes are an integral part of these condensed consolidated Financial Statements

**DATA STORAGE CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	<b>Six Months Ended June 30,</b>	
	<b>2025</b>	<b>2024</b>
Cash Flows from Operating Activities:		
Net (loss) income	\$ (705,575)	\$ 99,299
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	713,899	634,509
Stock-based compensation	638,844	379,172
Change in expected credit losses	66,055	21,816
Changes in Assets and Liabilities:		
Accounts receivable	432,292	(666,603)
Prepaid expenses and other current assets	(1,133,931)	(308,211)
Right of use asset	49,964	78,206
Accounts payable and accrued expenses	(756,101)	315,636
Deferred revenue	14,814	(127,257)
Operating lease liability	(47,748)	(71,776)
Net cash (used in) provided by operating activities	<u>(727,487)</u>	<u>354,791</u>
Cash Flows from Investing Activities:		
Capital expenditures	(478,811)	(902,571)
Purchase of marketable securities	(224,173)	(295,810)
Sale of marketable securities	975,000	400,000
Net cash provided by (used in) investing activities	<u>272,016</u>	<u>(798,381)</u>
Cash Flows from Financing Activities:		
Repayments of finance lease obligations related party	(33,879)	(142,774)
Repayments of finance lease obligations	(17,641)	(133,473)
Proceeds from stock option exercises	38,267	71,093
Net cash used in financing activities	<u>(13,253)</u>	<u>(205,154)</u>
Effect of exchange rate changes on cash	9,950	—
Decrease in cash and cash equivalents	(458,774)	(648,744)
Cash and cash equivalents, beginning of period	1,070,097	1,428,730
Cash and cash equivalents, end of period	<u>\$ 611,323</u>	<u>\$ 779,986</u>
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 17,239	\$ 14,303
Cash paid for income taxes	\$ —	\$ —
Non-cash investing and financing activities:		
Assets acquired by operating lease	<u>\$ —</u>	<u>\$ 647,958</u>

The accompanying notes are an integral part of these condensed consolidated Financial Statements.

## DATA STORAGE CORPORATION AND SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

#### Note 1 – Basis of Presentation, Organization and Other Matters

Data Storage Corporation (“DSC” or the “Company”) provides subscription-based, long-term agreements for disaster recovery solutions, cloud infrastructure, Cyber Security and Voice and Data solutions.

Headquartered in Melville, NY, 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 ten technical centers in New York, Massachusetts, Texas, North Carolina, Illinois, Canada, England, and Scotland.

On May 31, 2021, the Company completed a merger of Flagship Solutions, LLC (“Flagship”) (a Florida limited liability company) and the Company’s wholly-owned subsidiary, Data Storage FL, LLC. Flagship is a provider of Hybrid Cloud solutions, managed services and cloud solutions. On January 1, 2024, Flagship Solutions, LLC was consolidated into the Company’s wholly-owned subsidiary, CloudFirst Technologies Corporation.

On January 27, 2022, the Company formed Information Technology Acquisition Corporation, a special purpose acquisition company for the purpose of entering into a merger, capital stock exchange, asset acquisition, stock purchase, recapitalization, reorganization or other similar business combination with one or more businesses or entities.

On August 12, 2024, the Company established UK Cloud Host Technologies Ltd., a corporation organized under the laws of the United Kingdom, to establish a corporate presence in London and manage the Company’s business operations and affairs throughout Europe. On December 27, 2024, the entity’s name was changed to CloudFirst Europe Ltd.

These unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the financial position, results of operations, and cash flows for the interim periods presented. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. These financial statements should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto included in its Annual Report on Form 10-K for the year ended December 31, 2024.

#### Note 2 – Summary of Significant Accounting Policies

##### *Principles of Consolidation*

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries, consisting of (i) CloudFirst Technologies Corporation, a Delaware corporation (“CloudFirst”); (ii) Information Technology Acquisition Corporation, a Delaware corporation; (iii) its majority-owned subsidiary, Nexxis Inc., a Nevada corporation; and (iv) CloudFirst Europe Ltd. (“CloudFirst Europe”). All intercompany transactions and balances have been eliminated in consolidation.

##### *Recently Issued and Newly Adopted Accounting Standards*



In November 2024, Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) ASU 2024-03, *Income Statement (Topic 220): Reporting Comprehensive Income - Expense Disaggregation Disclosures, Disaggregation of Income Statement Expenses*, which requires public companies to disclose, in interim and annual reporting periods, additional information about certain expenses in the financial statements. Subsequently, in January 2025, the FASB issued ASU 2025-01, which clarified the effective date of ASU 2024-03. The amendments in this pronouncement will be effective for annual periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted and is effective on either a prospective basis or retrospective basis. The Company is currently assessing the potential impacts of adoption on its financial statements.

In May 2025, the FASB issued ASU 2025-03, *Business Combinations (Topic 805) and Consolidation (Topic 810): Determining the Accounting Acquirer in the Acquisition of a Variable Interest Entity*. This ASU provides guidance for determining the accounting acquirer in a business combination involving a variable interest entity. The amendments are effective for fiscal years beginning after December 15, 2026, including interim periods within those fiscal years. The Company is currently evaluating the impact of this ASU on its consolidated financial statements but does not expect it to have a material impact upon adoption.

*Use of Estimates*

The preparation of financial statements in conformity with U.S. GAAP 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.

*Fair Value Measurement*

The Company’s financial instruments include cash, accounts receivable, accounts payable and operating lease commitments. Management believes that the estimated fair values of cash, accounts receivable, and accounts payable as of June 30, 2025, approximate their carrying values due to the short-term nature of these instruments. The carrying values of the Company’s finance lease obligations and capital lease obligations, which may include both short-term and long-term components, approximate their fair values based on comparisons of the applicable interest rates and terms with those currently available to the Company for similar instruments with comparable maturities and credit risk profiles.

The fair value measurement disclosures are grouped into three levels based on valuation factors:

•	Level 1 – quoted prices in active markets for identical investments
•	Level 2 – other significant observable inputs (including quoted prices for similar investments and market corroborated inputs)
•	Level 3 – significant unobservable inputs (including the Company’s own assumptions in determining the fair value of investments)

The Company’s Level 1 assets and liabilities include cash, accounts receivable, marketable securities, accounts payable, prepaid expenses, and other current assets. Management believes the estimated fair value of these accounts at June 30, 2025, approximates their carrying value as reflected in the balance sheets due to the short-term nature of these instruments.

The Company’s Level 2 assets and liabilities include the Company’s finance and operating lease assets and liabilities. The carrying amounts of these leases approximate their fair values, based on a comparison of the lease terms and the Company’s incremental borrowing rates with those of similar leases available in the market.

Level 3 fair value measurements are derived from valuation techniques that include significant inputs that are not based on observable market data. When required, the Company uses discounted and undiscounted cash flow models to determine the fair value of certain assets and liabilities. These models rely on unobservable inputs, which reflect management’s own assumptions about the factors that market participants would use in pricing the asset or liability, and are significant to the overall fair value measurement.

#### *Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis*

Certain assets and liabilities are measured at fair value on a nonrecurring basis. Assets and liabilities recognized or disclosed at fair value on the consolidated financial statements on a nonrecurring basis include items such as property and equipment, goodwill, and other intangible assets.

#### *Cash and Cash Equivalents*

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.

#### *Investments*

Marketable securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and are reported at fair value, with unrealized gains and losses recognized in earnings.

The following table sets forth a summary of the changes in equity investments during the six months ended June 30, 2025, and 2024:

	Six Months Ended June 30,	
	2025	2024
Balance, beginning of period	\$ 11,261,006	\$ 11,318,196
Purchase of equity investments	224,173	295,810
Sales of equity investments	(975,000)	(400,000)
Balance, end of period	<u>\$ 10,510,179</u>	<u>\$ 11,214,006</u>

#### *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, short-term investments and trade accounts receivable. The Company's cash is maintained at major U.S. and U.K. 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.

As of June 30, 2025, the Company had one customer with an accounts receivable balance representing 14% of total accounts receivable. As of December 31, 2024, the Company had two customers with an accounts receivable balance representing 16% and 15% of total accounts receivable.

For the three months ended June 30, 2025, one customer accounted for approximately 13% of total consolidated revenue. For the three months ended June 30, 2024, one customer accounted for approximately 14% of total consolidated revenue.

For the six months ended June 30, 2025, one customer accounted for approximately 20% of total consolidated revenue. For the six months ended June 30, 2024, two customers accounted for approximately 22% and 11% of total consolidated revenue, respectively.

#### *Accounts Receivable/Allowance for Credit Losses*

The Company sells its services to customers on an open credit basis. Accounts receivable are uncollateralized, non-interest-bearing customer obligations and are typically due within 30 days. ASC 326 requires the recognition of lifetime estimated credit losses expected to occur for trade accounts receivable. The guidance also requires the Company to pool assets with similar risk characteristics and consider current economic conditions when estimating losses. Clients invoiced in advance for services are reflected in deferred revenue on the Company's balance sheet.

Changes in the allowance for expected credit losses for trade accounts receivable are presented in the table below:

	<b>Six Months Ended June 30,</b>	
	<b>2025</b>	<b>2024</b>
Beginning balance	\$ 31,472	\$ 7,915
Provision	66,055	21,816
Write-offs	(81,222)	(7,135)
Ending balance	<u>\$ 16,305</u>	<u>\$ 22,596</u>

#### *Property and Equipment*

Property and equipment are 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 for property and equipment are five to seven years. 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.

#### *Goodwill and Other Intangibles*

The Company assesses goodwill for impairment on an annual basis on December 31, or more frequently if events occur or circumstances change indicating that the fair value of the goodwill may be below its carrying amount. The Company has four reporting units. The Company uses an income-based approach to determine the fair value of the reporting units. This approach uses a discounted cash flow methodology and the ability of the Company's reporting units to generate cash flows as measures of fair value of its reporting units. The Company performs a qualitative analysis of goodwill and other intangible assets for impairment indicators on at least an annual basis. If this assessment shows impairment indicators the Company will perform an impairment test to determine if the carrying value of a reporting unit exceeds its estimated fair value.

#### *Revenue Recognition*

##### **Nature of goods and services**

The following is a description of the products and services from which the Company generates revenue, as well as the nature, timing of satisfaction of performance obligations, and significant payment terms for each:

##### 1) Cloud Infrastructure and Disaster Recovery Revenue

Cloud Infrastructure provides clients with the ability to migrate their on-premises computing and digital storage to DSC's enterprise-level technical compute and digital storage assets located in Tier 3 data centers. DSC owns the assets and provides a turnkey solution whereby achieving reliable and cost-effective, multi-tenant IBM Power compute, x86/Intel, flash digital storage, while providing disaster recovery and cyber security while eliminating client capital expenditures. The client pays a monthly fee and can increase capacity as required.

Clients can subscribe to an array of disaster recovery solutions without subscribing to cloud infrastructure. Product offerings provided directly from DSC are High Availability, Data Vaulting and retention solutions, including standby servers which allows clients to centralize and streamline their mission-critical digital information and technical environment while ensuring business continuity if they experience a cyber-attack or natural disaster. Client's data is vaulted at two data centers with the maintenance of retention schedules for corporate governances and regulations all to meet their back to work objective in a disaster.

## 2) Equipment and Software

The Company provides equipment and software and actively participates in collaboration with IBM to provide innovative business solutions to clients. The Company is a partner of IBM and the various software, infrastructure and hybrid cloud solutions are provided to clients.

## 3) Managed Services

These services are performed at the inception of a contract. The Company provides professional assistance to its clients during the implementation processes. Onboarding and set-up services ensure that the solution or software is installed properly and function as designed to provide clients with the best solutions. In addition, clients that are managed service clients have a requirement for DSC to offer time and material billing supplementing the client's staff.

The Company also derives both one-time and subscription-based revenue from providing support, management and renewal of software, hardware, third party maintenance contracts and third-party cloud services to clients. The managed services include help desk, remote access, operating system and software patch management, annual recovery tests and manufacturer support for equipment and on-going monitoring of client system performance.

## 4) Nexxis Voice over Internet and Direct Internet Access

The Company provides Voice over Internet Protocol ("VoIP"), Internet access and data transport services to ensure businesses are fully connected to the internet from any location, remote and on premise. The Company provides Hosted VoIP solutions with equipment options for VoIP phones and internet speeds of up to 10Gb delivered over fiber optics.

## Disaggregation of revenue

In the following table, revenue is disaggregated by major product line, geography, and timing of revenue recognition.

	Three Months Ended June 30, 2025			Three Months Ended June 30, 2024		
	United States	International	Total	United States	International	Total
Cloud infrastructure & disaster recovery	\$ 3,156,550	\$ 202,391	\$ 3,358,941	\$ 3,037,184	\$ 128,532	\$ 3,165,716
Equipment and software	687,321	—	687,321	782,303	—	782,303
Managed services	725,560	13,300	738,860	642,518	—	642,518
Nexxis VoIP services	323,620	—	323,620	275,830	—	275,830
Other sales	38,180	—	38,180	44,125	—	44,125
<b>Total Sales</b>	<u>\$ 4,931,231</u>	<u>\$ 215,691</u>	<u>\$ 5,146,922</u>	<u>\$ 4,781,960</u>	<u>\$ 128,532</u>	<u>\$ 4,910,492</u>

  

	Six Months Ended June 30, 2025			Six Months Ended June 30, 2024		
	United States	International	Total	United States	International	Total
Cloud infrastructure & disaster recovery	\$ 6,295,391	\$ 422,628	\$ 6,718,019	\$ 5,890,433	\$ 228,178	\$ 6,118,611
Equipment and software	4,252,240	—	4,252,240	4,866,950	—	4,866,950
Managed services	1,537,466	13,300	1,550,766	1,485,925	—	1,485,925
Nexxis VoIP services	631,436	—	631,436	552,297	—	552,297
Other sales	78,217	—	78,217	112,018	10,438	122,456
<b>Total Sales</b>	<u>\$ 12,794,750</u>	<u>\$ 435,928</u>	<u>\$ 13,230,678</u>	<u>\$ 12,907,623</u>	<u>\$ 238,616</u>	<u>\$ 13,146,239</u>

The following table presents timing of revenue recognition by product type:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Products transferred at a point in time	\$ 660,104	\$ 3,943,429	\$ 4,265,060	\$ 4,989,406
Products and services transferred over time	4,486,818	967,063	8,965,618	8,156,833
<b>Total Sales</b>	<b>\$ 5,146,922</b>	<b>\$ 4,910,492</b>	<b>\$ 13,230,678</b>	<b>\$ 13,146,239</b>

Contract receivables are recorded at the invoiced amount and are uncollateralized, non-interest-bearing client obligations. 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 client standing.

Sales are generally recorded in the month the service is provided. For clients who are billed on an annual basis, deferred revenue is recorded and amortized over the life of the contract. During the three months ended June 30, 2025, and 2024, the Company recognized \$38,510 and \$107,688 in sales that were recorded as deferred revenue as of December 31, 2024, and 2023, respectively. During the six months ended June 30, 2025, and 2024, the Company recognized \$102,038 and \$151,998 in sales that was recorded as deferred revenue as of December 31, 2024, and 2023, respectively.

#### Transaction price allocated to the remaining performance obligations

The Company has the following performance obligations:

- 1) Data Vaulting: Subscription-based cloud service that encrypts and transfers data to a secure Tier 3 data center and further replicates the data to a second Tier 3 DSC technical center where it remains encrypted. Ensuring client retention schedules for corporate compliance and disaster recovery. Provides for twenty-four (24) hour or less recovery time and utilizes advanced data reduction, deduplication technology to shorten back-up and restore time.
- 2) High Availability: A managed cloud subscription-based service that provides cost-effective mirroring software replication technology and provides one (1) hour or less recovery time for a client to be back in business.
- 3) Cloud Infrastructure: subscription-based cloud service provides for “capacity on-demand” for IBM Power and X86 Intel server systems.
- 4) Internet: Subscription-based service, offering continuous internet connection combined with FailSAFE which provides disaster recovery for both clients’ voice and data environments.
- 5) Support and Maintenance: Subscription based service offers support for clients on their servers, firewalls, desktops or software. Services are provided 24x7x365 to the Company’s clients.
- 6) Implementation / Set-Up Fees: Onboarding and set-up for cloud infrastructure and disaster recovery as well as Cyber Security.
- 7) Equipment Sales: Sale of servers and data storage equipment to the client.
- 9) License: Granting SSL certificates and licenses.

#### Disaster Recovery and Business Continuity Solutions

Subscription services allow clients to access data or receive services for a predetermined period of time. As the client obtains access at a point in time and continues to have access for the remainder of the subscription period, the client is considered to simultaneously receive and consume the benefits provided by the entity’s performance as the entity performs. Accordingly, the related performance obligation is considered to be satisfied ratably over the contract term. As the performance obligation is satisfied evenly across the term of the contract, revenue is recognized on a straight-line basis over the contract term.

#### Initial Set-Up Fees

The Company accounts for set-up fees as a separate performance obligation. Set-up services are performed one-time and accordingly the revenue is recognized at the point in time, and is non-refundable, and the Company is entitled to the payment.

#### Equipment Sales

The obligation for the equipment sales is such that the control of the product transfer is at a point in time (i.e., when the goods have been shipped or delivered to the client's location, depending on shipping terms). Noting that the satisfaction of the performance obligation, in this sense, does not occur over time, the performance obligation is considered to be satisfied at a point in time when the obligation to the client has been fulfilled (i.e., when the goods have left the shipping facility or have been delivered to the client, depending on shipping terms).

#### License - Granting SSL Certificates and Other Licenses

Performance obligations as they relate to licensing is when the control of the product transfers, either at a point in time or over time, depending on the nature of the license. The revenue standard identifies two types of licenses of intellectual property: (i) a right to access intellectual property; and (ii) a right to use intellectual property. To assist in determining whether a license provides a right to use or a right to access intellectual property, ASC 606 defines two categories of intellectual property: Functional and Symbolic. The Company's license arrangements typically do not require the Company to make its proprietary content available to the client either through a download or through a direct connection. Throughout the life of the contract the Company does not continue to provide updates or upgrades to the license granted. Based on the guidance, the Company considers its license offerings to be akin to functional intellectual property and recognizes revenue at the point in time the license is granted and/or renewed for a new period.

#### Payment Terms

The typical terms of subscription contracts range from 12 to 36 months, with auto-renew options extending the contract for an additional term. The Company invoices clients one month in advance for its services, in addition to any contractual data overages or for additional services.

#### Warranties

The Company offers guaranteed service levels and service guarantees on some of its contracts. These warranties are not sold separately and are accounted as "assurance warranties."

#### Significant Judgment

In instances where contracts include multiple performance obligations, the Company exercises judgment in determining the standalone selling price for each obligation. Standalone prices are established by evaluating market data for comparable services and considering the Company's historical pricing practices. The aggregate standalone price of all performance obligations is calculated, and each individual obligation's proportionate share of the total is determined. This ratio is then applied to the overall contract price to allocate the transaction price among the performance obligations accordingly.

#### Impairment of Long-Lived Assets

The Company reviews its 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 un-discounted future cash flows.

### Advertising Costs

The Company expenses the costs associated with advertising as they are incurred. The Company incurred \$308,900 and \$249,147 for advertising costs for the three months ended June 30, 2025, and 2024, respectively. The Company incurred \$524,142 and \$481,387 for advertising costs for the six months ended June 30, 2025, and 2024, respectively.

### 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 and non-employees. The Company has agreements and arrangements that call for stock to be awarded to employees and consultants at various times as compensation and periodic bonuses. The expense for this stock-based compensation is equal to the fair value of the stock price on the day the stock was awarded multiplied by the number of shares awarded. Forfeitures are recognized as they occur.

The valuation methodology used to determine the fair value of options issued during the period is the Black-Scholes option-pricing model. The Black-Scholes model requires the use of a number of assumptions including the volatility of the stock price, the average risk-free interest rate, and the weighted average expected life of the options. Risk-free interest rates are calculated based on continuously compounded risk-free rates for the appropriate term. The dividend yield is assumed to be zero as the Company has never paid or declared any cash dividends on its Common Stock and does not intend to pay dividends on its Common Stock in the foreseeable future. Forfeitures are recognized as they occur.

Estimated volatility is a measure of the amount by which DSC's stock price is expected to fluctuate each year during the expected life of the award. The Company's calculation of estimated volatility is based on historical stock prices over a period equal to the expected life of the awards.

### Net Income (Loss) Per Common 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 following table sets forth the information needed to compute basic and diluted earnings per share for the three and six months ended June 30, 2025, and 2024:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Net Income (Loss) Available to Common Shareholders	\$ (733,049)	\$ (244,240)	\$ (708,971)	\$ 112,862
Weighted average number of common shares - basic	7,155,464	6,973,068	7,119,102	6,902,138
Dilutive securities:				
Options	—	—	—	363,326
Warrants	—	—	—	—
Restricted stock units	—	—	—	234,375
Weighted average number of common shares - diluted	7,155,464	6,973,068	7,119,102	7,499,839
Earnings (Loss) per share, basic	\$ (0.10)	\$ (0.04)	\$ (0.10)	\$ 0.02
Earnings (Loss) per share, diluted	\$ (0.10)	\$ (0.04)	\$ (0.10)	\$ 0.02

The following table sets forth the number of potential shares of common stock that have been excluded from diluted net income (loss) per share because their effect was anti-dilutive:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Options	662,789	701,346	635,222	338,020
Warrants	2,495,860	2,495,860	2,495,860	2,495,860
Restricted stock units	95,773	234,375	80,771	—
	<u>3,254,422</u>	<u>3,431,581</u>	<u>3,211,853</u>	<u>2,833,880</u>

### Note 3 - Prepaids and other current assets

Prepaids and other current assets consist of the following:

	June 30, 2025	December 31, 2024
Prepaid marketing & promotion	\$ 169,768	\$ 47,045
Prepaid subscriptions and licenses	577,473	483,170
Prepaid maintenance	162,763	191,552
Prepaid insurance	58,363	67,373
Deferred transaction costs	838,352	—
Other	106,375	70,362
Prepaid and other current assets	<u>\$ 1,913,094</u>	<u>\$ 859,502</u>

### Note 4- Property and Equipment

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

	June 30, 2025	December 31, 2024
Storage equipment	\$ 60,288	\$ 60,288
Furniture and fixtures	30,305	30,305
Computer hardware and software	154,423	140,288
Data center equipment	9,833,486	9,368,082
	<u>10,078,502</u>	<u>9,598,963</u>
Less: Accumulated depreciation	(6,740,363)	(6,159,307)
Net property and equipment	<u>\$ 3,338,139</u>	<u>\$ 3,439,656</u>

Depreciation expense for the three months ended June 30, 2025, and 2024 was \$283,735 and \$270,952, respectively. Depreciation expense for the six months ended June 30, 2025, and 2024 was \$580,332 and \$497,003, respectively.

### Note 5 - Goodwill and Intangible Assets

Goodwill and intangible assets consisted of the following:



		June 30, 2025		
	Estimated life in years	Gross amount	Accumulated Amortization	Net
Intangible assets not subject to amortization				
Goodwill	Indefinite	\$ 4,238,671	\$ —	\$ 4,238,671
Trademarks	Indefinite	514,268	—	514,268
Total intangible assets not subject to amortization		4,752,939	—	4,752,939
Intangible assets subject to amortization:				
Customer lists	7	2,614,099	1,834,932	779,167
ABC acquired contracts	5	310,000	310,000	—
SIAS acquired contracts	5	660,000	660,000	—
Non-compete agreements	4	272,147	272,147	—
Website and digital assets	3	33,002	33,002	—
Total intangible assets subject to amortization		3,889,248	3,110,081	779,167
Total Goodwill and Intangible Assets		\$ 8,642,187	\$ 3,110,081	\$ 5,532,106

Scheduled amortization over the next four years are as follows:

**For the Years Ending December 31,**

2025 (remainder of the year)	\$ 133,572
2026	\$ 267,143
2027	267,143
2028	111,309
Total	\$ 779,167

Amortization expense for the three months ended June 30, 2025, and 2024 was \$66,785 and \$68,360, respectively. Amortization expense for the six months ended June 30, 2025, and 2024 was \$133,571 and \$137,507, respectively.

**Note 6-Leases**

The Company determines whether an arrangement contains a lease at the inception of the contract. The Company's leases consist of operating leases for office space and finance leases for equipment.

*Operating Leases:* The Company's primary operating lease is for its corporate headquarters in Melville, NY, which has a term of sixty-seven months expiring on October 30, 2029. This lease is recognized as an operating lease right-of-use asset and a corresponding lease liability on the Condensed Consolidated Balance Sheets.

The Company also utilizes temporary workspaces in Austin, TX, Miami, FL, and London, UK, under short-term arrangements with terms of 12 months or less. The Company has elected the short-term lease recognition exemption for these arrangements and, accordingly, does not recognize right-of-use assets or lease liabilities for them. The cost for these short-term leases is recognized as rent expense on a straight-line basis and is not material.

*Lease Disclosures* Right-of-Use ("ROU") assets and lease liabilities are recognized at the lease commencement date, based on the present value of estimated lease payments over the lease term. A discount rate of 9% was used in the preparation of ROU assets and lease liabilities.

*Finance Leases* During the three months ended March 31, 2025, all outstanding finance lease obligations were paid in full. As of June 30, 2025, the Company had no material finance leases.

Information related to the Company’s finance leases for the three and six months ended June 30, 2025, was as follows:

Finance leases:	
Amortization of assets, included in depreciation and amortization expense	\$ 121,923
Interest on lease liabilities, included in interest expense	489
Operating lease:	
Amortization of assets, included in total operating expense	37,528
Total net lease cost	<u>\$ 159,940</u>

**Note 7 - Commitments and Contingencies**

As part of the Flagship acquisition, the Company acquired a licensing agreement for marketing-related materials with a National Football League team. The Company has approximately \$690,885 in remaining payments under the contract through 2027.

**Note 8 - Stockholders’ Equity**

*Capital Stock*

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

On July 18, 2024, the Company entered into an Equity Distribution Agreement (the “Agreement”), pursuant to which it may offer and sell, from time to time, shares of its common stock. Sales of shares of common stock under the Agreement will be made pursuant to the Company’s registration statement on Form S-3 (File No. 333-280881) (the “Registration Statement”) and a related prospectus supplement (the “ATM Prospectus”). The ATM Prospectus relates to the offering of up to \$10,600,000 of shares of the Company’s common stock. The issuance and sale, if any, of common stock under the Agreement is subject to the Company maintaining an effective registration statement. The Registration Statement was declared effective on July 26, 2024. To date, the Company has not made any sales under the Agreement.

*Common Stock Options*

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

	Number of Shares Under Options	Weighted Average Exercise Price	Weighted Average Contractual Life
Options Outstanding at January 1, 2025	678,302	\$ 2.79	6.42
Options Granted	52,420	4.36	
Exercised	(17,821)	2.15	
Expired/Cancelled	(23,900)	2.96	
Options Outstanding at June 30, 2025	689,001	\$ 2.91	6.03
Options Exercisable at June 30, 2025	407,926	\$ 2.82	5.49

Share-based compensation expense for options totaling \$180,233 and \$110,195 was recognized in the Company's results for the three months ended June 30, 2025, and 2024, respectively. Share-based compensation expense for options totaling \$294,116 and \$214,357 was recognized in the Company's results for the six months ended June 30, 2025, and 2024, respectively. All share-based compensation expense has been recorded as a component of selling, general and administrative expenses.

The intrinsic value of outstanding options as of June 30, 2025, was \$652,908.

The valuation methodology used to determine the fair value of the options issued during the year was the Black-Scholes option-pricing model. The Black-Scholes model requires the use of a number of assumptions including the volatility of the stock price, the average risk-free interest rate, and the weighted average expected life of the options.

The risk-free interest rate assumption is based upon observed interest rates on zero-coupon U.S. Treasury bonds whose maturity period is appropriate for the term of the options.

Estimated volatility is a measure of the amount by which the Company's stock price is expected to fluctuate each year during the expected life of the award. The Company's calculation of estimated volatility is based on historical stock prices of the Company over a period equal to the expected life of the awards.

As of June 30, 2025, there was \$733,136 of total unrecognized compensation expense related to unvested employee options granted under the Company's share-based compensation plans that is expected to be recognized over a weighted average period of approximately 1.1 years.

The weighted average fair value of options granted, and the assumptions used in the Black-Scholes model during the six months ended June 30, 2025, and 2024, are set forth in the table below.

	2025	2024
Weighted average fair value of options granted	\$ 2.42	\$ 3.22
Risk-free interest rate	4.12% - 4.47%	3.94% - 4.21%
Volatility	77% - 122%	126% - 159%
Expected life (years)	3.5 - 6.00 years	3.5 - 6.00 years
Dividend yield	—	—

#### *Share-Based Awards, restricted stock units ("RSUs")*

A summary of the activity related to RSUs for the six months ended June 30, 2025, is presented below:

Restricted Stock Units (RSUs)	Shares	Fair Value
Outstanding non-vested at January 1, 2025	214,375	\$ 2.79
Granted	125,083	3.95
Vested	(167,690)	3.44
Forfeited	(796)	4.88
Outstanding non-vested at June 30, 2025	170,972	\$ 2.99

Stock-based compensation for RSU's has been recorded in the consolidated statements of operations and totaled \$232,347 and \$97,530 for the three months ended June 30, 2025, and 2024, respectively. Stock-based compensation for RSU's has been recorded in the consolidated statements of operations and totaled \$344,728 and \$164,692 for the six months ended June 30, 2025, and 2024, respectively. All share-based compensation expense has been recorded as a component of selling, general and administrative expenses.

As of June 30, 2025, there was \$511,056 of total unrecognized compensation expense related to unvested RSUs granted under the Company's share-based compensation plans that is expected to be recognized over a weighted average period of approximately 1.3 years.

#### *Preferred Stock*

##### Liquidation preference

Upon any liquidation, dissolution, or winding up of the Corporation, whether voluntary or involuntary, before any distribution or payment shall be made to the holders of any Common Stock, the holders of Series A Preferred Stock shall be entitled to be paid out of the assets of the Corporation legally available for distribution to stockholders, for each share of Series A Preferred Stock held by such holder, an amount per share of Series A Preferred Stock equal to the Original Issue Price for such share of Series A Preferred Stock plus all accrued and unpaid dividends on such share of Series A Preferred Stock as of the date of the Liquidation Event. No Preferred shares are issued as of June 30, 2025.

##### Conversion

The number of shares of Common Stock to which a share of Series A Preferred Stock may be converted shall be the product obtained by dividing the Original Issue Price of such share of Series A Preferred Stock by the then-effective Conversion Price (as defined herein) for such share of Series A Preferred Stock. The Conversion Price for the Series A Preferred Stock shall initially be equal to \$0.02 and shall be adjusted from time to time.

##### Voting

Each holder of shares of Series A Preferred Stock shall be entitled to the number of votes, upon any meeting of the stockholders of the Corporation (or action taken by written consent in lieu of any such meeting) equal to the number of shares of Common Stock into which such shares of Series A Preferred Stock could be converted.

##### Dividends

Each share of Series A Preferred Stock, in preference to the holders of all common stock, shall entitle its holder to receive, but only out of funds that are legally available therefore, cash dividends at the rate of ten percent (10%) per annum from the Original Issue Date on the Original Issue Price for such share of Series A Preferred Stock, compounding annually unless paid by the Company. There are no shares of Series A Preferred Stock outstanding as of June 30, 2025.

**Note 9 – Litigation**

The Company is currently not involved in any litigation that it believes could have a materially adverse effect on its financial condition or results of operations. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of the Company or any of its 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.

**Note 10 – Related Party Transactions**

*Nexxis Capital LLC*

Charles M. Piluso (Chairman and CEO) and Harold J. Schwartz (President) collectively own 100% of Nexxis Capital LLC (“Nexxis Capital”). Nexxis Capital was formed to purchase equipment and provide leases to Nexxis Inc.’s customers. The Company received from Nexxis Capital \$3,257 for the three and six months ended June 30, 2025, and \$77,348 for the three and six months ended June 30, 2024, respectively.

*Eisner & Maglione CPA’s LLC*

Lawrence Maglione, a member of the Board of Directors, is a partner of Eisner & Maglione CPA’s LLC. The Company paid Mr. Maglione’s firm \$21,231 and \$5,108 for accounting and consulting services for the three months ended June 30, 2025, and 2024, respectively. The Company paid Mr. Maglione’s firm \$27,739 and \$15,083 for accounting and consulting services during the six months ended June 30, 2025, and 2024, respectively.

**Note 11 – Equity Investment**

On May 21, 2025, the Company invested \$100,000 in TG-17, Inc., a privately held Delaware corporation, in exchange for shares of Series CF Preferred Stock. The investment represents less than 20% of the outstanding equity of TG-17, Inc. and does not convey board representation, control rights, or any significant influence over the investee’s operating or financial policies.

Accordingly, the Company accounts for the investment in accordance with ASC 321, Investments – Equity Securities, using the measurement alternative. Under this method, the investment is recorded at cost and is adjusted for any impairment or for observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

As of June 30, 2025, the Company has not identified any events or changes in circumstances that would indicate impairment of the investment, nor has it observed any transactions requiring a remeasurement of its carrying value. The investment is classified as a non-current asset on the balance sheet.

**Note 12 – Segment Information**

The Company operates in three reportable segments: CloudFirst, CloudFirst Europe and Nexxis. The Company’s segments were determined based on its internal organizational structure, the manner in which its operations are managed, and the criteria used by the Company’s CODM’s which is its Chief Executive Officer and the senior management team, to evaluate performance, which is generally the segment’s operating income or losses.

Operations of:	Products and services provided:
CloudFirst Technologies Corporation	CloudFirst provides services from CloudFirst’s technological assets deployed in six Tier 3 data centers throughout the USA and Canada. This technology has been developed by CloudFirst. Clients are invoiced for cloud infrastructure and disaster recovery on the CloudFirst platforms. Services provided to clients are provided on a subscription basis on long-term contracts.
CloudFirst Europe Ltd.	CloudFirst Europe Ltd. provides services from CloudFirst’s technological assets deployed in three Tier 3 data centers throughout the United Kingdom. This technology has been developed by CloudFirst. Clients are invoiced for cloud infrastructure and disaster recovery on the CloudFirst UK platforms. Services provided to clients are provided on a subscription basis on long term contracts.
Nexxis Inc.	Nexxis is a single-source solution provider that delivers fully-managed cloud-based voice over internet services, data transport, internet access, and SD-WAN solutions focused on business continuity for today’s modern business environment.

The following tables present certain financial information related to the Company’s reportable segments and Corporate:

	June 30, 2025				
	CloudFirst Technologies	CloudFirst Europe Ltd.	Nexxis Inc.	Corporate	Total
Accounts receivable, net	\$ 1,633,320	\$ 2,030	\$ 39,330	\$ 52,431	\$ 1,727,111
Prepaid expenses and other current assets	883,601	34,459	40,018	955,016	1,913,094
Property and equipment, net	2,761,350	570,652	1,637	4,500	3,338,139
Intangible assets, net	1,293,435	—	—	—	1,293,435
Goodwill	4,238,671	—	—	—	4,238,671
Operating lease right-of-use assets	525,416	—	—	—	525,416
Other assets	—	—	—	11,385,280	11,385,280
Total assets	<u>\$ 11,335,793</u>	<u>\$ 607,141</u>	<u>\$ 80,985</u>	<u>\$ 12,397,227</u>	<u>\$ 24,421,146</u>
Accounts payable and accrued expenses	\$ 364,894	\$ 25,276	\$ 81,990	\$ 1,877,839	\$ 2,349,999
Deferred revenue	227,204	—	—	—	227,204
Deferred tax liability	—	—	—	39,031	39,031
Operating lease liabilities	574,182	—	—	—	574,182
Total liabilities	<u>\$ 2,004,632</u>	<u>\$ 25,276</u>	<u>\$ 81,990</u>	<u>\$ 1,078,518</u>	<u>\$ 3,190,416</u>

	December 31, 2024				
	CloudFirst Technologies	CloudFirst Europe Ltd.	Nexxis Inc.	Corporate	Total
Accounts receivable, net	\$ 2,166,440	\$ —	\$ 59,018	\$ —	\$ 2,225,458
Prepaid expenses and other current assets	678,123	62,842	25,056	93,481	859,502
Property and equipment, net	2,858,664	574,919	2,056	4,017	3,439,656
Intangible assets, net	1,427,006	—	—	—	1,427,006
Goodwill	4,238,671	—	—	—	4,238,671
Operating lease right-of-use assets	575,380	—	—	—	575,380
Other assets	—	—	—	12,514,542	12,514,542
Total assets	<u>\$ 11,944,284</u>	<u>\$ 637,761</u>	<u>\$ 86,130</u>	<u>\$ 12,612,040</u>	<u>\$ 25,280,215</u>
Accounts payable and accrued expenses	\$ 2,514,439	\$ 80,348	\$ 78,654	\$ 509,938	\$ 3,183,379
Deferred revenue	212,390	—	—	—	212,390
Deferred tax liability	—	—	—	39,031	39,031
Finance leases payable	17,641	—	—	—	17,641
Finance leases payable related party	33,879	—	—	—	33,879
Operating lease liabilities	621,930	—	—	—	621,930
Total liabilities	<u>\$ 3,400,279</u>	<u>\$ 80,348</u>	<u>\$ 78,654</u>	<u>\$ 548,969</u>	<u>\$ 4,108,250</u>

	Three Months Ended June 30, 2025				
	CloudFirst Technologies	CloudFirst Europe Ltd.	Nexxis Inc.	Corporate	Total
Sales	\$ 4,815,516	\$ —	\$ 331,406	\$ —	\$ 5,146,922
Cost of sales	2,333,386	87,012	189,770	—	2,610,168
Gross profit	2,482,130	(87,012)	141,636	—	2,536,754
Selling, general and administrative	1,886,354	357,123	151,818	937,126	3,332,421
Income (loss) from operations	<u>\$ 595,776</u>	<u>\$ (444,135)</u>	<u>\$ (10,182)</u>	<u>\$ (937,126)</u>	<u>\$ (795,667)</u>

**Three Months Ended June 30, 2024**

	<b>CloudFirst Technologies</b>	<b>CloudFirst Europe Ltd.</b>	<b>Nexxis Inc.</b>	<b>Corporate</b>	<b>Total</b>
Sales	\$ 4,617,445	\$ —	\$ 293,047	\$ —	\$ 4,910,492
Cost of sales	2,345,385	—	157,214	—	2,502,599
Gross profit	2,272,060	—	135,833	—	2,407,893
Selling, general and administrative	1,739,626	—	160,255	896,798	2,796,679
Income (loss) from operations	<u>\$ 532,434</u>	<u>\$ —</u>	<u>\$ (24,422)</u>	<u>\$ (896,798)</u>	<u>\$ (388,786)</u>

**Six Months Ended June 30, 2025**

	<b>CloudFirst Technologies</b>	<b>CloudFirst Europe Ltd.</b>	<b>Nexxis Inc.</b>	<b>Corporate</b>	<b>Total</b>
Sales	\$ 12,586,528	\$ —	\$ 644,150	\$ —	\$ 13,230,678
Cost of sales	7,300,123	172,168	361,737	—	7,834,028
Gross profit	5,286,405	(172,168)	282,413	—	5,396,650
Selling, general and administrative	3,611,029	727,938	299,839	1,646,020	6,284,826
Income (loss) from operations	<u>\$ 1,675,376</u>	<u>\$ (900,106)</u>	<u>\$ (17,426)</u>	<u>\$ (1,646,020)</u>	<u>\$ (888,176)</u>

**Six Months Ended June 30, 2024**

	<b>CloudFirst Technologies</b>	<b>CloudFirst Europe Ltd.</b>	<b>Nexxis Inc.</b>	<b>Corporate</b>	<b>Total</b>
Sales	\$ 12,572,403	\$ —	\$ 573,836	\$ —	\$ 13,146,239
Cost of sales	7,448,020	—	323,854	—	7,771,874
Gross profit	5,124,383	—	249,982	—	5,374,365
Selling, general and administrative	3,666,317	—	337,345	1,545,694	5,549,356
Income (loss) from operations	<u>\$ 1,458,066</u>	<u>\$ —</u>	<u>\$ (87,363)</u>	<u>\$ (1,545,694)</u>	<u>\$ (174,991)</u>

**Note 13 - Subsequent Events**

The Company has evaluated events that occurred through the date that the financial statements were issued and determined that there have been no events that have occurred that would require adjustments to the Company's disclosures in the financial statements other than the following.

On July 11, 2025, the Company entered into a unit purchase agreement (the "Purchase Agreement") pursuant to which the Company agreed to sell its cloud solutions business (the "Business"), which consists of the operations of its CloudFirst Technologies Corporation and CloudFirst Europe Ltd. subsidiaries. If consummated, the transaction represents a strategic shift in the Company's operations.

Pursuant to the Purchase Agreement, the assets of the Business will be contributed to a new wholly-owned subsidiary, DTST Sub, LLC ("NewCo"), and the purchaser will acquire all of the outstanding units of NewCo for a purchase price of approximately \$40 million in cash, subject to certain adjustments. The purchase price is subject to a \$1.5 million escrow amount and adjustments for closing date debt and net working capital. The transaction is subject to customary closing conditions, including shareholder approval. As of June 30, 2025, the Company recorded \$838,352 of costs related to the potential transaction as deferred transaction costs, a component of prepaid and other expenses in the condensed consolidated balance sheets.

As of June 30, 2025, the transaction did not meet all the criteria for held-for-sale classification under ASC 360, primarily because the required shareholder approval had not yet been obtained. Accordingly, the assets and liabilities of the Business remain classified as held and used within their respective line items on the Condensed Consolidated Financial Statements for all periods presented.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited consolidated financial statements and notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q and with our audited financial statements and notes thereto for the year ended December 31, 2024, included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2024, filed on March 31, 2025 (the “2024 Annual Report”) with the U.S. Securities and Exchange Commission (the “SEC”). 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 SEC.

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 SUMMARY

Data Storage Corporation (“DSC,” the “Company,” “we,” “us” or “our”) is a leading provider of enterprise cloud and business continuity solutions, specializing in fully managed cloud hosting, disaster recovery, cybersecurity, and IT automation services. DSC leverages its expertise through its three subsidiaries: CloudFirst Technologies Corporation (“CloudFirst”), CloudFirst Europe Ltd. (“CloudFirst Europe”) and Nexxis Inc. (“Nexxis”). Through its CloudFirst platform – built on IBM Power Systems infrastructure – DSC delivers high-performance cloud solutions tailored for IBM i and AIX workloads. This niche focus on IBM Power environments distinguishes CloudFirst in the market: none of the major public cloud providers (AWS, Microsoft Azure, or Google Cloud) natively support IBM i/AIX workload, giving DSC a distinct competitive edge in serving clients with these mission-critical systems. The Company leverages long-term subscription contracts for its cloud and disaster-recovery services, yielding a highly recurring revenue base and strong customer retention (historically over 90% annual subscription renewal rates). DSC’s client base exceeds 425 organizations across diverse sectors – including government, healthcare, education, manufacturing, and Fortune 500 enterprises – reflecting broad market demand for its multi-cloud hosting and business continuity solutions. In recent years, DSC has undertaken strategic expansions (organically and via acquisitions) to reinforce its position as an emerging growth leader in the multi-billion-dollar cloud hosting and business continuity market. Notably, the integration of Flagship Solutions, LLC (“Flagship”) (our wholly-owned subsidiary that was originally acquired in 2021) into CloudFirst was completed in January 2024, unlocking operational synergies and enabling cross-selling of the full CloudFirst suite to Flagship’s established customer base. This integration, combined with enhanced distribution and marketing capabilities post-2021 Nasdaq uplisting, has bolstered DSC’s growth trajectory and technical expertise.

DSC, through its subsidiary CloudFirst, expanded into the UK and European markets in October 2024 as part of DSC’s international growth strategy. This investment included consulting, accounting, and legal expenses to establish operations, as well as the strategic hiring of a regional director and sales personnel. Additionally, the Company initiated partner recruitment and invested in partner enablement through targeted training and sales support programs, laying the foundation for sustainable growth and expanded market presence in the region.



## Recent Developments

On July 11, 2025, the Company entered into a unit purchase agreement (the “Purchase Agreement”) pursuant to which it agreed to sell its cloud solutions business (the “Business”), which consists of the operations of its CloudFirst Technologies Corporation and CloudFirst Europe Ltd. subsidiaries (the “Divestiture”). The Divestiture represents a strategic shift in the Company’s operations, assuming the Company’s shareholders approve the Divestiture at the Company’s annual meeting of shareholders currently scheduled for September 10, 2025 (the “2025 Annual Meeting”), and thereafter that the Divestiture is consummated.

Pursuant to the Purchase Agreement, the assets of the Business will be contributed to a new wholly-owned subsidiary, DTST Sub, LLC (“NewCo”), and the purchaser will acquire all of the outstanding units of NewCo for a purchase price of approximately \$40 million in cash, subject to certain adjustments. The closing of the Divestiture is subject to customary closing conditions, including that the Company’s shareholders approve the Divestiture at the 2025 Annual Meeting (the “Shareholder Approval”).

As of June 30, 2025, the Divestiture did not meet all the criteria for held-for-sale classification under ASC 360, primarily because the required Shareholder Approval had not yet been obtained. Accordingly, the assets and liabilities of the Business remain classified as held and used within their respective line items on the Condensed Consolidated Financial Statements for all periods presented.

In light of a negotiated non-compete provision in the Purchase Agreement, if the transactions contemplated by the Purchase Agreement are consummated, DSC will not pursue opportunities that overlap with the cloud infrastructure or managed services sectors involving the Business. Following the planned sale of our cloud solutions business, assuming Shareholder Approval is obtained and the Divestiture is consummated, our continuing operations will consist of our Nexxis subsidiary, which provides VoIP, telecommunications and data access. The Business to be divested has historically constituted the significant majority of the Company’s consolidated operations. For the six months ended June 30, 2025, the Business represented approximately 95% of the Company’s total revenue and was the primary driver of its gross profit and operating cash flow. Following consummation of the Divestiture, the Company’s continuing operations will be substantially smaller. As a result, management will be required to evaluate and implement a revised strategic plan and potentially rationalize ongoing corporate costs to align its expense structure with the size and scope of the remaining business. Following the Divestiture, DSC intends to pursue acquisitions of companies in complementary and high-growth technology sectors, in addition to the growth of Nexxis.

## RESULTS OF OPERATIONS

### Three months ended June 30, 2025, as compared to June 30, 2024

#### Sales and Gross Profit

	Three Months Ended June 30,		\$ Increase/ (Decrease)	% Increase/ (Decrease)
	2025	2024		
Cloud infrastructure & disaster recovery	\$ 3,358,941	\$ 3,165,716	\$ 193,225	6.1%
Equipment and software	687,321	782,303	(94,982)	(12.1)%
Managed services	738,860	642,518	96,342	15.0%
Nexxis VoIP services	323,620	275,830	47,790	17.3%
Other	38,180	44,125	(5,945)	(13.8)%
<b>Total Sales</b>	<b>\$ 5,146,922</b>	<b>\$ 4,910,492</b>	<b>\$ 236,430</b>	<b>4.8%</b>

**Total Sales.** For the three months ended June 30, 2025, total sales increased by \$236,430, or 4.8%, compared to the three months ended June 30, 2024. The increase was primarily driven by continued growth in our subscription-based services. Cloud Infrastructure & disaster recovery revenue increased by \$193,225 or 6.1%, due to the addition of new subscription clients and expanded services for existing clients. Nexxis VoIP services also contributed significantly, with an increase of \$47,790 or 17.3%, reflecting successful sales initiatives. This growth was partially offset by a decrease in equipment and software sales of \$94,982, or 12.1%, which is primarily attributable to, non-recurring equipment sales in the prior year period and a strategic shift towards subscription services.

**Cost of Sales and Gross Profit.** Cost of sales for the three months ended June 30, 2025, increased by \$107,569, or 4.3%, from the prior year period. This increase was consistent with the overall growth in sales and also reflects our investment in the newly established U.K. entity, which is contributing to higher cost of sales as operations ramp up. Gross profit margin remained stable at 49.3% for the three months ended June 30, 2025, compared to 49.0% in the prior year period. The slight margin improvement was due to a favorable revenue mix, with a higher proportion of sales coming from higher-margin cloud infrastructure services.

*Selling, general and administrative expenses*

	Three Months Ended June 30,		\$ Increase/ (Decrease)	% Increase/ (Decrease)
	2025	2024		
Salaries and director fees	\$ 1,368,479	\$ 1,111,414	\$ 257,065	23.1%
Stock based compensation	412,580	207,847	204,733	98.5%
Professional fees	408,467	493,986	(85,519)	(17.3)%
Software as a service	53,282	60,409	(7,127)	(11.8)%
Advertising	308,901	249,147	59,754	24.0%
Commissions	382,069	298,970	83,099	27.8%
Depreciation and amortization	71,160	71,367	(207)	(0.3)%
Travel and entertainment	116,002	130,436	(14,434)	(11.1)%
Rent and occupancy	34,644	84,835	(50,191)	(59.2)%
Insurance	30,873	32,070	(1,197)	(3.7)%
Other	145,964	56,198	89,766	159.7%
<b>Selling, general and administrative expenses</b>	<b>\$ 3,332,421</b>	<b>\$ 2,796,679</b>	<b>\$ 535,742</b>	<b>19.2%</b>

**Selling, general and administrative expenses.** For the three months ended June 30, 2025, selling, general and administrative expenses increased \$535,742, or 19.2%, as compared to the three months ended June 30, 2024. The increase was primarily driven by a \$257,065, or 23.1%, increase in salaries and director fees and a \$204,733, or 98.5%, increase in non-cash stock-based compensation. The increase in salaries is attributable to an increase in headcount to support our growth initiatives in the UK and in the US, and annual merit-based salary adjustments. The increase in stock-based compensation reflects new equity awards granted to the Board and to key employees and directors in the current period. Also contributing was an increase in commissions associated with increased revenues. These increases were partially offset by lower professional fees and occupancy costs compared to the prior period when we were in the process of transitioning our principal office location.

**Loss from operations.** Loss from operations was \$795,667 for the three months ended June 30, 2025, compared to a loss of \$388,786 in the prior year period. The increased loss was primarily due to the growth in selling, general and administrative expenses, including costs related to our investment in the newly established U.K. entity, which is incurring expenses as operations ramp up..

**Other Income (Expense) and Net Loss.** Total other income was \$63,704 for the three months ended June 30, 2025, compared to \$142,181 in the prior year period. The decrease was primarily due to lower interest income, which resulted from lower average balances of marketable securities during the period. As a result of the increased loss from operations and lower other income, net loss attributable to common stockholders was \$733,049 for the three months ended June 30, 2025, compared to a net loss of \$244,240 for the same period in 2024.

**Six months ended June 30, 2025, as compared to June 30, 2024**

*Sales and Gross Profit*

	Six Months Ended June 30,		\$ Inc (Dec)	% Inc (Dec)
	2025	2024		
Cloud Infrastructure & disaster recovery	\$ 6,718,019	\$ 6,118,611	\$ 599,408	9.8%
Equipment and software	4,252,240	4,866,950	(614,710)	(12.6)%
Managed services	1,550,766	1,485,925	64,841	4.4%
Nexxis VoIP services	631,436	552,297	79,139	14.3%
Other	72,218	122,456	(44,238)	(36.1)%
<b>Total Sales</b>	<b>\$ 13,230,678</b>	<b>\$ 13,146,239</b>	<b>\$ 84,439</b>	<b>0.6%</b>

**Total Sales.** For the six months ended June 30, 2025, total sales increased \$84,439, or 0.6%, compared to the six months ended June 30, 2024. The relative stability in total sales was the result of a significant shift in our revenue mix. Growth was primarily driven by a \$599,408, or 9.8%, increase in our core cloud infrastructure and disaster recovery services and \$79,139, or 14.3%, increase in Nexxis VoIP services. This growth was largely offset by a \$614,710, or 12.6%, decrease in equipment and software sales, which is primarily attributable to large, non-recurring equipment sales in the prior year period.

**Cost of Sales and Gross Profit.** Cost of sales for the six months ended June 30, 2025, increased by \$62,154, or 0.8%, from the prior year period. Gross profit margin remained consistent at 40.8% for both periods. The favorable impact from a revenue mix shift towards our higher margin cloud and VoIP services was offset by lower gross margins on equipment and software sales during the current period compared to the prior year.

*Selling, general and administrative expenses*

	Six Months Ended June 30,		\$ Inc (Dec)	% Inc (Dec)
	2025	2024		
Salaries and director fees	\$ 2,816,411	\$ 2,296,477	\$ 519,934	22.6%
Stock based compensation	638,844	379,172	259,672	68.5%
Professional fees	806,798	750,569	56,229	7.5%
Software as a service	130,445	121,305	9,140	7.5%
Advertising	524,142	481,387	42,755	8.9%
Commissions	708,000	713,553	(5,553)	(0.8)%
Depreciation and amortization	141,979	143,495	(1,516)	(1.1)%
Travel and entertainment	192,419	204,005	(11,586)	(5.7)%
Rent and occupancy	68,839	144,523	(75,684)	(52.4)%
Insurance	63,549	63,866	(317)	(0.5)%
Other	193,400	251,004	(57,604)	(22.9)%
<b>Total Expenses</b>	<b>\$ 6,284,826</b>	<b>\$ 5,549,356</b>	<b>\$ 735,470</b>	<b>13.3%</b>

**Selling, general and administrative expenses.** For the six months ended June 30, 2025, selling, general and administrative expenses increased \$735,470, or 13.3%, as compared to the six months ended June 30, 2024. The increase was primarily driven by a \$519,934, or 22.6%, increase in salaries and director fees and a \$259,672, or 68.5%, increase in non-cash stock-based compensation. The rise in salaries is attributable to an increase in headcount to support our growth initiatives in the UK and in the US, and annual merit-based salary adjustments. The increase in stock-based compensation reflects new equity awards granted in 2025, many of which have shorter vesting periods than prior year grants, resulting in accelerated expense recognition, and the full period effect of awards granted in 2024. These increases were partially offset by a \$75,684, or 52.4%, decrease in rent and occupancy expense compared to the prior period when we were in the process of transitioning our principal office location.

**Loss from operations.** Loss from operations was \$888,176 for the six months ended June 30, 2025, compared to a loss of \$174,991 in the prior year period. The increased loss was primarily due to the increase in selling, general and administrative expenses, including costs related to our investment in the newly established U.K. entity, which is incurring expenses as operations ramp up.

**Other Income (Expense) and Net Loss.** Total other income was \$182,601 for the six months ended June 30, 2025, compared to \$274,290 in the prior year period. The decrease was primarily due to lower interest income, which resulted from lower average balances of marketable securities during the current period. As a result of the significant increase in loss from operations, net loss attributable to common stockholders was \$708,971 for the six months ended June 30, 2025, compared to net income of \$112,862 for the same period in 2024.

LIQUIDITY AND CAPITAL RESOURCES

Sale of CloudFirst Businesses

Subsequent to the end of the quarter ended June 30, 2025, on July 11, 2025, the Company entered into a definitive agreement to sell its cloud solutions business (the “Divestiture”), which consists of its CloudFirst and CloudFirst UK segments, for a purchase price of \$40 million. The closing of the Divestiture is subject to Shareholder Approval, for which a vote is expected to be held in the third quarter of 2025 at the 2025 Annual Meeting, as well as other customary conditions.

If the Shareholder Approval is obtained and the Divestiture is consummated, the Company expects to receive net cash proceeds of approximately \$24 million, which includes transaction costs, and estimated taxes, but will be adjusted pursuant to closing adjustments, including working capital adjustment. This significant influx of cash would fundamentally alter the Company’s liquidity and capital resources. Management intends to use a substantial portion of the net proceeds to return capital to shareholders, with the remainder available for strategic investments in our continuing operations and other corporate purposes. We believe that our current cash and marketable securities, combined with the anticipated proceeds from the sale, will be more than sufficient to fund our operations and strategic initiatives for the foreseeable future.

Overview of Liquidity and Cash Flows

The condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) applicable for a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the ordinary course of business.

To the extent the Company is successful in growing its business, identifying potential acquisition targets, and negotiating the terms of such acquisitions, and where the purchase price may include a cash component, the Company expects to use its working capital and the proceeds of any financing to finance such acquisition costs.

The Company’s conclusion concerning its liquidity is based on current information. If this information proves to be inaccurate, or if circumstances change, the Company may not be able to meet its liquidity needs, which will require a renegotiation of related party capital equipment leases, a reduction in advertising and marketing programs, and/or a reduction in salaries for officers that are major shareholders.

The Company has long-term contracts to supply its subscription-based solutions that are invoiced to clients monthly. The Company believes its total contract value of its subscription contracts with clients based on the actual contracts that it has to date exceeds \$10 million. Further, the Company continues to see an uptick in client interest in distribution channel expansion and in sales proposals. In 2025, the Company intends to continue to work to increase its presence in the IBM “Power I” infrastructure cloud and business continuity marketplace in the niche of IBM “Power” and in the disaster recovery global marketplace utilizing its technical expertise, data centers utilization, assets deployed in the data centers, 24 x 365 monitoring and software.

On July 18, 2024, the Company entered into the Agreement with Maxim, discussed in Note 8 to the condensed consolidated financial statements, pursuant to which the Company may offer and sell, from time to time, through Maxim, as sales agent or principal, shares of its common stock. There can be no guarantee that the Company will be able to raise capital from sales under the Agreement. To date, the Company has not made any sales under the Agreement.

The Company’s working capital was \$11,240,402 on June 30, 2025, decreasing by \$629,512 from \$11,869,914 at December 31, 2024. The decrease is primarily attributable to a decrease in the Company’s cash, marketable securities and accounts receivable, which was offset, in part, by an increase in prepaid expenses and other current assets and lower accounts payable and accrued expenses.

Cash Flows for the six months ended June 30, 2025, as compared to June 30, 2024

The following table summarizes the Company’s cash flows:

**Cash Flow Summary**

	Six Months Ended June 30,	
	2025	2024
Cash provided by (used in) operating activities	\$ (727,487)	\$ 354,791
Cash used in investing activities	272,016	(798,381)
Cash used in financing activities	(13,253)	(205,154)
Effect of exchange rate changes on cash	9,950	—
Decrease in cash	(458,774)	(648,744)
Cash, beginning of period	1,070,097	1,428,730
Cash, end of period	<u>\$ 611,323</u>	<u>\$ 779,986</u>

**Operating activities**

The change in cash used in operating activities for the six months ended June 30, 2025, compared to the same period in 2024 was primarily driven by the net loss for the 2025 period of \$705,575, compared to net income of \$99,299 in the prior year period. Although the net loss was offset by \$1.4 million of non-cash items, such as depreciation and amortization (\$0.7) million and stock-based compensation (\$0.6) million, an increase in working capital negatively impacted the company's cash flows from operations. The increase in working capital was primarily related to expenses totaling \$838,252 for deferred transaction fees related to the Divestiture.

**Investing activities**

The change in cash flows from investing activities was primarily due to net sales of marketable securities of \$750,827 during the current period to fund operations, compared to net purchases in the prior year. This was partially offset by capital expenditures of \$478,811 in the six months ended June 30, 2025, compared to \$902,574 for the six-month ended June 30, 2024. The decrease in year over year capital spending reflects a higher pace of building-out cloud infrastructure in the prior year.

**Financing activities**

Cash used in financing activities for the six months ended June 30, 2025, represents \$51,000 of payments made under finance lease agreements, primarily for leased capital equipment. For the six months ended June 30, 2025, finance lease payments were offset by \$38,249 of proceeds from stock option exercises. Cash used in financing activities was lower than the same period in the prior year due to lower repayments of finance lease obligations, as all finance leases were paid in full during the first quarter of 2025.

**Critical Accounting Estimates**

The preparation of financial statements in conformity with US GAAP 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. We believe that the accounting estimates employed are appropriate and resulting balances are reasonable; however, due to inherent uncertainties in making estimates, actual results may differ from the original estimates, requiring adjustments to these balances in future periods. There are accounting policies, each of which requires significant judgments and estimates on the part of management, that we believe are significant to the presentation of our condensed consolidated financial statements. The critical accounting estimates that affect the condensed consolidated financial statements and the judgments and assumptions used are consistent with those described under Part II, Item 7 of the 2024 Annual Report.

**Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements, financings, or other relationships with unconsolidated entities or other persons, also known as "special purpose entities."

## Non-GAAP Financial Measures

### Adjusted EBITDA

To supplement the Company's condensed consolidated financial statements presented in accordance with GAAP and to provide investors with additional information regarding the Company's financial results, the Company considers and is including herein Adjusted EBITDA, a Non-GAAP financial measure. The Company views Adjusted EBITDA as an operating performance measure and, as such, the Company believes that the GAAP financial measure most directly comparable to it is net income (loss). The Company defines Adjusted EBITDA as net income adjusted for interest, depreciation, amortization, and stock-based compensation. The Company believes that Adjusted EBITDA provides an important measure of operating performance because it allows management, investors, debt holders and others to evaluate and compare ongoing operating results from period to period by removing the impact of the Company's asset base, any asset disposals or impairments, stock-based compensation and other non-cash income and expense items associated with its reliance on issuing equity-linked debt securities to fund its working capital.

The Company's use of Adjusted EBITDA has limitations as an analytical tool, and this measure should not be considered in isolation or as a substitute for an analysis of its results as reported under GAAP, as the excluded items may have significant effects on its operating results and financial condition. Additionally, the Company's measure of Adjusted EBITDA may differ from other companies' measure of Adjusted EBITDA. When evaluating the Company's performance, Adjusted EBITDA should be considered with other financial performance measures, including various cash flow metrics, net income and other GAAP results. In the future, the Company may disclose different non-GAAP financial measures in order to help its investors and others more meaningfully evaluate and compare the Company's future results of operations to its previously reported results of operations.

The following tables show our reconciliation of income (loss) before income taxes to adjusted EBITDA for the three and six months ended June 30, 2025, and 2024:

Three Months Ended June 30, 2025					
	CloudFirst Technologies	CloudFirst Europe Ltd.	Nexxis Inc.	Corporate	Total
Income (loss) before income taxes	\$ 556,213	\$ (444,135)	\$ (10,182)	\$ (833,859)	\$ (731,963)
Non-GAAP adjustments:					
Depreciation and amortization	317,306	32,647	211	357	350,521
Interest income	—	—	—	(103,267)	(103,267)
Interest expense	16,236	—	—	—	16,236
Other expense	23,327	—	—	—	23,327
Stock based compensation	81,167	—	6,572	324,840	412,579
Adjusted EBITDA	<u>\$ 994,249</u>	<u>\$ (411,488)</u>	<u>\$ (3,399)</u>	<u>\$ (611,929)</u>	<u>\$ (32,567)</u>
Three Months Ended June 30, 2024					
	CloudFirst Technologies	CloudFirst Europe Ltd.	Nexxis Inc.	Corporate	Total
Income (loss) before income taxes	\$ 522,174	\$ —	\$ (24,422)	\$ (744,357)	\$ (246,605)
Non-GAAP adjustments:					
Depreciation and amortization	338,908	—	422	192	339,522
Interest income	—	—	—	(152,441)	(152,441)
Interest expense	10,260	—	—	—	10,260
Other expense	—	—	—	—	—
Stock based compensation	89,819	—	13,387	109,651	212,857
Adjusted EBITDA	<u>\$ 961,161</u>	<u>\$ —</u>	<u>\$ (10,613)</u>	<u>\$ (786,955)</u>	<u>\$ 163,593</u>

Six Months Ended June 30, 2025					
	CloudFirst Technologies	CloudFirst Europe Ltd.	Nexxis Inc.	Corporate	Total
Income (loss) before income taxes	\$ 1,633,804	\$ (900,106)	\$ (17,426)	\$ (1,421,847)	\$ (705,575)
Non-GAAP adjustments:					
Depreciation and amortization	650,920	61,882	420	677	713,899
Interest income	—	—	—	(224,173)	(224,173)
Interest expense	18,245	—	—	—	18,245
Other expense	23,327	—	—	—	23,327
Stock based compensation	170,832	—	13,001	455,011	638,844
Adjusted EBITDA	<u>\$ 2,497,128</u>	<u>\$ (838,224)</u>	<u>\$ (4,005)</u>	<u>\$ (1,190,332)</u>	<u>\$ 464,567</u>
Six Months Ended June 30, 2024					
	CloudFirst Technologies	CloudFirst Europe Ltd.	Nexxis Inc.	Corporate	Total
Income (loss) before income taxes	\$ 1,436,546	\$ —	\$ (87,363)	\$ (1,249,884)	\$ 99,299
Non-GAAP adjustments:					
Depreciation and amortization	633,701	—	422	386	634,509
Interest income	—	—	—	(295,810)	(295,810)
Interest expense	21,520	—	—	—	21,520
Other expense	—	—	—	—	—
Stock based compensation	142,788	—	13,387	221,336	377,511
Adjusted EBITDA	<u>\$ 2,234,555</u>	<u>\$ —</u>	<u>\$ (73,554)</u>	<u>\$ (1,323,972)</u>	<u>\$ 837,029</u>

### Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As a smaller reporting company, this item is not required.

### Item 4. Controls and Procedures.

#### Evaluation of Disclosure Controls and Procedures.

As of the end of the period covered by this Quarterly Report on Form 10-Q, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our 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”). Rule 13a-15(e) under the Exchange Act defines “disclosure controls and procedures” as controls and other procedures of a company that are designed to ensure that the information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to a company’s management, including its chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level at June 30, 2025.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Due to 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. Accordingly, our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our disclosure control system are met. As set forth above, our Chief Executive Officer and Chief Financial Officer have concluded, based on the evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q, that our disclosure controls and procedures were effective to provide reasonable assurance that the objectives of our disclosure control system were met.

#### **Changes in Internal Control Over Financial Reporting.**

There have been no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2025, 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.**

From time to time, the Company may become involved in legal proceedings or be subject to claims arising in the ordinary course of its business. The Company is not presently a party to any legal proceedings that, if determined adversely to it, would individually or taken together have a material adverse effect on its business, operating results, financial condition, or cash flows. Regardless of the outcome, litigation can have an adverse impact on the Company because of defense and settlement costs, diversion of management resources and other factors.

### **Item 1A. Risk Factors.**

Investing in our securities involves a high degree of risk. You should carefully consider the following risks and the risk factors set forth in our 2024 Annual Report, together with all the other information in this Quarterly Report on Form 10-Q, including our condensed consolidated financial statements and notes thereto. If any of the following risks actually materialize, our operating results, financial condition and liquidity could be materially adversely affected. The following information updates, and should be read in conjunction with, the information disclosed in Part I, Item 1A, "Risk Factors," contained in our 2024 Annual Report. Except as disclosed below, there have been no material changes from the risk factors disclosed in our 2024 Annual Report.

***The Company has not generated a significant amount of net income and it may not be able to sustain profitability in the future.***

As reflected in the condensed consolidated financial statements, the Company recorded a net loss attributable to common shareholders of \$708,971 for the six months ended June 30, 2025, and net income attributable to common shareholders of \$523,214 for the year ended December 31, 2024. As of June 30, 2025, the Company had cash of \$611,323, marketable securities of \$10,510,179, and working capital of \$12,078,754. There can be no assurance that the Company will continue to generate income in the future.

***The Company may incur costs in connection with strategic transactions that do not ultimately close.***

The Company may pursue capital structure simplification, including warrant repurchases, in anticipation of strategic transactions. If such transactions do not proceed to definitive agreement or closing, these efforts may still result in non-recurring legal, advisory, and administrative costs, which could impact near-term financial results.



***We cannot be assured that we will be able to maintain our listing on the Nasdaq Capital Market.***

Our securities are listed on The Nasdaq Capital Market, a national securities exchange. We cannot be assured that we will continue to comply with the rules, regulations or requirements governing the listing of our common stock on The Nasdaq Capital Market or that our securities will continue to be listed on Nasdaq Capital Market in the future. If Nasdaq should determine at any time that we fail to meet Nasdaq requirements, we may be subject to a delisting action by Nasdaq.

On January 18, 2024, Nasdaq notified the Company that due to the passing of Mr. Hoffman, a member of our Board of Directors and member of our Audit Committee, the Company was no longer compliant with Nasdaq's audit committee requirements as set forth in Rule 5605(c)(2)(A) of the Nasdaq listing standards. Nasdaq further notified the Company that, consistent with Rule 5605(c)(4) of the Nasdaq listing standards, Nasdaq provided the Company a cure period in order to regain compliance until the earlier of the Company's next annual meeting of shareholders or December 30, 2024 or, if the next annual meeting of shareholders is held before June 27, 2024, then the Company must provide evidence of compliance no later than June 27, 2024.

On April 2, 2024, the Company received a letter (the "Notification Letter") from Nasdaq stating that, based on the information regarding the appointment of Nancy M. Stallone, CPA to the Company's Board of Directors and Audit Committee, Nasdaq has determined that the Company complies with the Audit Committee requirement for continued listing on The Nasdaq Capital Market set forth in Listing Rules 5605(c)(2), which requires that the Company maintain an audit committee of at least three members, each of whom must meet specified criteria, including certain independence criteria. Accordingly, the Nasdaq staff has determined that the Company has regained compliance with Nasdaq Listing Rule 5605(c)(2) and has indicated that the matter is now closed.

If Nasdaq delists our securities from trading on its exchange at some future date, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our securities;
- reduced liquidity with respect to our securities;
- a determination that our common stock is a "penny stock" which will require brokers trading in our common stock to adhere to more stringent rules, possibly resulting in a reduced level of trading activity in the secondary trading market for our common stock;
- a limited amount of news and analyst coverage for our company; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

***Upon exercise of the Company's outstanding options or warrants, the Company will be obligated to issue a substantial number of additional shares of common stock which will dilute its present shareholders.***

The Company is obligated to issue additional shares of its common stock in connection with any exercise or conversion, as applicable, of its outstanding options, warrants, and shares of its convertible preferred stock. The exercise of warrants or options will cause the Company to issue additional shares of its common stock and will dilute the percentage ownership of its shareholders. In addition, the Company has in the past, and may in the future, exchange outstanding securities for other securities on terms that are dilutive to the securities held by other shareholders not participating in such an exchange.

***The pendency of the Divestiture may adversely affect DSC's business, financial condition and results of operations.***

Uncertainty about the effect of the Divestiture on employees, customers and other parties, may have an adverse effect on DSC's business, financial condition and results of operations, regardless of whether the Divestiture is completed, and may have an adverse effect on DSC's business, financial condition and results of operations if the Divestiture is completed. These risks include the following, all of which could be exacerbated by a delay in the completion of the Divestiture:

- the impairment of our ability to attract, retain and motivate current and prospective employees, including key personnel;
- the diversion of significant time and resources of DSC's management;
- difficulties maintaining relationships with DSC's customers and other business partners;
- delays or deferments of certain business decisions by DSC's customers and other business partners;
- DSC's inability to pursue alternative business opportunities or make appropriate changes to the Business because of requirements in the Purchase Agreement that it conduct the Business in all material respects in the ordinary course of business consistent with past practice and not engage in certain activities prior to the completion of the Divestiture;
- any litigation concerning the Divestiture and related costs; and
- the incurrence of significant costs, expenses and fees for professional services and other transaction costs in connection with the Divestiture.

***Failure to consummate the Divestiture within the expected timeframe or at all could have a material adverse impact on DSC's business, financial condition and results of operations.***

There can be no assurance that the Divestiture will occur within the expected timeframe or at all. Consummation of the Divestiture is subject to specified conditions, including:

- the accuracy of the representations and warranties of the parties and compliance by the parties with their respective obligations under the Purchase Agreement, in each case subject to certain materiality qualifiers;
- DSC's receipt of shareholder approval;
- the absence of any law or order in effect that prevents, makes unlawful or prohibits the consummation of the Divestiture;
- the absence of any material adverse effect on CloudFirst Delaware and DSC, taken as a whole, or the Business, in each case subject to certain exceptions; and
- the acceptance of employment from the Purchaser or its affiliates by 85% of the employees of the Business, including the Key Employees.

DSC cannot provide any assurances that these conditions will be satisfied in a timely manner or at all or that the Divestiture will occur. For additional information regarding the specified conditions to the closing of the Divestiture, see the section of the definitive proxy statement on Schedule 14A filed by the Company with the SEC on August 7, 2025 (the "2025 Proxy Statement") entitled "*The Divestiture—General Description of the Divestiture and the Purchase Agreement—Conditions to the Closing of the Divestiture.*" In addition, the Purchase Agreement contains certain termination rights and, in certain circumstances, termination fees. For additional information regarding these termination rights and fees, see the sections of the 2025 Proxy Statement entitled "*The Divestiture—General Description of the Divestiture and the Purchase Agreement—Termination Rights; and —Termination Fees.*" The occurrence of any event that could give rise to termination of the Purchase Agreement could delay or prevent the Divestiture from occurring at all.

***The Purchase Agreement limits DSC's ability to pursue alternatives to the Divestiture.***

The Purchase Agreement contains provisions that make it more difficult for DSC to sell its assets or engage in another type of acquisition transaction with a party other than the Purchaser. These provisions include a non-solicitation provision, which generally prohibits DSC's solicitation of third-party proposals relating to an acquisition (an "Acquisition Proposal") and restricts its ability to furnish non-public information to, or participate in any discussions or negotiations with, any third party with respect to any Acquisition Proposal, subject to certain limited exceptions. In addition, the Purchaser has an opportunity to modify the terms of the Divestiture in response to any competing acquisition proposals before the Board may withdraw or change its recommendation with respect to the Divestiture. Upon the termination of the Purchase Agreement to pursue an alternate transaction, including in connection with a "superior proposal," DSC will be required to pay \$1,200,000 as a termination fee. These provisions could discourage a potential third-party acquirer from considering or proposing an acquisition transaction, even if such potential third party acquirer would be prepared to pay a higher price than what would be received in the Divestiture, or propose to acquire DSC's entire company. These provisions might also result in a potential third-party acquirer proposing to pay a lower price than it might otherwise have proposed to pay because of the added expense of the termination fee that may become payable. If the Purchase Agreement is terminated and DSC determines to seek another purchaser, it may not be able to negotiate a transaction with another party on terms at least comparable to the terms of the Divestiture.

***DSC may be the target of securities class action and derivative lawsuits which could result in substantial costs and may delay or prevent the Divestiture from being completed.***

Securities class action lawsuits and derivative lawsuits are often brought against companies that have entered into agreements similar to the Divestiture involving a sale of a line of business or other business combinations. In addition, DSC may be subject to private actions, collective actions, investigations, and various other legal proceedings by shareholders, customers, employees, competitors, government agencies, or others. Even if the lawsuits are without merit, defending against these claims can result in substantial costs, damage to DSC's reputation, and divert significant amounts of management time and resources. If any of these legal proceedings were to be determined adversely to DSC, or DSC were to enter into a settlement arrangement, it could be exposed to monetary damages or limits on its ability to operate its business, which could have an adverse effect on DSC's business, liquidity financial condition, and operating results. Additionally, if a plaintiff is successful in obtaining an injunction prohibiting the closing of the Divestiture, then that injunction may delay or prevent the Divestiture from being consummated, which may adversely affect DSC's business, financial position and results of operation. As of the date of the 2025 Proxy Statement, DSC was not aware of any securities class action lawsuits or derivative lawsuits having been filed in connection with the Divestiture.

***DSC's executive officers and non-employee directors may have interests in the Divestiture that may differ from, or are in addition to, the interests of DSC's shareholders.***

DSC's executive officers and non-employee directors may have interests in the Divestiture that may be different from, in addition to, or in conflict with, the interests of its shareholders. These interests and arrangements may create potential conflicts of interest. For example, as a condition to the closing of the Divestiture, Harold Schwartz, DSC's President, must accept an offer of employment with NewCo or its affiliates. For more information, see the section of the 2025 Proxy Statement titled "*The Divestiture — Interests of Certain Persons in the Divestiture.*" The Board was aware of and considered these interests, among other matters, in reaching the determination to approve the terms of the Purchase Agreement and in recommending that DSC's shareholders vote to approve the Divestiture Proposal.

***DSC has incurred and will continue to incur significant expenses in connection with the Divestiture, regardless of whether the Divestiture is completed.***

DSC has incurred and will continue to incur significant expenses related to the Divestiture. These expenses include, but are not limited to, financial advisory and opinion fees and expenses, legal fees, accounting fees and expenses, certain employee expenses, consulting fees, filing fees, printing expenses and other related fees and expenses. Many of these expenses will be payable by DSC regardless of whether the Divestiture is completed.

***Failure to complete the Divestiture could cause DSC's stock price to decline.***

The failure to complete the Divestiture may create doubt as to the value of the Business and about DSC's ability to effectively implement its current business strategies and/or a strategic transaction, which may result in a decline in DSC's stock price.

***The Divestiture may be a Fundamental Transaction under certain outstanding warrants which may trigger a payment requirement by us.***

As of June 30, 2025, DSC has issued 2,415,860 warrants to purchase shares of Common Stock. The holders of warrants to purchase 1,031,250 shares of Common Stock issued in a private placement offering consummated in July 2021 (the "July 2021 Warrants"), will be entitled at their option, within 30 days after the closing of the Divestiture, assuming the Divestiture is considered a Fundamental Transaction pursuant to the terms of the July 2021 Warrants, to require DSC to purchase such warrants from the holder thereof by paying to such holder an amount of cash equal to the Black Scholes Value, as such term is defined in the July 2021 Warrants, of the remaining unexercised portion of its July 2021 Warrant on the date of the closing of the Divestiture.

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

*(a) Unregistered Sales of Equity Securities*

There were no unregistered sales of the Company's equity securities during the period ended June 30, 2025, that were not previously reported in a Current Report on Form 8-K.

*(b) Use of Proceeds*

Not applicable.

*(c) Issuer Purchase of Equity Securities*

None.

**Item 3. Defaults Upon Senior Securities.**

There were no defaults upon senior securities during the period ended June 30, 2025.

**Item 4. Mine Safety Disclosures**

Not Applicable.

**Item 5. Other Information.**

During the three months ended June 30, 2025, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

## Item 6. Exhibits.

Exhibit No.	Description
3.1	<a href="#"><u>Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form SB-2 (File No. 333-148167) filed on December 19, 2007).</u></a>
3.2	<a href="#"><u>Certificate of Amendment to Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 333-148167) filed on October 24, 2008).</u></a>
3.3	<a href="#"><u>Certificate of Amendment to Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 333-148167) filed on January 9, 2009).</u></a>
3.4	<a href="#"><u>Bylaws (incorporated by reference to Exhibit 3.2 to the Registrant's Registration Statement on Form SB-2 (File No. 333-148167) filed on December 19, 2007).</u></a>
3.5	<a href="#"><u>Amended Bylaws (incorporated by reference to Exhibit 3.2 to Form 8-K (File No. 333-148167) filed on October 24, 2008).</u></a>
3.6	<a href="#"><u>Form of Certificate of Amendment to the Articles of Incorporation (incorporated by reference to Appendix A to the Information Statement on Schedule 14C (File No. 001-35384) filed with the Securities and Exchange Commission on March 8, 2021).</u></a>
3.7	<a href="#"><u>Form of Certificate of Correction to the Certificate of Amendment to the Articles of Incorporation dated October 7, 2008 (incorporated by reference to Appendix C to the Information Statement on Schedule 14C (File No. 001-35384) filed with the Securities and Exchange Commission on March 8, 2021).</u></a>
3.8	<a href="#"><u>Form of Certificate of Validation and Ratification of the Certificate of Correction to the Certificate of Amendment to the Articles of Incorporation dated October 7, 2008 (incorporated by reference to Appendix C to the Information Statement on Schedule 14C (File No. 001-35384) filed with the Securities and Exchange Commission on March 8, 2021).</u></a>
3.9	<a href="#"><u>Form of Certificate of Correction to the Certificate of Amendment to the Articles of Incorporation dated October 16, 2008 (incorporated by reference to Appendix D to the Information Statement on Schedule 14C (File No. 001-35384) filed with the Securities and Exchange Commission on March 8, 2021).</u></a>
3.10	<a href="#"><u>Form of Certificate of Validation and Ratification of the Certificate of Correction to the Certificate of Amendment to the Articles of Incorporation dated October 16, 2008 (incorporated by reference to Appendix D to the Information Statement on Schedule 14C (File No. 001-35384) filed with the Securities and Exchange Commission on March 8, 2021).</u></a>
3.11	<a href="#"><u>Form of Certificate of Correction to the Certificate of Amendment to the Articles of Incorporation dated January 6, 2009 (incorporated by reference to Appendix E to the Information Statement on Schedule 14C (File No. 001-35384) filed with the Securities and Exchange Commission on March 8, 2021).</u></a>
3.12	<a href="#"><u>Form of Certificate of Validation and Ratification of the Certificate of Correction to the Certificate of Amendment to the Articles of Incorporation dated January 6, 2009 (incorporated by reference to Appendix E to the Information Statement on Schedule 14C (File No. 001-35384) filed with the Securities and Exchange Commission on March 8, 2021).</u></a>
3.13	<a href="#"><u>Form of Certificate of Correction to the Certificate of Amendment to the Articles of Incorporation dated June 24, 2009 (incorporated by reference to Appendix F to the Information Statement on Schedule 14C (File No. 001-35384) filed with the Securities and Exchange Commission on March 8, 2021).</u></a>
3.14	<a href="#"><u>Form of Certificate of Validation and Ratification of the Certificate of Correction to the Certificate of Amendment to the Articles of Incorporation dated June 24, 2009 (incorporated by reference to Appendix F to the Information Statement on Schedule 14C (File No. 001-35384) filed with the Securities and Exchange Commission on March 8, 2021).</u></a>
3.15	<a href="#"><u>Certificate of Designations, Preferences and Rights of Series A Preferred Stock of Data Storage Corporation (incorporated by reference to Appendix F to the Information Statement on Schedule 14C (File No. 001-35384) filed with the Securities and Exchange Commission on March 8, 2021).</u></a>
3.16	<a href="#"><u>Amendment to Bylaws (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K (File No. 001-35384) filed with the Securities and Exchange Commission on May 6, 2024).</u></a>
31.1*	<a href="#"><u>Certification by the Principal Executive Officer of Registrant pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a) or Rule 15d-14(a)).</u></a>
31.2*	<a href="#"><u>Certification by the Principal Financial Officer of Registrant pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a) or Rule 15d-14(a)).</u></a>
32.1*	<a href="#"><u>Certification by the Principal Executive Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
32.2*	<a href="#"><u>Certification by the Principal Financial Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
101.INS	XBRL Instant Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

\* Filed herewith.

## 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: August 14, 2025

### DATA STORAGE CORPORATION

By: /s/ Charles M. Piluso

Charles M. Piluso

Chief Executive Officer

(Principal Executive Officer)

Date: August 14, 2025

By: /s/ Chris H. Panagiotakos

Chris H. Panagiotakos

Chief Financial Officer

(Principal Financial and Accounting Officer)

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**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
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 quarterly 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. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and 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 our 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 registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - 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 controls over financial reporting.

Date: August 14, 2025

By: /s/ Charles M. Piluso  
Charles M. Piluso  
Chief Executive Officer  
(Principal Executive Officer)

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**CERTIFICATION OF PRINCIPAL ACCOUNTING OFFICER  
PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Chris Panagiotakos, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Data Storage Corporation;
2. Based on my knowledge, this quarterly 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. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and 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 for the period during 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 our 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 registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our 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 functions):
  - 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.

Date: August 14, 2025

By: /s/ Chris H. Panagiotakos  
Chris H. Panagiotakos  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF  
THE SARBANES-OXLEY ACT OF 2002**

In connection with this Quarterly Report of Data Storage Corporation (the “Company”), on Form 10-Q for the period ended June 30, 2025, as filed with the U.S. Securities and Exchange Commission on the date hereof, I, Charles M. Piluso, Chief Executive Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) Such Quarterly Report on Form 10-Q for the period ended June 30, 2025, 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 June 30, 2025, fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2025

By: /s/ Charles M. Piluso  
Charles M. Piluso  
Chief Executive Officer  
(Principal Executive Officer)

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF  
THE SARBANES-OXLEY ACT OF 2002**

In connection with this Quarterly Report of Data Storage Corporation (the “Company”), on Form 10-Q for the period ended June 30, 2025, as filed with the U.S. Securities and Exchange Commission on the date hereof, I, Chris Panagiotakos, Chief Financial Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) Such Quarterly Report on Form 10-Q for the period ended June 30, 2025, 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 June 30, 2025, fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2025

By: /s/ Chris H. Panagiotakos  
Chris H. Panagiotakos  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

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